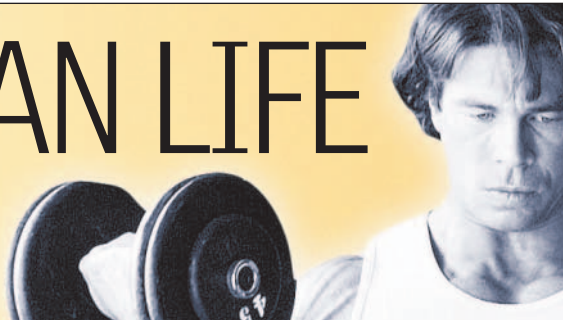


Sunday

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IRAQ TESTS DEMOCRACY

AMERICA IN IRAQ

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EXIT DEADLINE**
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**SECULAR LEANINGS
OF FEMALE VOTERS**
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mercurynews.com
Iraq election news updated
throughout the day.



KARIM SAHIB — AGENCE FRANCE-PRESSE
An Iraqi woman holds her ballot and identification card as she prepares to vote in Baghdad on Sunday.

WARY ATMOSPHERE AMID SCATTERED VIOLENCE; INSURGENTS KILL 2 IN DIRECT HIT ON U.S. EMBASSY

By Patrick J. McDonnell and Edmund Sanders
Los Angeles Times

BAGHDAD, Iraq — Iraqis began heading to the polls today to choose a national assembly, as insurgents made good on threats of violence, launching three deadly suicide bombings and mortar strikes at half a dozen polling stations across Iraq. At least 14 people were killed, including five policemen. Security was tight. About 300,000 Iraqi and American troops were on the streets and on standby to protect voters, who entered polling stations under loops of razor wire and after being searched. Suicide bombers attacked at least three voting cen-

ters in western Baghdad, hours after a rocket struck the U.S. Embassy compound inside the heavily fortified "green zone," killing two Americans.

Interim Iraqi President Ghazi al-Yawer, a Sunni Muslim who at one point expressed reservations about the timing of the vote, was one of the first Iraqis to cast his ballot in front of television cameras at a VIP polling center inside the green zone. Yawer called the election "our first step toward joining the free world."

See IRAQ, Page 15A

High-season visitor drop-off means \$500 million in losses likely in tsunami aftermath Thai resorts ready, eager for return of tourist dollars

By Ben Stocking

Mercury News Vietnam Bureau

PHUKET, Thailand — Just one month after the Asian tsunami battered the tourist mecca of Phuket, life is back to normal across most of the island — with one glaring exception. The tourists are gone.

Residents, desperate for jobs and money, want visitors to return — right away.

"Please come back," said Metta Kankhow, who lost her job at a beachside restaurant and now sells fruit from a street-side stand. "Come back to Thailand."

The tsunami caused roughly \$250 million in property damage in Phuket, said Pattanpong Aikwanich, president of the Phuket Tourist Association.

But the falloff in tourism during January and February — the high season — is expected to cost \$500 million.

Several small hotels with beachfront bungalows were wiped out, but many larger hotels suffered only minor damage. Some never closed, some have reopened already and others expect to be operating again within two to six months.

See THAILAND, Page 19A

VENERABLE MUSIC STORE SET TO CLOSE

ROCKERS, SCHOOLCHILDREN NURTURED FOR 38 YEARS

By Renee Koury

Mercury News

Rock icon Jerry Garcia used to buy his favorite Travis Bean guitars there. Guitarist Stanley Jordan grew up practicing there before he got famous playing jazz. And thousands of kids went to Draper's to take their first blasts on the trumpet, bassoon or saxophone.

Now, Palo Alto's revered Draper's Music Center is closing after 38 years of nurturing the inner musician in rock legends and regular kids.

"This was my dream, to make a difference in the community," said Gil Draper, the store's soon-to-be-retired founder and owner. "We did that. I tell the kids, 'This is a great gift you'll have all your life and no one can ever take it away.'"

Draper had planned to shut down this month but is hanging on until the end of February hoping someone will step forward to take over the business in the unassuming storefront on California Avenue.

