
GEOGRAPHIES OF ECONOMIES

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LONDON • NEW YORK • SYDNEY • AUCKLAND

CHAPTER TWENTY-SEVEN

CALIFORNIA RAGES: REGIONAL CAPITALISM AND THE POLITICS OF RENEWAL

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California has long played a leading role in the political economy of capitalism, but at the end of the millennium it is a microcosm of American – even global – malaise, with a misguided economy, a disintegrative social order and decadent politics. After a triumphal epoch of growth, it must rid itself of the accumulated deadweight of the past: not just fixed capital and redundant labour, but all manner of social practices put in question by the shifting tides of world capitalism. This requires a wrenching process of economic, political and social restructuring, yet the state's ruling class (overwhelmingly white and male) is unprepared to cope with the profound tasks of industrial retooling, closing the class and race divides, and reviving the democratic polity. California suffers from many plagues, but three general social contradictions stand out: the worst economic crisis since the Great Depression, thorough race and class recomposition of the people, and a political system unable to govern. California's dilemmas, like its prior successes, have deep political and social causes, which we can only begin to touch. But it owes much to the political triumph of reaction since the 1960s, and the resulting failure of class, race and political renewal which changing circumstances demand.

This portrait of California is wedged awkwardly between the global and the local, geography and political economy, politics and economy. Despite the current obsession with globalization and continental integration, economic geographers keep working their way back toward the local. The old bugbear of uneven development refuses to go away despite the blurring of borders and extension of transnational corporations. It keeps coming back in new forms, whether as declining regions in the UK, thriving industrial districts in Italy, state-led growth in East Asia, or the global shift towards the Pacific basin. We might go so far as to refer to it as 'multiple capitalisms', with development trajectories often working against the grain of the domi-

nant trends in the world system, the American age, or high Fordism.¹ These are not simply variations on global themes, but often the origins of differences in wages, technologies or organizations that prove critical to the operation of world capitalism as a whole.² Conversely, global opportunities and challenges are necessary but insufficient to explain growth and decline; internal social relations and production conditions are the crucibles of growth. California stands principally as an exemplar of extraordinary success in one place, a locality that has altered the global scene in remarkable ways by exporting innovations from the atomic bomb to micro-electronics.³

Economic geographers have also been working their way back to political economy through the reassertion of the local and uneven development. It is not so long ago, after all, that the peculiarities of place were demoted in an effort to get at the larger processes of capitalism, corporations and industrial restructuring. Since then, an appreciation of the social order of places has grown through various strands of locality studies, regulation theory, industrial governance, regional assets and networks, and the cultural turn. Most such work comes under the heading of thick description (the empirical turn), the search for middle-range theories, and the avoidance of economic determinism. This has been all to the good in one sense, but in another it has meant a loss of direction and of the analytic insight provided by Marxist political economy.⁴

This does not mean simply a return to economic foundations – although capitalist dynamics do have logic of their own once set loose upon the world (despite their prior and repeated social construction). But if institutions and embedded practices are crucial to economic action, what of the embeddedness of institutional forms in the power relations of property and labour? If regional assets are social in nature, let us investigate their relation to social structures of class, race and gender. If

working people help produce labour geographies, then ruling-class practices must be responsible in large part for the differences in regional capitalisms. Finally, if we are to talk of governance, how about speaking plainly about government and politics? This is most difficult, especially for one prone to structural and historical accounts as I am, for it means capturing the critical moments in the froth of political currents when important changes in the political economy of capitalism are made manifest.⁵ Moreover, these currents may surge over the banks of the local, wreaking havoc on the terrain of global political economy, as in Reaganism's terrifying impact on the globe or the contemporary impact of California's assault on immigrants.

THE HARDER THEY COME: ECONOMIC GROWTH AND CRISIS

California has grown bigger than all but six countries in income and output, with a gross domestic product of \$700 billion in 1990 and \$900 billion in 1995 (it runs neck and neck with Great Britain). It enjoyed a spectacular boom from 1975 to 1990, seemingly immune to the American and European disease of falling profits, foreign competition, plant closures and stagnant employment.⁶ When the circus was over, the big top fell in with a spectacular crash that triggered widespread panic about the future of the state and left the poor and the dark exposed to the winds of economic destruction and political scapegoating for the débâcle.

During the long boom, 5.5 million new jobs were added, employment peaking in 1990 at 14 million. Average income per capita doubled from 1980 to 1990 (18 per cent in real income). Well positioned on the eastern flank of the Pacific Rim, California became the national leader in exports to the global market, going from 10 to 20 per cent of US foreign trade, and the biggest recipient of direct foreign investment. Southern California manufacturing employment peaked in 1988 at over 1.25 million jobs, making Los Angeles the biggest industrial centre in the USA (twice the size of Chicago), while the Bay Area doubled its employment and Silicon Valley became the densest manufacturing site in the country.⁷

California took over as the principal engine of US economic growth and its high-tech sectors were trumpeted as the model for a nation losing its knack

in manufacturing. On one side was electronics, where Silicon Valley was hailed as the world centre of the new computer-information age and emblem of American innovation and entrepreneurship at its best. On the other side was mighty aerospace, the American trump card for beating back the Soviets and economic decline; as defence spending shot up to \$300 billion, California's share of prime contracts peaked at 23 per cent. A new generation of 'smart war machines' was ushered in, and Orange County avionics became the biggest electronic cluster on earth, while the Bay Area received huge contracts for satellites, guidance systems and Star Wars lasers. Everyone rushed to study the new technopoles. (Markusen *et al.*, 1991; Saxenian, 1994; Scott, 1993a).

