

Dear Silicon Valley: America hates you

Posted by [Ross Baird \(@rossbaird\)](#)

•



[Ross Baird](#) Contributor

Ross Baird is the founder and executive director of [Village Capital](#).

More posts by this contributor:

- [Why this investor is ditching Demo Days](#)
- [The Chan-Zuckerberg Initiative May Be More Important Than Facebook](#)

Dear Silicon Valley,

You used to be the envy of the world. Over the last decade I've seen countless cities try to become you, from [the Silicon Savannah to the Silicon](#)

Bayou.

At last year's Global Entrepreneurship Summit on Stanford's campus, hundreds of entrepreneurs from Mongolia to South Sudan came to listen to President Obama and Mark Zuckerberg and get a touch of your magic fairy dust. The American Dream — anyone with an idea, a garage and a good work ethic can build a great company — might as well have been born in your backyard. I admire your innovation, openness, creativity and all you stand for.

In case you haven't noticed, though, you've changed from hero to villain. You're too expensive and exclusive for the rest of the world: The garages that gave us Hewlett-Packard and Google now cost millions of dollars. You've moved from icon to joke — the show that bears your name is a cringe-worthy, true-to-life satire.

You're churning out companies that are raising hundreds of millions of dollars, and going bankrupt in literal satires of themselves: a \$700 million blood-testing company that never had any actual results; a \$120 million juicer with packets that can actually be squeezed by hand.

Now Fast Company is declaring the end of the public's "love affair" with the Silicon Valley ideal, and everyone from socialist Bernie Sanders to hard-right Steve Bannon is calling for your biggest companies to be heavily regulated, and your reputation is fast approaching that of Wall Street (which used to have a good reputation, too).

Here are a few places that you went wrong — and what you can do to fix it.



Courtesy of HBO and “Silicon Valley”

Your ideas are only as good as the people in the room. And your door is shut to most people.

As evidenced by the major backlash over the recent launch of a company called Bodega — where the founders and investors genuinely didn’t understand why the name was problematic — you don’t always have the best handle on how your ideas will be received outside of the Silicon Valley bubble. You’ve got major blind spots.

Why might this be? Face the facts: When Silicon Valley investors are considering new ideas, you don’t have very many different perspectives around the table. More than 90 percent of the decision-makers in the venture capital industry are white men.

You’ve known this is a problem for a while, but haven’t done anything to fix it: Less than 5 percent of the new ideas that get funding are founded by women, and less than 1 percent of venture funding goes to Latinos and African-Americans.

You’ve concentrated capital in the hands of a few people (nearly all white guys) who have huge power to determine which people, places and industries get funding. And your decision-makers are often (unintentionally) overlooking ideas that come from people who aren’t like them, which exacerbates gender, racial and geographic divides in our

country. Much worse, this financial privilege creates power dynamics that lead to too-frequent cases of [investors sexually harassing founders](#) or [tone-deaf ideas like Bodega](#).



Image courtesy of Bryce Durbin

Your rainforest of innovation has turned into a factory farm.

Silicon Valley, perhaps your greatest achievement is that you've built a community where the little guy could build a great company to disrupt the establishment. Silicon Valley's innovation engine has been driven by the creation of iconic companies — HP, Intel, Apple, Google, Facebook — that took on bigger competitors.

But that's changing. In his famous book *Zero to One*, Peter Thiel writes, "Competition is for losers. Be a monopoly." And that philosophy has come to prevail — the average venture capitalist would say that in a portfolio of 20, they are OK with 19 losers and one grand slam. Follow that to its logical conclusion: for every billionaire Peter Thiel, Silicon Valley, you're OK with 19 broke people. It's no wonder that inequality is at a 100-year high, entrepreneurial activity is at a 40-year low and eight men control half the world's wealth.

Over the past 15 years, big has crushed little in Silicon Valley, to an increasing degree. The former giant-slayers like Apple and Google have become giants themselves, shutting out or buying up new entrants.

The worst of it: you're even controlling which ideas get out there — as we saw when Google chairman Eric Schmidt complained to the New America Foundation for criticizing the company's monopolistic practices. [The entire team got fired.](#)

In short, your present leaders are cannibalizing your future. If a startup is raising money today, one of the first questions they'll be asked is, "What's your exit strategy?" Specifically, that means, "Whom among Google, Facebook and a few other companies will acquire you?" A few tech giants are dictating which problems founders want to work on, and how we'll solve them.

The result? You haven't produced a new firm that has cracked the world's top 200 since Facebook's founding in 2003.



Your insulation makes tomorrow's problems harder to solve.

Your leaders are increasingly coming from a narrower group of universities, companies and socioeconomic classes. Your companies are now solving “my-world problems” (food delivery, cold-pressed on-demand juice) versus the “real-world problems” you used to solve (getting affordable computers in the hands of everyone; inventing the internet). Your solutions literally create the script for a satire show on HBO — and you don’t see what a big problem it is.

And because of the first problem — the lack of new ideas in the room — you don’t know how to solve this. Your best idea for social inequality: universal basic income, where the wealth of the billionaires will continue to grow, but don’t worry, the rest of the serfs (who are otherwise unable to do any work!) will receive a daily stipend.

To you, in the words of one Silicon Valley investor, this seems like “the only logical conclusion.” To the average person, this seems like the height of arrogance. People are uncomfortable with universal basic income because you’re essentially saying their labor isn’t worth anything — but you don’t see it!

