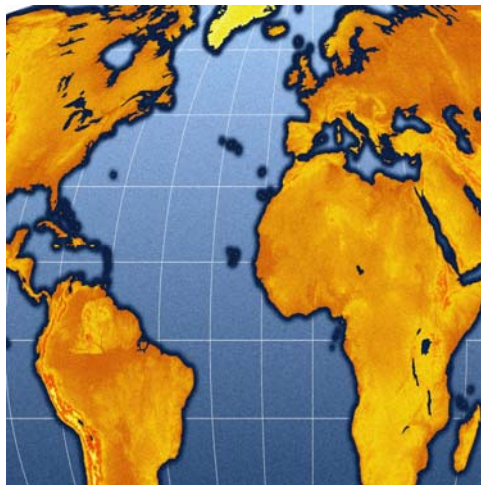


The New Argonauts

An Interview with AnnaLee Saxenian

by Jenny Johnston



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The New Argonauts: An Interview with AnnaLee Saxenian

Ask new GBN Network member AnnaLee (“Anno”) Saxenian about the future of Silicon Valley, and out pours a wealth of knowledge and sharp observation about the ways in which the region is changing and the new roles it is playing, and could play, in the global landscape of innovation. An economic geographer by trade, Anno has made a career of studying regional economics and the conditions under which people, ideas, and geographies combine and connect into hubs of economic activity. Her latest book, *The New Argonauts: Regional Advantage in a Global Economy* (Harvard University Press, 2006), explores how and why immigrant engineers from Silicon Valley are transferring their technology entrepreneurship to emerging regions in their home countries—China and India in particular—and launching companies far from established centers of skill and technology. The “brain drain,” she argues, has now become “brain circulation”—a powerful economic force for the development of formerly peripheral regions that is sparking profound transformations in the global economy.

Anno is the dean of U.C. Berkeley’s School of Information and a professor in Berkeley’s department of city and regional planning. Her prior publications include *Regional Advantage: Culture and Competition in Silicon Valley and Route 128* (Harvard, 1994), *Silicon Valley’s New Immigrant Entrepreneurs* (Public Policy Institute of California, 1999), and *Local and Global Networks of Immigrant Professionals in Silicon Valley* (PPIC, 2002). She holds a PhD in political science from MIT, a master’s in regional planning from U.C. Berkeley, and a bachelor’s in economics from Williams College.

In this interview, she talks about why she’s so interested in regional economics, who the new argonauts are, and how she sees the future of Silicon Valley (and the U.S., and China, and India) unfolding.

Jenny Johnston: When you meet somebody new, how do you explain your work and what you do?

AnnaLee Saxenian: Well, I have a variety of cocktail party lines. Usually I say that I’m a professor and that my research focus is on understanding technology regions and how they grow. Sometimes I say that I’m an economic sociologist or an economic geographer; sometimes I talk more about the School of Information and being dean. People have a hard time understanding anything that’s not easy to categorize. Being in a “school of information” and being an interdisciplinary person, both in terms of my research and the positioning within the university, definitely confuses people. But I happen to think that the most exciting place to be in a university and in the research world is at the intersection between traditional disciplines.

Johnston: What is the School of Information?

Saxenian: The School of Information is part of a new generation of colleges and schools that have emerged over the past decade to train information professionals for the twenty-first century. We have inherited the knowledge developed in library schools of how to organize, retrieve, preserve, and ensure access to information—and we are adapting it for the digital age. Our research and

teaching focus is explicitly multidisciplinary, and focuses on information design and architecture; information assurance, which includes security and privacy, as well as quality; and information economics and policy. We also seek to understand human-computer and human-information interactions in order to inform the design of information systems, both the interfaces and the back ends, to make them more usable and accessible.

