

Face value

The social technologist

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Yossi Vardi, an Israeli entrepreneur, thinks the technology industry should do more to address social problems



Herbert Bishko

"IF YOU print this, I will kill you." Yossi Vardi, a veteran Israeli entrepreneur and venture investor, says it politely, but this is clearly not one of his many jokes. Nor is he trying to protect the top-secret business model of one of the dozens of start-ups he is advising or has financed. He simply hates to appear boastful about a social project to which he donates time and money. "This is more important than any of my start-ups," he explains. "Making it public would devalue what I'm doing here." To prevent loss of life—and to protect a deserving project—the secret will not be revealed. But the anecdote is telling. Mr Vardi has long been Israel's most famous technologist. He is known for having helped build the country's high-tech industry, and for selling ICQ, an instant-messaging service, to America Online in 1998 for more than \$400m. Now his aim is to become the industry's conscience. His message: only a happy few are benefiting from Israel's amazing high-tech boom. "We have become two countries: a high-tech one with few children and very high incomes, and a poor one with lots of kids," he says.

Born in 1942 in Palestine, Mr Vardi started his career in fields that would be called low-tech today. At the age of 27 he was appointed director-general of Israel's development ministry and then held a similar job at the energy ministry. Later he led or helped to found some 60 companies such as Israel Chemicals, the Israel Oil Company and ITL Optronics. Then, in 1996, he invested in his first internet start-up, Mirabilis, the company behind ICQ ("I seek you"). One reason was that his son Arik was one of the founders. But Mr Vardi also realised that instant messaging, then a novelty, would spread like a contagious virus. "Three major viral products emerged from this part of the world: the Bible 2,700 years ago, Jesus 2,000 years ago and ICQ ten years ago," he jokes. Search for ICQ using Google and there are 675m matches, he points out, compared with 160m for the Bible and 178m for Jesus.

The success of ICQ provided Mr Vardi with more than just the cash to seed dozens of internet start-ups. It also seems to have shaped the investment strategy of a man who does without a secretary and manages his investments from an office in the basement of his home. He was interested in the internet's social aspects even before "social" became the new ".com". Rather than being a hard-nosed venture capitalist, he is more like a financial father-figure to young entrepreneurs. When choosing which projects to support, he pays far more attention to an entrepreneur's personality than to fancy PowerPoint presentations. ("PowerPoint presentations damage your brain—if you look at too many, you become immoral," he once told the *New Yorker*.) Those who do win his backing become part of his family. In return for Mr Vardi's support they are expected to play by his rules, such as not taking credit for the achievements of others.

No wonder Mr Vardi has not hit it big since he sold ICQ, say his detractors. But ICQ was a hard act to follow. If none of his other start-ups have been so successful, it is not for lack of quality. Many in fact have more substance than similar ventures spawned in Silicon Valley. [SpeedBit](#), for instance, has managed to slash download times for a full-length feature film to 40 minutes; [YouFig](#) is an innovative online-collaboration service; and [Superna's](#) technology makes it easy to build home networks and share content between different devices.

As well as overseeing his start-ups, Mr Vardi, a fixture at international technology conferences, has done much to make Israel a prime destination for venture capital, most of it coming from America. In 2007 Israeli high-tech firms raised \$1.7 billion, according to the Israel Venture Capital Research Centre. The organisation reckons that Israel now boasts more than 3,300 high-tech firms, which means it has more such firms per head than any other country in the world. Most of them are clustered around Tel Aviv,

where the suburbs are starting to feel like Silicon Valley. Yet critics say that the technology industry exists inside a bubble which is increasingly isolated from the rest of the country. This widening gap also worries Mr Vardi. Fewer than 6% of Israelis work for high-tech firms, he points out. Such companies create demand and jobs in other fields, of course, but the share of the population benefiting from the boom remains tiny. Rather than focusing on high-tech, "the time has come to change proportions and invest the government's R&D budgets into traditional industry to create more jobs," he says.

Looking outside the tech bubble

Many in the high-tech industry agree with Mr Vardi's assessment, if not with his solution. "Yes, there is a problem. But pouring money into other industries won't work," insists Zohar Zisapel, the founder and chairman of RAD, a group of 15 companies that make telecoms equipment. Zeev Holtzman, the boss of Giza Venture Capital, a big Israeli venture-capital firm, is another sceptic. "The main strength of Israel is the quality of the people here. So we have to start with education," he argues.

Things are unlikely to change quickly in any case, not least because the high-tech elite is wary of getting involved in social reform other than through philanthropy. Israeli entrepreneurs dislike and avoid politics even more than their Silicon Valley counterparts do. Yet, Mr Vardi believes, they could be missing a chance to set an example for the world. For it is not just Israel's high-tech industry around Tel Aviv that floats like an island of wealth in a sea of poverty. In places such as Bangalore in India the situation is even worse. A computer-smashing, neo-Luddite backlash may seem unlikely—but why not divert some of the energy from the high-flying tech industry to addressing social problems? "Happiness is relative," Mr Vardi warns. "The more successful the high-tech sector, the more frustrated and unhappy the rest of society could become."