Fear Loathing in Redwood City

MIKE RAINONE, Co-Founder, PCDworks

By MIKE RAINONE, Co-Founder, PCDworks [1]

In a previous column [2], I mentioned that our spin-off company, Active Water Sciences [3] (AWS), was a runner up in the environmental category for the Wall Street Journal's (WSJ) 2010 Technology Innovation Awards. As part of that recognition, we were allotted three passes to the FASTech [4] conference in Redwood City, CA — an event that coincided with the WSJ awards celebration.

As the head of AWS, I was obligated to attend, despite my fundamental belief that I am too damn ugly to associate with the beautiful people of CA. I was convinced no one would pay attention to me, a rather dumpy old man in a land where the svelte and young prevail. As it turns out, my self-fulfilling prophecy held true, but for reasons I had not anticipated.

It turns out the real issue for this crowd is the fact that we make things that are bigger than an iPad, and more importantly, our primary activity is not software, not iPhones, not HDMI baubles; nor are we designing yet another application or social media/sales platform, it is rather that we clean wastewater [5].

The fact that our technology can reduce the incidence of waterborne diseases, save lives, and reduce human misery seemed fairly irrelevant in joyous CA, a land of beauty and abundant granola. What is important these days — from what I could tell from the venture capital (VC) part of the conference — is sizzle, and I knew from the get-go that wastewater would not sizzle.

Let me stop for a moment and say that the Wall Street Journal folk were very decent. They were encouraging and seriously intrigued by what the environmental

category winners were doing with technology.

As for the rest of the crowd, it was disturbing to observe what appeared to be a total lack of awareness of the bigger picture. The preoccupation, bordering on obsession, with what they define as “technology” really costs all of us. In the minds of the svelte and young, it seems technology is only information technology: iPods, iPads, laptops, displays, and cell phones ad nauseam.

The concept of technology that you and I might define as the real iron that once drove this country — motors, valves, machinery, presses — that stuff that required the skills of engineers and craftspeople in this country to design and build, never seemed to cross the minds of the beautiful.

I suppose that is the root of the problem. The technology being discussed, software and cell phones and the like, is engineered and built overseas. The software is outsourced to India and the electronics built in China. We as a society pay for these products, most of which seems to have become critical for our very existence, but only the beautiful few, the VCs and the already rich folks who fund the development, make any money from it. The rest of us simply buy and watch our hard earned dollars dance offshore.

Symptomatic of this whole morass were the “discussions” I sat through by the various VC wunderkinder. The self-indulgent, self-aggrandizing spew from these genii left me in complete despair. I knew at that point that if we are depending on these kinds of thought leaders to lead us back to a national recovery and renaissance, we are in deep, um, wastewater, and it is not the kind that AWS can clean up.

The VC community often rails at the idea of paying their fair share of taxes, claiming that they create jobs through their investments. After this experience, however, I am convinced that this is delusional nonsense. Their preferred investment creates nothing but personal wealth and overseas jobs.

Let’s face it; IT is not going to lead to new, innovative jobs for the middle class. The middle class is made up of low- and mid-level managers. The Indians do not need our managers; the Chinese have more engineering students in college than we have in total university enrollment, and no nation needs trained craftsmen if it doesn’t make anything.

In addition, while these tech folk all talk about innovation, let us finally disabuse ourselves of the ridiculous notion that we can innovate ourselves, or our small businesses, out of this mess. A small business is less than 500 people according to the government, and they are of every possible category from auto repair shops to zoological supplies.

Most companies wouldn’t know how to innovate if the opportunity wandered up to bite them on the leg — it is simply not within their purview. Really, how likely is a flower merchant to develop breakthrough innovation and create 100 new middle class manufacturing jobs? Small business owners produce jobs by selling or buying

innovation.

There are a few of us out here who dabble in (real) technology innovation, but we are few and far between. Big businesses are no longer inclined to put money into innovation, but rather they are interested in scouring below the branches, shaking the tree, waiting for the low hanging fruit to fall, not realizing that the only tree to bear fruit is the one that is fertilized. Everything we have done in this country in the past thirty years is look for new ways to shake the tree without helping it to produce fruit.

Everything that produces the nutrients for the tree of innovation in this country has been short changed. Our technical educational system has failed; our banking system is inaccessible; trade and commerce is distorted by free trade agreements that skirt American standards (environmental and worker safety); and our hunger for quick quarterly corporate profits keeps us from investing in messy innovation. When we happen to innovate, we often have to turn offshore to find manufacturing.

Perhaps this CA trip was the real wake up call. I finally realized that the cards are stacked against us. As long as our moneyed elite are preoccupied and insistent on funding trinkets primarily designed and manufactured offshore — and we remain willing to buy such trinkets — our national stock will continue to fade.

At the end of the day that may be just the way this post-capitalist, global-economic system is supposed to work. If that's the case, hang on to your job at Wal-Mart. Pretty soon they will be the highest paying jobs most Americans can find.

Footnote: I know that I'm painting a pretty dire picture, but I did it on purpose. Next month, after I return from Europe, I promise to write about some of the things folks are doing both here and the EU to salvage this mess. I would welcome rational argument and ideas from y'all.

Mike Rainone is the co-founder of PCDworks, a technology development firm specializing in breakthrough product innovation. For more information, please contact him at mrain1@pcdworks.com [6] *and visit www.pcdworks.com* [1]*.*

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