So our students learn how networks work; they learn how to design and manipulate databases and how to work with new internet-based systems and emerging software and platforms. They work with visual and audio as well as text-based information. They also need to understand the social, organizational, and legal context for developing information systems. Research on the social context of information raises a whole set of questions that are not addressed in any sort of existing professional environment. Business schools are still largely organized to train managers for the twentieth-century mass-production corporation, while engineering schools focus on advancing technology without understanding the broader institutional and organizational context. They really haven't made the transition into the information economy, if you want to call it that. So we're training the information architects of the twenty-first century—and we believe that these professionals need technical and management skills as well as an understanding of the legal and social contexts in which information professionals work.

Right now, the School of Information is involved in some big, new initiatives in what's called "services sciences, management, and engineering," which is really about trying to understand the new model of information-based service delivery. Place like IBM recognize that they are becoming services companies. We have a lot of skill here in terms of managing databases, managing documents, and creating the software and the underlying platforms that help do the supply-chain management piece of the information economy that hasn't really been done. We're also doing a lot of work in China and building connections in China; for example, we're educating Chinese administrators and policymakers on intellectual property rights and how to understand the information economy. Finally, we've collaborated closely with the computer science department in initiatives in the area of information and communication technologies and developing economies (ICTD). We recently co-sponsored a major international scholarly conference on this topic with Microsoft Research India and Siemens Technology China.

Johnston: You were an economics major in college. What drew you to that field?

Saxenian: I was very concerned about social injustice and inequality—and particularly about poverty. This was the early '70s, and I had been very much shaped by the '60s and civil rights. I grew up in a suburb outside of Boston, and we had black kids being bused into our schools; I had done an exchange with my counterpart student in Dorchester, which is a very poor neighborhood. So early on in my life I had this acute sense that there were economic problems in the world. I thought maybe economics would help me address them, which it did to some extent. After I graduated, I spent two years teaching English in Hong Kong and traveling around Asia, which was transformative for me. I really think it somehow redirected me. I was still interested in the same set of questions, but now it was on a global scale.

Johnston: What did you do next?

Saxenian: I came to Berkeley and studied in the department of city and regional planning. Planning is a very interdisciplinary field that boomed in the post-war period because there was a lot of

money for urban development and social and health planning. It was a very rich and vibrant area, and I became very interested in regional economic development. In fact, it was during that master's program at Berkeley that I started to write about Silicon Valley. I had learned that San Jose was the fastest growing urban area in the United States, and decided to write a master's thesis about Silicon Valley. I always like to tell the story of that thesis, because in it I confidently predicted that Silicon Valley would stop growing! I said that housing costs were too high, labor was too expensive, and the roads were way too congested. This was 1980. Of course, I was completely wrong.

Johnston: At the time, what was the perception of Silicon Valley?

Saxenian: The rest of the world was paying very little attention to Silicon Valley; it was hardly recognized. In fact, even a few years later, when Silicon Valley was really on the map, people still looked down their noses at it. The perception was that it was a bunch of small farms that were going to be gobbled up by larger corporations as the Keiretsu model became the way of the world. So I was fortunate to be looking at Silicon Valley when it was just starting to grow but was really not well recognized.

When I went to MIT in the mid-'80s, Silicon Valley had just been through one of the biggest booms in its history. All the predictions I had made about the region stopping its growth—it was going to consolidate; it was going to become like the car industry and there would only be three big companies; nobody will locate here anymore—didn't happen. So sitting in Boston and seeing that there had been the biggest wave of startups in Silicon Valley's history sort of led me to pause.

It was just one of those historical coincidences that I was at MIT at a time when a set of scholars was trying to understand industrial organization around the world. The people that I ended up working with had been studying in places like Italy and Germany and Japan, and they had developed a set of theoretical ideas about alternatives to mass production. I was very fortunate at MIT to have landed among a group of faculty and graduate students who were very committed to this alternative way of thinking. We called it political economy or economic sociology, and it centered on the idea that you couldn't understand what's going on in politics separate from the economy or from social structures and institutions.

