

MORINO INSTITUTE

**2005: Digital Capital of the New Economy –
A One-Year Retrospective**

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Thank you and good afternoon. It is a pleasure to be here and to share with you—once again—my optimism for the future of the National Capital region.

On January 9, 1999, Steve Case described an era built on a New Economy that would change virtually every aspect of our lives. Building on what Steve outlined, I put forth a further vision that portrayed the National Capital region as the Digital Capital of the New Economy. I asked you to imagine that we were visitors to the region on January 9, 2005, and about to take an aerial tour of this 21st century community, which had become one of the fastest growing metropolitan areas in the world. As we started our fly-over, we departed from Dulles Airport to pan out over Northern Virginia, where we witnessed the explosive growth in Internet and E-commerce. We headed across the Potomac River into Maryland and saw the enormous concentration that developed in bioscience and communications. And, we flew back down over the District line and witnessed a heartening commercial and cultural renaissance in the District of Columbia. What was clear when we concluded our tour was the depth and breadth of the region's strength in the New Economy—which had become THE economy. That strength developed because leaders here were committed to creating a connected community within the National Capital region—one where ideas, information and trust flowed freely, breaking down traditional geographic, industry and social barriers.

That vision was, admittedly, optimistic. But it should be at least as optimistic today. Almost daily in the National Capital region we are coming to better understand the unprecedented opportunities before us. As overly optimistic as this vision may have seemed to some, imagine how incredible I would have sounded had I offered these predictions then:

- Steve Case would lead AOL in acquiring Time-Warner in the largest consolidation in business history.
- Michael Saylor would brilliantly reposition MicroStrategy as an Internet business to drive the firm's market capitalization to billions in a feat seldom seen before in American business.
- Ted Leonsis and Abe Pollin would bring Michael Jordan to the Nation's Capital.

So our prognostication for what the region would be like in 2005 may not have been so outlandish after all. In 2005, telecom, the Internet and E-commerce will continue to drive the growth of our region's economy, while bioscience, rekindled by its convergence with IT and the Internet, will be poised to deliver a new wave of economic expansion over another 10 years. The fulfillment of this vision, however, was predicated on the assumption of strong, inclusive regional leadership.

The vision demanded that our leaders—both the younger guard and the more established group—rise to the challenges facing our region in a creative form of civic engagement. They had to advocate improvements, whether in the new foundations they formed for philanthropic purposes, their engagement of the political process, or through innovative public/private partnerships. They had to be a more diverse group—more women, races and nationalities represented at the table than in the past from all sectors of our region. They had to function informally, seamlessly, outside of formal channels, to resolve issues and then disband as the situation dictated. The leaders themselves had to take on the qualities of the New Economy, acting with speed and efficiency, free of rigid boundaries, not waiting on institutional approval, and getting results versus endless dialogue and activity.

So, how well have we done in fulfilling this vision?

The National Capital region is clearly a changing landscape. As the new millennium came, the region is more “connected” with a much more developed entrepreneurial ecosystem. We've benefited from stunning changes in an improved flow of capital, new networking organizations that added to the region's connectedness, new centers for business formation and incubation, a burst of new service providers and greater media coverage. These changes manifested themselves in unpredictable ways. People and groups, like the Indian CEO High Tech Council or the new women's angel network, have come on the scene to enrich a vibrant ecosystem to support New Economy entrepreneurship and business development.

But there is still more to do. What do we need to do? To answer this, I'd like to revisit the five-point call to action, presented last year, and candidly examine how we've fared against it:

1. Become Advocates for the New Economy.

We got lucky; for this has happened, in spite of our efforts. The stunning successes of the Internet and E-commerce businesses in the region have helped many more people appreciate their importance to the region and their lives. And in turn, these successes stimulated greater media coverage to bring far greater awareness of the region's role and potential in the New Economy, both here and globally. In fact, a coordinated campaign to tell our regional story, urged by last year's Conference, has now been launched by the Greater Washington Initiative.

Yet, there is so much more to do to help our educational and learning institutions align and adjust to society's changing needs, to digitize all levels of government, and to confront the growing economic disparities the New Economy is driving here in our region and across the country.

2. Bring Elected Officials and Public Policy into the New Economy.

We benefited from progress on several fronts. The New Economy and Internet themes are now integral topics in national and local campaigns, with many more elected officials aware of and focused on these areas—and the wealth and power they increasingly represent. CapNet has taken hold and is already well accepted. Three tech councils continue to advocate in their respective jurisdictions, and the Digital Dialogue, TechForum and other emerging groups increasingly engage our elected officials. The Internet Policy Institute, incubated here in the region, has taken wings, announced its programs, and assembled a great board. A foundation has been laid to more effectively engage the political process. Now, we have to increase our focus to achieve meaningful outcomes that advance our region's best interests.