But it's a tall order. His 3,300-square-

See DRAPER'S, Page 8A

A tale of two valleys

While things are looking up for those in the tech field, the growing ranks of people in Silicon Valley's 'second economy' find themselves falling further behind

THE TECHNOLOGY ECONOMY

NUMBER OF JOBS



Percent decline from mid-2003 to mid-2004

AVERAGE PAY



Percent rise from 2002 to 2003

THE OTHER ECONOMY

NUMBER OF JOBS



Percent rise from mid-2003 to mid-2004

AVERAGE PAY



Percent decline from 2002 to 2003

Figures given are the most recent available for each category.

K.B. CHANDRASEKHAR: THE WEALTHY ENTREPRENEUR



RICK E. MARTIN — MERCURY NEWS

K.B. Chandrasekhar of Saratoga is chairman and CEO of Jamcracker. The company, which he founded, hired 60 people in 2004.

■ Moved here from India in 1992 with \$2,400

■ Co-founded two tech companies and is now CEO of his third

■ Reaped \$135 million selling shares of his second company

STEVE CLOUGH: FROM TECH TO TEACHING



GARY REYES — MERCURY NEWS

Steve Clough helps student Marla Zapata, 14, with an algebra problem after class at Santa Clara High School.

■ Laid off from a technical support job in 2003

■ Now a part-time teacher earning 40 percent of his old pay

■ Wife has multiple sclerosis and family has incurred \$50,000 in debt

DOROTEO GARCIA: TWO JOBS AND STILL POOR



PAULINE LUBENS — MERCURY NEWS

Doroteo Garcia cleans offices as a janitor at Stanford's Cantor Arts Center. He also works part time as a dishwasher.

■ Moved here from Mexico in 1996 to send money home

■ Now working two low-wage jobs as a janitor and a dishwasher

■ Shares a \$600-a-month studio apartment in East Palo Alto

THREE WORKERS' STORIES ILLUSTRATE WIDENING ECONOMIC GAP IN AREA

By Chris O'Brien

Mercury News

Ask K.B. Chandrasekhar, 44, about the Silicon Valley dream, and he'll tell you it's alive and well.

Since arriving from India in 1992 with almost nothing, he is now on his third start-up, Jamcracker. His company is growing. His venture capital investments

in India are going strong. It may not be the boom, but the view from the seven-bedroom house he built in Saratoga still looks good.

Ask Doroteo Garcia, 40, and he'll tell you the dream of prosperity is further out of reach than ever. Nine years after arriving from Mexico, Garcia spends his days cleaning the Stanford University

art museum before pedaling his bike to a part-time job washing dishes. From the studio apartment he shares with his son in East Palo Alto, he laments that he has less money to send home since he lost his second full-time janitorial job.

Ask Steve Clough, 39, a former tech-

See VALLEYS, Page 23A

mercurynews.com

Survey: Do you feel the split between the haves and have-nots?

Weather

High: 59-63
Low: 38-42



Sunny
Complete forecast, 8B

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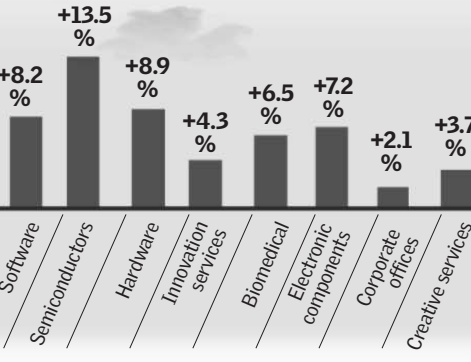
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>KNIGHT RIDDER<

Technology economy

Pay was up for technology jobs in 2003, the most recent year for which data is available.

