

Tarnish on the Golden State

Despite its wealth and potential, California has dismal economic prospects

Friday, November 14, 2014

Jerry Brown is stepping up for an unprecedented fourth term as governor of California, but nobody would call his economic performance particularly distinguished. The Cato Institute ranks him as the nation's most fiscally inept governor on its Governors Report Card for 2014.

Mr. Brown won by nearly 20 points over his Republican rival on a day when most Democrats were running scared. That should be an indication that things must be going pretty well. California is a major exporter of agriculture — the San Joaquin Valley feeds much of the nation — and most of the high-tech gadgets and computer innovations originate in Silicon Valley.

But like the false fronts on the Hollywood back lots, the appearance of economic confidence hides the grim reality. In 1999, only four nations could boast economies greater than California's, and now the state has dropped to No. 10 in terms of gross domestic product. The decline continues. Each year, California loses an average net of more than 100,000 people who leave in search of something better.

Many businesses want out, too. In a survey of leading CEOs, California was named the worst state in which to do business, and for the 10th straight year. The businesses failure rate is 69 percent.

California tops national charts for income and sales taxes. The corporate-income tax is the highest west of the Mississippi and the combined capital-gains rate is the second-highest in the world. The state has instituted a cap-and-trade scheme, which imposes an estimated burden that will grow to more than \$3,000 per household by 2020.

Just driving a car sends an average of \$4,000 to Sacramento, thanks to fees and the 68.2 cents tax tacked onto every gallon of gas pumped. California's red-light camera tickets are the highest in the nation at \$500 per offense. California requires licenses for a total of 177 different occupations; most other states require an average of 92.

Avant-garde environmental bureaucrats often use California as the testing ground for regulatory schemes that have driven electricity rates for industry 54 percent above the national average.

The red tape is generated for everybody's own good, of course, but the poor suffer most. California's real poverty rate, which takes the cost of living into account, is 49 percent above the national average. Over a third of the tax dollars shelled out for federal welfare assistance goes to the needy in California.

Even the government is poor. Despite the high taxes, the budget always runs in the red. Services, from the roads to the educational system, are mediocre, despite their high cost. It shouldn't be that way. California has bountiful natural resources, some of the brightest people in the world, deep water ports, great weather and world-class cultural opportunities. State government has squandered much of that potential.

Though Mr. Brown is notorious for his profligate tax-and-spend ways, he's further known for his unpredictability. His next surprise ought to be dialing back the taxes and regulation. He would astonish us all.