New American

Written by **William F. Jasper** on June 29, 2018

Published in the July 9, 2018 issue of the New American magazine. Vol. 34, No. 13

Golden No Longer: Is California Doomed?

About a dozen years ago, on a return flight to California from the East Coast, this writer chanced to be seated next to two lovely elderly ladies. They were sisters, and like most Americans of my parents' generation had been acquainted with hardship during the Great Depression years. That's when their family had headed to California. After their father lost their family dairy farm in Minnesota, the chatty sisters explained, he decided their best option was to join the great migration to "the Golden State." So, they piled all their belongings onto their old farm truck and it was "Westward Ho!"

"To us, California really was the golden state," one of the sisters recounted, her face aglow at the memory. "We didn't have much when we got there. We lived in a tent for quite a while, but we didn't mind. Everything was so new, exciting and magical: palm trees, the ocean, citrus groves — and lots of warm sunshine, not like the blizzards and hard winters we left behind in Minnesota." "Everybody called us 'Okies,'" the other sister chimed in, "but we had never even been to Oklahoma; that's just what they called all of us homeless folks back then." The whole family worked, picking oranges and other produce, and doing whatever odd jobs they could. It was a challenging time, but still a very happy one, they recalled. Their affectionate reminiscences of California in the 1930s, albeit as seen through the eyes of young girls, and evoked fondly in memories softened by age, belie the relentlessly grim images we associate with the *Grapes of Wrath* era. Their father, utilizing his farm machinery-repair skills, eventually landed a steady job as a mechanic. Within a few years, he had his own prosperous auto-mechanic shop in Orange County, and the family soon bought a modest home in a nice middle-class neighborhood. And, said the ladies, most of the other folks they knew in like circumstances also pulled through in similar fashion. That was, indeed, a *golden* time, they said. In more recent years, however, that glow and shine has begun to fade, to the point where now, they opined, the state might be tarnished beyond repair and headed toward collapse.

Why did these 20th-century California "pioneers" hold such a bleak outlook toward the future of their adopted state? The catalog of ills the ladies rattled off was not surprising: out-of-control state government spending, high taxes, drugs, crime, gangs, failing schools, massive illegal immigration, decaying roads and infrastructure, rampant homosexuality and immorality, total erosion of manners and civility, increasing racial animosity, and more. In virtually all of these areas, conditions have worsened in the dozen years or so since that conversation. These afflictions are not unique to California, but the state does magnify and concentrate these ills to such a degree that millions of Americans, including millions of Californians (and ex-Californians), share this pessimistic assessment of the state's future.

Are they wrong to hold such a dismal view of prospects for the once-golden state? Absolutely, says California's Jerry Brown cheering section. Governor "Moonbeam" Brown, now finishing his second double term as the state's executive, never misses an opportunity to denounce President Donald Trump, defy federal law, and flaunt California's size and economic muscle. Over the past year, he has roamed the world stage as a United Nations "special envoy" on global warming and other environmental issues dear to the hearts of greenies. "The truth of the matter is that California, with its strong renewable energy, its very far-reaching greenhouse gas reduction set of policies — our economy grows faster than the national average," Brown stated at a UN climate conference last November in Bonn, Germany. "So, I think that is very good proof that green energy, wind, solar, new electricity grid, battery storage, electric cars, hydrogen cars — all of these create new jobs, the jobs of the future."

Brown and his fellow Democrats who run California regularly point out that their state is the world's sixth-largest economy, surpassed only by the United States, China, Japan, Germany, and the United Kingdom. California Attorney General Xavier Becerra, a radical activist appointed by Governor Brown, told a press conference on March 11, 2018: "When President Trump comes to California, he'll see a state that's No.1 in manufacturing, agriculture, high-tech, in graduating young people from college." The Brown PR squad makes things appear quite rosy on Planet California, right?

But let's unpack some facts to see if the Democrat narrative is kosher.

As to the first claim — that California's economy grows faster than the national average, largely because of California's strict renewable energy mandates — the facts themselves almost cringe because they are being abused so badly.

First of all, there are some ugly facts about this legend of a "miracle" concerning California's much-hyped booming economy that are conveniently spiked by the Brown gang and its media allies. Nevertheless, the truth seeps out.

California is suffering deleterious effects of debilitating taxes and regulations, which have been masked by the huge economic rebound of the tech industries and the stock market since the 2008-2009 financial meltdown. But California's tech boom is mainly a one-trick pony that is not replicated in other industries in that state, and it's a show pony that doesn't provide the jobs and income for the masses to be well off.

"The tech boom of the last decade has obscured the decline of California's basic industries, such as energy and manufacturing," notes Joel Kotkin in the *City Journal*. "California's above-average job performance since 2010 is almost entirely a combination of high-income employment growth in the Bay Area and the swelling ranks of low-wage service workers who serve them."

