



No, California is not the world's fourth largest economy

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Boasting of his state's robust economic growth, California Gov. Gavin Newsom recently declared that "California's values and entrepreneurial spirit have powered this ascent to becoming the 4th biggest economy in the world."

Not so fast.

California elected officials frequently cite the Golden State's position in global economic rankings, comparing the size of the state's economy to that of major nations. Until a few years ago, state leaders characterized the Golden State as the world's sixth largest economy, but after its GDP surpassed that of the struggling United Kingdom, we started to hear that California ranked fifth.

Now we're hearing that California ranks number four, overtaking Germany's spot after the US, China and Japan. That sounds good, but it is not correct.

The latest California GDP data published by the Bureau of Economic Analysis places the size of California's economy at \$3.701 trillion as of the fourth quarter of 2022. Official German data from Statistisches Bundesamt show that 2022 GDP totaled \$4.125 trillion in U.S. dollars (at the then current exchange rate of \$1.0666 per Euro), well above the California figure.

The gap may continue to grow when Q1 2023 figures are available because the Euro has risen against the dollar, closing at \$1.0875 per Euro on March 31.

So how did anyone get the idea that California had passed Germany? It originated with a Bloomberg opinion piece entitled "California Poised to Overtake Germany as World's No. 4 Economy" by Matt Winkler. In the October 24, 2022 article, Winkler only claimed that California was about to pass Germany, and not that it had already done so. To quote Winkler:

The margin of Germany's nominal GDP of \$4.22 trillion over California's \$3.357 trillion last year (2021) was the smallest on record and is about to disappear, with Europe's largest economy barely growing in 2022 and forecast to shrink in 2023.

Since Winkler's piece appeared, emerging cracks in California's economy widened with major tech industry layoffs, the collapse of Silicon Valley Bank, and decreased income tax revenue collections. The dollar has also declined against the Euro.

Although Germany's economy has been largely stagnant in recent quarters, the country does have one thing going for it: a bump in population. While California's population has been shrinking in the 2020s to an estimated 39 million, Germany has now surpassed 84 million residents due, in part, to emigration from Ukraine.

Whether California ultimately surpasses Germany is very much an open question, but state leaders got ahead of the facts. In his recent press release falsely bumping California up to number four, Newsom promised to "continue doubling down on industries of the future, like renewables and clean energy."

"I feel tremendous pride in California's resilience, leadership, and our formula for success," he added.

And, in a recent tweet, California's First Partner, Jennifer Siebel Newsom stated: "As the 4th largest economy in the world, California wields significant market influence." Meanwhile, a state assembly committee fact sheet contained the following exaggeration: "Bloomberg reports that in the 2021 rankings, California would be the 4th largest economy in the world."

For a state government so concerned with the spread of misinformation, it is reasonable to expect its leaders to get their facts straight. In this case, they did not.

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