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# THE UEBERROTH REPORT AND CALIFORNIA'S FUTURE

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California conservatives have unveiled a plan to radically transform our state. Last fall, Governor Wilson formed the Council on California Competitiveness, chaired by Peter Ueberroth. Recently, the Council released a report entitled "California's Jobs and Future." This report, now distributed out of the California Republican Assembly's Office, is being touted as the best chance for pulling California out of its economic crisis. It is being used in L.A. and elsewhere as a blueprint for guiding economic policy. Wilson's report claims California has been losing companies and jobs because the state imposes too many burdens on business. It argues that the best way to encourage growth in California is through wholesale deregulation and tax breaks for corporations. But if Wilson succeeds in making this blueprint a reality, California's future will be bleak.

Wilson's report uses an approach that could best be categorized as the "corporate bribery" model: if we want to staunch the flow of jobs leaving California, we have to pay corporations to stay. For example, the report calls for more tax breaks for large and small businesses. It also recommends eliminating many environmental regulations, such as removing state and local laws which set higher pollution-control standards than the already weak federal rules.

Similarly, Wilson's report calls for lessening and eliminating worker's compensation benefits. For example, as more and more workers are afflicted with stress-related disabilities, the report recommends restricting many from obtaining benefits. For those workers who lose a limb in a workplace accident, the report says that corporations should have to pay to train them for another job but shouldn't have to compensate them in any way for their permanent loss if they do get a new job.

Wilson's initiatives will prove hazardous to California's economy if they are implemented. The first could well pave the way for corporate crimes. For example, the report complains banks are so heavily regulated that we are running into a "credit crunch." What is their solution? Make the same mistake we made with the S&Ls: minimize the role of the regulations that were put in place to protect our banks from being drained by unscrupulous owners.

More generally, Wilson's report advocates crippling the already weak laws which are supposed to stop corporations from harming us through negligence. It calls for weakening or eliminating the rules on product liability, and psychological or punitive damages. The report targets the Corporate Criminal Liability Act, which states that managers who through negligence maim or kill their workers and customers can land behind bars. Labelling this a "be-a-manager, go-to-jail law," the backers of the Ueberroth Report demonstrate a reckless attitude toward California workers and consumers.

The other strategy Wilson's report advocates is what it calls "comprehensive socio-economic cost-benefit analyses." Wilson would create a new government bureaucracy which would analyze the "costs" and "benefits" of every new law and every new regulation. The proposed list of "costs" is impressive, including how many jobs and tax dollars were lost because of the anti-business climate caused by the cumulative "burden" of regulations.

If Wilson were serious about this proposal, California's employment problems would be solved. We could simply train everyone without a job to become socio-economic cost-benefit analysts, because we'd need thousands and thousands of them. But of course, that's not what Wilson really has in mind. The Ueberroth Report calls for deliberately ignoring the economic costs of criminal negligence and long-term environmental damage, rather than intelligent assessments of the economic and social costs of policy in the state. Wilson merely wishes to create a tool for attacking the regulations that protect workers and consumers by tying their implementation to bureaucracy and paperwork. Combined with corporate tax give-aways, this program will drain the state coffers and undermine our communities and environment.

## The Wilson/Ueberroth strategy will make corporations richer, but it won't create wealth or good jobs.

The problem with the Wilson approach comes from a straightforward economic fact. there are two ways for a corporation to increase their profits: by promoting creative innovation or by exploiting their workers and the community. A company, for example, can gain an edge inventing a cutting-edge digital TV and by making their old TV with less effort. Or, it can make that old TV cheaper by slashing worker pay, taking tax breaks, and polluting our air and water supplies.

The more the government encourages the second method of making profit, the less likely companies are to take the tougher road of innovation. Why invest in research and development when you can make a faster buck by cutting your workers' pay?

With the implementation of Wilson's Ueberroth Report, regulatory deterrents to environmental abuse, unfair taxes, and workplace hazards would be removed with devastating consequence for our communities. This will not create wealth, but merely transfer it from workers and the community to the boardrooms of corporations.

The reason this right-wing argument has gained credibility is the belief that California might be able to steal a few jobs from other states. If we fight a bidding war with Nevada or South Carolina, however, the only winners in the long-run will be the corporations. In the end, as had happened repeatedly in the past, many corporations will move to Mexico or other Third World countries that will inevitably underbid our wages.

## Do we really want to compete with Mexico to see who can lower their wages and environmental protections faster?

As the experience of countries ranging from Korea to Sweden have shown, intelligent regulation is a key to maintaining a level playing field for competition that promotes innovation and well-paying jobs. If anything, weakening protections against corporate irresponsibility — and often just plain shortsightedness — is the surest way to destroy wealth. Just as weakening regulations of the banking industry led to mismanagement and fraud during Reagan's tenure, a new round of environmental, safety and bank deregulation is a recipe for economic catastrophe for California.

An alternative is that we could follow the path of European and Japanese businesses and invest in our people and our physical infrastructure, thereby creating an environment which will attract high-skill, high-wage jobs. Investments in education, job training, skill enhancement, mass transit, high-speed rail, information communications "highways", and strong economic conversion of our defense industries can all lead to a strong economy based on long-term concerns rather than short-term profits.

The Ueberroth Report makes token bows in this direction, but its tax breaks for corporations would bankrupt the state's ability to pay for them. Instead, Governor Wilson and most businesses have fought tooth-and-nail against the funds needed for public investment. On the other hand, a broad coalition of groups have proposed fair tax proposals to fund public investments including supporting the "Tax the Rich, Relieve the Rest" Proposition 167 on this November's ballot. The fate of this proposal is uncertain as this goes out days before the election.

Unfortunately, with large numbers of self-serving managers, a broken banking system, back-room international trade deals, and massive public distrust of government, we need more than just high-skilled workers or high-speed trains. We need to rebuild our democracy to make any of these proposals a reality. Union and community organization must be strengthened across the state to broaden the organized participation of citizens in the political process. Only then can we hope to create a real economic alternative to Wilson and his pro-corporate economic plans.



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