

Monday, May 19, 2003

BANQUET: WELCOMING REMARKS

MARK ANDERSON PRESIDENT, STRATEGIC NEWS SERVICE
introduced by Bill Janeway, Vice Chairman, Warburg Pincus

Bill Janeway, Warburg Pincus: *[Tapping microphone]* We're live! Good evening. I'm Bill Janeway, and I have the distinct and unsolicited honor of welcoming you to what I think we will all refer to as Mark Anderson's first conference. And I do consider it an extraordinary honor for Mark to have invited me to introduce our host.

In thinking about it, I recalled that deep in Mark's curriculum vitae, and embedded in his intellectual infrastructure, is the study of biology. A generation ago a great British biologist named Richard Dawkins defined the concept of the meme – M, E, M, E – the cultural equivalent of the gene, the unit of cultural evolution which proliferates, evolves, adapts, and carries forward through time the structure of meaning from one culture to another. I think of Mark as the “meme machine.”

We all know his memes; we use them all the time – the pipes guys and the box guys, the Inkwell computer, the world computer... And of course, the reason that we're here is that we are the ecology which Mark has evoked in which these memes evolve, adapt, and advance. He's infected us all, and that's why we're here. So I'm pleased to introduce Mark Anderson, the “meme machine.”

Mark Anderson, Strategic News Service: Wow. It worked. It really worked.

I would like to welcome you all to the very first and probably not the last annual gathering of SNSers. It's a great moment for me, and I hope for all of you. What is an SNSer? Well, you include top officers, generally in finance and technology, all around the world. I think about one-third of us here are from non-U.S. sources, which I'm very, very proud of, particularly in this day. If we were to judge you, which we probably should do, by your Ethermails, you are very, very smart and not too arrogant. *[Laughter]* You are optimistic, but appropriately skeptical. And you are willing to take action when action needs to be taken.

I want to tell you a story. All of you have probably heard various parts of this, but this is a story which embodies for me what SNS really is all about and why it's so different from a lot of things in the same category.

This is the story of Project P.I.R. On 9/11, an SNS friend of mine, Jim Moore, who's here this evening, had invited me to come and testify in D.C. about wireless policy. We had a great deal to say about that. The morning of that day, SNSer Steve Waite had left me a message, and I called him at about 8:45 – and he's here this evening – and he said something like this: “I am looking out the window of my office, and you will not believe what I'm seeing. It *looks* as though a plane flew into one of the Twin Towers. But that couldn't be. So it must be a mistake.” And I had to jump into a cab, I went to the meeting.

At 9:00 I was at a hotel with 30 senators, standing in the lobby of this hotel with about seven TV screens in the bar, in the lounge, and we saw the rest of the story. All of you, of course, are aware of what happened. I can't describe what it was like to be in that particular environment with these people who are great folks – our leaders – watching this happen. Immediately, security was called, and everybody had to disperse. We couldn't be in one room because no one knew what was going to happen next; there were all these rumors about bombs in the State Department and planes going toward the White House, and so forth, and we dispersed too. I was stuck there for about a week, right there a few miles from D.C., until the airports opened up again.

The day after this happened, I got a call on my cellphone from an SNSer. And he said, "Y'know, these bastards probably have wireless communications that we should be tapping into. Why isn't someone from SNS taking care of this?" And I thought, well, that's a good idea. I'm sure it's been thought of, but it's a good idea. And then I had a second good idea: if *this* guy had a good idea, there were probably about 3,000, 4,000, 5,000, whatever the number is, people who are SNSers who would also like to help.

So we got this going. By the time I got home – well, say a week later – we had collected the equivalent of about 300 pages of very intelligent comments about fighting terror – how to do it – from the guys who are running America's technology companies, and the world's technology companies. So we took this, and Sally Anderson, my sister, edited it into a very nice book. We put the book online. We had a version that was classified, for Washington viewing only, and a version that was for public viewing; and we planned to take them back [to D.C.]. I think we made 55 copies – one for every senator and some extra ones, for Tom Ridge and so on. I took these back personally a month later when this wireless meeting was reconvened.

We got there, and of course that was the day that the anthrax attacks began. *[Laughter]* I'm never going to forget that month.

And you couldn't use the mail. People weren't even in their own office buildings – our office building was closed. I had a meeting I was supposed to go to, and we ended up meeting in the cafeteria, the Senate cafeteria. But I was lucky, because thanks to Jim, we actually had physical contact with 30 senators within, like, 12 hours. So we handed these things out, one by one.

The day before, Joe Lieberman had gone on TV and said, "We need the nation's help. We need the help of America's technology companies to tell us how to fight this." And I will never forget walking up to Joe and saying, "Joe, I have this thing for you." He said, "What's that?" And I said, "This is a 250-page book of suggestions from the top technology guys in the United States about how to fight terror. And for a whole 10 seconds he didn't say a word. Then he finally said, "God bless you."

