

Sacramento-based Aerojet Corp., over the last 12 months. Lockheed just fought a costly junk bond takeover attempt. In April, the American Electronics Association canceled a planned defense industry trade show in Silicon Valley, due to lack of interest. Already-proposed military base closings will mean a loss of an additional \$5-10 billion to the California economy.

What California state budget analysts have quietly spoken of since 1988—the loss of 100,000 aerospace and defense-related jobs by 1990—is fast becoming fact. The combination of increasing defense budget cuts and growing corporate indebtedness means that the hemorrhage of defense and aerospace layoffs will reach at least two or three times the 1988 projected figure.

Shared delusions

Steven E. Hall, economist and fellow at Stanford University's Hoover Institute, recently dismissed defense sector cuts as "not a big deal." His comments, mirrored in remarks made by Bank of America chief economist Robert O. Wilson, poorly disguise the state of the California economy. A precipitous decline in state tax revenues, personal and corporate, doesn't lie.

And then there is real estate.

On the occasion of a recent medical conference, called to explore the meaning of composer Richard Wagner's hallucinatory "Ring" opera cycle, Dr. Leonard Zegans of the

Langley Porter Psychiatric Institute observed that Wagner's gods had much in common with San Franciscans: They are always overdressing and getting caught up in disastrous real estate deals. Dr. Zegan's comments may be applied more broadly.

The spiraling cost of California's commercial and residential real estate has left financial institutions vulnerable to the layoffs that are occurring. In April, Federal Deposit Insurance Corp. (FDIC) chairman L. William Seidman warned that California's real estate markets might be overheating and should come under "increased scrutiny." The booming Anaheim and San Jose, California markets were named as potential flashpoints. On May 14, Standard and Poor's downgraded the debt portfolio of California's prosperous Wells Fargo Bank because it heavily relied on real estate loans and junk bond investments. Then on June 13, Moody's Investors Service lowered its ratings on Wells Fargo of San Francisco and Security Pacific Corp. of Los Angeles, citing the softening real estate market.

Putting the abundant advice of "free enterprise" and "market forces" to one side, the hosts of Mikhail and Raisa Gorbachov were in no position to provide a "quick fix" for the disintegrating Russian empire. It is certain that Soviet officials are likely to be of little help to their California friends.

Next: The decline of the 'New Age': California's Silicon Valley.



CORRECTION

Our June 8 issue, on page 23, mistakenly identified the person on the left-hand side of the photo above as Dr. Richard Wilson. Wilson, a nuclear physicist, is on the right. With him at Chernobyl in this 1987 photo is Bob Sheer, a reporter from the Los Angeles Times. Sheer's photo is the one that appeared with Wilson's interview by mistake.