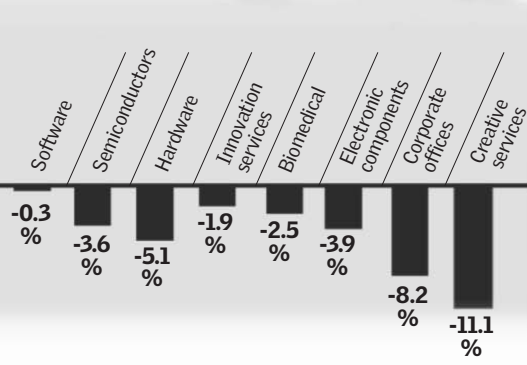
SALARY change in 2003 compared with the previous year



Source: Joint Venture: Silicon Valley Network

But tech companies continued to cut jobs in 2004, pushing more people into the non-tech economy.

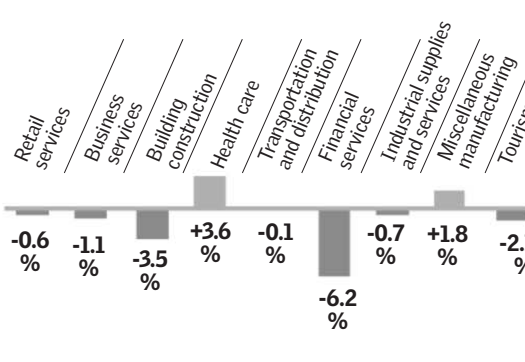
EMPLOYMENT change in second quarter 2004 compared with second quarter 2003



Other economy

Pay fell for most non-tech jobs in 2003.

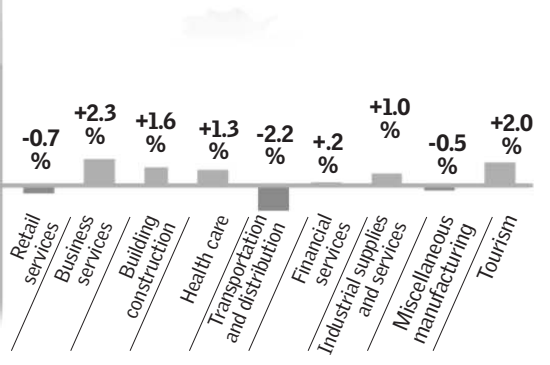
SALARY change in 2003 compared with the previous year



Source: Joint Venture: Silicon Valley Network

But recently, employers began adding more of these jobs.

EMPLOYMENT change in second quarter 2004 compared with second quarter 2003



JAVIER ZARRACINA — MERCURY NEWS

VALLEYS | Some thrive, some struggle

Continued from Page 1A

nical support worker who fell from Chandrasekhar's world to Garcia's during the tech bust, and he'll tell you the transition is jarring. Since losing his job in 2003, Clough has struggled to pay bills while piling up debt. From his part-time job as a high school math teacher, Clough wonders if the doors to high-tech prosperity have closed for good.

All three men are right. By the numbers, the economy is getting better and worse — depending on who you are. Silicon Valley has developed two separate economies that have drifted further apart ever since the dot-com bubble burst in 2000.

In the valley's technology economy, profits, revenues and average pay are up dramatically. But fewer people are sharing in the good fortune because tech companies are doing more with less — they have cut tens of thousands of jobs and continue to do so, boosting the productivity of their remaining workers.

People like Clough are being pushed out of this first economy and falling into the second, non-tech economy, which includes health care, education, construction and tourism.

In that world, employers are beginning to add more jobs but pay and benefits are falling. With the ever-increasing cost of living here, workers in the second economy are increasingly being squeezed.

"The economy and businesses are doing well," said Doug Henton, president of Collaborative Economics, a Mountain View research firm. "But the people aren't benefiting as much. And as a result, more residents are under economic stress."

Living the valley dream

Indian immigrant says opportunity remains

If ever there was a poster child for the Silicon Valley dream, it would be Chandrasekhar.

Working for a tech company in Bangalore, India, during the early 1990s, Chandrasekhar constantly heard tales about the wonders of Silicon Valley. In 1992, he moved his wife and two kids here with \$2,400 to his name.

He immediately started a company with a friend that they sold two years later for \$400,000. They plowed that money into another start-up that became Exodus Communications. The company went public in 1998, and by the time he left two years later, Chandrasekhar had sold more than \$135 million in stock.