Then there was finance capital: California entered the 1980s with the world's largest bank (Bank of America) and credit card company (Visa), the country's biggest Savings and Loans (led by impresario Charles Keating), and the nerve centre of the junk bond market (presided over by Michael Milken). New branches of foreign banks sprang up like mushrooms and loans were easy to come by. As regulations fell, fast-buck operators shuffled a deck of dubious assets, backed by the wizardry of Wall Street. Inflated by fire-sale finance, construction ballooned to \$40 billion in 1989 (five times the previous peak in 1973). Excess piled upon excess, and the California economy became white-hot. (Pizzo *et al.*, 1989; Hector, 1988; Robinson, 1990; construction figures from Walker and Lizárraga, 1998).

Economic growth through the 1970s and 1980s was fed by the influx of almost 5 million new people from around the world. Not only were California jobs plentiful, they paid well – better than in the rest of the USA and an order of magnitude higher than in Mexico or China. During the recent boom, both wages and incomes remained well above the national average. California's wage and income advantage has not disappeared despite the arrival of millions of new workers, however. California has enjoyed a virtuous circle of investment, employment and spending in a highly diversified economy, and its skilled labour and ample capital have sustained a high rate of innovation that keeps California products in demand far and wide. (Walker and Lizárraga, 1998; Walker, 1996).

The crisis of 1990–5 slammed the high-flying California economy harder than anything since the Great Depression. The state was forced into collective downsizing in the wake of a decade of over-accumulation of factories, workers, securities, real estate and executive fat. Wealth shrank, thanks chiefly to real estate values shrivelling by 25–30 per cent. After leading the country in new business

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formation, California's failure rate soared to 20 per cent of national bankruptcies in 1992. Construction came grinding to a halt almost everywhere in the state, with housing starts hitting the lowest point since the Second World War. Southern California was the worst hit. The post-Cold War military cut-backs cost the state some 250 000 of 400 000 jobs in defence. Greater LA accounted for over a quarter of all job losses in the country in the period 1990-3, losing one-quarter to one-third of its manufacturing workforce. (Scott, 1993b; Davis, 1993a, 1993b). The south hit the financial skids as paper empires sank without a trace, Milken, Keating and other con-men went to jail, bank lending stagnated, venture capital plummeted and Japanese investment dried up. Then LA watched helplessly as a revived Bank of America and Wells Fargo bought its two largest banks.

Workers felt the brunt of the catastrophe. Gross job loss amounted to almost 1.5 million (10 per cent) from 1990 to 1992, including 900 000 in wholesale and retail, 200 000 in manufacturing, 150 000 in construction, 70 000 in agriculture. Net job growth was negative from 1991 to 1993, with unemployment nudging 10 per cent by 1993 and remaining at 8 per cent in 1995 - two points higher than the national average. Not surprisingly, immigrants stopped coming. In-migration plunged after 1990, out-migration increased, and net migration hit zero in 1992-3 as the recession bottomed out.⁸

California sits on the cusp of an epochal change in the geography of capitalism in which its place is no longer secure. (Council on California Competitiveness, 1992; Levy and Arnold, 1992). It has seen such economic sea-changes before, and survived through a combination of new technologies, political initiatives and cultural change. This time, one cannot be sure. An uptick in the business cycle is restoring some of the bloom to the Golden State, with strengths in electronics, entertainment and exports to East Asia. But long-run industrial leadership may be passing irreversibly across the Pacific. No region (or nation) is ever immune from the inevitable downswings of accumulation and shifts in the fortunes of places. (Storper and Walker, 1989).⁹

Faced with a crisis of such dimensions, California's leaders have been content with neo-liberal delusions.¹⁰ Predictably, California business backs the North American Free Trade Agreement and the World Trade Organisation. While the rest of the Pacific Rim has a strong hand of government at the helm, local capitalists are still beating the bible of the entrepreneurial spirit. They have been encouraged in this by the way Silicon Valley, Hollywood and the biotech industry have become global icons

of free-wheeling initiative, as well as by how American military prowess is second to none, as if there were nothing more to it all than wily businessmen, weaponry, imagineering and venture capital. Modern economies are profoundly social economies, whose productivity is a function of widely available and deeply embedded scientific knowledge and technical skills, worker education and practical know-how, organizations and managerial competence, and governmental laws and regulations. These things are neither cheap, nor instantly procured in the market-place; they require long-term and expensive investments in physical infrastructure, education, institutions and people. Moreover, the social economies of capitalism are markedly localized, resident in such favoured places as California. Today's bourgeoisie is living off the fruits of such investment in social assets, all the while singing the praises of free markets and instant fortunes. They have little notion of the benefits of an industrial policy (that is, a set of investment strategies and mechanisms of sectoral governance, geared to upgrading technology, business organization, labour skills, collective infrastructure and markets) for keeping the state on the high road of development. (Storper, 1992; Scott and Storper, 1995).¹¹

The state's long history of industrial policies is little known. In the Gold Rush era, water and land laws were invented on the spot. Subsequently, railroads were planned, aqueducts surveyed, urban land development systematized, ports carved out of the coastline, electric power systems put in place, and new universities founded - all with massive government intervention at every level, collective effort led by key capitalists, and carefully engineered class alliances to ensure wide popular backing. All this happened *before* anyone heard of the New Deal and the Welfare State. After the Second World War, California's developmental policies, backed generously by government muscle and finance, included the world's largest and most advanced highway network, higher education system, water projects, and university and public research apparatuses for agribusiness, medicine and electronics (among others), as well as important port modernization schemes, land use management reforms and the like (Nash, 1964).

