



# FROM RESISTANCE TO RENEWAL

A 12-Step Program For Innovation  
and Inclusion in the California Economy



**October 2018**

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# USC Dornsife

## *Program for Environmental and Regional Equity*

The Program for Environmental and Regional Equity (PERE) is a research unit situated within the USC Dornsife College of Letters, Arts & Sciences. PERE conducts research and facilitates discussions on issues of environmental justice, regional inclusion, and social movement building. PERE's work is rooted in the new three R's: rigor, relevance, and reach. We conduct high-quality research in our focus areas that is relevant to public policy concerns and that reaches directly affected communities that most need to be engaged in the discussion. PERE's main project areas are: Environmental Justice, Regional Equity, Social Movements, Immigrant Integration, and Rapid Response.



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# Acknowledgments

The authors would like to thank both the Roy and Patricia Disney Family Foundation and the Ford Foundation for their generous support of the California Economy Project.

The authors could not have completed this report without the amazing help of the team at USC PERE (Program for Environmental and Regional Equity) and would like to specifically thank Jennifer Ito (researcher director), Rhonda Ortiz (managing director), Kim Tabari (project manager), Dalia Gonzales (project assistant), Sandy Southvilay (graduate researcher), Blanca Ramirez (graduate researcher), Eunice Velarde (office manager), and Lauren Portillo-Perez (administrative and events coordinator). Special thanks to Gladys Malibiran (senior communications specialist), for communications and overall design direction, and Julianna Beckert (consultant) for graphic design.

In addition, the authors could not have completed this report without the inspiration and vital support of so many partners in the field. In the process of developing this framework for a new California economy, we convened three different focus groups with the participants from a wide range of community, labor, and other organizations (a full list is available in the appendix). The participants sometimes validated what we had to say and more often challenged us to better reflect their realities on the ground. We thank them for their feedback on the report – and we know that any implementation of the ideas here will require continued collaboration and organizing.

— Manuel Pastor, Los Angeles  
— Chris Benner, Santa Cruz

# Executive Summary

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For better or worse, California often leads the nation. In the past, we developed policies which stripped fiscal finance, ignored working poverty, and perpetuated racial inequalities—and we often exported our bad practices to others. But the Golden State is now experiencing a progressive political comeback—based in key structural reforms and inspiring movement organizing—that has transformed the state into a leader on supporting immigrant integration, addressing climate change, promoting decriminalization, and more.

Yet political resistance has not translated to economic renewal. Despite boasting the world's fifth largest economy, California also ranks fourth among U.S. states in terms of income inequality. Worker productivity has soared by over 90 percent since 1980, while real median wages—what the average worker makes—have flatlined. Communities of color may be optimistic about their political futures, but the ratio of Black to white household income is even lower today than it was in the early 1990s and the ratio of Latino to white household income has barely budged.

The reasons behind the growing economic gaps are often rooted in national dynamics: the skyrocketing wealth of those in the top 1 percent, the steadily widening divides in the wages of those with and without educational credentials, the slippage in union power and worker voice, and the failure of America to fully address structural racism in education and labor markets. The underlying trends seem slated to worsen in the face of increasing globalization and rising automation, trends that are straining wages, driving uncertainty, and further reducing the influence of everyday Americans on economic policy.

We need a national debate about how to promote innovation and inclusion. Globalization and automation may bring a new economic dynamism, but for workers, this is often experienced as job churning and economic insecurity. Our 20th-century institutions—with employer-based benefits and scant social protection against economic disruptions—seem ill-suited for a 21st-century economy. But the current administration in Washington seems hell-bent on blaming “the others”—for example, immigrants—

for the uncertainty rather than engaging in essential discussions about how to adjust to the pressures of global trade, technological change, and shifting employment.

California has been there before. In the 1990s, we reacted to big economic transformations that devastated our industrial base by bashing immigrants, banning affirmative action, eliminating bilingual education, and criminalizing youth of color. Having wracked ourselves over those coals, we wised up: Even before the 2016 elections that helped to position California as a “state of resistance,” the Golden State had adopted a \$15 an hour minimum wage; steadily expanded immigrant access to state services; and reoriented its education spending to more effectively focus on English learners, low-income students, and foster youth.

It is now time for California to once again take the lead, in this case on establishing a forward-looking vision and framework for the state's economy that reduces our current economic, political, and social polarization. With Congress stripping away deductibility for state and local taxes, the Justice Department threatening California for shielding undocumented residents, and the Environmental Protection Agency seeking to overrule the State's climate policies, California is, in effect, being told to go its own way if it wishes to continue standing for progressive values. So perhaps it should, remembering that California has long dragged the nation—often kicking and screaming—to a better future.

To provide leadership not just in lawsuits but in economic policy, we need to understand five new trends in the economy and in economic thinking. The first is that current levels of inequality are actually derailing prosperity, as equity is key to achieving sustainable growth. The second is that racism must be rooted out of our economic and social systems; this will help us make full use of all our talents and ensure that we are not distracted from seeking economic common ground.

