Introduction

After a dark period of decline in the early 1990s, California's economy entered a period of remarkable expansion. Unemployment fell and jobs that were lost as aerospace contracted were made up elsewhere. As Rajeev Dhawan points out in Chapter 1 of this volume, there is nonetheless a job gap; the state is not projected to catch up with its old growth path. Projections by the UCLA Anderson Forecast suggest that in 2010, employment will be about 2.2 million jobs below that path. Still, California has shared in the national prosperity that has characterized the last few years. Virtually, all long-term projections for the state anticipate a considerable increase in population and employment. But, as Dhawan notes, such expansion will put strains on such sectors as water supply, transportation, and - especially - housing. Accommodating the newcomers is a major policy challenge for California.

In chapter 2, Xandra Kayden - in her political review - notes that California's ever-present water controversies are likely to be eclipsed for a time by new concerns about electrical energy supply and cost. While electricity de-regulation will not be junked, modification of the current system is probable. The state is also in for one of its decennial battles over legislative apportionment, following the 2000 Census. And the issue of campaign finance will remain a concern.

Immigration as a political issue appears to have died down since the days of Prop. 187. Nonetheless, the influx of foreign immigrants is changing California's labor market. Roger Waldinger reports on the linguistic implications of the changing workforce in Chapter 3. Depending on the industry and job, accommodations are being made by the state's employers to job candidates whose proficiency in English is limited. And there is potential for intergroup tensions between Anglophones - who may find themselves in a minority at the workplace - and new immigrants.

Not all labor markets are formal. Immigration in California has spurred growth of - and raised public concerns about - informal day labor markets. As Abel Valenzuela points out in Chapter 4, such labor markets are not new. But some local jurisdictions are now attempting to regulate their operation. Increasingly, there is a move to regularize informal day labor exchanges by setting up designated hiring sites. However, the details concerning how such designated markets are operated will determine their viability.

Yet another issue associated with immigration is income distribution. Some attribute the widened gap in income distribution in California to increased labor supply at the low-wage end of the labor market. Whatever the cause, the gap has prompted a search for policy remedies. As Richard Sander, Michael Blakely, and Doug Williams observe in chapter 5, one consequence has been the enactment of "living wage" laws. The movement to enact such laws has been focused at the local level. In the standard model, a local government requires its private contractors to pay a living wage (above the federal or state minimum wage). This living wage level is designed to keep a full-time worker out of poverty. The authors note that the job displacement with which
minimum wage laws are often charged is less of an issue with living wages, since the local
government basically agrees to pick up the cost. Nevertheless, the number of workers affected by
living wage laws is very limited. Programs such as more general tax credits to low-income
workers are more likely to affect a substantial number of individuals.

Many studies have noted the linkage between lack of health insurance and low incomes. Various federal initiatives have sought to expand health coverage through piecemeal state action, most recently aimed at children. Yet as Daniel J.B. Mitchell reports in Chapter 6, California - at the end of World War II - considered a comprehensive plan for universal health coverage. As proposed by Earl Warren, a popular Republican governor with strong Democratic support, the state would have created a single-payer plan financed by a payroll tax. Had California adopted the Warren plan, other states would likely have followed suit. But the Warren plan for California was blocked repeatedly by strong doctor opposition. An alternative approach of employer-provided insurance developed, making subsequent attempts to achieve universal coverage difficult. Ironically, Mitchell notes that doctors - reacting against managed care - have more recently sought to resurrect the Warren approach that they once killed by ballot initiative.

As the California economy expanded in the last years of the 20th century, budgetary constraints seemed miraculously to lift. The state and many local governments received unexpected revenues as prosperity expanded the base of income, profits, and sales taxes. Yet fiscal issues remain. Brian D. Taylor, Asha Weinstein, and Martin Wachs note in Chapter 7 that growing transportation needs in California require adequate funding mechanisms. A combination of increased vehicle fuel efficiency, inflationary erosion of the gas tax, and the addition of programs to share fuel tax revenue, has tended to squeeze funds available for highway construction and maintenance. While the authors do not think California's highway finance system is currently in a state of crisis, they do recommend a variety of fiscal reforms to avert such an eventuality.

Although there has been much talk of privatization of public services, Werner Z. Hirsch finds in Chapter 8 that there is, in fact, strong resistance to privatization and contracting out. As he notes, simply contracting out a service does not insure that it is performed better or more cheaply. Just as governments must supervise their own employees if they provide the service, so - too - must governments monitor outside contractors. And in some cases in California, court decisions and legislation limit the potential scope for privatization.

UCLA's Anderson Forecast and the UCLA School of Public Policy and Social Research have co-sponsored California Policy Options since the first 1997 volume. The eight reports presented in this volume for 2001, the latest in the series, are intended to foster debate on critical issues facing the state.

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