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California typically sees beautiful sunny days between winter storms that dump amazing amounts of rain. Even in a wet winter, when the lakes are full, the ground is saturated and the rivers are threatening to breach the levees, the sun will shine. It provides a sense of calm, even if we know there's another storm over the horizon.

California is in such a period today. We have a budget. The sun is shining. Maybe things will be ok.

Probably not.

The fact that we have a budget right now doesn't mean that we have solved our budget problems. Sometime in the next few months California will again face a budget crisis. The rosy scenarios, the compromises, the accounting gimmicks, and the smoke and mirrors will prove to be of little lasting value in the presence of an unrelentingly declining economy.

California entered this recession ill-prepared to deal with adversity and the challenges it presents. After years of irresponsible budget decisions, the State had limited options. Since then, our leaders have consistently been behind events.

Even during the good times, there were clear signs of California's impending storm. For many years businesses have found the State's high cost and often unfriendly attitude so onerous that they either left or did not enter one of the world largest and most affluent markets. For years young people have been leaving California because of the lack of opportunity and lack of affordable housing.

If businesses and consumers were abandoning California in good times, it was inevitable that the migration would accelerate in bad times. Sacramento, in its complacency however, continued with business as usual. Budgets were balanced with unrealistic projections and gimmicks. Regulations were increased. Taxes were raised. Infrastructure was neglected. California's long slow slide into uncompetitiveness accelerated.

The recent closing of California's last automobile plant only serves to provide an exclamation point on the State's lack of competitiveness. Instead of a sound, pro-business, economic development policy, California has made itself uncompetitive. When a large enough business

threatens to leave, California tries to retain them with cash subsidies. This is not an economic development policy.

Today, California's government stands like a punch-drunk fighter. After absorbing blow after blow, the State can only reel, unable to provide an effective defense, much less an offense. Sacramento is unable to pull itself together and develop a real economic development policy.

But the problems are not limited to the public sector.

It seems amazing that no one is proposing an integrated, coherent, economic development plan. We do see proposals to change the political structure of the state, but neither business nor politicians have proposed an economic development plan. Instead of proposing positive change, California business is barely able to feebly rouse itself to complain about onerous new policy.

It's not as if there is a lack of opportunity. I've already mentioned California's oppressive regulatory environment, still-high housing costs, and tax structure. There are plenty of other targets. California's infrastructure is in shambles and is entirely inadequate. It is telling that California has not planned a major infrastructure expansion since Pat Brown was governor.

As a result of California's unwillingness to expand or maintain its infrastructure, California's freeways, highways, and streets are crumbling and are often parking lots instead of thoroughfares. The state's inability to deal with its waters challenges is threatening the agricultural economy of the Central Valley. California's lack of investment in its ports and airports means that it is increasingly uncompetitive with other states or even Canada and Mexico. The state's electrical system is maxed out, and it is only a matter of time before a long hot summer will bring back brownouts.

California just doesn't have the will to deal with any of these issues. Even with a commitment to alternative energy, every proposal for every alternative-energy development is controversial. Even if a new power source was to be approved, upgrading the grid and installing new transmission lines will be litigated for years.

Politicians are starting to campaign for the next election. Some of those campaigners are saying that the economy has no fundamental problems, and California will bounce back when the economy recovers.

I don't think so.

Today's BLS data release shows that California's unemployment is now at 12.2%, and rising. At this point, there is no sign that the state's job losses will cease for many months. What is depressing is that there is no exogenous reason for California's extraordinary weakness. We've done this to ourselves. As my friend Joel Kotkin says, "It's not like California is Michigan sitting on an industry in secular decline."

California is in economic crisis, and the problems will not solve themselves. It is time that California builds itself a comprehensive economic development plan.