

## A Milestone on the Road to Becoming a Third-World Economy

By Bill Watkins

Northrop Grumman Corp started California's New Year by announcing it is moving its headquarters to the Washington D.C. area. Unfortunately, they are neither the first nor the last major corporation to leave Southern California. It is a trend, one that may not last much longer, though since aren't that many major corporations still headquartered in greater Los Angeles.

For decades, Southern California was the center of the aerospace world, a basic part of the Southern California's DNA. Now, once Northrop leaves, there will be no major aerospace companies still headquartered in Southern California.

Aerospace is not the only industry abandoning Southern California. The region was once host to financial giants, like Bank of America, Security Pacific Bank, Countrywide, and First Interstate. Today, there are none. California was once a major automobile manufacturing state, with a dozen plants. Even the entertainment industry is slowly shifting away from its Hollywood roots.

When you lose corporate headquarters, you lose more than jobs. You lose the tax base, the leadership, the philanthropic giving, and the intangibles. Corporate headquarters are usually very good citizens.

Many local political leaders ignore this business' exodus, or make excuses. The decline of the U.S. defense spending, aerospace spending in particular, is often given as a reason for the decline. But the last decade was not a bad one for defense; the industry thrived, just not in Southern California.

The reasons for this exodus are both simpler and less flattering than those usually given. One big reason is selfishness. California's decline chose to consume, and not to produce. Wealthy, aging, Baby Boomers control the state. In the cause of "quality of life," or "the environment," they have succeeded in limiting opportunity for everyone else.

The other big reason for decline lies with governments, state and local, that now exist to serve themselves and not their citizens. The level of government goods and services, even infrastructure and basics, has declined, but state spending, adjusted for inflation and population, has continued to soar. The difference has been going into public employee's pockets, through higher salaries, benefits, and generous retirement programs.

Remarkably, no Southern California economic sector is in ascendancy. Unemployment remains well above the national average, particularly in the middle class Inland Empire. The growth in bankruptcies has been about twice that of the United States. The state is becoming less equitable, the divide between those who have and those who do not have constantly growing, the middle class declining.

Southern California is starting to look a lot like a third-world economy, service based, inequitable, serving a wealthy, mostly aging few, with little opportunity for younger workers and a large underclass. Changing the region's prospects will be very difficult. Nothing short of a major generational change in leadership is likely to change the current sad trajectory.