

# California's economic downturn: history repeats itself

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4 February 2002

If 1992 was the Queen of England's *annus horribilis*, then the people of northern California will have similar feelings for 2001. While Elizabeth II tearfully gazed at her burning ancestral home in Windsor, the barons of high-tech tomfoolery were building lifestyles of latter-day aristocracy in places like Mill Valley, San José, and Palo Alto. For northern Californians, 2001 clearly illustrated an eruption of systemic problems that have been incubating for years.

The scapegoat of September 11, however, does not apply to the recent downturn in economic life in the region. From the false "energy crisis" to homelessness, the San Francisco Bay Area and the adjoining Silicon Valley have become breeding grounds for despair, unabashed corporate greed and disillusioned youth. No better symbol of this systemic frustration could be imagined than the actions of Bay Area native John Walker Lindh, Taliban volunteer, and son of a corporate attorney at the bankrupt Pacific Gas and Electric Company.

According to the California Department of Finance's "2001 Economic Indicators," initial unemployment insurance claims were up 10,000 from August 2000 to August 2001. While the Association of Bay Area Governments (ABAG) optimistically projected growth of one million new jobs in the nine-county Bay Area by 2020, hopes have been dashed by the implosion of the farcical dot-com surge of the past decade. In November 2000, an estimated 200,000 high-tech jobs were slashed in one month alone, and the summer months heard cries from local wineries and tourist attractions of severely reduced numbers of visitors; some San Francisco hotels even cut their exaggeratedly high rates by half.

Even at the height of the dot-com boom, local governments were reporting a serious asymmetry in housing, income and employment. In its 2020 General

Plan, adopted in November 2000, the City of San Jose reported that of nearly 100,000 minority households, 53 percent of these homeowners were in need of housing assistance, and a full 69 percent of minority renters could not afford their current dwelling independently. The city also claimed that the number of homeless had increased from an admittedly inaccurate 1995 census of 10,000 to 12,600 persons in 1999. As young "tech wizards" were making six- and seven-figure salaries and sitting on \$2,000 ergonomically engineered chairs, the same four-year period saw a rise in female homelessness from 19 percent to 37 percent of the total.

A sharp contrast between rich and poor in California is nothing new to local residents. But the division has been exacerbated by the state's inability to foster an equitable environment for all of its citizens on the one hand, and ignoring the reckless and greedy business practices that have made a laughingstock of the once-proud Silicon Valley.

Unfortunately, the workers of northern California have had to pay for the folly of their high-tech moguls; indeed hundreds of thousands of people have lost their jobs, and millions more have been negatively affected. Today, the result is a downward spiral that has brought an area once flush with investment to its proverbial knees. The litany of bankruptcies in the area has taken its toll on cities and towns more than one hundred miles from the center of Silicon Valley.

The tiny agribusiness city of Woodland, California is a case in point. By the early 1990s Woodland, the county seat of Yolo County, nestled between Napa and Sacramento counties, became a hotbed of distribution centers. The largest employer in the county was a business-to-business and wholesale entertainment distributor called Valley Media. After going public on the NASDAQ in 1999, the 20-year-old company

invested in all the latest technology to provide direct-to-consumer services to Internet giants like Amazon.com, CD Now and many others. After a series of bad business decisions and dot-com failures, the company, which once employed over 2,000 people in a town of 46,000, went belly-up. Within two months after declaring bankruptcy, the enterprise was liquidated, leaving hundreds of life-long employees high and dry.

Valley Media is just one of thousands of bankruptcies and failures in the region. With a gubernatorial election right around the corner, voters' frustrations may take them down the wrong road simply for lack of an alternative to status quo politics. Incumbent Democratic Governor Gray Davis has not shown one iota of support for the suffering workers of the state, and the likely Republican candidate, former Los Angeles mayor and millionaire Richard Riordan, is far from being mindful of the problems faced by the average Californian. Simultaneously, the majority of the so-called left in California fights single-issue politics and cries victory for minimalist living-wage increases or trade union growth; padding the wallets of big labor bureaucrats with agendas of their own.

In a befitting twist of historical repetition, the "silicon rush" of the 1990s has left the working people of northern California in much the same situation as Swiss adventurer and the founder of Sacramento, Johann Augustus Sutter. In 1840 Sutter, a naturalized Mexican citizen, founded what is now the city of Sacramento. Nine years later, the gold rush attracted thousands of money-hungry prospectors, disinterested in the daily toil of farming that had sustained the settlers from many countries at Sutter's Fort. Sutter lost his lands to pillage and occupation by the "49ers". Not heeding the historical lessons of the gold rush, California now struggles to find a sustainable existence in the wake of the silicon rush that has profited only the wealthy. Fortunately, the number of times history will repeat itself is largely a question that will be answered by the people who will continue to suffer the consequences.



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