I will never forget that moment. That was what all of you did. And by the way, almost everything in that book has now happened already. If you go back now – it's on the website still, you can go back and read these things – they're now all in place. So I think we have something to be proud of.

This isn't just a newsletter. This is actually more than a community. It's a community of people who are unafraid to take action, and who will take action when it's important. So I thank all of *you* for being the kind of people you are.

Where are you from? Well, everywhere. Sweden South Korea, England, Canada, Australia, the U.S. – even the East Coast [*laughter*] – and we have a statistically disproportionate number of people from Friday Harbor; we have three businesspeople from Friday Harbor, Washington.

The kind of people you are is pretty obvious. You love intellectual pursuit. You're pragmatic, and you're pragmatic about demanding results. You really want to get things done, and you like to have fun. I think that's pretty obvious.

You might say, Why start this thing now? Clearly, we didn't sit down and have a business meeting and say, Let's wait until war, pestilence, terror, and the economy all do the worst thing they could possibly do. [*Laughter*] Which would be this year.

It's worth mentioning that three tech conferences that I know of that are 20-year-long conferences have folded, or at least suspended operations, this year. So it was no mean trick getting this thing to happen. And again, thanks to you, it's happening.

It's really about why you chose to be here. One reason that *I* chose to do this was because – you know, in '95 I could have done this. Every person who had a newsletter had a conference, so it's kind of a no-brainer, you gotta have a conference. The business model is well-proven.

But there were so many of them that it just didn't seem worthwhile. Why waste your time, my time, doing one more conference? So I admittedly didn't think of a very good idea for about seven years. And finally it occurred to me: well, the conference that hasn't been done yet follows pretty closely to SNS. It's a conference of people who are smart, and they're doers, and when they get together, they actually have not a *content-free* conference, which I'm quite used to going to [*laughter*], but a *rich-content* conference, where they will argue, debate, share ideas, and come out with something that they didn't come in with. And when I realized that that was possible to do, and that we could link that with the idea of prediction, then it was easy to figure out how to do this.

Monty Python said, "Do something completely different," and that's what I want to do this week. It isn't difficult to make the case that as the world appears ever more arbitrary, capricious, and volatile, there is ever greater need on the part of officers and directors of corporations to have good information, and particularly good predictive information.

I'd like to take just a couple of minutes and give you a sense of where we are as we sit here tonight, and as we begin this conversation about where we're going.

I often recommend this to friends and clients: that instead of thinking about ourselves right now, think about ourselves as though five years had already passed, and look backwards. So look backwards at where we are tonight, but imagine it's five years from now, and you can then see clearly what happened in those five years. And using that little technique, I did this myself a couple of days ago, and I came up with good news and bad news about our condition now.

I always have the frosting after the cake, so I think that we'll do the bad news first. We'll talk about areas of concern, and then we'll get to the good stuff.

The areas of concern that I've got are pretty simple. First of all, quite obvious, the United States, after experiencing the longest economic expansion in global history, has stumbled. We're situated now in at best a very low-growth economy, and you could easily say that it's punctuated by recessions. We're not sure if that's true yet, but it may well be true.

More worrying than that, it turns out – it appears that the Federal Reserve is using the wrong toolkit. You know, this ever-present ratcheting thing isn't doing anything. And there must be some kind of terror there, at the helm, realizing that there's very little left on the gas pedal, and there's a very long way to get things fixed. I would go further and suggest that probably the Federal Reserve, in a very real sense, has lost control of the U.S. economy.

Third, this stumble that we're experiencing has led to a decline in the value of the dollar. Now our secretary of the treasury has redefined, yesterday, what "strong" means. *[Laughter]* So we can't talk about "strong" today in the same way we would have talked about "strong" yesterday. "Strong" is kinda cool now, but "strong" actually meant a value yesterday. And the combination of this stumble and of a weakened dollar together have led to a decrease in consumption of foreign goods and slowing in the global economy – particularly, of course, in Japan and Europe.

And this brings us to #4: Japanese banks. For all the worrying you've seen me do over these years – I think I stick my neck out pretty, pretty far on this issue – and I've never yet regretted it. So unfortunately, I still am of the opinion that – well, I'll mention one thing from today's newspapers. This morning there was a buyout announced of the #5 bank in Japan by the government. And that, of course, is a real no-no if you know about Japanese banking, but it indicates the severity of the problem.

And that bank itself was a merger of two other banks from just a year ago. So the worst part of the story, if you're an SNS person, is that the real numbers are starting to come out in terms of the undeclared, non-performing bad loans that that bank held. And guess what – they're much, much higher than everyone had been told. So one surmises, is this also not true for the other top four banks in Japan? So I am not only concerned about the banks, but I remain concerned that Japan not only may fall back into a recession, but into a depression.

