

# DAILY NEWS

## Pete Stiglich-Dare I Say For California, it's all about jobs stupid!

**Pete Stiglich**

Updated: 01/29/2009 07:58:28 AM PST

Lots of bad news coming out of Sacramento these days. As if you didn't already know. Seems it can't get much worse. Plenty of finger pointing and blame to go all around. And, understandably so.

Last year's \$14 billion budget deficit now expected to balloon to \$42 billion by June of 2010. A soaring unemployment rate that jumped to 9.3 percent in December last year, highest in 15 years.

Employment experts predicting double-digit unemployment later this year. Unemployment claims skyrocketing, with an expected \$2.4 million deficit in the unemployment fund this year, perhaps breaking \$4.9 billion in 2010.

And, to top it off, two major political parties locked in fierce battle over competing ideas, wills and philosophies, essentially bringing effective state government to a grinding halt.

On the bright side, however, I learned the other day Ronald Mc Donald's profits are up a whopping 80 percent. Suppose that gives credence to the suggestion folks in stress tend to eat out at fast food joints more often. Perhaps all those greasy burgers and fries I've chucked down lately have, to some extent, lifted my optimism just a bit. But, they sure don't do much for the waistline.

So, what do we do? How do we turn all the chaos, all the gloom and doom, all the rancor, into something positive? How can our elected leaders find common ground to rally around, pulling together to successfully navigate us out of our current financial mess? How can we make certain the small ray of light at the end of an otherwise long, dark and ominous economic tunnel isn't one really big locomotive roaring down the tracks on a collision course with our state's financial well-being?

Well, I think I've stumbled onto the answer and discovered the one thing that ought to pull all sides together. In my

opinion, it's all about jobs stupid! How could anyone possibly argue with the need to bring good paying jobs to California and to promote a supportive, rather than adversarial, environment in which businesses can thrive and prosper?

Now, I'm no expert in the field of macro and micro economics.

Trust me, there's no PhD in National and International Finance hanging on my study wall. But, I don't think it takes a genius to understand and appreciate the importance of having good jobs available for anyone willing and able to work.

But, for there to be jobs, there must be businesses, both large and small, willing to take the risk they will succeed. Without businesses, there can be no jobs. And, without jobs, there can be no workers with income to spend. And, without workers, there will be no revenue forthcoming into state and local treasuries. And, without revenue forthcoming, California can not, will not, continue to exist as we know her today.

So, how does California fare when it comes to promoting a business-friendly environment and attracting good paying jobs to the state? Based upon the results of recent surveys, the answer is simply lousy.

In 2008, our legislature set off to evaluate the state's overall business climate. This was accomplished using what's referred to as the California Business Climate survey. Among its many findings, the report concluded "...it is clear California businesses experience higher costs than in many other areas of the nation." It further states that "...66 percent of respondents felt the business climate in California is poor or very poor."

In general, the survey showed "California is a high-cost state..." based upon a number of indexes used to score costs for doing business in the state. California's ranking compared to other states is shown below:

1. State Competitiveness: 22nd among 50 states (28 other states have a worse competitiveness rating.)
2. Overall Cost of Doing Business: 6th highest among 50 states (44 other states have lower costs.)

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3. Business Tax Climate: 4th highest among 50 states as having the worst business tax climate; California ranked worst in the nation for its individual income tax system and 9th worst in its sales tax system.

4. Wage Costs: 4th highest among 50 states; 114.8 percent above the national average index score.

5. Electricity Costs: 41st among 50 states; Hawaii, Massachusetts, New Hampshire, Rhode Island, Connecticut, Alaska, Maine and New York have higher costs.

6. Industrial Rent Costs: 45th among 50 states; Hawaii, Alaska, New Jersey and New York have higher costs.

7. Office Rent Costs: 47th among 50 states; states with higher office rents include New York and Massachusetts.

8. Highway Construction: 48th in investment in highways and 40th in overall infrastructure investment based on per capita income.

In a related 2008 study, conducted by the Texas Public Policy Foundation, Texas appears to have outperformed California in a head to head comparison of economic competitiveness.

Here are findings extracted from that report:

1. Texas has the highest number of Fortune 500 companies at 58 compared to California's 52.

2. California residents pay nearly 12 percent of their personal income in state taxes while Texas residents pay less than 10 percent.

3. California has a worse state legal climate, higher-workers' compensation costs, a higher state minimum wage and allows industries to force workers to join unions and pay union dues. All these increase the operating costs for employers, which reduces their ability to compete against rivals in other states and countries.

4. California has the highest per-capita government spending, approximately 30 percent higher than Texas.

5. California has a higher state sales tax rate. v 6. Texas has a

higher property tax burden and a 1 percent gross receipts tax that is particularly onerous to small businesses.

7. California assesses a corporate income tax (top rate: 8.84 percent) and taxes on capital gains, dividends and personal income (top rate: 10.3 percent) that Texas does not

8. Texas is expecting a \$10-\$15 billion budget surplus by Jan 2009, with much of that money dedicated to property tax relief and the rainy day fund; California is facing a \$15- \$17 billion deficit, potentially growing to \$41 billion by 2010.

9. Texas added almost 250,000 new jobs in 2008. California shed approximately 200,000 jobs in just 4 months time in 2008 and boasts one of the highest unemployment rates in the nation.

10. Four of America's 10 fastest-growing metropolitan areas are in Texas.

11. Nearly half a million residents of other states have moved to Texas since 2000, while almost one million Californians have fled the Golden State.

Job creation and the promotion of a business-friendly environment should not be a political issue. Nor should it be a republican or democratic issue. It is nonpartisan.

It should provide the common ground upon which all parties can stand together to chart a path leading to California's future financial stability and success.

The choice is clear. Either we join together in fierce competition with the rest of the country and the world to retain our economic competitiveness or we find ourselves in the dustbin of history as a once economic powerhouse.

The choice is ours to make. But remember, it's all about jobs stupid!

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