The military industries have been a form of state planning and subsidy on a colossal scale. The Second World War tilted the national economy sharply towards the Pacific. Reagan's Second Cold War underwrote the boom of the 1980s. But military industrialization has been remarkably sterile in terms of industrial process and consumer product development, given the logic of arcane weaponry. Modest post-Cold War cuts have left the state

frantically trying to induce some kind of 'reconversion' of military bases and weapons companies to peaceful uses. So far, projects such as the electric car, trolleys and base-recycling have shown little promise for economic revitalization. (Markusen and Yudken, 1992).

The hottest industrial debate of the recession was geographic, over the out-migration of factories and offices such as Lockheed's Burbank assembly plant or Bank of America's credit card operations. Howls have gone up that the costs of doing business in California are too high, driving away jobs and investment – a complaint based on the notion that local cost structures determine industrial location. Yet California has always been a high-cost production area, and is among the world's technical and creative leaders in a range of vital industries, such as biotech and pharmaceuticals, medical and scientific instruments, entertainment, clothing and petrochemicals. California exemplifies, better than perhaps anywhere on earth, the virtues of a high road of industrialization based on skilled labour, abundant capital, advanced science and engineering, technical innovation, and marketing to a prosperous citizenry. A region on the high road can afford higher wages, rents and standards of performance. (Storper and Walker, 1989; Saxenian, 1994; Scott, 1993b).

But fears of fleeing investment have gained the upper hand. The last two Governors established expensive programmes to advertise California to outside investors, as if no one knows it is there (and even though most investment in the state's development has been internal; Walker, 1996). Enterprise zones have been carved out to promote urban economic renewal, as if sweatshops were not already proliferating in the 1980s. Yet the business wolves kept baying after more tax cuts, less spending and fewer regulations. So the legislature called a State Economic Conference in 1993 as a forum for business belly-aching, then passed a package of bills to limit workers' compensation claims, blunt environmental regulations and lower business taxes by \$400 million. The president of the California Manufacturers Association called it 'an unbelievably happy occasion for all of us' (*San Francisco Examiner*, 7 October 1993, p. B-1).

The last generation has seen a ballooning of cheap labour in manufacturing, construction, domestic service, agribusiness, hotels and restaurants. This trend may well send California on a disastrous slide off the high road of development: cost-cutting in the name of competition is the low road, and is always vulnerable to low-cost production from poor countries. (Davis, 1993a, 1993b; Scott, 1993b). It flies in the face of California's experience with high-road growth. But the rhythm

of California's past is not a simple upbeat or downbeat; it has been, rather, a tendentious mixture of high-wage skilled work and low-wage degraded work. California's garment, electronics and agribusiness sectors have, for example, been highly productive and dynamic while depending heavily on cheap labour for lower-level tasks. This two-track labour market tradition goes back over a century. (e.g. Villarejo and Runsten, 1993; Siegal and Markoff, 1985; Hayes, 1989). But can the whole economy function as a high-tech sweatshop or tomato field? It is unlikely that a mean-spirited yet innovative economy is viable, and that its intense class and race contradictions can be contained. Such containment was achieved in post-war East Asia, to be sure, but not without dramatic land reforms, reduction of income disparities and managerial hierarchies, highly authoritarian state systems, and the Cold War sword hanging over everyone's heads (Wade, 1990; Tabb, 1995; Amsden, 1989). In California it would require an ugly counter-revolution; but that may be exactly what is under way.

RACE AND CLASS SCHISMS: THE FALL OF THE WHITE REPUBLIC

California has been a state of immigrants from the Spanish conquest in the late eighteenth century. It has never known a decade when the number of newly arriving people did not exceed the number of those born within the state. (Gordon, 1954; Walker and Lizárraga, 1998). Since the extermination of the indigenous people, the vast majority of Californians have been of European origin. Nevertheless, Asians and Mexicans have been a constant presence, and African-Americans finally arrived in large number in the 1940s for wartime work. Race in California and the West has never been a black and white screen, but a colour wheel with many axes (Limerick, 1987; Almaguer, 1994).

California became whiter in the mid-twentieth century, thanks to the exclusionary quotas of 1924 and the inter-war break-up of the European world-system. The gradual return to economic globalism, capitalist penetration of the Third World, and loosening of immigration restrictions in 1965 have returned California to something nearer its appearance in the nineteenth century. But the geography of new arrivals has tilted sharply towards the Pacific Basin, in line with the shifting centre of gravity of world capitalism. In the past two

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decades, California displaced New York as the chief receiving area for immigrants (35 per cent versus 14 per cent of the US total in the 1980s). Some 400 000 migrants per year poured in during the past decade (versus 300 000 births), and the state's population surged past 30 million by 1990, up 12 million in the previous 20 years.