A third is that we need to make protecting the planet central to policy-making; we can drive innovation and



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development by addressing climate change. A fourth is that the current crossroads have created a new opportunity for partnerships with business. While progressives have been rightly wary of corporate intentions and eager to support alternative forms of enterprise (such as worker cooperatives), there are few alternatives to job creation at a large scale and some businesses have lined up to support immigrants, diversity, and a green economy.

A fifth big trend is that the new economy is not just about technology but also about demography. In that light, the biggest change facing the state is not the growth of its ethnic population; after decades of rapid shifts, that has actually stabilized. The truly important impending dynamic is the aging of the population, a phenomenon that requires the cultivation of a “caring economy” in which both workers are supported to care for family members and those workers who support our elders and young are cared for with decent working conditions and wages.

So how do we develop a new economy that values and promotes social solidarity? To get there, we need to realize that economic institutions and policies need to do three things: grow employment and the economy, strengthen connections between people and places, and provide security for families and communities. That, after all, was the real secret of

the New Deal: a Keynesian willingness to pump the economy when it sank in recession; to invest in those parts of the country, like Appalachia, that would otherwise have been left behind; and to expand security, including creating unemployment insurance and expanding retirement systems and eventually health insurance.

In thinking about how to adjust those basic principles of sustaining growth, deepening connections, and reducing fear in our time and our state, we think that a 12-step program—always handy for recovery from the inequality and racism that has plagued us—is in order. While we are aware that these steps do not exhaust the full set of possibilities, and while we see our effort less as a blueprint and more as an invitation to a conversation about the state’s future, we see the following as key steps to promote innovation and inclusion in the Golden State.



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**1 First, we need to promote innovation and secure public returns from public investments in innovation.** If you take apart an iPhone—conceptually, so do not do this at home—you find a wealth of public investments in technology development and educational institutions that have made innovation possible. We need to expand this kind of investment in key areas of new technology with significant impact, such as advanced manufacturing, renewable energy and energy efficiency, and socially beneficial applications of artificial intelligence. We also need to develop mechanisms to capture a public return on that investment and use it to both fund further innovation and support residents with a “technology dividend” parallel to the Alaska Permanent Fund. The State could also use spur innovation and inclusion with a stronger commitment to renewable energy, green technologies, and the promotion of advanced manufacturing.

**2 Second, we must care for the caring economy.** The state should lead in recognizing that one key aspect of the new economy involves a particular sort of demographic change: the aging of California. In 2010, 11 percent of Californians were at least 65 years old; by 2060, that number will be 26 percent. Because of this, we are likely to have a larger caring economy in terms of increased elder care, but the question is whether it will also be a more caring economy in terms of the treatment of those domestic workers and those family members providing support. This calls for policies like expanded family leave, caregiver tax benefits, and caregiver support programs, including both enhanced training and improved wages as well as full implementation of the California Domestic Workers Bill of Rights.

**3 Third, we should empower and equip workers for change.** Workers rightly complain about the new level of job insecurity, but even with interventions to limit artificial “independent contracting” and create a minimum wage floor for the “gig economy,” the level of job churn is probably not going away. What can counter the pressures is enhanced worker voice in setting wages and working conditions, something that could be furthered by making unionization easier and creating industry wage boards. Also key is encouraging easier adjustment with on-the-job training, apprenticeship programs, and other forms of workforce development.

**4 Fourth, we should encourage lifelong learning.** If job churn is part of the “new normal,” California can help support continual reskilling by expanding access to higher education (particularly community college) and increasing investments in early childhood education. The state should also focus on disrupting the school-to-prison pipeline by making more progress on altering school suspension policies and creating a more relationship-centered education environment. Education spending should rise, teacher pay should be improved, and local residents and current paraprofessional staff should be encouraged to become instructors.

**5 Fifth, we must promote financial security.** If Californians are to embrace change, families and individuals need a cushion. This could include expanding universal savings funds (including “baby bonds”), expanding the State’s EITC, and exploring universal basic income (UBI) programs (in the form of the “technology dividend” we describe above). We also need portable benefits, including universal health insurance and new vehicles for retirement investments, as well as a reworking of unemployment insurance and the development of wage insurance for those who experience transitions in the labor market.

**6 Sixth, we need to support all of California’s regions and communities.** The state has sharp divides between a prosperous coast, which hosts high-tech, bio-tech, and entertainment industries, and an inland California marked by a low-wage agricultural sector and a high-pollution logistics industry. State development dollars should be driven to central California to close the gap, particularly as this is where young families are on the rise as high housing costs drive people further away from Los Angeles and the Bay Area. Special efforts should also be made to bring resources to distressed communities within metropolitan areas.

**7 Seventh, we must ensure successful de-incarceration and reentry.** The racial disparities in our criminal justice system have finally spurred large-scale action, such as the decision to de-felonize drug use and the more recent elimination of money bail. While we need to reverse the criminalization of Black and Brown communities, a pattern that has contributed to an explosive growth in state prisons, we also need to turn our attention to supporting

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those who are departing the system and seeking to gain employment. We can improve upon on the “Ban the Box” legislation that was signed in late 2017, provide more bundled and complete reentry services, and eliminate the fees and fines that sometimes trap individuals in the system.

