

California's Growth

In addition to Bruce Cain and Roger Noll, who gave the session's principal presentations, the panel consisted of moderator John Bryson, chairman and chief executive officer of Southern California Edison; and Jane Pisano, dean of the School of Public Administration at the University of Southern California and president of the 2000 Partnership.

Growth, of California's population and economy, has been the critical ingredient in the state's heretofore golden good fortune. But managing the problems that this growth has brought, and that its current decline is also bringing, is necessary in order to sustain prosperity in the future. "Surely, California has been the vision of growth," said John Bryson, in opening Session VIII. "For most of its history, Californians have looked upon growth as the engine of prosperity. Growth created jobs. It created the opportunity to expand educational and cultural horizons, to build universities, museums, concert halls, sports stadiums. And as the state's population skyrocketed, Californians stood and cheered the extraordinary movement toward inevitable victory in the seemingly endless race to become ever bigger and better."

Bryson recalled the great rejoicing during his undergraduate days at Stanford in the early sixties, when California's population passed that of New York. Also evident was a "widely felt sense of accomplishment" that California had become the largest state in the Union. "For decades California's expanding population attracted a seemingly infinite number of businesses and industries, and the economy outpaced the rest of the country year after year."

But ultimately "there was no prize for this victory," Bryson continued. Population growth no longer connotes prosperity in California. It has come to mean a deteriorating quality of life—traffic congestion, air pollution, out-of-reach home prices, too many demands on school systems—all of it directly attributable to the

population growth that had served the state so well in the past. So, although new arrivals continue to pour in, many people are leaving. Bryson cited figures from the state department of finance indicating that more people in the prime-productivity years of ages 30 to 44 have left California than have moved in. Businesses are also departing. An Edison study found that about 10 percent of California's recent job losses are from company relocations. These firms cited business costs as their main reason for leaving. All told, California has lost 600,000 jobs this recession, according to Bryson.

"Dealing with the issues created by growth will require Californians to adopt a new vision and a new set of solutions to the state's extraordinarily difficult problems," said Bryson. "And it will demand, I think, a far greater degree of cooperation between the public and private sectors. Managing growth will require business to reconsider in some ways its traditional definition of success." This definition must include, he continued, a focus on enhancing the quality of life and protecting the environment. Bryson went on to describe how Southern California Edison, unique among the nation's utility companies, has proposed to reduce the carbon dioxide emissions from its power plants over the next few decades despite foreseen demand for electricity. The company is also devising energy-efficient technologies for its customers and is working on the development of nonpolluting electric transportation.

In the panel discussion and questions that followed, Jane Pisano offered a different view of a

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utility company's motivation to help solve local problems: they can't leave. "Utility companies and newspapers are the only industries that really *have* to be in California," according to Pisano. Due to information-age technology, "our businesses are much more highly mobile today than in the past." In addition, California's economy has been hurt by its belated shift, after the rest of the country, from a manufacturing base to a services base, she said. As for the strain population growth puts on the services and infrastructure, Pisano maintained that this is but one side of the equation. "The other side of the equation is that we haven't kept up in terms of supply. We have failed over many years in this state and the country to make the kinds of investments that are required in order to maintain our standard of living."

She also countered the optimistic forecast Roger Noll made in his talk of California's position in Pacific Rim trade by noting that California, with Mexico's cheaper labor right next door, was also well positioned to be hurt by a global labor market. "We have to be cognizant of the fact that there are real consequences for living in a global economy and an information-age society," Pisano said.

But both Noll and Bruce Cain were more sanguine than Pisano about California's proximity to Latin America, and both supported the idea of economic integration—a North American free-trade zone. "Mexico is a resource-rich country, and there's really no reason why it can't develop," said Noll. "It's not going to be particularly difficult at all for the U.S. engine of growth to pull

along the southern part of the North American continent." Cain emphasized the interdependence of North American neighbors: "California's problems aren't solved simply in California." Trade relations and economic growth in the southern part of the continent would offer a partial solution to what Cain described in his talk as type-1 growth—immigration into California's inner cities. "People won't feel they have to come to the U.S. in order to have a job," said Cain.

But if they *do* come, Cain replied in answer to another question, "there's no way that California is going to be able to control its border and say, 'We're not going to grow by more than 30 million.' I think that a more sensible strategy is to think about how we can manage the growth that we're going to have to expect." No one offered any specifics, but Cain was optimistic that the American fractured, decentralized political system can cope with such a strategy. As Noll had put it earlier, "There's a built-in inefficiency to what we do, owing to the requirement to achieve political consensus. But that serves an ethical value that we hold dear—that we have a governmental system in which most of us have to agree with a policy before we pursue it." Cain suggested that sometimes the unexpected comes out of a decentralized process with people trying different approaches. "I think we just have to accept that the nature of the governmental structure is going to push policy in a certain way that will at times look inefficient, but that's not to say that that structure is incapable of performing and of accepting the challenges."

Pisano echoed "the absolute absence of a con-

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sensus in California,” and as an example described her participation in the California Growth Management Consensus Project. “Although this group labored mightily, it was unable to come to conclusions about how to manage growth in California or how to make tradeoffs that would even lead us in that direction,” she said. In a typical debate, the environmentalists, who wanted to plan “quality” economic growth only for the population that is wanted, clashed with the representatives of ethnic organizations, who interpreted this as an exclusionary attitude meaning, “I’ve got mine and you’re too late.”

No one on the panel came down on the side of no-growth, particularly in southern California. “I can’t imagine a future for Los Angeles without growth,” said Pisano. But, she warned, “I think that we run a very real risk in southern California, and throughout the state and the country for that matter, of a widening gap between population growth and job growth, which could lead to increased levels of unemployment.” This would also mean a widening gap between rich and poor, which would, in turn, have obvious consequences in exacerbating racial and ethnic divisions within our society, she said. None of the panel went along with a suggestion that California is moving toward a Latin American model of a poorly educated lower class, a small middle class of scientists and professionals, and an even smaller rich and corrupt ruling class. Cain, in particular, although agreeing that immigration patterns make for a two-tiered economy, and condemning the power of money in our political system, said that such a comparison was far off the mark and “doesn’t



portray a very deep understanding of our problems in the United States.”

Although immigration is often considered the source of California’s growth problems, two-thirds of future growth in southern California will be from births to people already living here, according to Pisano. In answer to a question on controlling such population growth, Noll stressed the importance of opportunity as opposed to coercion. “Historically, at least, when people have been provided opportunity, they do not have extremely rapid population growth.”

At the end of the session, Bryson asked each panelist to state the single thing that each would recommend to the governor and the state legislature to do in the next year to improve the prospects of California over the next decade and beyond. Noll said that “the single best policy change would be to rationalize the water-allocation system.” Pisano would urge the adoption of policies more friendly to and supportive of business. And Cain thought that changing the tax structure would be the major challenge of California in the 1990s—“not simply arguing about more or less, but really looking at a more coherent way of going about paying for services in California.” □