This influx has transfigured the face of California. It will become a majority-minority state in the next century. Latinos rose sharply in number during the 1980s (by 70 per cent), Asians more precipitously (by 127 per cent). By 1990, whites had fallen to roughly 57 per cent of the populace, while Latinos jumped to 26 per cent and Asians nearly 10 per cent (Africans holding at about 7 per cent and indigenous people at 1 per cent). The number of foreign-born residents went up by 80 per cent. An economic earthquake moved 2.5 million Mexicans northwards, where they joined half a million Filipinos, a quarter-million Salvadorans, Vietnamese, Koreans and Chinese, and over 100 000 Guatemalans, Canadians, Britons and Iranians. The central cities have undergone the most dramatic recomposition. In 1970, Los Angeles was 75 per cent white, by 1990 only 38 per cent white. San Francisco went from 75 to 43 per cent white in the same period.¹²

Racial recomposition of California went hand in hand with class recomposition. The working class of the 1990s is overwhelmingly Latino (mostly Mexicans and Central Americans) and South-East Asian (mostly Filipinos, Vietnamese and southern Chinese). Overall, 79 per cent of Mexican-origin men were in blue-collar jobs in 1980 versus 55 per cent of Anglo men. Because of labour market segmentation, immigrants are largely confined to specific occupational 'niches' (Waldinger and Bozorgmehr, 1996). Mexicans dominate southern California manufacturing, Salvadorans stock the furniture industry and gardening crews, Guatemalan and Salvadoran women are domestics, Chinese and Thai women fill the garment sweatshops, Little Vietnam supplies the electronics belt of Orange County, Silicon Valley electronics feeds off men and women of many origins, Chinese and Filipinos labour in the restaurants and tourist hotels of San Francisco, and agribusiness in the interior valleys makes hay on the backs of mestizos, Mixtecos and Zapatecos.

Contrary to popular images of hordes of unskilled peasants jumping border fences, today's immigrants include many who are competitive for technical, professional and managerial jobs, as well as well-capitalized business owners and entrepreneurs. The numbers of skilled immigrants are particularly large among East Asians, South Asians and Middle Easterners. Fields such as medicine, engineering and computing have become immi-

grant niches for Iranians, Chinese, Filipinos and Indians (Waldinger and Bozorgmehr, 1996; Light and Bonacich, 1988). Less visible are the many Canadians and Europeans in electronics, banking and teaching. These favoured migrants usually arrive already trained, and with considerable acculturation to English and American commercialism, and they have permeated the petty bourgeois layers of California society. California has always received an extraordinary bounty from its skilled and well-capitalized migrants and, unlike the rest of the USA, has seldom felt the full impact of mass migrations of the rural poor (Issel and Cherny, 1986; Gordon, 1954).

California has always depended on long-distance migration to feed its growth. In fact, the percentage of foreign-born residents was considerably higher a century ago: 39 per cent in 1860 and 25 per cent in 1900 versus 22 per cent in 1990. The recent wave of migration was no larger, nor of longer duration, than the great post-Second World War influx, and fits closely to a pattern of 15–25 year 'long swings' of migration going back a century. (Gordon, 1954; Walker and Lizárraga, 1998). The logistics of coping with millions of new people are imposing, and require money, ideas and commitment to rebuilding the state. But it has been done time and again. Schools, houses and infrastructure were built in ample number for the baby-boomers of the post-war era of in-migration. So what has changed? The racial composition, to be sure, but also class welfare and politics.

As the economy was roaring, a yawning chasm between the classes was opening up that left the USA the most unequal of all wealthy countries. California led the pack. Those who owned capital did spectacularly well. California's jetstream of fast-track entrepreneurs and *rentier* families more than doubled in the 1980s to over 340 000 millionaires, and its richest families – Hearsts, Packards, Waltons, Gettys, Haases, Bechtels – disproportionately fill the top ranks of America's *haute bourgeoisie*.¹³ Mike Milken earned the highest personal salary in history, while Richard Riordan, now Mayor of Los Angeles, made \$100 million through leveraged buy outs. In the Bay Area the number of million-dollar executive paycheques jumped by a factor of ten (*San Francisco Chronicle*, 23 May 1994, p. B1). The professional and managerial class prospered: average income for the top fifth of families rose by 15 per cent to \$107 000, and the Bay Area, centre of the Yuppie lifestyle, remained the richest and most expensive large metropolitan area in the country.

Meanwhile, the working class lost ground. The real income of the middle 20 per cent remained flat through the decade (and declined by 10 per cent in

the costly Bay Area). For the lower 40 per cent the bottom fell out.¹⁴ Wages stagnated in full-time jobs, while temping and part-time work increased. Working people kept up their income by sending more family members out to work, holding two or three jobs, and working more overtime. Chronically high unemployment averaged 7.5 per cent over the past 20 years. A staggering gap opened up between total state product and total wages (including salaried professionals), expanding from \$155 billion to \$330 billion over the decade. This crude measure of growing aggregate surplus value helps explain why the rich did so well.