**8 Eighth, we should embrace and integrate immigrant California.** Over a quarter of Californians are immigrants and roughly half of California’s children have at least one immigrant parent; how the current generation of arrivals does will determine the future of their kids and of the state. Workforce development and other systems should be reworked to provide assistance and training for immigrants, regardless of status, and policies that promote entrepreneurship by immigrants (such as removing status requirements for certifications) should be furthered. The State could help by encouraging naturalization and coordinating its own services through an Office of Immigrant Affairs.

**9 Ninth, we must ensure affordable housing for all.** The state faces an acute crisis for both renters and those seeking to buy into a set of markets in which prices have run away from the average person’s reach. The state needs to dramatically increase the supply of affordable housing, using both dollars and rule changes to do so. Interim measures, like rent stabilization, will likely be necessary to promote neighborhood stability. Other policies will be needed to constrain gentrification and displacement. The state could also consider new forms of social housing based on a vision of housing as a human right.

**10 Tenth, we should seek to improve the movement of people, goods, and services.** A state that once embraced our cars and our sprawl is now choking our environment and forcing many into brutal commutes. The state is ready to invest: In Los Angeles County alone, taxpayers have agreed to raise and spend roughly \$160 billion on transit improvements, with a significant emphasis on new rail systems and buses. This is also a key area for job generation, not only in construction but in the advanced manufacturing of railcars and buses and maintenance of the new systems. Goods movement is a major job generator but often with low pay and high

pollution; efforts should be made to drive up labor and environmental standards.

**11 Eleventh, we must secure our environmental future.** The state should acknowledge that economic security will be short-lived if the environment is wrecked in the process. Continued action on addressing climate change is necessary, particularly when it can also yield new jobs in the green and clean energy economies. Some naysayers have given up on climate denial and instead argue that there will be disemployment in striving communities of color; aside from the dubiousness of that economic claim, it is notable that African Americans, Latinos, and Asians in California are more likely to recognize the seriousness of climate change and to suffer directly from pollution, making people of color more likely supporters than whites for action on climate.

**12 Twelfth, we should align fiscal and governance systems for an inclusive economy.** Some of what California needs to do in this arena is controversial. For example, taxing services would stabilize revenues but the regressive nature of that shift would need to be addressed through exemptions and tweaks in an already progressive income tax. Proposition 13 should be changed to require that property taxes be leveled on the current market value and not the historical value of commercial property; this would yield revenues, promote fairness, and lead to the more efficient use of land. The state should also consider lowering the threshold to raise revenues and experiment with participatory budgets and other ways to devolve more power to communities.

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Can all this be done? California has certainly experienced the kinds of broad political and cultural shifts that now make realizing this ambitious 12-step program not just a dream, but a real possibility for making concrete improvements in Californians' daily lives. The policy center of gravity has certainly moved to favor addressing economic and racial inequity—and even a business community that once was wary of addressing inequality and structural discrimination has recognized that poverty is an Achilles' heel and that diversity and openness are assets for the economy.

But we should also be clear that achieving a different economy is fundamentally about power. After all, we have noted that worker productivity in California soared in the last 35 years even as the real median wage stagnated. This was not just a function of shifting returns to technology—that helps to explain why skill-based wage gaps have grown but not why the middle has been stuck. The widening gap has been less about uninformed economic policies and more about an imbalance of influence due to weaker unions and stronger corporations. Rebalancing forces is now key to a new economic strategy.





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Fortunately, California finds itself blessed not just with some wise political leaders but also with a dynamic collection of labor unions, immigrant rights groups, environmental justice advocates, education reformers, anti-incarceration activists, and others who have sought to align and ally for a more just and welcoming economy. They assessed the political landscape, reframed issues to broaden support, and fought strategic battles to raise the minimum wage, begin the process of de-incarceration, and rework cap and trade to deliver more benefits to overexposed and socially vulnerable communities.

California now has an opportunity to lead boldly in economic as well as environmental and social policy, to be first in inclusion as well as innovation. While there remain significant limits to what California can do on its own about our economic challenges, it is important to remember that the New Deal—the national social compact that dealt with the insecurities and fears of an earlier economy—was actually developed by state-level experimentation that later became the basis for federal policy. California's progressive advocates, community-based organizations, and labor and other allies now have an opportunity to offer not just a new vision but a new program for the state and for the nation.

We are hopeful that the state can indeed move from resistance to renewal. One of us is a fifth-generation Californian, while the other arrived as a child of immigrant parents. But both of us grew up in a time when the state was investing in the next generation, and both of us were forged politically by decades of struggles by labor and community groups to expand those investments to achieve a more just California. We have seen the state move from crisis to community, from despair to hope—and we are optimistic that it can now move from an economy of exclusion to one where all Californians find themselves able to live, work, and dream in the Golden State.

