



## ***"The Political Goals, Organization, and Money of High Tech Industry"***

Comments by  
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The first thing I have to say, before launching into some observations on the political goals, organization, and money of high tech is that the term "high-tech," which was loose to begin with, is really not adequate to describe what has become far more than a single industry.

Depending on who you're talking with, "high-tech" can refer to huge 20-year old software corporations that provide the back-office functioning for finance, government and the Old Economy; to 3-month old Internet startups with 19 employees; to biotechnology ventures; to pornographic Web magazines or online pet food stores; to venture capital firms; to chip manufacturers, Internet service providers, nanotech engineering firms, and skateboard sites. And all of them are wildly competitive with one another. That construct is not sustainable, so what I'm going to do is talk about a relatively small sector of high-tech, one based mostly in the Silicon Valley, that's heavy on young entrepreneurs and some venture capitalists, who I followed around from 1996-2000, when I was writing my book on the Democrats and Silicon Valley, called *How to Hack a Party Line*. I want to talk about this sector's potential for impact on politics, but first some background on goals, organization and money.

I'd generally characterize the political identity of this group as pro-business, pro-choice, pro-trade, pro-immigration, anti-union, anti-regulatory, and anti-tax. This is a group that believes in innovation, risk-taking, speed, and efficiency: furthermore, they believe that the values of their brand of capitalism are applicable to society in general. They're not modest about their impact on the country: In 1996, when I started hanging out with them in the Valley, there was a widespread belief in the myth about the "revolution" their businesses were creating; they were convinced that the future they were bringing about would unambiguously change the entire world for the better. Yet few of them had any political affiliation: when you're sleeping under your desk, you don't have time for politics.

Early on, however, the centrist democrats of the DLC and NDN began courting them, with an eye toward replacing support from labor - a shrinking sector of the economy - with support from new economy businesses. This was a radical idea, to turn the Democratic Party into the party of business, and we can talk later about why it didn't entirely work. But the cultural stance of the New Democrats, at least,

resonated well with the Valley boys: These are not Chamber of Commerce Republicans: they're young, they wear Gore-Tex hiking boots, their girlfriends have abortions, they don't want the Ten Commandments posted on the exposed brick walls of their startups. On the other hand, as George W Bush discovered this year, the Valley is still anxious about the spectre of big government, taxes, and regulation: by distancing himself rhetorically from his right wing, just as Gore was symbolically embracing his populist roots, the Republicans could swing a large number of New Economy entrepreneurs into the compassionate arms of the GOP.

What I saw from 1996 to maybe the end of 1997 and early 1998 were forms of political organization that were new and very personalized. They tended to follow the lines of existing networks created by different venture capital firms. The second-biggest donor to Gore's Leadership 98 PAC, for example, was a group from Silicon Valley: not because Gore did concentrated industry-wide outreach, but because a few well-connected venture capitalists leaned on their networks of Board members, executives, and companies for donations. Even TechNet, the valley's first PAC, nominally bipartisan though effectively Democratic until 1998, was heavily dependent on the personality of individuals. As high-tech matured - and as the differing, sometimes conflicting agendas of different sectors of the community emerged - high-tech companies began to behave more like Old Economy companies. They hired lawyers. They got government affairs representatives. They got lobbyists working for them, and even formed a few trade associations. From 1996-2000, lobbying by all high-tech companies in Washington increased by 300%, and high-tech's combined political contributions rose from \$8.8 million to \$23.9 million-- still small by standards of other industries, but huge in terms of growth.

As for money, high tech has always had way more potential than actual influence. The final figures for the 2000 elections show that high-tech was fairly evenly split between Democrats and Republicans. While Governor George W. Bush got \$2,954,888 in contributions from high-tech to Gore's \$2,278,274, the Democrats raked in 51% of the industry's overall political contributions and the Republicans 48%. But the cost of being a major donor remained, for techies, absurdly low: as one 31 year old CEO told me, in astonishment, "Politics is the bargain of the century - for \$10 million you could do anything."

For the Valley figures I followed around, what they call the "arbitrage" between the value of money in politics and money in their businesses is the significant thing. Marc Andreessen, for example, is a 30-year old billionaire who wrote the program that became Netscape and basically launched the Internet era. Early this year, Marc gave a quarter of a million dollars to the DNC (he wound up giving a total of around \$405,000) and he told me that he didn't quite get why politicians were so impressed. "In my business," Marc said, "if I just invested \$250,000, people would say I wasn't serious."

This becomes even more interesting when you look at what Silicon Valley has been willing to spend on ballot initiatives instead of

politicians or parties. I think this is a very important trend to look at. Al Gore's old friend the venture capitalist John Doerr of Kleiner Perkins, for example, gave \$297,500 in political contributions this year; yet he and his wife Ann gave \$6 million of their own money (and raised millions more from Doerr's firm) to back a successful measure making it easier to pass local school bonds. His Republican counterpart, venture capitalist Tim Draper of Draper, Fisher, Jurvetson gave the GOP \$91,750. But in a clear statement about his investment priorities, Draper, who called public education "the one last bastion of socialism left in our system," personally poured \$23.4 million into a school voucher initiative that was defeated. But Draper's not done. One explanation for the Valley's relatively low contributions to candidates might have to do with high-tech's professed interest in efficiency and speed: why invest in a Representative who has to take legislation through a long and uncertain process, if you can spend enough money and pass the exact law you want? The industry mantra of "disintermediation," in which technology increases profits by eliminating middlemen, has huge appeal to impatient entrepreneurs who favor a do-it-yourself approach.

This leads me to my final example, which again is as much about symbolism and potential as it is about actual current impact on the political process. PAC.com, a group of less than a dozen friends, all young CEOs, got approval this summer from the FEC to give donations of pre-IPO and newly public stock to politicians, along with cash. These are young Turks who -for now at least-are bored by traditional lobbying efforts and want to hack the political system. And while the idea of donating their pre-IPO stock may have sounded cooler before the recent swings in the market, the fact is that stock options, and the stock market, are an integral part of the New Economy, and they're not going away. Neither, politicians will note, are the young businessmen who are getting involved now in political giving -they have, as one of them bragged to me, "a long tail on their prosperity." PAC.com is just one new instrument, and it coexists with other, older forms of influence. But I believe that when we look at PAC.com, we see the impact not just of actual money but of values- and the future that will develop as politics are drawn more and more into the orbit of the market.

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