

It's time to save the golden goose



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*—Jack Stewart, President
California Manufacturers & Technology Association*



Let's Put California Back in Business

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The Sacramento Bee

Viewpoints: Thicket of regulation strangles jobs

By Jack M. Stewart

For all the rosy talk, California's new "green" jobs now account for less than 1 percent of the state's work force. Certainly we need these jobs and should be doing everything we can to nurture them. But pretending that they alone will pull California out of our current economic bog is naive. Growing thousands of green jobs while driving away hundreds of thousands of manufacturing jobs won't recapture our state's economic glory. We need both to reignite our economy.

California's manufacturing sector provides high-wage jobs for millions of middle-class families while generating billions of dollars in tax revenue for schools, infrastructure and other public services. But these jobs are disappearing. We aren't talking about old "smokestack" industry jobs, but aerospace, high-tech, biotech and other skilled positions that pay on average \$20,000 a year more than service-sector jobs. This month, our last auto manufacturing plant is closing.

Manufacturing and other companies are leaving California or failing to expand, in large part, because of the state's notoriously expensive and uncertain regulatory environment. Businesses are afraid to invest here because the rules keep changing while the cost of compliance spirals ever higher.

"It's difficult for most employers to make a solid case for starting up or expanding a business in California," observed Trends Magazine recently. "Government regulations seem perversely aligned to discourage people

from doing business there." Last year, one California company told the Legislature it had been inspected by regulators 165 times in 2008, nearly every two days, and that inspections had increased another 26 percent in 2009. Reports like this scare other companies away.

Since 2001, California has lost nearly a third of its manufacturing base, a 32 percent decline in just eight years.

The impact has been devastating: 600,000 lost jobs, \$75 billion a year in lost wages and \$5 billion annually in lost tax revenue, money that once helped balance the state's budget.

If we're serious about reversing California's reputation as a lousy place to do business, we need to get serious about regulatory reform. We don't need to dismantle environmental, worker or consumer protections to improve California's regulatory climate.

But we do need to remake the system so it's lean, efficient, predictable and accountable, with common-sense rules that are fairly applied. It's a smart way to begin repairing our image (and our economy) because it can be accomplished quickly and without cost. Moreover, the benefits will be felt almost immediately, as it will send a powerful message to the business world that we genuinely want their jobs and the revenue they provide. Very quickly, we'll once again be competitive with other states.

To achieve this, three things need to happen.

First, the Legislature needs to restore its authority over the state's regulatory bureaucracy. Unelected officials now have sweeping powers

to impose new regulations, with no requirement that these regulations be reviewed or approved by the Legislature. This creates an uncertain and unpredictable regulatory climate that can easily be fixed by requiring legislative approval for each new regulation proposed by the bureaucracy.

Second, there needs to be a system that accurately measures the potential impact of proposed regulations on jobs and the state's economy, so informed decisions can be made about whether the benefit of a new regulation is worth the cost.

Requiring the Legislative Analyst's Office to complete an unbiased, independent economic impact report for every major regulation that's proposed will achieve this.

Third, to begin trimming California's regulatory thicket, the Legislature should review every regulation already on the books, and require periodic review for all new regulations adopted in the future. Doing so will ensure that regulations are working as intended, and rid the state of regulations that are outdated, ineffective and redundant.

Clearly, other steps must be taken to fully revive California's economy and stop the exodus of jobs and tax revenue. But regulatory reform is a good place to start because it provides tangible and immediate proof to wary investors and company decision-makers around the world that California is back in business.

Jack Stewart is president of the California Manufacturers and Technology Association.