#5: the core stabilization agreement of Europe is essentially falling apart. This agreement, which is financial, was made in order to share a currency. It is based upon certain ideas about productivity and tax harmonies and an ability to live together as countries with different productivities without the controls, country by country, to make amends for those differences; and it's now falling apart. And we have the #1 and #2 countries in Europe, France and Germany, in their second year of violation, and no clear blue daylight ahead of that. So, for all intents and purposes, it has failed. The Maastricht Treaty, as it began – now it's called the stabilization agreement – isn't working. The countries involved are unable to maintain debt levels where they're supposed to be. And it's getting worse, it's not getting better.

And #6, venture funding for technology startups is as bad as I've ever heard of it being. I know we have a lot of venture folks here tonight. There's a lot of complaining that it's not that bad, or – well, there's a lot of money being spent, but I'm talking about startups in *technology*. I think if you're an entrepreneur – and we have some here this evening – in that mode: good...luck. Getting money for a technology startup has never been harder, I don't think, in my lifetime. So this means, of course, we have fewer tech startups started. We have fewer company formations happening, and that's not a good thing. It's not a good thing for the United States, and it's not a good thing for the world.

That's the cake. Now the frosting: There are reasons for optimism, and true optimism, I think. One is that structural repairs are now being made to the global economy in a way that really matters. And specifically what matters is building a broadband bridge between customers and vendors.

#2: As that happens, Net advertising becomes effective. You remember all the companies that went out of business that were startups because they had that revenue line that said “Net Ads.” Well, that’s coming back. And when that comes back, e-commerce comes back, probably faster than even the most optimistic people would guess today.

#3: That leads itself to market growth in chips, telecom equipment, computers, and communications devices and the goods and services the vendors are so very eager to sell today.

On a different note, we’re discovering something that I think is truly wonderful. The cell itself is the world’s most advanced computer. SNSers know that I love t-shirt designs, and so I’m going to propose a new SNS t-shirt. It’s probably in green, and it has the words “Life: The Ultimate Computer.” That, really, is what I think we’re going to end up discovering. and as we discover that, it will therefore be no accident that using our own manmade computers, together with genomic understanding, will unlock what we have always called “the secrets of life.” And that’s going to make this century unlike any century in the past. I think it will be a scientific discovery on the level of no other that we’ve experienced.

Fifth, the economies of China, South Korea, Russia, and Eastern Europe are surprisingly durable and strong during all this experience we’re having, and that’s a great thing. I think we are seeing a new landscape in terms of economic power. And the bottlenecks that have truly wrecked things before, particularly OPEC, seem increasingly, day by day, totally irrelevant.

So. Did we have goals in putting this all together? Yeah, we had a couple of goals. One goal was this should be the “Must Attend” conference for all of you if you really care about technology markets in the future. This should be *the* conference.

We had a stealth goal, which was once you’ve come here and experienced these three days, this should be the most intellectually challenging and rewarding experience you have all year. So that’s our little stealth thing. We think it’s gonna happen, and probably that’s the *real* reason you’re going to come back here the year after, but you can always write it off as a business expense because the business part is really important too.

And not unimportant, a third goal is we’d like to help you if you find things to do here. So if in the time you’re with each other you find new courses of action, please let me know and we’ll try to make the website and whatever else available to you to get those things launched on their way, introduce you to other people who might be helpful, and so on. I think that that’s the most important part, probably, of what will happen here, and it won’t be happening *here*; it’ll happen after this is all done.

So does FiRe have rules? Oh, yes. FiRe has rules. What are the rules? Well, they’re very simple: No running in the hallways. *[Laughter]* No discussions of theoretical physics or systems genomics until after morning tea. Make sure to take your Emergen-C vitamins every evening and before you fly out of here. And everyone is a Speaker, as long as time allows. I do want to encourage all of you to speak up throughout these programs.

Adjustment to the agenda: we’re doing something called “Looking for Consensus” on Thursday, where if you haven’t had a chance to speak up yet, that’s your moment. We’re going to give you half an hour to do that. We want to make sure people get a chance to be heard. And then we’re going to do something really clever, which we totally did by accident. We’re going to ask you to do a little homework.

So the final rule is, There's homework. We're going to ask you to write about 250 words, having been through this three days, about your personal view about what's going to happen in the technology markets in the next five years. And we're going to take all those comments you make and put them into a book that Sally will edit, and we'll send you the book. So you'll have the benefit not only of seeing what happens here, but hearing the responses of those people who have seen those same things, and see if you agree with them or if they have something special that you haven't thought of yourself.

That's it. I'd like to thank all of our staff. I think they're probably here; you can just raise your hand. We have Sharon Anderson-Morris, Sally Anderson, Susan Schwinge, Scott Schramke, and Birgit Kriete.

Please enjoy yourselves; have a great time. I look forward to seeing each of you, talking to you, sharing ideas with you, and learning something new. Thank you.