

# California, sixth largest economy in the world, has highest poverty rate in US

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Earlier this month, the Center for Continuing Study of the California Economy (CCSCE) released a report titled “California Jumps to the World’s 6th Largest Economy; Leads All States in Growth in 2015.” With a whopping \$2.46 trillion gross state product (GSP) in 2015, California’s economy is now behind only the US, China, Japan, Germany and the United Kingdom, having surpassed France and Brazil’s gross domestic product (GDP).

The Golden State has also the highest real GSP growth among US states in 2014, at 4.15 percent, well above the national 2.36 percent growth rate. It is also the state with the highest poverty rate, including among children.

The figures should be viewed within the context of the profound changes occurring in the world economy in the last few years, not as the result of a substantial economic development. In 2015, Brazil, not long ago considered one of the leading emerging economies, lost 27 percent of its GDP, while France saw its wealth diminish by 15 percent.

California is home to 131 billionaires, according to *Forbes*, making it third in the world for number of billionaires, after the US and China. Recent data shows that these individuals collectively own wealth of \$560 billion, mostly derived from the tech industry, finance, real estate and media. This is the equivalent of GDP in countries like Argentina and Taiwan.

The most staggering aspect of this data is that California is, at the same time, the state with the highest poverty rate in the US, based on the Supplemental Poverty Measure (SPM) criterion, with an average of 23.8 percent for the years 2010-2014.

The SPM is considered a more accurate method of poverty measurement since it includes, in addition to income data, items such as tax payments, work

expenses, expenditure data on basic necessities (food, shelter, clothing and utilities) and is adjusted for geographic differences in the cost of housing.

Other indexes also show an increasing level of social inequality in California. The Gini coefficient, a measure of statistical dispersion and variance of inequality, ranks California at eighth place. With an index of 0.471, it is one of the most socially polarized states in the US. The most recent data is six years old and, considering a massive rise of living costs since 2010, the state’s current Gini coefficient is likely much worse.

California also has the highest child poverty rate in the nation. A report from the Annie E. Casey Foundation shows that 27 percent of California children—more than 1 in 4—live in poverty. A nearly equal percentage of children live near the poverty threshold. All told, half of the children in the state are poor or nearly poor.

Skyrocketing rents are the greatest burden on working class families. Exorbitant housing costs represent a veritable crisis for working families, often absorbing more than half of their income. In areas like San Francisco, rent costs are forcing sections of workers to move away from the city. In the case of teachers, this is leading to staff shortages in the classroom.

Home ownership for Millennials is virtually unattainable. A recent survey showed that among this group, 89 percent in San Diego, 83 percent in Los Angeles, and 81 percent in San Francisco see home ownership as unrealistic.

Christopher, a student from Los Angeles, told the WSWs he doesn’t think he will ever be able to buy a home: “Most definitely not. I can’t see that being possible. With the way that housing prices are rising every year, by the time that I feel like I have enough

money to even get a nice place, the cost of living will be too high to afford a house.”

Rachael, also a student from Los Angeles, struck a similar chord: “I had to take out a loan through school to afford rent. I am a full-time student, which makes it difficult to work full-time hours. Housing is so expensive because the state has no affordable housing ordinances set up. Rent control is practically nonexistent.”

Rachael also rules out home ownership. “It’s seriously out of my realm of imagination,” she said. “For our parents’ generation being a homeowner was unquestionable, but with my friends it’s not something we think about or plan for because it feels too unrealistic.”

Reality stands in stark contrast to the American Dream. The economic and social crisis has thrown tens of thousands on the streets. Homelessness and food insecurity are so pervasive that a recent study by California State University shows that 8 to 12 percent of students are homeless, and 21 to 24 percent go hungry.

Such levels of poverty and inequality are the direct result of the crisis of the capitalist system and the policies implemented by federal, state and local governments. In fact, inequality is a dominant feature that clearly expresses the system’s inability to further develop its productive forces and satisfy human needs, despite record levels of wealth.

The implementation of financial policies like “quantitative easing” and bank bailouts adopted by the US government in response to the 2008 world financial crisis meant a vast transfer of wealth from the bottom to the top, while social programs such as food stamps, unemployment benefits, public education and welfare were systematically slashed or dismantled.

Similar measures of austerity were also implemented at state level. In California, the brutal budget cuts imposed in the aftermath of the 2008 crisis were never restored despite a much-celebrated surplus in recent years. Public education, state worker benefits, the CalWORKS welfare-to-work program, MediCal and mental health care were all subject to brutal assaults.

Just as at the federal level, where both the Bush and Obama administrations pursued harsh anti-worker policies, California governors Arnold Schwarzenegger and Jerry Brown adopted measures aimed at

redistributing wealth in favor of the rich, demonstrating the equally destructive role of both big business parties. A crucial instrument for the enforcement of such policies has been the trade union apparatus, fully subordinated to the dictates of capital.

California is a stark example of the diseased state of capitalism, but it is the rule, not the exception. There is plenty of wealth to resolve social problems. There is no reason in the 21st century for child poverty, hunger or homelessness to plague the existence of millions. However, the crisis of capitalism aims at redistributing social wealth for the privilege and benefit of a small oligarchy of ultra-rich.



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