In fact, California's rich-poor divide has been growing, creating a bifurcated society of plutocrats and serfs. A favorite theme of the Left is that under our capitalist system "the rich get richer and the poor get poorer." Their solution to the growing income inequality in our society is bigger government, more government programs, and more government spending. Yet it is in these deep-blue progressive havens where we see the rich-poor gap at its starkest. A 2016 report by the liberal-globalist Brookings Institution entitled "City and metropolitan inequality on the rise, driven by declining incomes" features San Francisco and Los Angeles among the top 10 metro areas in the nation with the highest household income inequality between the top five percent and the bottom 20 percent. All of the other regressing city metro areas included among the Brookings top 10 — New York, Boston, Bridgeport (Conn.), Houston, Miami, New Orleans, New Haven (Conn.), and McAllen (Texas) — are, with the exception of Miami, ruled by "progressive" Democrats. The economic "boom" in California has been a very uneven and unsustainable one, fueled by investments largely induced by political favoritism and cronyism, not by free-market capitalism. The boom has been very good for the top one to five percent, especially the Silicon Valley tech giants, but not so much for everybody else. As the liberal website Politifact noted, California has "the highest poverty rate in the nation" when comparing states and considering the cost of living.

Two of the big untold parts of the income inequality story as it relates to California concern the impacts of massive investments from China and the enormous influence of imported "coolie labor" in the form of H-1B visa employees, largely from India. Both of these factors have helped to boost the bottom lines of California-based corporations, as well as lift the statistics on "jobs created," but they have not been particularly helpful to California's *American* work force.

"Chinese investment in the US economy was negligible until 2010, when it skyrocketed to $5 billion. By 2016, annual flows reached more than $46 billion," according to *Chinese Direct Investment in California: 2017 Update*, a report by the Asia Society and the Rhodium Group. "California became the number one recipient of Chinese FDI [foreign direct investment] in recent years, with more than $16 billion in 2016 alone," the report continues. "Much of the investment has gone into two important areas — real estate and technology."

"California leads nationally not only in cumulative Chinese investment dollars, but also in the number of Chinese-owned companies," the Asia Society/Rhodium Group report states. "At the end of 2016, the Golden State was home to 585 Chinese-owned operations, triple the amount at the end of 2011.… California has more Chinese businesses than any other state and accounts for more than 18% of all Chinese-owned companies nationwide."

California has also "benefited" from massive Chinese investments in the residential real estate market, if one considers driving the market to unaffordable heights a benefit. Chinese buyers spent $22 billion on California houses in the first quarter of 2014, according to a July 9, 2014 report in Bloomberg.

According to *Breaking Ground: Chinese Investment in U.S. Real Estate,* another report from the Asia Society, the average home price for Chinese buyers in 2015 was $831,800, up from $590,800 in 2014. It was also considerably more than the $499,600 average home price for all international buyers in 2015. Thirty-five percent of Chinese house purchases in the United States in 2015 were in California, followed by eight percent in Washington, and seven percent in New York.

As should be expected, this enormous infusion of cash has had inflationary consequences on real estate and housing. An average Chinese-buyer home price of $831,800? Puts a bit of pressure on prospective American home buyers competing for housing in the same market, no? This China cash invasion has made it difficult-to-impossible for working families even to rent, let alone buy, houses in many California communities.

Not to mention that there are additional troubling aspects of this story that are rarely heard, but which should be obvious. In China's opaque economy, which is tightly controlled by the Communist Party, private businesses and private investors, as well as official State-Owned Enterprises (SOEs), are under the thumb of the totalitarian state. As such, they are agents (or potential agents) of the communist state, and the Chinese Communist Party (CCP) has multiple options for inducing them to operate in its interests and against the interests of the United States. This brings up many national security concerns, especially in the area of Beijing's strategic investments in our high-tech industries.

Additionally, there are human-rights issues to which Governor Brown — "the Great Moralizer" — and his "social justice" activists appear to be oblivious. Like many other politicians — both Republican and Democrat — Brown has made the trek to Communist China, bowing and begging for more of the almighty Chinese yuan. Although he doesn't hesitate to strike a pugilistic pose and hurl invective at President Trump and his "troglodyte" supporters, "Brown the Pugnacious" becomes "Brown the Obsequious" when he stands before dictator Xi Jinping. Suddenly he becomes Jerry Jello-legs: No mention of torture, political prisoners, religious persecution, executions, forced abortions, Internet surveillance, censorship, or slave labor. His message is: Just give us the money, we'll look the other way.

As mentioned above, the H-1B foreign worker visa has also been a largely unreported factor that has allowed the oligarchs of Silicon Valley, Brown's prime constituency, to flourish by gaming the immigration system — at the expense of American workers. Norman Matloff, a professor of computer science at University of California at Davis, has been fighting for the past two decades to expose this threat to America's technological leadership. He has been a relentless critic of Google, Oracle, Cisco, Apple, Microsoft, Facebook, and other tech giants that have been the chief lobbyists for flooding the American IT workforce with lower-wage H-1B employees, primarily from India and China. This not only drives down wages and salaries for qualified American workers in computer and technology sciences, but also discourages American students from pursuing careers in these fields that are vital to our viability as a nation. It also allows the foreign workers to be unfairly exploited. The Big Tech companies not only lobby for increases in H-1B visas (now set at 60,000 per year, plus an additional 20,000 for workers with a master's degree or higher), but also sponsor the workers. This sponsorship, says Dr. Matloff, "renders the workers de facto indentured servants; though they have the right to move to another employer, they do not dare do so, as it would mean starting the lengthy green card process all over again." They are trapped, and the corporate CEOs and politicians who support this process — including both "progressive" Democrats and "conservative" Republicans — have no problem with the hardship they cause to the workers involved, whether American or foreign.

Photo: franckreporter/GettyImagesPlus

This article appears in the July 9, 2018, issue of The New American.

Written by **William F. Jasper** on June 29, 2018
Published in the July 9, 2018 issue of the New American magazine. Vol. 34, No. 13