

LOWE INSTITUTE OF POLITICAL ECONOMY

CLAREMONT MCKENNA COLLEGE

POLICY BRIEF

September 27, 2010

BACK TO THE FUTURE?

Scoring California Governors' Jobs Record

by

S. Brock Blomberg and Jesse Blumenthal

On September 20 2010, the National Bureau of Economic Research declared the recession that began in December 2007 had ended in June 2009. Since then, federal statistics show growth has been positive with a modest improvement in the labor market as the unemployment rate stubbornly remains at 9.6 percent. The economic outlook is less encouraging in California which has the dubious distinction of having the nation's third highest unemployment rate of 12.3 percent reported in July. A careful examination of the local economy suggests that while the national recession may be over, the California recession has not yet ended.

The lack of economic progress has been cited as a key factor in explaining Governor Schwarzenegger's unpopularity. In July 2010, Gov. Schwarzenegger's approval rating plummeted to an all-time low of 22 equalling the mark of Gray Davis just before he was removed from office.

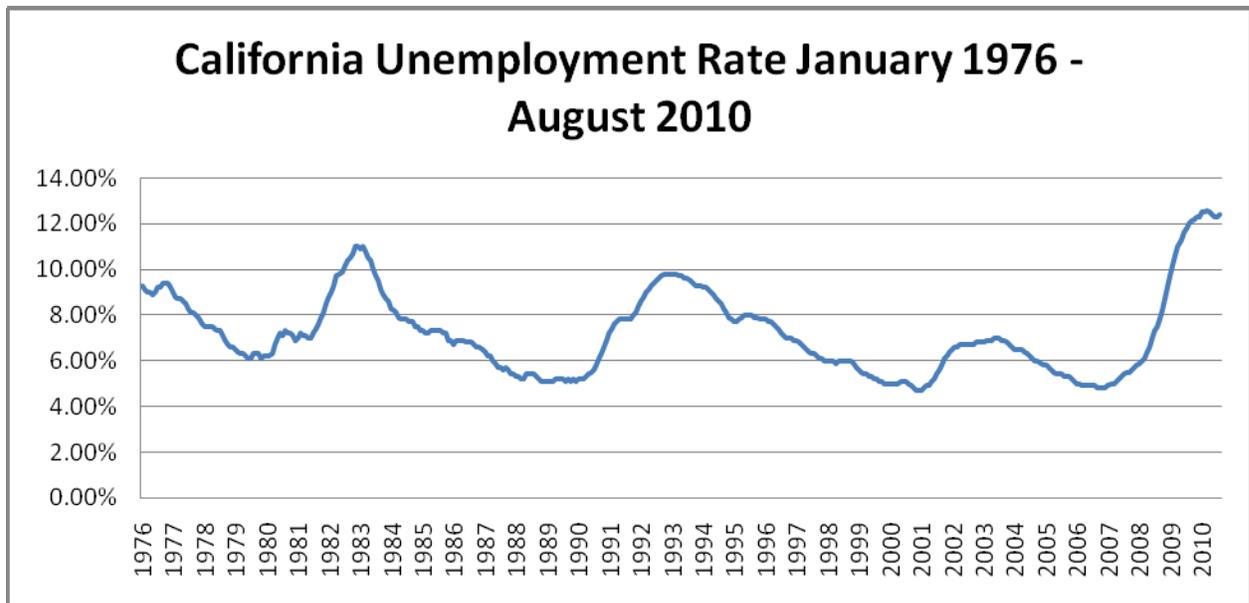
As a nation, we often remember economic eras by associating them with political leaders. The Great Depression is forever associated with Herbert Hoover and Franklin Roosevelt. The growth of the nineties is associated with Bill Clinton. For better or worse, as a country and as an electorate, our leaders are forever tied to the economic successes and failures which occur on their watch. Undoubtedly, politicians have an ability to alter economic conditions, though the degree of their influence is harder to determine.