So I started to see Silicon Valley through a different lens. I wrote my dissertation about Silicon Valley, but always in the back of my mind I knew that the Route 128 story was different. I had grown up there and I knew people who had worked at DEC and in that industry, and I knew intuitively that the culture and the institutions were not what I had gotten to know in Silicon Valley. I knew I wanted to understand Silicon Valley, knew that it was different from Boston, and knew I was studying something that mattered in the world.

Johnston: What differences were you seeing?

Saxenian: Well, the very same industries in these two regions—the early semi-conductor and computer industries—were developing very differently. People from the East Coast or from the outside in general naturally assimilate what they see to their own experience and their own frameworks. So people who'd spent time in the East assumed that Silicon Valley operated in the same way. It doesn't take that long to understand that it operates differently, but you do have to hang around and talk to people and be sensitive to that. Even though there are technology companies and venture capital and a university in both places, they're organized very differently;

the relationship between the university and these companies, for example, is actually quite different. So I got interested in the way that information flowed differently in these regions. In the Boston area, it was very hierarchical and stayed within the institutions; in Silicon Valley, it was much more fluid and there was much more open exchange. At the regional level, that collectively led to a faster pace of innovation.

The most observable differences were the institutional ones that then got played out in cultural behavior. Until very recently, MIT and Harvard were like ivory towers; there was a disdain for getting your hands dirty, for getting involved in industry, for interacting. But at Stanford there was just this continual flow of people in and out; people at Xerox PARC were always going to seminars at Stanford and vice versa. Venture capital was almost an extension of the industry in Silicon Valley. People at the early semi-conductor companies who got rich became venture capitalists and funded their friends. It really grew organically. Whereas in Boston, it was really a very arms-length banking relationship. You could go down the line of the institutions and see how that set of cultural relationships got reproduced locally.

Johnston: And then you came to Berkeley.

Saxenian: I was very far from being a standard political scientist, and it wasn't clearly my agenda to become a standard political scientist. I was fortunate to be in the Bay Area at the time. My husband had a job here, and there was an opening at Berkeley in the City and Regional Planning Department. And so I started my career teaching at Berkeley. Fifteen years later, I'm still at Berkeley.

Johnston: After *Regional Advantage*, you started to write more and more about internet entrepreneurs and immigrant professionals. How did this become your focus?

Saxenian: Here's how that happened. *Regional Advantage* came out in the early '90s. I was casting about, trying to figure out what my next research would be. And then I got a letter from a guy at Mayfield Fund who said, "Your book is great. It got Silicon Valley exactly right, but you missed one thing: you missed the immigrants." The minute I read his letter, I knew he was right. So I thought I'd do a small project on it. I applied for a small grant from the Public Policy Institute of California to fund the study. I had two questions: how many immigrants are there, and do they become entrepreneurs? Having grown up in these very different cultures and then stepping into the world I had described, which had a very strong set of social structures and culture, do immigrants integrate or do they remain outsiders? I was hoping for a small, local project where I could stay at home and not have to travel too much; I had just had my second child. But then I started to realize that there was this incredible infrastructure of immigrants, and that they had organized themselves. The most interesting story was not that they had become very successful entrepreneurs *here*, but that they were building bridges back home. They were going back and forth. And this sort of blew up into this immense project that has finally culminated in *The New Argonauts*.

Johnston: So who are the new argonauts?

Saxenian: Essentially, the new argonauts are people who have learned the Silicon Valley model, usually be doing graduate work in the U.S. and getting absorbed into the Silicon Valley boom. They marinated in the Silicon Valley culture and learned it. This really began in the late '80s for the Israelis and Taiwanese, and not until the late '90s or even the beginning of the '00s for the

Indians and Chinese. They began to realize that they could take advantage of their own personal networks in their home countries to provide skill that was scarce in the Valley, and that they could even go home and start businesses there that would tap their old networks. Usually, they were going home and tapping their undergraduate colleagues or their friends from the military, in the case of Israel. They knew and they understood how to work the institutions and the culture of those places, often the language too, better than anyone else in the world.