3. Make Regionalism a Core Principle of Every Leader, Business and Organization in the Region.

The Potomac Conference, the earlier work by the Potomac KnowledgeWay and the continuing work of the Council on Governments and others recognize that the New Economy is not about existing jurisdictions and boundaries. These efforts are based on an understanding that the National Capital region must come together. And, certainly as a result of these efforts, they have helped to bring about some attitudinal change. Yet we are still too confined by jurisdictional differences and competition, multiple and detached leadership circles, and economic and racial divides. These factors severely limit how we can resolve the systemic problems facing the region in transportation, education, environment and in other areas that are so critical to achieving the high quality of life essential to developing, attracting and retaining people for the region. Our failure to view the region as a whole will insure even wider disparities and shortfalls in addressing our broader needs.

4. Advance the Potomac Network.

We didn't. We allowed ourselves to get immersed in process, losing focus and valuable time, instead of moving proactively to engage and coalesce the needed players and get something underway. When one considers my earlier comments on the ecosystem that has and continues to evolve, one wonders what role the Potomac Network can play at a time when the New Economy leaders may have already taken charge in their own way. These leaders are moving quickly, uninterested in boundaries. In the absence of progress in this area, they've moved forward to create their own networks—MAVA, the Jade East, the e-media club, informal kitchen cabinets and a score of others that have emerged in the National Capital region. We're seeing the New Economy at work, morphing groups and efforts as needed to create solutions to meet their changing demands. A key question for this Conference and our work beyond is how we improve this collaboration to insure our goals.

5. Define a New Economy Charter.

We made important progress in this area, and, today and tomorrow, this group will learn of and discuss a vision and strategic commitments that represent the New Economy Charter we called for in last year's agenda for action.

Due to the work of many individuals brought together under the umbrella of the Potomac Conference, a New Economy charter has been crafted. Its theme is building a world-class connected community.

Its vision is that by connecting our economic assets, leading-edge research centers, cultural and social institutions, public and private leadership, we will make our region THE global center of the New Economy of the 21st century.

Its core values are rooted in connectivity and innovation as the means to create opportunities for all citizens of the region. Achieving our vision requires improving and enhancing five strategic areas within the National Capital Region: education, innovation, inclusion, quality of life and regional thinking.

When we talk about where we should focus our efforts, we should look to finding ways that all of us can come together to make our National Capital region a better place to live and raise our children.

- 1) We must recognize that it is the whole of the National Capital region that is our strength and value as a global center in the New Economy, while still enjoying and advancing the benefit of our respective sectors and jurisdictions.
- 2) We need to recognize, nurture and coalesce the many promising groups and programs already underway, lending our resources and financial support to help them expand their positive impact here in the region. We need not create new programs, but build on those already underway.
- 3) We must continue to create a venue for boundary crossing to coalesce and connect the region's diverse and multi-faceted leadership circles. We can help achieve this by broadening the tent of the Potomac Conference and getting new faces involved.
- 4) And, more than anything, we need action that achieves results.

As we strive to meet these challenges, we are fortunate to inherit a legacy of leadership from people like Katharine Graham, Bob Linowes, Til Hazel, Joe Danzansky, Abe Pollin, to name but a few that have laid an important foundation for this region. Building on this legacy, imagine what we can do to advance our economic future when we connect the talents of the younger guard with the more established leadership. But as Steve urged last year "let's tear down the walls" and be even more imaginative. Let us tap our true potential as a region by connecting a more diverse, inclusive leadership with more women, races and nationalities represented. Only then will we have a chance to solve the serious social problems that will otherwise limit our ability to sustaining our economic prosperity.

Last year, I touched on the challenge of the serious social problems that have long plagued our region and the irony that in a time of such great prosperity, there are thousands of people whose lives have not changed and, in fact, may have gotten worse. One of my biggest worries is that there are simply too many young people who are growing up without caring adults and without the support of a healthy community.

Recently, the Morino Institute commissioned the Brookings Institution Center for Urban and Metropolitan Policy to review and aggregate existing literature about youth in our region.

The picture presented by this data is grim. More than 100,000 children here live in poverty. While most live in the District and Prince Georges County, more than 30,000 live in Fairfax and Montgomery counties.

Child poverty, as we all know, is associated with lower academic achievement, which leads to lower skills and lifetime earnings and, therefore, reduced overall economic productivity. This is not a problem for just a few neighborhoods and communities. It is a regional problem. We cannot afford to lose the potential of these children. In our zeal to enhance and strengthen our position as a global economic power, let us not

ignore the very real and very serious social problems that exist regionwide. Our challenge is to use our new-found wealth, talent and technologies to address these problems.