The purpose of this white paper is to put California's current economic situation in perspective by providing a report card of the current governor's record with his predecessors. The results suggest that California is mired in its worst recession since state-level economic statistics have been made available. We would have to travel back in time to Governor Jerry Brown to find a jobs record as poor as we see currently.

California's Job Market

Since 1976, when the Bureau of Labor Statistics begins providing quarterly seasonally-adjusted civilian unemployment statistics by state, California has experienced dramatic swings under five governors: Jerry Brown, George Deukmejian, Pete Wilson, Gray Davis, and Arnold

Schwarzenegger.¹ During that period, California experienced an average unemployment rate of 7.6%; the current rate is 12.4%. The highest recorded unemployment rate during this time was 12.6%, while California's lowest recorded unemployment rate was 4.7%. The current rate remains near record levels, though high unemployment is not unprecedented in the state's history.



An analysis performed by the Inland Empire Center (IEC) at Claremont McKenna College suggests that the current recession began in California earlier, and continues to exist later, than in the United States as a whole.² The recession first hit California during the summer of 2007, nearly 6 months before it official afflicted the nation. The IEC report goes on to conclude that “While some have argued that the recession ended in California by early 2010, we disagree.”³ The UCLA Anderson Forecast, which has partnered with the Inland Empire Center, has predicted that “California employment will contract by -0.7 percent in 2010” and that growth will remain weak until next year.⁴

Scoring Governors' Economic Record

The economy has had its ups and downs under each governor's watchful eye. The chart below demonstrates the highest and lowest unemployment rate that each governor presided over. During Jerry Brown's tenure as governor, California experienced the highest 'low' rate of the five, while Gray Davis and Arnold Schwarzenegger both presided over the lowest rates of unemployment.

¹It is worth noting that the Bureau of Labor Statistics does not provide state unemployment data for 1975. According to contemporaneous newspaper accounts, when Jerry Brown took office the state had a 9% unemployment rate. For the purpose of calculating the unemployment rate in 1975, we forecast California's unemployment during Brown's first year as governor, based on the national unemployment rate.

² The Lowe Institute for Political Economy and the Rose Institute for State and Local Government, both housed at Claremont McKenna College, have joined to create the Inland Empire Center (IEC). Claremont McKenna's Inland Empire Center has partnered with the UCLA Anderson Forecast to provide insight and analysis on California, and the Inland Empire.

³ <http://inlandempireoutlook.org/wp-content/uploads/2010/04/IEO-Spring-2010.pdf>

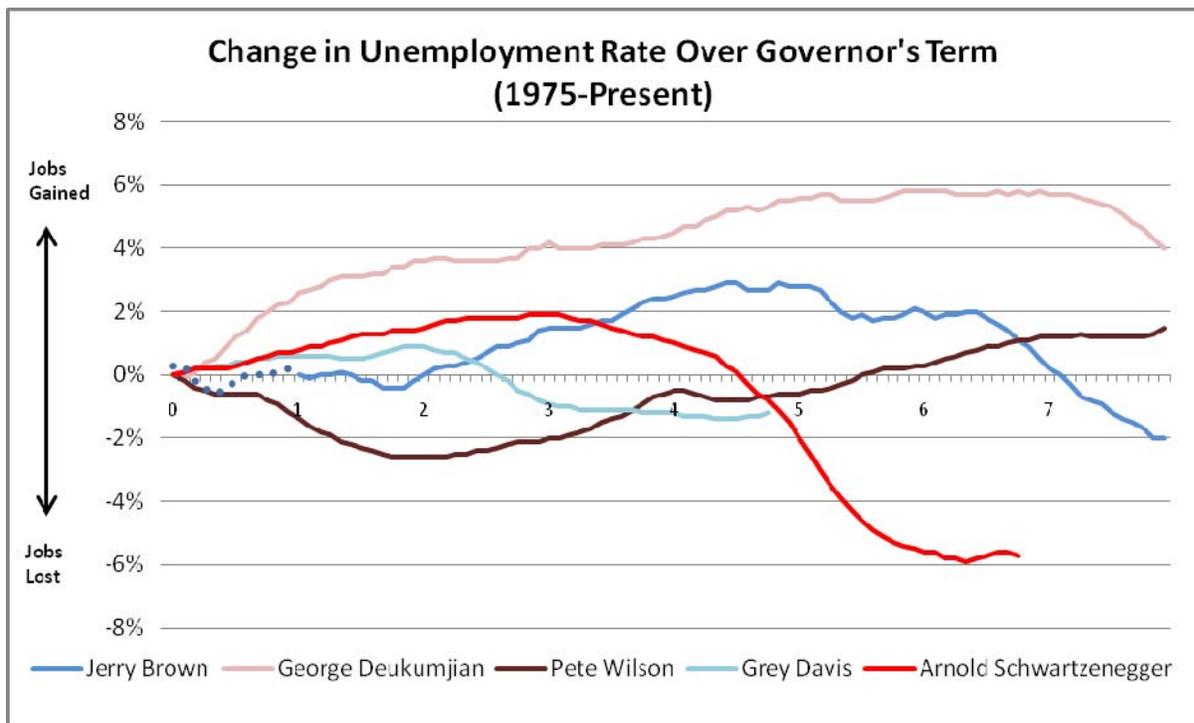
⁴ <http://newsroom.ucla.edu/portal/ucla/ucla-anderson-forecast-predicts-171752.aspx>