In the '80s, it would have been unusual for someone in Silicon Valley to go to Taiwan and start a business and take advantage of this well-trained engineering talent. But a Taiwanese who had been there and then trained in the U.S. and understood the way Silicon Valley worked could do it—and did it with great success. Once the first few people went back and started companies that went public in Taiwan and got rich, suddenly you started to see this massive reversal, where there's a sense of "I can go home *and* be professionally rewarded." In the '80s, the dilemma of the new PhDs from Stanford or Berkeley was that there were no jobs at home for them. Their families wanted them home, but if you have a PhD in integrated circuit design there were no opportunities in China or India. And so they began creating opportunities for themselves and their colleagues back in their home countries. That's who the new argonauts are: they're people who are able to scan the environment and recognize opportunities that they are uniquely positioned to exploit.

Johnston: How many people are we talking about? Just how vast a movement is this?

Saxenian: Well, the first set of numbers is how many people come here to study, and the answer is hundreds of thousands. By the 2000 census, there were about 20,000 Indians and 20,000 Chinese working in Silicon Valley. But how many of them go *back* is the really interesting question, and for that we have no clear data. My estimate is that only about 10 percent go back and settle at home, and 20 to 30 percent circulate back and forth—maybe even 40 percent, depending. But it's a relatively small percentage that go back. So if it's 20,000, what if only 10 percent go back? Well, 2,000 people make a huge difference in the Bangalore economy or the Shanghai economy. These are highly educated, very well-connected people. They know how to talk to the government officials. They know how to talk to the bankers. They know how to make things happen in their countries. Both in India and China, they've strategically transformed the environments that they're going back to. In the Indian case, they were able to help rewrite their equivalent of SEC regulations and help redefine telecommunications regulation—things that matter for their opportunities to be entrepreneurial at home. The argonauts are making a big difference in terms of setting standards and changing institutions.

Johnston: In your book, you challenge the traditional core-periphery model of innovation. What convinced you that it was outdated?

Saxenian: The old core-periphery model is that all technology innovation happens in the R&D labs of the big companies in the core. Implementation—meaning manufacturing, or you could even extend that to software programming—happens in the periphery. According to that story, while peripheral economies can become more rapid imitators, they're a long way from developing the capacity to innovate independently.

The problem with that story is that as people go back and forth, they carry with them all sorts of knowledge and insight into markets, relationships with customers, technology standards—all the things that it takes to innovate. We saw that kind of tremendous incremental innovation and

tremendous improvement on the manufacturing process in Israel and Taiwan. Taiwan now makes computers and PDAs and anything related to digital devices more flexibly, faster, and at lower cost than anyone else in the world. It's not breakthrough innovation, but it's massive incremental innovation at organizing production. You can see that very clearly now in India as well. They started out doing very low-end Y2K stuff and now they've mastered large-scale software development projects probably better than most U.S. companies can do it.

Of course, this is not a science; it's a historical process that is evolving. The fact that Taiwan existed has shaped how China developed, and the technology is different now than it was then. In each era you have different combinations of existing competitors and technological circumstances that would make it very hard to predict scientifically.

Johnston: Are there significant immigrant populations in Silicon Valley that *aren't* becoming argonauts?

Saxenian: I get calls from Chileans, from Armenians—from all these groups that want to build silicon connections. There was a magazine called “Silicon India,” and now there is even “Silicon Armenia” and “Iran Silicon Connection.”

Johnston: These exist?

Saxenian: Yes! The resurgence of ethnic identities in this environment is quite remarkable. I think you can break them down into different groups. Certain immigrant communities are well established here. For example, there are a lot of Vietnamese. They're very well organized, but they haven't started to go back yet, largely for political reasons. The Iranians are a very sophisticated community here. But until the political conditions in their home country are right, they aren't going to go back. Russians are a similar phenomenon; you have some traffic with Russia, but it's still nascent. Other ethnic communities are just teeny. European and Japanese communities in the U.S. are small. A small community of French immigrants here might meet for wine every now and then, but it's just it's too small a scale to make a difference.

