

Opinion: A challenging economy in California

By Dan Walters, Sacramento Bee

Coincidentally, three otherwise unrelated events last week framed California's somewhat clouded economic situation.

One was a revelation that the state now is tied with Rhode Island for the nation's highest unemployment rate, 9.8 percent.

Although employment surged in California last year, with about a quarter-million new jobs, and the jobless rate had dropped by more than two percentage points from its high-water mark, more than 1.8 million workers are still without jobs. And outside the immediate Bay Area the picture is especially grim, with jobless rates hitting nearly 30 percent in some rural counties.



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The second event was release of a study by researchers at USC on the state's potentially huge deposits of shale oil that, they said, could spark an economic boom in the state, as it has in other states.

Exploiting shale oil could create from a half-million to more than 2 million jobs, increase personal income sharply and spark a multi-billion-dollar surge in tax revenues, the study

said.

The third was release of the latest annual update of the Tax Foundation's state-by-state comparisons of tax burdens, indicating that Californians are bearing some of the nation's highest taxation loads.

We were fourth highest at 11.2 percent of personal income in 2010 and since then, we've hiked sales and income taxes that would add nearly another half a point to that rate. Yet, despite those heavy taxes, state and local governments continue to struggle with chronic budget deficits and long-term obligations for pensions, retiree health care and bonded debt.

And there it is.

After three booms (defense, technology and housing) and three busts in the last three decades, California's economy continues to sputter. Two new economic forecasts, one from UCLA's Anderson School and another from California Lutheran University, see only incremental and slow recovery from what had been the worst recession since the Great Depression, with relatively high joblessness for years to come.

Meanwhile, we're seeing a strong outflow of job-seeking Californians to other states, especially those whose economies are humming, such as Texas, thus reducing our stock of educated and high-skill workers.

It's not a pretty picture, and while Gov. Jerry Brown dismisses those who question the state's prospects as "declinists," he and other Capitol politicians pay nothing more than lip service to making the state a more attractive venue for job-creating investment.

The oil shale situation is a big test. Are we willing to exploit – albeit with appropriate environmental safeguards – our vast reserves of oil, or will we continue to cross our

fingers and hope that somehow, some way, California will recapture prosperity by osmosis?