While wages for all workers ebbed, non-whites fared the worst. Latino workers earn 70 per cent of the earnings of white workers and per capita Latino incomes are 45 per cent of those of whites because of larger families. Blacks and Asians do somewhat better, with per capita incomes 61 per cent and 72 per cent of whites, respectively. Unemployment rates have been continually higher for non-whites. Immigrants have been a new mother-lode of economic surplus pocketed by the upper classes. Considering Latinos only, the excess profits from hiring them instead of better-paid white workers was about \$85 billion in 1990. All the same, the widening class schism shows up *within* every race or nationality – European, African, Asian or Latin – muddying the race–class alignment. Throughout the mean-spirited 1980s, new battalions were added to the armies of the poor. The poverty rate stood at 12.5 per cent in 1990, before the recession sent it skyward to 18.2 per cent. This put California into the top 10 poor states in this most impoverished of rich nations. Saddest of all was the astronomical 25 per cent rate of poverty among children, 33 per cent of those under 6.¹⁵

In short, working-class comfort and security have declined in tandem with a massive engorgement of the rich. Anxiety over unemployment, bad wages, poverty, job competition, housing and health care is rife. All this would have been true regardless of immigration, because the erosion of working-class incomes and welfare has been taking place throughout the country and, indeed, the world (Harrison and Bluestone, 1988; Phillips, 1990; Goron, 1996; Fischer *et al.*, 1996; Danziger and Goltschalk, 1996; Schor, 1991). But in the venal rhetoric of Governor Wilson and the right, the poor, criminals, welfare mothers and immigrants are to blame for California's descent into the maelstrom – never the white millionaires.

California led the way in the long wave of hysteria over crime in the USA. Beginning with the Nixon presidency, the War on Crime was unleashed in the face of mass social unrest, above all the Watts Rebellion. Federal support added

battalions to police legions, new armaments of repression, more bite in criminal penalties, and hundreds of prisons. All this was intensified under Reagan's War on Drugs, when LA's 'gang wars' were engraved on public consciousness and northern California marijuana fields came under assault (Davis, 1990). The anti-crime wave has been newly topped up by the \$30 billion Crime Bill passed by Congress in 1994 – with LA's 1992 riots and the murder of the Bay Area's Polly Klass (the Lindbergh baby of our time) in the forefront. Since 1980 California has made prison construction its main form of infrastructural investment, spending over \$5 billion on 19 new prisons, and has become the carceral state *par excellence*, with 125 000 prisoners today (200 000 including local jails and Youth Authority camps). The recent Three Strikes law may require another 15 to 20 prisons. Crime has been radically racialized, so that people of colour are now incarcerated at six times the rate of whites, and California jails more young black men than South Africa (Henwood, 1994; T. Platt, personal communication). California also ranks with Mississippi among the worst states for prison brutality.

The counter-attack on the poor began with Nixon's dismantling of the War on Poverty. Reagan followed up with a virulent campaign to punish welfare mothers, subsidized renters, and free-lunching schoolchildren. Social assistance cut-backs threw millions into poverty and hundreds of thousands on to the streets without shelter (Bloch *et al.*, 1987; Burt, 1992; Gans, 1995). California's recession and stinginess continued Reagan's evil work. Statewide Aid to Families with Dependent Children cases rose by 40 per cent between 1988 and 1993, even though benefits had fallen 20 per cent in real terms since 1973. General Assistance has been cut to the nub in the name of budget balancing, and Riverside County runs a nationally touted programme to force welfare recipients into low-wage work. LA police sweeps to rid the downtown area of homeless people began in the late 1980s, while San Francisco carried out a draconian crackdown in the 1990s. Local anti-panhandling ordinances have been passed up and down the state (figures from the *San Francisco Chronicle*, 13 December 1993, p. A1; also Wolch and Dear, 1993, and Winocur, 1994).

Now it is immigrants' turn to feel the sting of the venom; witness Proposition 187 (to refuse all state aid to undocumented immigrants). The nativist refrain is always the same: former immigrants were good, hard-working assimilators, while the new ones are inferior, parasitic and implacably foreign. California has an ignoble history of this sort of distinction. By the 1920s, Lewis Terman of Stanford, co-developer of the IQ test, was calling

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Mexicans 'uneducable' and practical eugenicists were sterilizing more 'defectives' in California mental hospitals and prisons than anywhere in the USA. In the 1960s, William Shockley of semiconductor fame and Arthur Jensen of the University of California at Berkeley were the foremost exponents of African genetic inferiority. Today we have the Federation for American Immigration Reform (FAIR), backed by biologists Paul Ehrlich of Stanford and Garrett Hardin of the University of California, Santa Barbara, writing Proposition 187.¹⁶

Nativism is underpinned by economics, recruiting working people, including many African-Americans, to the view that immigrants take away jobs. No doubt there is competition, but labour market segmentation channels immigrants heavily into jobs expressly meant for them, with surprisingly little spillover and with high unemployment among the new arrivals themselves. Migrants are drawn overwhelmingly by labour demand rather than pushed out of their home countries by poverty, as the close correspondence of business cycles and migration cycles shows. Immigrants were not to blame for 'glutting' labour markets in the recession; lay-offs were the real culprit and unemployment rates rose equally for all races. At the same time, blacks remained unemployed even at the height of the boom, having lost thousands of union jobs in heavy industries and being uninvited to the party in the new technopoles (Piore, 1979; Thomas, 1974, Gordon, 1954; Walker and Lizárraga, 1998).¹⁷

What pushed the anti-immigrant agitation to centre stage was not mass racism or job competition, but the budget crisis and political opportunism. Pete Wilson rode out ahead of the anti-immigrant posse because Proposition 187 offered fiscal and electoral salvation. When Democrats jumped aboard Wilson's personnel carrier, Proposition 187 became a model for national policy – closing the door further on immigration.

GOVERNMENTAL RIGOR MORTIS

Faced with the gravest crisis in half a century, Californians find themselves without an effective political system to provide direction. The treasury is empty, the Governor refuses to lead, the legislature is paralyzed, money buys everyone, and the citizenry are disenfranchised. The state has gone from having the cleanest and best machinery of

government in the post-war USA to having some of the worst, setting trends for the country as it went.