The largest immigrant groups in the Bay Area are Indians and Chinese. Vietnamese and Filipinos are almost as large numerically, but they occupy a much lower position on the education and skill scales. A lot of Filipinos are at the technician level. And that puts them in a much different position in terms of having the connections to money and to high-level technology customers, as well as the capacity to influence things in their home country.

Johnston: You mention too that the argonauts are using their innovative powers to create solutions to local problems and serve locals markets. Do you have any favorite examples?

Saxenian: Absolutely. In China and in India, they're addressing huge domestic markets that are very different from the markets here. For example, in the U.S., we have developed mobile phones with all sorts of bells and whistles, and they're sold at very high price points. They can then take that technology and develop a much more appropriate technology, with less add-ons and at lower cost, and still have millions of customers.

In China there's a company called UT Starcom, which was started by returnees from the Bay Area. They took an off-the-shelf technology that was developed in Japan for mobile phones and created

what's called in Chinese "the little smarty," the Xiao Ling Tong. It's a handset that connects into a citywide network. It's not as good as mainstream mobile phones, but it's a much lower price point, and it just took off in China during the 1990s because they were so much cheaper. It created a real challenge for the Chinese government, because the Chinese government had a monopoly over the wireless networks, and then they set up these alternative networks that were not considered wireless. They started out in provincial cities, but then they got into the bigger and bigger cities. There was a huge customer base for these phones. Their quality wasn't as good and they didn't allow you to call internationally, but most Chinese don't need to call internationally. And they don't need to have the high level of service.

Johnston: It sounds almost as if they're creating a new layer of competition, or a new community of competitors. It makes the idea of U.S. companies trying to enter these markets from a distance, with no distinct sense of the people or places where they're selling, a little untenable.

Saxenian: It's very hard to sit in the U.S. and understand how to market something in China. It's a huge, differentiated market, as is India. Different languages, different customer buying patterns, different purchasing power. Everything is different. I think the savvy companies here understand that they need local partners. The argonauts have the capacity to set up local partnerships in terms of marketing, distribution, understanding the politics. The politics of standards in China is a big deal. Governments control who can sell software in a provincial area. The need to be local and to be connected locally is immense. And so now you have this other level of competition going on in places like China and India that will, over time, raise the level and the nature of competition.

Johnston: In some places, isn't there a sort of reverence for people who return?

Saxenian: In China, the government has now made it very attractive. They see it as a strategy to bring them back, so they accord them all this stature. In India it was very ambivalent. Until '99, practically nobody went back, and those who did were met with deep resentment. They were dubbed NRIs: non-resident Indians. It was a sign of derision. You had these huge communities of Indians who'd left India, came to the U.S., became very wealthy, and then would just visit from time to time—and that created resentment. It's taken awhile for that to change. For several years, I would go back and say to people, "Why don't you try recruiting the NRIs in Silicon Valley?" And they would say, "Oh, they'll never come back. They don't want to come back." So those relationships are often complicated. And when they do go back, it's not an easy re-assimilation process.

Johnston: People have predicted Silicon Valley's decline for a long time—yourself included. How long do you think that Silicon Valley will continue to be an incubator, of sorts, for global innovators?

Saxenian: I think that Silicon Valley has a long life ahead of it. There is now innovation in many places in the world, so it's certainly not the sole source of innovation in the cluster of information industries, which it was. Until the early '90s, you could have said it was the sole source of innovation, the absolute center. And now you can imagine innovation happening anywhere, really. The difference is that the same institutions that we have here for starting companies and growing companies quickly and the set of leading-edge customers remains unique. The combination of very fluid capital markets, rule of law, and institutional reliability is still unparalleled. So I think you'll see companies started here more quickly that can define new architectures, new design, and new

standards; they'll continue to be here. But to survive, they'll need to be connected into these nodes around the world. It really is these *regions* around the world that are now competing. And people in Silicon Valley need to be aware of what's going on in those places.

