

*Bill Watkins*

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The year 2015 has a chance of going down as one of California's best in a long while. It seems that many trends are combining to create a period of rapid economic and job growth.

Lower oil prices are a primary source of economic growth. Advanced economies still need vast amounts of energy, including energy from traditional sources. Lower oil prices will continue to drive increased economic growth for the United States and for California.

California's economy, though, is likely to outperform the United States economy. As we discuss in the California Economy essay, this seems to be a result of increasing wealth and demographics providing the impetus for a post-industrial economy. The pressure from non-traditional sources of economic growth appears to be so strong that it is overpowering declines in California's traditional economy. This is a bit surprising to us, but wealth is growing throughout the world and demographics momentum is there.

This forecast is not great news for everyone. Traditional industries will continue to decline in California, and the people who work in those industries will have to change industries, move, or fall by the wayside.

Rural areas will probably continue to depopulate. This will create challenges for businesses and people who are the last to leave. It will create challenges for municipalities providing services in areas where per-capita general fund revenues will be falling.

The two biggest issues are housing and upward mobility. The California we describe in our California Economy essay is one with high housing costs and limited social mobility. Even though it is a very wealthy society, it's a consumption society, driven by the demands of a very wealthy segment. In general, their investment horizon is short. They are not interested in investing in long-term public capital or in institutions.

It's possible, maybe likely, that eventually markets will drive wages for non-tradable services to levels where service providers can afford a home, but that time is not likely to come soon. In the meantime, California's elite will have to deal with housing and mobility issues. Failure to do so could result in social unrest.

It may be that we are witnessing a phenomenal period of what Schumpeter called creative destruction. For sure, there will be losers. There will also be winners. When the dust settles, California, especially coastal California, is likely to be a very wealthy place—most likely, an even more wealthy place than it is now. But it will also be a place that long-time residents of California may not recognize. The new California will be populated by the very wealthy and those who work for them. The vast industrial

middle class will mostly be gone. With their departure, the climb from the bottom to the top socioeconomically becomes much more difficult, if not impossible.