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California's first goal should be to do no economic harm. The second goal should be to do something with immediate positive economic impact. It should also try and send a strong message to workers and the business community that Californians understand that quality of life begins with a job, and that California is open for business. The easiest way to do this would be a suspension of new environmental regulations. One strategy might be to temporarily suspend new environmental regulation pending a cost-benefit analysis that includes the impact of the proposed regulation on California's economic competitiveness.

We have to recognize constraints on California's short-run ability to engage in economic development. Unfortunately, the State's budget issues dramatically limit our options. For example, the budget allows little room, in the short run, for expansionary policy, such as tax cuts or spending increases. It should be policy to relax the budget constraint as soon as possible.

There still short-term options.

A few policy changes could encourage immediate new economic activity. California's energy supply and transmission infrastructure cannot meet the demands that significant new economic growth would place on them. Therefore, relaxing regulations on oil drilling, offshore and onshore, and restricting the ability of opponents to infinitely delay new energy generating and transmission facilities would be helpful.

Demands on California's water system far exceed the system's ability to deliver, with serious negative economic consequences. Increased pricing flexibility would help in the short run. System improvement is necessary in the long run.

Legalizing marijuana would result in immediate cost savings in law enforcement and prisons. Allowing the possession, sale, transport, and consumption of marijuana would increase the agriculture sector's revenues and increase State and local governments' tax revenues.

Most of these proposals could be implemented in a relatively short time. They would send the message that California is once again prepared to embrace business. Longer-term changes are also necessary. First of these would be control of the budget. California must have its budget in control before it can invest in infrastructure. It must invest in infrastructure if it is to be competitive in the long run. Higher education is infrastructure.

The state needs to be strategic about the way it deals with the budget. For example, across-the-board cuts should be avoided. It is far better to apply cost benefit analysis on programs and potentially eliminate entire programs than it is to cut across-the-board spending.

Once California begins to manage its budget and gains the ability to address its infrastructure needs, it can begin addressing the urgent needs of its ports, airports, its water system, and highways.

Gaining control of the budget, acknowledging that quality of life begins with a job and opportunity, making economic development a priority, and beginning to plan for the necessary infrastructure expansion and modernization—even if the plans cannot be implemented immediately—would send a strong signal to businesses.

Many people will note a conspicuous absence of “Green Technology” in my suggestions. It seems that every state, county, and city in America has embraced “Green Technology” as its economic future.

While there are theoretical reasons to believe that after sufficient investment and time, alternative energy sources may be more economical than existing energy sources, those gains will only be realized after a huge investment in time and money, risky investment of time and money. In the meantime, many paths will prove to be dead ends, mandates will work like taxes, and subsidies will come from taxes.

California is a wonderful place. It is blessed to be endowed with spectacular beauty and weather. People like to live here. It is one of the World’s largest and wealthiest markets. We are not the rust belt, dependent on dying industries. Economic prosperity will come to California, if we allow it. Business will respond positively if we provide the incentives.