Johnston: Are they? Is Silicon Valley on to this?

Saxenian: Some people in Silicon Valley are on to it. There's an arrogance in Silicon Valley that "we are the center and we have done it," and that arrogance sometimes feeds into responses like, "We're going to have to close the borders, because they're stealing our chip design jobs." Personally, I think the right response is, "Wow! This is an opportunity for us all to grow together. There are new opportunities for innovation and we can connect to them." In truth, we in the U.S. need to invest in our schools, in our infrastructure, in the context here, in order to compete better, because clearly China, Taiwan, and India are making a point of investing in their own capabilities. But this arrogance could end up undermining some of the sources of competitiveness here. The U.S.—and Silicon Valley—should know better.

Part of the problem for Silicon Valley is that its ideology of entrepreneurship is very much, "I did it myself." There is an inability to recognize that yes, you did it, but you did it on the basis of some collective resources. And you did it because you were in a community that allowed you to do it. A lot of Silicon Valley grew because Pat Wilson built a great California university system and because we had massive investments in infrastructure in the post-war period. California, in the '50s and '60s and '70s, was investing heavily in education and infrastructure and all the things that it takes to be successful—as was the U.S. So the collective basis of their success is now being undermined. And it's not clear that they can see beyond the individual initiative story.

Johnston: Your focus is regions, not nations. Are nations too big a unit to be relevant in conversations about markets and economics?

Saxenian: Nations matter for some things: national security, war and peace, international relations. But if you're talking about economic development, I think the region is the only unit of analysis that you can use realistically. The fate of Silicon Valley is not so much connected to the fate of, say, Michigan or the rest of the U.S. as it is now to the fate of Bangalore and Shanghai. If you want to talk about even just the California economy, you need to disaggregate it regionally. That's clearly apparent in a place like India, where Bangalore has a trajectory that is very much divorced from the rest of the country.

Ten or 15 years ago, a Japanese writer named Kenichi Ohmae wrote a book called *The End of the Nation State: The Rise of Regional Economies*. I used to teach it in my classes, and I think there's a lot of truth to it. You have to be careful about making the claim, because there are still areas where national governments have authority and power. But if you think about economies as collections of people who have specialized skill and people who learn from one another and innovate, it can't happen at the national level. The nation is too big, except if you're a small nation like Israel or Taiwan. But even there, it's not really all of Taiwan or all of Israel. It's particular urban areas in those places.

Johnston: Everyone is talking about China right now—on the one hand, its wonderful possibilities, and on the other hand, the threats it poses to U.S. stability. What are your thoughts about China right now?

Saxenian: There's a tremendous amount of hype about the Chinese economy. It is definitely growing, and faster than it was growing before. And yet it has huge problems: massive poverty, enormous rural areas that are still where they were 50 years ago. Even in the dynamic East Coast regions, you don't see the kind of innovation that you see in a place like Silicon Valley. The government plays a much stronger role in the Chinese economy than most people understand—not just in controlling standards but in determining who gets resources, how financial resources get allocated, and how land is allocated.

My fear about China is that people will overreact and say, “They're so strong that we're going to have to protect ourselves.” I don't think they're a strong economic threat to the U.S. I think there are things to worry about in China. There's a very strong nationalism in China right now, which does worry me. There's not much understanding of the U.S. It's easy to see how you might misunderstand the U.S., sitting in China, given our current political leadership. But China could become—and it already is, in some ways—a good trading partner, and we should focus on the mutually beneficial parts of our relationship.

Johnston: Some people might be surprised to hear you say that China is not an economic threat.

Saxenian: China is forcing U.S. firms to add value in different ways. But China's biggest strength right now is mass manufacturing; they're very good at it and very cheap. We haven't done a lot of mass manufacturing, but what we have left isn't going to survive. China is not particularly strong in software yet, but it probably will become strong.