His entrepreneurial passion undimmed, Chandrasekhar started Jameracker. The company stumbled during the downturn, running out of venture capital and paring its workforce from a peak of 200 people to just 25. Chandrasekhar invested \$10 million of his own money to keep the company going. Last year, business picked up. The company hired 60 people and is close to being profitable.

Chandrasekhar spends about two months every year in India, where he's an investor in three companies. He also has donated about \$4 million to charity through foundations he has created in the United States and in India to fund everything from education to hygiene in his native country.

Despite the recent downturn, Chandrasekhar says the spirit of innovation and entrepreneurship remains strong in Silicon Valley.

"It's tougher today than it was in the 1990s," he said. "But the opportunity is still there."

Indeed, on paper at least, 2004 was a boom year for the valley.

Valley companies are on pace to post record profits for 2004. During the first three quarters, the combined profits of the 150 largest companies in the valley grew 515 percent to \$22.2 billion, up from \$3.6 billion during the same period in 2003. Venture capital investment rose for the first time in three years.

According to a recent report from Joint Venture: Silicon Valley Network, average pay increased 8.2 percent in 2003 for people working in high-tech industries. The San Jose-based research and advocacy organi-



RICK E. MARTIN — MERCURY NEWS

"It's tougher today than it was in the 1990s," says K.B. Chandrasekhar, who sold \$135 million worth of stock in his second company, Exodus Communications, by the time he left. "But the opportunity is still there."



GARY REYES — MERCURY NEWS

"Maybe things will grow enough so that something opens up for me," says Steve Clough, who became a teacher after being laid off from a tech job. Here he watches student Brandon Honnoll work an algebra problem at Santa Clara High School.



PAULINE LUBENS — MERCURY NEWS

"We clean the office buildings of the magnates and the leaders of the high-tech companies and we see the luxury they live in," says Doroteo Garcia through an interpreter. He is working to send money home to his family in Mexico.

Income gap

Household income for Santa Clara County residents at the 20th percentile fell 6 percent from 1993 to 2003, after adjusting for inflation. During the same period, household income for U.S. residents at the 20th percentile rose 14 percent. Wealthier valley households also saw income gains.

Productivity rose 4 percent in 2003. And the number of patents issued to Silicon Valley residents grew 6 percent from 2002 to 2003.

So if the good times are back, why don't more people feel it?

'It's beating me down'

Layoff leaves family struggling to get by

The problem is that while the high-tech pie remains plenty tasty for people like Chandrasekhar, it's also getting smaller. That means there's less room for those like Clough, who has discovered just how far the fall is from the first to the second economy.

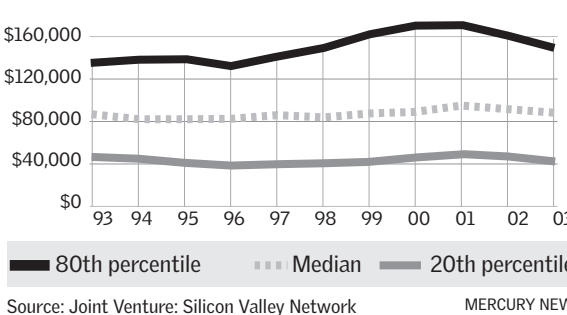
Clough finished business school in Ohio in July 2000 and moved his wife and two kids to Silicon Valley after he landed a technical support job with Silicon Graphics. They bought a three-bedroom home in Sunnyvale for just under \$400,000.

While she got a job teaching at Palo Alto High School, he survived several rounds of layoffs, finally losing his job in February 2003.

His severance and unemployment checks were a sharp drop from the high-five-figure salary he had been making. The family refinanced the house and took out equity to pay other bills.

Although they haven't missed any major payments, they have accumulated \$50,000 in debt over the past two years. While Clough has been

looking constantly for new work, he has never gotten far. In the meantime, he took a job as a substitute math teacher at Santa Clara High School. This fall, his hours increased, turning the job into 80 percent of a full-time position. He's now making about 40 percent of his salary from two years ago.