	Brown	Deukmejian	Wilson	Davis	Schwarzenegger
Lowest	6.1%	5.1%	5.7%	4.7%	4.8%
Highest	11.0%	11.0%	9.8%	7.0%	12.6%

The chart below tracks the performance of the labor market during each governor's tenure. Schwarzenegger's term as governor began with promise as the unemployment rate improved during his first four and one half years in office. Since then, however, the economy has continued to falter leaving him with the weakest economy on record.

Two other governors left office with the economy worse off than when they started -- Gray Davis and Jerry Brown. The drop in the economy was more severe during Brown's tenure than during Davis's time in office. Brown saw a more gradual decline during his short time in office. Hence, the governor with the economic record most like Schwarzenegger is Jerry Brown.

There have been two governors who presided over economies that improved during their term in office. Both Pete Wilson and George Deukmejian left office with a better jobs record than when they began. However, the record is more mixed for Wilson than for Deukmejian. The economy initially stalled under Wilson and only began net improving after five and one half years. Only Deukmejian saw a steady improvement in the rate of unemployment during his entire term in office.



While the scope of the Brown and Schwarzenegger curves appear to differ, this visual disparity is due to the divergent economic conditions under which each governor entered into office. In absolute term, the high unemployment rate California faces today is close to the high level of unemployment experienced when Jerry Brown left office.

Public opinion polling demonstrates the electorate's displeasure with Governors during periods of high unemployment. Governor Schwarzenegger job performance ratings today are the lowest during his term, yet governors who presided over similar poor economic environments suffered a similar fate. The Field Poll⁵ measured then-Governor Gray Davis' approval rating at his ouster at similar levels to the current governor, low to mid 20s. Jerry Brown was also rather unpopular, especially during his final two years in office. During the 1980s, he never received an approval rating above 50%, and by the end of his tenure Californians rated his job performance in the low 40s or high 30s.⁶

Conclusion

The current crisis in employment, though severe, is not unprecedented in the state's history. In absolute terms, the high unemployment California experienced under then-Governor Jerry Brown is most comparable to the levels to that which afflicts the state today. Governors Davis and Brown both experienced net job losses during their tenure, while governors Deukmejian and Wilson were net job creators. As California looks ahead to the conclusion of Governor Schwarzenegger's term, the high unemployment rate may appear familiar. It appears that California has come full circle, the state appears headed back to the future.

⁵ Nate Silver, proprietor of www.fivethirtyeight.com a blog which specializes in assessing polling data, rates the Field Poll as the polling firm with the lowest degree of Pollster-Introduced Error (a metric for assessing accuracy and bias) of any significant polling firm. <http://www.fivethirtyeight.com/search/label/pollster%20ratings>

⁶ <http://www.field.com/fieldpoll/governors.html>