



Snippets from Silicon Valley

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The big issue sweeping across America right now is the USA debt crisis. The American public is fed up with the shenanigans in Congress. Everyone here wants to see a plan to reduce the significant US deficit. The Democrats and Republicans are divided about how best to go about that. The Republicans, who control the House of Representatives, steadfastly refuse to agree tax hikes and want to see another round of deliberations about more deficit reductions prior to the USA Presidential elections next year. The Democrats want to protect key social programs and want to see a solution now that will run past the elections next year. Meanwhile, the markets are bracing for the absurd possibility of a debt default by the USA. We recently saw a demonstrator outside Congress waving a placard that stated “Are we Greece?” Most commentators are now extremely worried that if the political maneuvers continue, that could frighten investors, drive up interest rates, push down home prices and hurt the economy generally. Watch this space!

Most of the other economic news is also rather gloomy. The housing market here is still depressed and shows little sign of early recovery. Unemployment remains at about 9.2 percent. The economy grew at only 1.9 percent in the first quarter of this year and may have grown at a similar low rate in the second quarter.

On a brighter note, the good news is that the IT sector seems to be doing rather well for the most part. Apple, Intel, and IBM all recently announced significant growth for their last reported quarters and some healthy outlooks. Certainly there seems to be a slightly more positive atmosphere here now in Silicon Valley than six months ago.

One other issue being watch carefully over here is the fallout from the News of the World and Murdoch phone tapping scandal. People are wondering how far the illegal activities reached, bearing in mind that Mr. Murdoch’s News Corp empire encompasses Fox News, The Wall Street Journal, the New York Post, and Harper Collins publishers in the USA.

On the note of privacy, one issue that business folks over here should be aware of, is the introduction in Europe at the end of May of new rules about using “cookies” on websites. Basically, the new law requires website owners to get consent in order to store or access information (including cookies) on users’ computers, unless the cookie is strictly necessary to provide a service requested by the user. Website owners – and there are many of those here in Silicon Valley who operate globally – should take care! In the UK, the Information Commissioner’s Office contains some useful explanations and guidance about this. Please call us if you need more details.

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