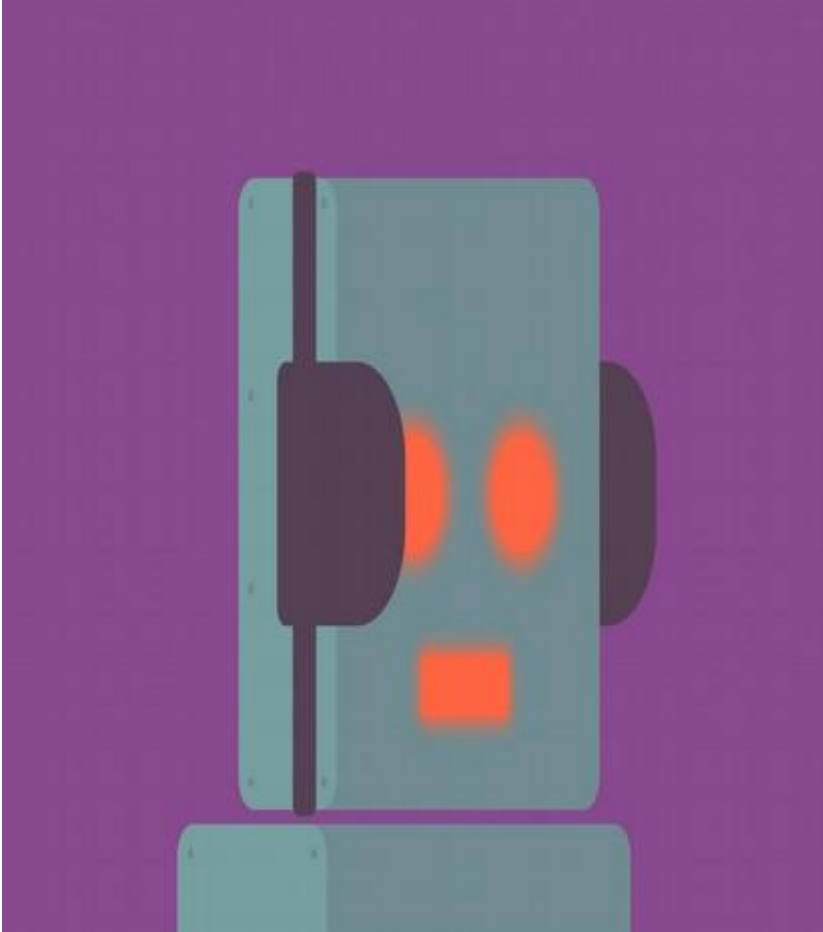


Image courtesy of Bryce Durbin

So, what can you do about it?

Maybe I was a little harsh on you when I said you didn't see any of this happening: We've seen the beginnings of conversations around diversity and inclusion, and mea culpas have recently been flying out of your board rooms as fast as rejection e-mails.

So now that you're paying attention, what can you do? Here are a few ideas:

Put as much attention into finding founders as you do deal flow. Your leaders talk a lot about investing in diverse companies; well, that won't be easy unless you invest in the infrastructure to find them. We spend billions of dollars to make sure that the best high school and college athletes have

their shot at the pros; why don't we do the same for entrepreneurs? Instead of asking entrepreneurs for a "warm introduction," build technology that actively encourages cold calls and outreach from founders — and can help them.

(I'm particularly inspired by a firm, Backstage Capital, that intentionally invests in what founder Arlan Hamilton calls under-estimated founders; one of their metrics of success is the percentage of cold-emails that they fund.)

Create conditions for the little guy to thrive. Think about *how* you invest as well as *what* you invest in. There's a real problem with equity investing as a one-size-fits-all model in Silicon Valley; explore alternate models like revenue-sharing, which encourages companies to build for lasting success, not acquisition ([more on that here](#)). Or make sure that your unprecedented prosperity is actually shared among the employees. From New Belgium Brewing to Chobani, there are stories across the country of billion-dollar unicorns where employee ownership is shared broadly, helping janitors and factory workers create wealth alongside management.

Recognize that business and society are together — not in separate worlds. You're full of incredibly generous philanthropists. But the market value of just two companies — Google and Facebook — is more than all the charitable foundations in the world. You need to help lead society in your day job, not just at fundraisers and thought leadership conferences. For all the lip service that Silicon Valley has given to "changing the world," when ProPublica tried to buy targeted ads for "Jew haters," Facebook didn't question whether this was good, or right — they asked them how they'd like to pay for it.

You own the platforms that dominate consumer behavior, and the data that can determine people's retirements, relationships and decisions — you need to ask "is this the right thing to do?" as often as you ask "what is monetizable?" How can you help small businesses and entrepreneurs thrive as much as they used to 40 years ago? How can you help local journalists keep citizens informed and governments accountable? You've connected

society — how can you help us be more resilient and sustainable in the face of a dramatically shifting climate?

I'm encouraged by some early steps. Facebook, for example, is launching a pilot to help local journalism (though I'd go a hundred times further and enable success for all kinds of local businesses). PayPal has used its massive platform and data advantage to lend an incredible \$2 billion to small businesses in the last two years — more than most banks. But that's just a tiny fraction of the talent and resources in the Valley.

Silicon Valley, there's still time to regain your image as a positive force in America and the world. Just don't wait until it's too late.