

Regulation Could Power a New Era of Silicon Valley Growth

The companies need customers, and customers need some reassurance.

OPINION — by Conor Sen, BloombergView columnist

The secret use of Facebook data in the U.S. presidential election has forced governments and consumers to think about how such companies gather and profit from personal information — a major concern overdue for close attention. This scrutiny may be the beginning of the end of the unregulated growth of Silicon Valley.

Tech companies and their investors may shudder at the thought, but their fear of regulation may be unwarranted. Part of the maturation process of any industry is regulation that suits its activities, and the gains from a safer, more trusted technology sector could quite plausibly outweigh any losses.

This was one theme that emerged from discussions at last week's Bloomberg Ideas event in San Francisco, where Bloomberg columnists discussed some of the issues facing the technology sector. In a panel on regulatory challenges, columnist Joe Nocera talked about the growth of the credit-card industry decades ago. The industry fought regulation that imposed limits on how much cardholders could be liable for in the case of fraud or theft, but after the industry lost that fight and consumers had some protections, plastic became the coin of the realm. This would not have happened if the credit-card industry had remained a Wild West.

This is the model Silicon Valley should consider as its ambitions expand to industries at the heart of our daily lives. It was one

thing when the industry was more focused on semiconductors and database software, where product failures may have been a big problem for engineers who relied on them but were a nuisance at worst for the public at large. It's quite a different matter when the industries in question are transportation, media, health care and finance — when failure has a much graver real-world impact on far more people.

One industry where regulation may provide the greatest catalyst for growth, as became apparent in my own Bloomberg Ideas panel on capital markets and innovation, is cryptocurrencies. While I remain a skeptic about the future of cryptocurrencies, a member of the audience expressed the modern version of the case Nocera mentioned: that institutional investors who are interested in cryptocurrencies could be waiting for a regulatory framework to emerge before allocating money to them. The early enthusiasts focus a lot on how a regulatory crackdown could represent the demise of cryptocurrencies — but clear rules and investor protections may provide the foundation for a more legitimate and much larger industry to emerge.

My decision to deactivate my Facebook account last week in response to the company's data practices reflects this theme. While I remain a fan of Facebook's product as a user — there's no better way for me to keep up with distant family members and local news — I'm concerned with how the company and others use my personal data in ways I don't know about, and how indifferent the company seems to be about the appropriate business use of said data. My hope is that continued public scrutiny on the company leads to adequate reform or regulation, after which I would gladly reactivate my account.

A regulated tech sector will be different, but there's no cause to assume it will be worse. By curtailing some actions, regulations will encourage the public to go along with everything else the companies do — ultimately supporting this dynamic sector toward continued growth.

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UNEMPLOYMENT

Region	February 2017	January 2018	February 2018	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	3.7%	3.0%	3.0%	0.0	- 0.7
San Francisco MD	3.1%	2.6%	2.5%	- 0.1	- 0.6
California	5.4%	4.6%	4.5%	- 0.1	- 0.9
United States	4.9%	4.5%	4.4%	- 0.1	- 0.5

INDUSTRY EMPLOYMENT

Sector — February 2018	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,111,100	1,122,900	2,234,000	+ 0.5%	+ 2.3%
Construction	50,200	38,500	88,700	+ 1.0%	+ 2.3%
Manufacturing	169,800	39,100	208,900	0.0%	+ 1.8%
Retail Trade	85,300	79,900	165,200	- 1.8%	+ 0.2%
Information	89,500	79,400	168,900	+ 0.5%	+ 9.5%
Professional & Business Services	229,300	282,200	511,500	+ 0.7%	+ 3.5%
Educational Services	49,600	29,000	78,600	+ 6.6%	+ 2.1%
Health Care & Social Assistance	125,700	109,200	234,900	+ 0.5%	+ 2.6%
Leisure & Hospitality	100,600	137,500	238,100	+ 0.7%	+ 0.5%
Government	96,200	130,700	226,900	- 0.1%	+ 0.9%

NOTE: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
 San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE

Labor Force by Metropolitan Statistical Area (U.S. High-Tech Regions)

	LABOR FORCE			UNEMPLOYMENT			UNEMPLOYMENT RATE		
	February 2017	February 2018	Change	February 2017	February 2018	Change	February 2017	February 2018	Change
United States	159,482,000	161,494,000	+ 1.3%	7,887,000	7,091,000	- 10.1%	4.9%	4.4%	- 0.5
Austin, TX	1,143,228	1,188,479	+ 4.0%	39,956	36,038	- 9.8%	3.5%	3.0%	- 0.5
Boston, MA	1,599,400	1,625,790	+ 1.6%	55,981	53,150	- 5.1%	3.5%	3.3%	- 0.2
New York City, NY	4,239,000	4,273,600	+ 0.8%	211,800	186,200	- 12.1%	5.0%	4.4%	- 0.6
Seattle, WA	1,634,600	1,681,800	+ 2.9%	60,200	65,500	8.8%	3.7%	3.9%	+ 0.2
California	19,121,800	19,419,500	+ 1.6%	1,001,800	882,100	- 11.9%	5.2%	4.5%	- 0.7
San Diego	1,564,900	1,593,200	+ 1.8%	66,500	55,700	- 16.2%	4.2%	3.5%	- 0.7
San Francisco	1,010,100	1,026,600	+ 1.6%	29,600	25,400	- 14.2%	2.9%	2.5%	- 0.4
San José	1,051,800	1,081,700	+ 2.8%	37,800	31,900	- 15.6%	3.6%	3.0%	- 0.6
<i>NOVA Region</i>	<i>772,500</i>	<i>788,600</i>	<i>+ 2.1%</i>	<i>21,900</i>	<i>19,300</i>	<i>- 11.9%</i>	<i>2.8%</i>	<i>2.4%</i>	<i>- 0.4</i>

NOTE: Totals may not add correctly due to rounding

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY

February 2018 Events

Company	Location	# Affected
Actelion	South San Francisco	34
Confluent Medical Technologies	Sunnyvale	69
Crunch	Redwood City	48
Eurest Services	Mountain View	169
GoPro	San Mateo	140
New Seasons Market	Sunnyvale	101
Novartis Pharmaceuticals	San Carlos	20
Oath	Sunnyvale	90
Symantec	Mountain View	31
Total Women's Gym	Sunnyvale	15
Total		717

WARN SUMMARY

Events YTD [†] :	47
Individuals Affected YTD:	3,575
Individuals Previous YTD [‡] :	4,682

* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)

† **YTD: Year to Date** (Program year: July 1–June 30)

‡ **Previous YTD:** (Same date range as YTD, one year prior)

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database