Source: Joint Venture: Silicon Valley Network

MERCURY NEWS

Despite the setbacks, Clough said he and his family are determined to stay.

"When I finished business school, I saw an opportunity in Silicon Valley," Clough said. "It was the pot of gold at the end of the rainbow. But it never opened up. It just turned sour. Maybe things will grow enough so that something opens up for me. Right now, it's beating me down."

Unfortunately, it's probably only going to get tougher.

The valley lost jobs for the third consecutive year in 2004, although losses slowed to 1.3 percent from 5.3 percent in 2003. And according to the recent Joint Venture report, the rate of job loss was higher with in the tech economy: 3.2 percent.

Non-tech sectors such as business services, construction and health care all added jobs. But with the exception of health care, average pay fell in most of these categories.

The result is that people are being pushed out of higher-paying tech jobs into lower-paying non-tech ones.

The Rev. Scott Wagers of the Community Homeless Alliance Ministry said he has seen a rising number of former tech workers pass through his homeless shelter in downtown San Jose.

"When they lose their jobs, it's a free fall," Wagers said. "And it's shocking where they land."

On outside, looking in Mexican janitor sees income gap firsthand

They land in Garcia's economy. Garcia left his wife and two children in Mexico and came to Silicon Valley in 1996 to earn money to send back home. He rented a studio apartment in East Palo Alto for \$600, which he split with two friends.

The boom economy for Garcia meant that work was so plentiful that he could work two full-time jobs.

Five years ago, he landed a job with the company that contracts to provide janitorial services at Stanford. He still holds that job, which pays \$10.14 per hour.

But when the downturn happened, Garcia lost his second full-time job cleaning dorm rooms at Stanford for another contractor. So now when he's done cleaning the Stanford art museum, he rides his bike to a part-time job washing dishes for \$8 per hour.

And he has one fewer roommate, which has made rent more expensive.

Two cousins for whom Garcia had helped find work returned to Mexico after they lost their jobs. Garcia doesn't want to leave because he feels that he has built a community here. At the same time, he has become painfully aware that his lack of education means he will always be on the outside looking in on the first economy.

"We clean the office buildings of the magnates and the leaders of the high-tech companies and we see the luxury they live in," Garcia said through an interpreter. "We go into the parking lots and see their BMWs when we have to ride bicycles to work. It's quite a contrast."

From 1993 to 2003, income for those in the 20th percentile in Santa Clara County fell 6 percent, according to the Joint Venture report. Nationwide, incomes in the same category rose 14 percent.

And the number of residents who can afford to buy a median-priced home in Santa Clara County fell from 41 percent in 1994 to 23 percent in 2004.

"People have this notion that if they flourish, everyone else rises with them," Wagers said. "It isn't true. There's always been that floor in Silicon Valley where things never seem to get any better."

Building a safety net

Agencies try to help people weather storm

Governments and social-service agencies across Silicon Valley are struggling to cope with the impact of these changes. They have tried to step up programs that help people cover utility bills, get enough food or find housing and shelter.

The non-profit Urban Ministry recently expanded a five-day-a-week meal program by adding one day on the weekend because there were so many people coming who work full time.

"One bump in the road, and they are one step away from becoming homeless," said Brooke Scharnke, the program's director.

Many groups are still just trying to get a sense of how big the problem is. Santa Clara County is in the middle of a project to officially count its homeless population. United Way Silicon Valley is conducting its first needs assessment since 1997 in an attempt to re-evaluate the way it provides services and expects to release the results in April.

And Thursday, when Joint Venture released its Silicon Valley Index at a breakfast forum at HP Pavilion, it also held a panel discussion about the problems confronting the region.

Members of the panel generally agreed there needed to be more emphasis on education and retraining programs. They also called for the development of more affordable housing.

One panelist, Manuel Pastor — director of the Center for Justice, Tolerance, and Community at the University of California-Santa Cruz — said that if the region is going to continue to thrive, it's important that it find a way to make sure people in the second economy share in the prosperity.

"One of the concerns is that there's a wider gap, and that it's persistent," Pastor said. "And that could wind up being the Achilles' heel of the region."

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