

Opinion: California fosters bad business climate

By Bradley R. Schiller

In its most recent annual ranking of “business friendly” states, *Forbes* magazine had some blunt advice for investors: “Utah and Colorado have maintained strong business climates. Forget about California.”

Californians like to dismiss such assessments of the Golden State and instead point to its natural beauty and quality of life. They tend not to worry what people in other states think. But they should. California is no longer the economic miracle it once was. Silicon Valley no longer has a monopoly on high-tech talent and innovation. Hollywood has to compete for movie locations with Utah and Morocco. Real estate investors see better development prospects in states with fewer foreclosed and abandoned homes. And SoCal porn producers know they don’t need huge wardrobe containers to move to Nevada.

Californians tend to be complacent about these competitive risks. On the surface, things don’t look too bad. Sure, the state’s finances are in shambles and the Legislature in disarray. But median personal income (\$42,578) is well above the national average (\$39,945).

These things can’t compensate for some disturbing recent trends. The growth of the state’s \$2-trillion economy has slowed dramatically. Since 2000, the state’s economy has grown significantly more slowly than the rest of the nation. Last year, California ranked 34th in real GDP growth. That sluggish growth has burdened it with among the highest unemployment rates (10.9 percent) in the nation. If businesses heed *Forbes*’ advice to avoid the state, the situation will only worsen.

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