

Q: One of the beauties of the Internet is the fact that now everybody can collect intellectual capital from around the globe. It's no longer centralized. Why does it have to be in one place anymore?

Eric Benhamou (Palm): There's something that the Internet has not replaced and has not solved, and that's why Silicon Valley is so essential. There's nothing that can replace the chance-encounter, face-to-face discussion between business-people from slightly different

areas, from slightly different perspectives. You cannot convey passion and excitement even across the high quality of videoconferencing as you can here face-to-face. Serendipity plays a role in creating great ideas. Often these breakthroughs occur in high-spirited meetings between passionate people. You can live 5,000 miles apart and never see each other, these meetings will not occur as often and they will not create the same sparks.

There's been many other attempts around the world

where you try to put the same ingredients together. So you have great research and universities and you have tax breaks on a high-tech corridor and you have a government encouraging investment and so on, and yet, it's at best a pale imitation of Silicon Valley. It's the same thing as being a great chef. You can put the same ingredients in the sauce, but it doesn't come out the same way.

Ray Bingham (Cadence Design Systems): Let me build on that if I may. These chance things happen because there's a cluster of ingredients that are necessary for these businesses to be formed—particularly in an increasingly complex world. If you take a moment and list what the ingredients are that cause this activity to happen in this particular place, and then look where else they all appear together, I think it becomes fairly evident that it's nontrivial. It happens in a few places and is very, very difficult to emulate. You start with intellectual property being generally available. Educational institutions that are producing the highest-caliber people. Laws that protect intellectual capital. The talent, of course. Capital itself, financial capital that comes together right away that is readily available. Some have referred to this as an economic cluster theory. But when the necessary ingredients are all together in one place, there's an ignition that happens.

One of the things that we have looked at in our business around the world is places



We have cycles with downturns. We've had them since 1972, since I started working in this industry. This one is much longer. I think it's much longer because we grew a lot in '99 and 2000. We grew so much and we put so much capacity that today we're shipping so many—we're probably shipping more units than we shipped in 2000, but we're making a lot less money because there's too much competition.



George Perlegos, Atmel