Jerry Yang, co-founder of Yahoo!, the Internet navigational guide. Born in Taiwan and raised in San Jose, Yang prided himself on being "the first in this business to build a credible, sustainable, and likeable brand." (*Copyright © Mark Geller Photography, San Francisco.*)

into the state each year for research and development, but financial institutions were also eager to invest in the high-tech boom.

The growth of high technology also depended on the personal ambition of thousands of hard-driving California entrepreneurs. Often young and from modest backgrounds, the successful high-tech entrepreneurs combined sophisticated technical knowledge with sharp business skills. Steven Jobs and Stephen Wozniak, co-founders of Apple Computer, were typical of this new breed of business executive. Jobs and Wozniak built their first computer in a Los Altos garage in 1976. Within 5 years, Apple Computer occupied more than 20 buildings in Silicon Valley and had assembly plants around the world. Stanford engineering students Jerry Yang and David Filo experienced a similar phenomenal success following their creation of the search engine Yahoo! in 1994. "We were very lucky to have been there in the early days," Yang recalled. "There was so much creativity. Every time someone did something novel, it was monumental." Commenting on the wealth and lifestyle of California's new high-tech elite, *Fortune* magazine observed that Silicon Valley seemed to be "mass-producing millionaires."

High technology was not only producing California millionaires, it was also creating a new set of problems for the state. By 1986 Santa Clara County had earned the dubious distinction of having more toxic waste sites than any other county in the nation. The soil beneath Silicon Valley had become littered with underground storage tanks filled with highly toxic solvents and other waste chemicals. In addition, high-tech companies were identified as major sources of air pollution. Semiconductor firms emitted tons of fumes and toxic gases into the air each day through hidden vents; the air quality of Santa Clara County was consistently ranked as the worst in the Bay Area. The rapid growth of the high-tech industry also exposed California to the danger of the "Detroit syndrome," so called for that city's reliance on automobile manufacturing, as Silicon Valley and other areas in the state became dependent on the electronics industry. The danger of such overreliance became apparent during the recessions of the early 1990s and early 2000s as layoffs, plant closings, mandatory vacations, and salary cuts were announced almost daily at semiconductor and computer-related companies.

The Internet Revolution

California's high-tech industry experienced a dizzying round of rapid growth with the advent of the Internet in the 1990s.

The latest technology was truly revolutionary. Information and products from anywhere in the world were instantly accessible via the Internet. Known first as "the information superhighway," the Internet soon became the indispensable marketplace for e-commerce (business conducted electronically). By 2004 more than 60 percent of all American adults were Internet users. With the proliferation of home and business computers, dot-com entrepreneurs hastened to meet the seemingly insatiable demand for online goods and services available 24/7 (24 hours a day, 7 days a week).

The online New Economy was fueled by an unprecedented increase in investment capital. More than $1 billion *a week* flowed into startups in 2000, with San Francisco Bay area firms capturing a third of the nation's total. With venture capital flowing freely, the culture of online e-commerce rewarded risk-taking and fast-paced innovation. "At its core," commented journalist Joe Garofoli, "the Silicon Valley boom is a confluence of smart and driven people turned on by the intellectual buzz of inventing and reinventing the world and themselves."

That buzz, however, began to sputter in the early 2000s. The rapid growth of the Internet fueled a binge of spending on computers and software by dot-com startups and by traditional businesses gearing up for e-commerce. "The Internet bubble drove spending ever higher," noted one economist. "Capital spending got ahead of itself." With inventories at all-time highs, the demand for high-tech products contracted rapidly. The contraction was registered most visibly on the tech-dominated NASDAQ stock exchange, where equity prices plummeted. The flow of venture capital into Internet-related companies slowed precipitiously, high-tech industry leaders (such as Cisco Systems, Intel, and 3Com) laid off tens of thousands of workers, and hundreds of dot-coms in the San Francisco Bay area failed. Southern California, with its more diversified economy, was less affected by the downturn. "In the wake of the dot-com collapse, the south has emerged as the sturdier pillar of the state's economy," the *Los Angeles Times* exulted in 2001. "Southern California is playing the steady tortoise to the Bay Area's exhausted hare."

The bursting of the dot-com bubble led to some predictable overreactions. The *New York Times* ran a headline proclaiming "California's Golden Dream Goes Dark," and an editorial writer for the *Wall Street Journal* professed to have watched with "amazement, amusement, and horror" as California was reduced "from the nation's most prosperous state to a Third World country."

Apparently forgotten by many euphoric dot-commers of the late 1990s was the undeniable fact that the high-tech sector always has been susceptible to cycles of