I think it's a good thing for Americans to look at themselves. The post-war period was this sort of miraculous time when American companies ruled the world. A few European companies were doing well too, but the U.S. really didn't have competition. The Fortune 500 had most of the global marketplaces at their disposal. We were shocked when Japan came along and created competition. Now we're seeing competitors emerging in other parts of the world—and rightly so. So I think it's good for the U.S. that China is developing—not just because it will be a market, but because we benefit, in the long run, from having healthier, economically self-sufficient economies around the world.

Johnston: There is also a lot of talk about India's relationship with the U.S. and where it will be in the world in the next 10 to 20 years. What are your thoughts on India?

Saxenian: Both China and India are very big and very diverse. I'm almost cautious to say anything because I've spent time only in very isolated regional settings. India has huge economic challenges. Illiteracy in India is still very high; female literacy is still under 50 percent. So, yes, India is developing capabilities in software development and that is a really important opportunity for India. But as with China, there are a lot of institutions that will need to change in India for it to really become a threat to the U.S.

In China, there's a clear sense from the government down that they want to develop the domestic economy. But in India, because of the laissez faire backlash against the old state and its very planned economy, regions like Bangalore are better connected to the U.S. than they are to their surrounding areas. Some of that resource and capability needs to be reinvested into India, solving Indian problems. India's trains could use IT; their retail sector is terribly inefficient. There are a

million ways that they could start to serve domestic markets. But the problem is they're trapped now in a very profitable cycle where the margins on serving foreign customers are much higher than on serving domestic customers. That's where I worry about India.

Johnston: What about the U.S.? What's hopeful and what's frightening?

Saxenian: I find it discouraging that there's so little public understanding of the nature of our economic problems. It shouldn't be a surprise to people that GM is falling apart. GM has been falling apart for 20 or 30 years. Toyota has been redefining how manufacturing happens for a long time. And yet we have these primitive debates about it. It all resolves, in the public mind, to trade: somehow, if we're losing ground, it's because *they're* cheating or because *their* products are being dumped or are too cheap and we have to think about regulating trade. In fact, what we really need is to understand the nature of the economy and how it's changing and what it takes to compete in the world. If we understood that, we would understand where we need to invest resources, which is in education and R&D and into the kind of institutions that help people experiment and start companies. This is not a blazing insight! The Silicon Valley system is not even really generalized to other parts of the U.S. that much. I think we could benefit from that kind of spread as well. And California has been incredibly fortunate that we've been the homeland to so many immigrants. It's kept us very connected to Mexico as well as to Asia, and that's really a source of strength. It's a tremendous advantage. I hope we don't squander it.

Johnston: Are there regions that most of us aren't really looking at right now, but should be? Do you have a sense of where the next wave is?

Saxenian: I would look at Eastern Europe. There are parts of Eastern Europe that could really take off, like Poland and maybe parts of Russia; it depends a bit on how the politics play out. I also think there is great potential in parts of Latin America. I would bet that you could see something happening in Argentina or maybe in Chile. But as always, it really comes down to whether people can put together the circumstances that will work well for them.

Johnston: What about Western Europe?

Saxenian: Actually, right now I'm working on an interesting project in Finland. I'm trying to understand the European problem through the lens of Finland, which is the European country that everybody looks on as successful. It's the one that managed to survive and flourish in the '90s. But I think it still has some of what I would call the "European disease." It's the GM disease, really: entrenched actors, both institutions and firms, getting stuck in this innovator's dilemma. They can't see beyond their own institutional environment to start doing things differently. It's certainly not a lack of capital or skill or technology, but they're not able to experiment and be flexible and respond. So we're looking at how Finland, in its key sectors, adapts or doesn't adapt to the current competitive environment—and hopefully that will shed light on the rest of Europe. Because to the extent that any region of the world right now is succeeding, they're globally connected. If they're not globally connected, they're probably not succeeding either.