



August 2017

## Thriving Middle Class Essential to California Comeback

BY KERRY JACKSON

In a Fox News interview-turned-rant, CalExit leader Shankar Singam stunned host Tucker Carlson when he insisted that middle-class flight from California is “actually a good thing.”

“We need these spots opened up for the new wave of immigrants to come up. It’s what we do. We export our middle class to the United States. You guys should be thanking us for that,” said Singam of the California Freedom Coalition.

For the record, California Yes, the group endorsing secession, says he doesn’t speak for the organization, though it has identified him as a CalExit leader. And while Singam’s California Freedom Coalition and California Democrats hold similar political positions, and both detest President Trump, Democrat state political leaders aren’t going to align themselves with any effort to rid California of its middle class, either.

Sadly, California is slowly becoming what Singam is agitating for — a nearly impossible place for the middle class to live, much less prosper, thanks to decades of lousy public policy.

There’s a perception that it’s the rich who are fleeing California, and some are. But it’s the middle class who are quitting in large numbers. According to IRS data, for instance, from July 1, 2013, to June 30, 2014, the average person leaving the state earned about \$43,000 a year, just a bit higher than the state average income of roughly \$36,000 annually.

We also know from Census Bureau data that about 36 percent of California’s out-migration is made up of adults from 40 to 54 — people in their most productive working years — who are taking their children with them. Another 17 percent of the refugees are

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recent college graduates and adults in the 25-39 age group. California might be attracting college students from other states, but they aren't staying long after graduation, says Carson Bruno of the Hoover Institution and Pepperdine University.

"The people heading for the exits are disproportionately middle class working families — the demographic backbone of American society," Bruno wrote last year in RealClearMarkets.

The "good thing" in Singam's mind has a name – it's an hourglass economy, named so because the middle is squeezed while the rich continue to prosper and the ranks of the poor grow. It is not a situation to be wished for. Public policy that eviscerates, and effectively expels, the middle class sets an economy on a hard track. Discouraged middle class residents will flee and take their work ethic, their investment and consumption dollars, their innovative business ideas, and their human capital with them.

In California, the middle class is being driven out by destructive public policy that has produced:

- A housing shortage that's forced home prices so high they're either out of reach or devour so much of a middle-class household's income that not enough is left for other expenses.
- An overly burdensome tax regime that squelches economic growth and economic opportunity.
- A hostile business climate that places hardships on small businesses that are owned by, and employ, middle-class Californians.
- Occupational licensing policies that have created a barrier to job entry.
- Environmental policies that handicap the homebuilding industry and increase energy costs.
- Plans to repair crumbling state infrastructure that will callously gouge California families with higher taxes.

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Of course losing the middle class would be fine if it was moving into California's upper class. Scott Shackford of the Reason Foundation has shown that this has been happening in this country for nearly five decades. Pew Poll data show that in 1971, 61 percent of U.S. adults were in the middle class, with 10 percent in the upper-middle class and only 4 percent at the top. By 2015, the portions had changed to 50 percent in the middle class, 12 percent in the upper-middle class, and 9 percent at the top.

But is that what we're seeing in California? Rather than moving up, our middle class is moving out. Bruno says the state's "net out-migrants are more likely to be middle-class working young professional families . . . leaving California for greener pastures." Tracey Grose, vice president of the Bay Area Council Economic Institute, says there are simply "fewer opportunities for people in the middle." Jordan Levine, director of economic research at Los Angeles' Beacon Economics, told the Los Angeles Times that in trying "to maximize that residential dollar," some middle-class Californians just leave the state.

Sacramento can make California a destination for the middle class again by untying the legislative knots that have caused middle-class flight. Cut taxes, unburden the housing sector, overhaul unreasonable environmental policies, establish free-enterprise principles to attract business, and channel the zeal to regulate into a deregulation movement. And do these things before the hourglass completely closes in the middle and there's no way for those in the bottom to move to the top.

So the CalExit has in fact already begun. It's just not the farewell the secessionists — with the exception of Singam — have in mind.

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