The fiscal crisis of the state overwhelmed everything in the first half of the 1990s. Gargantuan deficits threatened the state's ability to govern. The 1992–3 budget had an \$11 billion shortfall out of a total of \$50 billion, and when the Governor and legislature refused to compromise on a strategy to cover the shortfall, government workers were issued paper IOUs and California was effectively bankrupt. Virtually all of the key functions of state government have suffered expenditure cutbacks of one-fourth to one-third. For example, California has plummeted from being one of the highest-ranked states in the USA in per pupil public school spending to being dead last. Higher education has been so severely cut that it now takes up less of the budget than cops and prisons.¹⁸

The burden of cutbacks has been borne largely by local governments (cities, counties and special districts), which have never recovered from Proposition 13 of 1978 – the beacon of the US 'tax revolt'. While slashing spending, local governments switched to a regressive system of parking tickets and sales taxes, making up the difference with state and federal revenue transfers. But the latter have whittled billions off transfer funds while shunting enforcement of many programmes on to state and local officials. Orange County went spectacularly bankrupt while trying to cover revenue shortages by speculating in the financial markets. The deficit is treated as an act of God, but assuredly is not. Proposition 13 and other tax cuts allow a huge proportion of the state's wealth to go untaxed. As a consequence, California has fallen from fourth among the states in tax rates to twentieth. Simply restoring the income tax and the property tax to previous levels would eliminate the deficit (Goldberg, 1991).¹⁹

The failure of leadership begins in the chief executive office. Reagan launched his political career as Governor from 1966 to 1974 and helped eliminate the moderate Republican lineage of the Progressives and usher in the New Right. But the electorate had not yet given up on liberalism, handing Democrat Jerry Brown landslide victories in 1974 and 1978. Brown was more fiscally conservative than Reagan, however, and he allowed a budget surplus to build up in the face of the revolt for lower taxes; then his social liberalism faded under fire from business critics of environmental regulation. His successor, a latter-day Calvin Coolidge named George Deukmejian, set about dismantling regulatory structures, vetoing legislation, and letting government fall into disuse for the next eight years. Pete Wilson was then elected as a liberal

Republican, but did an abrupt right-turn under pressure from the budget deficit and the Christian Right.

California government suffers from legislative sclerosis as well. As in Congress, the Democrats held the majority for decades, but without any clear direction in the past twenty years. An unruly system of personal fiefdoms was held together by liege lord Speaker Willy Brown, by the careful dispensation of state Democratic Party funds. The legislature grew increasingly venal over the years, and several key legislators have been caught accepting bribes. A progressive Proposition 73 in 1990 put ceilings on campaign contributions, but was overturned in the courts – money having been granted rights of free speech by the Supreme Court in 1976 in *Buckley v. Valeo*. Then a conservative Proposition 163 installed term limits on legislators in 1994, further reducing the professionalism and power of the legislature.

Legislative and executive sclerosis has led to bypass surgery, in the form of the Ballot Initiative. Many of the most vital issues of the past twenty years have been decided by this means. Conservatives have had a field day with the initiative game, passing Proposition 13, a Victims' Bill of Rights, Three Strikes and funds for prison-building. Liberals have responded in the same coin, as with toxic substance control, insurance control and coastal preservation, but have lost more often. Initiatives are even more subject to the vagaries of money flows and media campaigns than ordinary legislation, and ballots have become incomprehensible to any but the most dedicated of voters.

Judicial law has filled in the gaps. Here again, the conservative agenda has had the upper hand and helped to freeze government in its tracks. The Right (led by LA's Richard Riordan) pulled off a stunning *coup* in 1986 by removing the three most liberal justices of the California Supreme Court, targeting for particularly vitriolic attack the first woman Chief Justice, Rose Bird. Unbelievably, the liberal justices and the Democratic Party sat on their hands throughout the campaign, hoping it would go away. California's high court, once a paragon of legal scholarship and activism, is now notorious for mediocrity of argument, refusal to hear hard cases, favouritism towards business and unparalleled eagerness to uphold death sentences (*San Francisco Chronicle*, 16 November 1993, p. A1).

Political parties have become shells, opening the way for media-driven campaigns that focus on free-range candidates rather than issues. California long ago gave the world 'yellow journalism' through William Randolph Hearst and the Hollywood image campaign. Meanwhile, 'non-partisanship'

covered for business-class dominance by other means; candidates for many state and local offices are prohibited from wearing party labels. So candidates run on their bank accounts rather than party principles, and media careers are considered ample experience for office. In the 1994 Senatorial campaign, Michael Huffington spent over \$30 million, while winner Diane Feinstein spent \$24 million (versus an average nationally of \$4 million).²⁰ The Democrats have ceased to represent a viable alternative – and did so only for twenty years after Pat Brown's election as Governor in 1958. When radical movements have arisen in California, they have created their own organizations, such as the Workingmen's Party, the Union Labor Party and the Peace and Freedom Party.

