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Top VC Doerr apologizes for helping fuel dot-com frenzy

BY TIA O'BRIEN

Mercury News

Silicon Valley's highest-profile venture capitalist, John Doerr, publicly apologized Sunday for his famous statement that characterized the Internet as ``the largest legal creation of wealth in the history of the planet."

The Internet boom that took off in the late 1990s, when he made the statement, has gone bust. And Doerr, the visionary venture capitalist who backed Netscape and Amazon, suggested his description of the Internet as a money machine was wrong.

``I'm here today with something of an apology," he told a gathering of congressional Democrats and technology industry leaders meeting in San Francisco over the weekend.

By billing wealth over innovation, Doerr says, his oft-repeated quote helped fuel a dot-com frenzy that focused more on a ``mercenary" drive to make quick fortunes off Internet start-ups than on incubating businesses with revolutionary technology.

Doerr also offered a bleak prediction Sunday that the nation has entered a technology recession that will last longer and could spread wider than some economists have forecast. Although some have suggested the downturn could ease by the end of this year, Doerr said he was betting on mid-2002.

In his speech Sunday before the New Democrat Network at the Fairmont Hotel, Doerr offered a revised version of his Internet quote. He projected a slide on a screen that described the Internet as ``the largest legal creation (and evaporation) of wealth in the history of the planet."

Despite his apology, Doerr stressed he wasn't backing away from another notable statement he made about the Internet's potential as an engine of innovation.

``I stand by my statement that the Internet was -- and is -- under-hyped," said the venture capital powerhouse, who urged the Democrats to remain believers in the New Economy. ``The sky has not fallen, although valuations have fallen from sky-high," he said, describing start-ups.

Doerr's breakfast speech Sunday capped off the New Democrat Network's fifth annual West Coast retreat, an event designed to educate members of Congress on Silicon Valley issues.

The meeting, attended by 17 congressional Democrats, was co-sponsored by TechNet, the bipartisan political lobbying group co-founded by Doerr.

The venture capitalist, who is a partner of the premier venture capital firm Kleiner Perkins Caufield & Byers, has used his growing political clout to back major candidates, including Al

Gore in his presidential bid.

Throughout the weekend, several prestigious economists and high-tech leaders made predictions about when the economic downturn will ease. Doerr's forecast was the gloomiest.

He bluntly stated that the nation is experiencing a technology recession that has spread to Europe and Asia and could spark a broad-based recession throughout the general economy.

Doerr contended that companies are overreacting to bad economic news, and, partly as a result, he doesn't expect a turnaround until ``the middle of 2002 with a lot of pain between now and then."

Doerr proposed one possible cure: a one-year write-off for technology investments, as a way of spurring companies that have drastically reduced technology spending. Although many Democrats applauded the idea, they predicted it would be difficult to enact because Congress has just approved the Bush administration's tax cuts.

Looking ahead, Doerr warned that New Economy entrepreneurs must focus on something more than money.

``There's a battle going on for the soul of the entrepreneur," Doerr said. ``It's a contest between missionaries and mercenaries."

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