In the eight years that I have been involved in philanthropic work here, I have learned that there are terrific nonprofit organizations that have developed good solutions to serious social problems in their communities. What is needed are not necessarily new solutions to problems, but new ways to fund and support existing efforts so that they can grow and build upon their success.

One way that I believe we can do this is through venture philanthropy. A young and relatively new area of philanthropy, venture philanthropy means different things to different people.

At its simplest level, it seeks to obtain greater social return from the nonprofit organizations working to build healthy communities and environments for young people and their families. Venture philanthropy borrows and adapts the principles of venture capital funding, particularly its emphasis on providing strategic management assistance and support to nurture and develop the nonprofit organizations in which they invest.

This approach offers great promise harnessing the enormous wealth and expertise of the New Economy entrepreneurs and, at the same time, directing resources in ways that help create stronger nonprofits delivering solutions that meet the needs of the people they serve.

The Morino Institute is currently working to establish a social venture fund focusing on improving the services for youth living in low-income areas in the National Capital region. This fund will invest in existing and emerging organizations that provide services to young people and their families. It will focus its investments on building organizational capacity within these organizations so that they can improve and expand within their mission, significantly enhance the value provided the community and establish financial sustainability. The Institute is working with a core set of business and community leaders and augmenting its efforts by partnering with Community Wealth Ventures and the Community Foundation for the National Capital Region.

In embarking on this effort, we hope to leverage the wealth, talent and spirit of the New Economy in a way that delivers a profound, positive impact on this region. Our vision is to advance high-impact philanthropy, using our efforts as a demonstration and to improve the effectiveness of philanthropy and the nonprofit organizations it supports. It's a bold vision that seeks to change the way philanthropy operates, but one, I believe, we must embrace for the benefit of too many children in our region who do not have access to resources and opportunities that we sometimes take for granted. Already a dozen New Economy players are the core of a growing and diverse list of leaders who believe in this vision as well and are committed to this effort.

Last year Steve talked optimistically of how the newer firms had the ability—and even the responsibility—to give back to the community. Supporting the core themes of the Potomac Conference's vision for the region, our effort to establish a social venture fund provides the venue for the most fortunate to give back and to demonstrate innovation in philanthropy. It seeks to add to the region's connectedness by bringing together a base of New Economy business leaders with community leaders at many levels. And it strikes at the core of inclusion by helping to build the organizational capacity of those organizations educating and developing young people living in low-income areas of the region.

We have an absolutely remarkable opportunity to do what no other region has yet accomplished: to use our new-found wealth, talent and technologies to solve the vexing social problems that have long plagued our region. The social venture fund we are proposing creates the venue through which we can benefit from the wealth and talent of the new and traditional business leadership and our knowledge of how the Internet can be an agent to transform processes, markets and systems. By so doing, we will help improve the services for young people of our low-income areas, while helping make philanthropic giving and the nonprofit sector more effective.

Investing in the future of our region is an investment in your own future, as well as that of your business, your children and their children. For many in our region, we are enjoying prosperous times, and it's "let the good times roll." But formidable challenges in transportation, education, sprawl, environmental erosion and economic disparity lie in the wings threatening to curtail this prosperity. Great leaders are inspirational in bad times and paranoid about success in the good times. We should savor these good times, but let's not allow the heady success of the New Economy blind us to the problems we face. It is during these good times that we should be paranoid about our future. We must come together as the National Capital region to solve the challenges that threaten to limit our future prosperity and quality of life. Let us be truly civic leaders, leaders who can and will make the National Capital region the global center of the New Economy a reality by 2005 and one that benefits everyone who calls this region home. We have the chance to be the region that gets it right. Are we up to the challenge?

Thank you.

These comments, "2005: Digital Capital of the New Economy – A One-Year Retrospective," were presented by Mario Morino at Potomac Conference XIV. Morino is the founder and Chairman of the Morino Institute <http://www.morino.org> and the founder of the Potomac KnowledgeWay <http://knowledgeway.org>, the Netpreneur.org Program <http://netpreneur.org>, the Youth Development (YDC) Pilot and the proposed Youth Social Ventures <http://www.youthsocialventures.org>.

The conference, a project of the Greater Washington Board of Trade, was the fourteenth annual convening of a representative group of the region's leadership from the public and private sectors to consider the long-term future of the Greater Washington region. Its purpose being to build a vision for the future and the means of attaining that vision, with the guiding principle for this vision to build a world-class connected community.

Special thanks to the many people from a wide range of backgrounds whose insights and suggestions helped shape and refine this vision for 2005.