Voting has declined steadily, reaching all-time lows in the 1990s of 54 per cent of eligible adults in presidential elections, 40 per cent in gubernatorial elections and 25 per cent in primaries. Voter apathy reflects the euthanasia of government: a non-functional state is hardly worth bothering over; the big parties are indistinguishable; lists of propositions are daunting; anti-government rhetoric is rife; vitriolic campaigns teach voters not to trust politicians; and the open purchase of office cheapens voting. Another reason for the receding electorate is that the size of representative districts has ballooned. A state senator today represents a populace of 800 000. Worse, immigrants, people of colour and the working class are hardly represented. The California electorate today is two-thirds white, two-thirds over 40, and two-thirds earning more than \$40 000. People of Asian, African and Latino origin represent 47 per cent of the total population, 43 per cent of adults, 30 per cent of citizens eligible to vote, 24 per cent of registered voters and only 17 per cent of voters in 1992. Minority office-holders are scant at every level of government (figures from the *San Francisco Chronicle*, 22 September 1994, p. A4).

The death of government and electoral politics has sources deep in California's moneyed culture, rootless people and middle-class libertarianism, but has more to do with the contemporary political imagination of the bourgeoisie, the rightward flow of politics, and the euthanasia of the working-class franchise. Yet the prevailing discourse about how to end 'gridlock' in Sacramento targets the mechanics of government instead (Schrag, 1994). A Constitutional review commission was appointed, with some commentators urging a unicameral legislature, others a parliamentary system, still others a new Constitutional Convention. The Commission wants to remove the two-thirds rule for appropriations and budget approval, and favours eliminating all state-wide elective offices

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other than Governor. The most radical proposal in the air is to split California into two or three states (Levenson, 1993). While extreme, the secessionist movement points to the utopian hopes buried beneath political discourse today. People want the commonwealth to be made whole again. They imagine a community with a common interests and bonds of citizenship; they want to be working and protected from the buffeting of international economic winds; and they want government to function and be responsive. The tragedy is that these impulses have too often been channelled into retrograde forms: seeking after the white republic, walling up the border, or imprisoning the werewolves of social disintegration. What is needed is a radical turnabout in political life, which a change in geographic scale might assist but cannot guarantee.

COUNTER-REVOLUTION IN ONE STATE?

How did things come to this impasse? Certainly the problems facing the state would challenge any ruling elite or government. None the less, the chief response of California's leaders has been to make matters worse. Why such immobility, arrogance and fear in the face of California's tripartite crisis? Today's malaise must be laid at the feet of the political counter-revolution that staunched the radical critique of American society which peaked in the 1960s. Every capitalist order requires political and social renewal; that is, new people must rise to the top, new ideas be heard, and new institutions put in place.²¹ Market adjustments alone are insufficient to retool the economy, heal social divisions, or keep the machinery of state functioning. This is where class and race relations, government and politics, and the mechanics of capital accumulation come together, the strands becoming so twisted upon each other that something must give.

The course of upheaval in the 1960s is too well known to bear rehearsing. Among the bourgeoisie a reaction quickly set in against the central achievements and ideological gains of the radical protesters and liberal reformers caught up in the surge of popular dissent. The Vietnam syndrome, Affirmative Action, feminism and abortion, drugs and sexual freedom were anathema to the reactionaries, who found a thousand points to fight. Three currents converged as the tide of counter-revolution rose through the 1970s: take back the commanding heights of the state through a political offensive,

recapture the past hegemony of Anglo-American racial and cultural dominance, and restore the rule of money-making and business legitimacy.

The rollback hit with full force with Reagan's ascension to the Presidency. Reagan's geographic origins are crucial: his agenda was crafted in California. He cut his teeth as a spy for the FBI while head of the Screen Actors Guild during the purge of Hollywood's left in the 1940s. Southern California has spawned a viperous strain of reaction with many sources: war industries, Veterans of Foreign Wars, the LA police department, triumphant Anglo-Saxonism, a Mexican proletariat, evangelicalism, and more (see McWilliams, 1946; Davis, 1986). The southland's proliferation of right-wing groups, such as the John Birch Society, the Church of Scientology and Concerned Women for America, is legendary. Meanwhile, a similar social base produced a different political tradition in the San Francisco Bay Area. Militant labour reached a stand-off with the capitalist class, the children of the robber barons leaned toward Progressivism, and the middle class took to secular libertarianism and nature worship. During the social and cultural revolution of the 1950s to the 1970s, the Bay Area achieved the closest thing to popular opposition to capitalism in America, showing both the civilizing potential of rebellion and the limits of the left in the country of Babbity. San Francisco came to represent everything the right hates: organized labour, militant blacks, race-mixing, beatniks, hippies, anti-war students, free love, drugs, homosexuals and bleeding-heart liberals (R. Walker, 1990; Ashbolt, 1989).

The counter-revolution marched north from its strongholds in southern California to wreak its vengeance, with Reagan leading the attack on radical students and Fair Housing laws. His first military intervention against a small, unarmed populace took place in Berkeley in 1969. While skirmishes continued for the next twenty years, the struggle for the political soul of California was won by the right. An organized movement of the business class won over key sectors of the petit bourgeoisie and the workers in the name of 'liberation' from government, freedom to strike it rich, defence of law and order, and maintenance of the white republic. This was a political war declared on the left, the poor, the dark-skinned and organized labour, with the Democratic Party as the Maginot Line of the benighted. After that, the Bay Area was no more than a thorn in the side of conservative America.

