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Finance

Fri, Sep 28, 01

Closing US economic doors will hit technology

In the aftermath of the terrorist attack, the US government is becoming much more insular and restrictive, which bodes ill for the revival of the technology industry

By NIALL MCKAY

It may seem cold-hearted to think about the economic impacts of the attack on United States but, nevertheless, the question remains whether the perpetrators will manage to turn this terrible human tragedy into a devastating economic one. Certainly, so far, the outlook is bad.

Don't listen to the warbling of pundits who say that a war is exactly what is needed to reboot the technology industry and, therefore, the economy, because they fundamentally misunderstand the nature of global markets.

True, it could be argued that the first World War and the second World War did provide an impetus to growth in the post-war eras, but this was because they fostered the growth of international trade.

A war in the Middle East, however, will have precisely the opposite effect. Rather than fostering international trade, it will stifle it. It will close down the movement of people, capital and goods.

Further, those expecting the windfall of extra government cash during a war will be disappointed. The profits from military spending pale in comparison to those of a PC on everybody's desktop or a mobile phone in everybody's hand.

If you're looking for an economic model for war in the Middle East, one should look to Vietnam and not to the second World War.

Understandably, in the aftermath of the tragedy, the US government is beginning to look inwardly, to close its economic and physical doors to the outside world.

Who can blame them for such a reaction?

Still, it's unlikely that such moves will do much to protect the country from those who wish to do harm, and it will reverse the conditions that have fostered the growth of the technology industry and the economy in the past decade.

These conditions are chiefly the free movement of people, capital and goods (particularly intellectual property) into and out of the US.

Last Christmas, I had the good fortune to visit Bell Labs - which developed technologies that gave us telephones, televisions, remote controls, VCRs, radios, stereos, CD players and computers. More than half of its research staff are foreign nationals.

Indeed, in the past couple of decades, anybody with a doctorate and original research in science and technology had little difficulty finding a job in the US.

That way, the country not only benefited from the labours of its citizens but also from the best and brightest that the world had to offer. The same can be said for software development companies that have hired tens of thousands of developers from India, Pakistan, Iran and so on.

There are now plans to make it much more difficult to get such visas and some politicians are even talking about revoking existing visas. Further, law enforcement agencies will be given the power to detain any immigrant indefinitely.

In the past, the US dominance of the technology industry has been helped by the fact that it is extremely easy to set up a company here.

It is easy to import and export goods and services, and to move capital in and out of the country.

Until now it has been a great place to do business. However, the party may be coming to an end.

Contrary to popular belief, the technology industry does not, in reality, owe its birth to a handful of entrepreneurs

in Silicon Valley - although they helped - but rather to the Defence Advanced Research Projects Agency.

If one looks back to all the miracle technologies of the past four decades, it's hard to find one that the agency did not have a hand in creating. It works by funding US research institutions and universities.

For example, the graphical users' interface (Windows and Macintosh), the mouse and the internet all started life as agency research projects.

The deal was that scientists could commercialise the research projects after the agency had taken what it needed for the military.

Now the Defence Advanced Research Projects Agency, like many US government bodies, is reviewing this model. There is little use, some politicians argue, in developing the best military technology if the US's enemies can buy it too.

Finally, perhaps the most significant change will be the new anti-terrorism laws, which are currently on the books.

The US already has extensive eavesdropping capabilities (dubbed Echelon), which can scan the airwaves for key words or voice prints (vocal patterns that are as specific as fingerprints).

The EU has already accused the US of using these capabilities for industrial espionage, as well as national security.

When and if this crisis dies down, such accusations are likely to come to life again.

These are the problems of the current environment. I wish I knew the solution. Certainly, it's unfortunate but it seems that the terrorists who, in many ways, targeted the free market as well as the victims, have managed to spread fear and destruction far beyond the World Trade Centre and the Pentagon.

Although I would consider my self a privacy advocate, I am in favour of increased security measures. I just wish there was some way to guarantee that such measures would be used only to target criminals and terrorists.

Let's hope we don't find ourselves back in some sort of McCarthy era, where the security services could be used to quash political dissent or to gain an unfair advantage over foreign competition.

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