

Dan Walters: California gains in economic rankings, but its a mixed bag

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By Dan Walters

Were California a nation, we learned last week, its \$2.2 trillion economy could claim eighth place in international economic standings, having bypassed Italy and Russia in the last year.

The news symbolizes to many, particularly those in politics, that California has completely weathered the worst recession since the Great Depression and is once again leading the nation, if not the world, in economic progress.

That interpretation, however, does not comport with the decidedly mixed bag of what's really happening in our economy.

For one thing, California leaped over Italy and Russia – and may be poised to rise another notch or two – not so much because of outstanding growth in the state's output of goods and services, but because its rivals' economies have been sputtering.

During its lengthy and slow recovery from recession, California's economic growth has been very slightly above the national rate – about 2 percent a year – and markedly lower than those of many other states, particularly those with booming energy sectors.

We have finally regained virtually all of the million-plus jobs lost during the housing industry meltdown and the subsequent recession, and our unemployment rate, once over 12 percent, has dropped by 40 percent to 7.6 percent.

However, we have not produced enough jobs to cover labor force growth during the last half-decade, too many new jobs are low-paying or part-time, and our jobless rate is still the nation's fifth-highest.

Moreover, our recovery has been very spotty, concentrated in a few regions – the San Francisco Bay Area, most obviously – with booming technology sectors.

Inland California continues to feel the recession's effects with double-digit unemployment rates common, topped by 21 percent in Imperial County.

So certain regions, certain sectors, and certain workers within those sectors and regions are prospering. But if you are not among them, you may still be seeing tough times, as recent polls of Californians about their economic situations reveal.

The question recovery poses is whether it will expand long enough to raise economic outliers, or whether the state will soon see another of its once-a-decade recessions.

Economists are divided into roughly two camps: Those who see a bright future as California's soaring technology sector spreads into new locales, and those who believe that California is suffering from structural shortcomings – high taxes, regulatory overkill, etc. – that will impede sustained prosperity.

The state's politicians are somewhat bifurcated.

While they cheer recovery (implicitly taking credit for it) and eagerly spend its bounty of tax revenues, they face pleas from stagnant economic sectors, such as movie production, and even particular companies for subsidies and regulatory relief.

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