What happened was a power shift towards a new centre of accumulation, southern California. The counter-revolution tested on California was subsequently visited on the whole country, and the rest of the globe.²² It has meant the dismantling of the

social welfare state, the enrichment of the top 5 per cent, reduced social investment, greater militarization and arms sales to fuel internecine slaughters, increased trade in drugs, further repression of labour and liberation movements, and greater poverty and social disintegration throughout the world. Its success has been a global tragedy, and now another wave of right-wing initiatives on immigration, incarceration, welfare cuts and affirmative action in California is spreading dangerously across the land.

Counter-revolutions do more than punish the poor and decimate the opposition; they turn back the hands of the clock, even as the inner works of history keep ticking onward. In the end, no ruling class can freeze time and space and hold on to its golden moment of triumph for ever. The counter-revolutionaries erupting from the fumaroles of California's economic uplift have deluded themselves that everything is well with the capitalist order of America. Every historic epoch is a mortal thing that eventually sickens. It may give way to rebirth of the social order or to perpetual senility – or barbarity and calamity, as in the racialized gulag of California's prisons, brutalization of African-American ghetto youth, the mass uprising of black and brown poor in the LA riots, the return to capital punishment and castration, or the rising body count of Mexicans fleeing border police (Davis, 1990, 1995).

California's extraordinary record of expansion has left it with a massive set of strains on its economy, governance and social cohesion. It has enormous reservoirs of talent, capital and exploitable labour from which to draw. Yet the state seems unable to make a breakthrough into new configurations of political participation, social renewal and economic restructuring. Californians are unable to see their way to reconversion of the war industries, racial integration, reconstruction of the cities, corporate reconfiguration, salvage of public education, full employment or universal health care. The failure of imagination rests partly on bourgeois ideological reflexes, but behind that lies a political impasse born of the right-wing hold on government and the public agenda. The right's victory left the structures of governance in disarray but those of class and race power intact, and that power is the thing that matters. It will not be given up voluntarily, and if we are not to be mourning the passing of the late, great Golden State as economic miracle and field of hope for millions, there will have to be a change caused by boiling energy and anger below.

ACKNOWLEDGEMENT

A longer version of this article is R. Walker, 1995: California rages against the dying of the light, *New Left Review* 209, 42–74.

NOTES

1. On alternatives roads to capitalism, the classics are Lenin, (1964 [1906]), Trotsky (1969 [1931]), Gerschenkron (1962) and Moore (1966). More recent classics are Brenner (1977), Post (1982), Wade, (1990) and Evans (1995).
2. For a dynamic theory of economic geography, see Storper and Walker (1989). On reflection, our book's strength is its attention to the unexpected and unsettling impacts of peripheral development, but it underplays the social and political bases of economic growth and change.
3. I explore this further in Walker (1996). See also Brechin (1998), Scott and Soja (1986, 1996). I agree with Soja and Scott that southern California is a critical model for the world, but by no means the future in microcosm.
4. For critical reflections on these moves, see Harvey (1989a), Pred and Watts (1992), Massey (1994), Sayer (1995), Walker (1995a) and Storper (1995c).
5. That is, bridging the gap between capital logic as worked out by Harvey (1982) and the current political analysis done so brilliantly by Davis (1990).
6. On the falling rate of profit and uneven development in the world economy since 1970, see Brenner (1997) and Webber and Rigby (1996).
7. On Los Angeles, see Davis (1990) and Soja (1989); on San Francisco, see R. Walker (1990).
8. Figures from *San Francisco Examiner*, 4 November 1992, p. C1, and *New York Times*, 19 December 1995, p. C22. On discouraged immigrants, see *San Francisco Chronicle*, 2 September 1993, p. A1, and *San Francisco Examiner*, 9 January 1994, p. B3.
9. On the recent upswing, see Ayres (1995).
10. For example, statements by the Governor's Council of Economic Advisors consisting of Milton Friedman, Bruce Boskin and George Schultz.
11. Concerning East Asia, see Wade (1990), Tabb (1995) and Amsden (1989).
12. All figures from the United States Census Bureau.
13. With 11 per cent of US adults in 1990, California had 17 per cent of US millionaires and 20 per cent of the 400 richest Americans.
14. California ranked 13th of 51 states in inequality in the 1980s; *San Francisco Examiner*, 22 August 1994, p. A6.
15. Child poverty figures from a study by Victor Fuchs and Diane Reklis of Stanford University, reported

- in the *San Francisco Chronicle*, 3 January 1992, p. A-1. Wage figures and calculations from Walker and Lizárraga (1998). On intra-racial classes, see studies in Waldinger and Bozorgmehr (1988).
16. On eugenics, see Brechin (1996); the state reintroduced 'chemical castration' for repeat sex offenders in 1996. On FAIR, see the *San Francisco Examiner*, 12 December 1993, p. A10, Davis (1995), and Kadetsky 1994).
 17. On black unemployment, see Davis (1992b) and Scott (1988a).
 18. From 1978 to 1994, prisons went from 3.9 per cent to 9.8 per cent of the state budget, while higher education fell from 14.4 per cent to 9.8 per cent; *San Francisco Bay Guardian*, 31 August 1994, p. 7.
 19. The deficit would disappear if real estate were taxed at the average national rate; Advisory Commission on Intergovernmental Relations (1988).
 20. National figure from Raskin (1994). On Feinstein, see Benske (1994).
 21. Cf. the analysis of the post-war UK in Anderson (1987).
 22. Neo-liberalism became the dominant ideology and policy of the global bourgeoisie with the triumphs of Reagan in the USA and Thatcher in the UK.