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Will California Prove to Be Harbinger of Larger Revolt?

Economic Woes Behind Recall In State Have National Parallels

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California's recall election for governor, with 135 candidates, has made the state the target of jokes across America. But the crisis behind the recall vote offers some important lessons about where the U.S. and national politics may be headed in coming months.

The movement to unseat Gov. Gray Davis was set off by a political chain reaction: A persistently lousy economy, with a chronically high jobless rate, soured public sentiment. An electricity crisis stoked the anxiety. Voters saw signs of a deeper malaise in lawmakers' inability to narrow the state's chronic budget deficit. Cynicism and political polarization grew. And voters found someone to blame in the aloof and unpopular Gov. Davis.

There are some clear parallels in the rest of the country. Local and state taxes -- in particular, property taxes -- are a growing irritant as more states, cities and counties boost levies to close yawning budget gaps. The federal budget deficit is widening toward a record \$500 billion and becoming a major problem for President Bush. Complaints about jobs moving abroad are turning into a staple of the political debate for next year's presidential election.

And just as Arnold Schwarzenegger, considered a leading candidate to replace Gov. Davis if he is recalled, is trying to win California's recall race by stressing that he knows little about the people in the state's capital, the hottest national political figure is Howard Dean, a former governor who has never served in Washington and whose message is, in the words of Democratic pollster Mark Mellman, "I'm not part of all this. They are."



Gray Davis

California has long been fertile ground for trends that went national: antismoking movements, clean-car rules, tax revolts, extreme sports. After California voters approved Proposition 13 limiting property taxes in 1978, 43 states limited or cut property taxes over the next two years.

Since February 2001, when national employment peaked, both California and the nation have seen the number of jobs decline by 2%. Both California and the nation have lost about 15% of their manufacturing jobs. Much of the nation's economic ills started with a high-tech meltdown that hit California earliest and hardest, but now its effects have spread across the land. California has lost 24% of its jobs in computer and electronics manufacturing, compared with a 25% decline nationally.

In an August survey by the Field Research Corp., an independent San Francisco polling group, 83% of Californians said they think the state is in bad economic times, the highest level since 1993. In the poll, 76% of Californians say the state is "seriously off on the wrong track," up from 54% a year ago and also the most negative finding in a decade.

CALIFORNIA RECALL



See [complete coverage](#)² of the California recall, including [profiles](#)³ of some of the better known candidates and the [certified list](#)⁴ of all candidates.

Americans generally aren't so despairing for the nation, but their angst is growing along similar lines: In Wall Street Journal/NBC News polls, the share of people nationally who say the country is on the wrong track doubled, to 44% in July from 22% in April. ([See the poll results](#)¹.)

Bruce Cain, director of the Institute for Governmental Studies at the University of California, Berkeley, says the voter revolt was slow to form because government is usually slow in tough times to take the painful steps needed. For the first year or two of the downturn, state officials softened the blow by dipping into boom-era surpluses or by shifting funds among programs. But now, the squeeze on state finances has translated into teacher layoffs, higher college fees, reduced medical services and cuts in local police and fire departments. Car-registration fees are due to triple from Oct. 1, costing the average California motorist an additional \$158 a year.

"Everything's being taxed. I just think it's crazy," says Suzan Spoden, a 50-year-old grocery clerk in the Los Angeles suburb of Lancaster. Ms. Spoden voted for Mr. Davis when he first was elected governor in 1998, but she backed his opponent, Bill Simon, last year. Now she supports the recall. State officials in Sacramento are "so old and set in their ways," she says. "I just think we need to get some new blood in there."

Fueled by economic anxieties, both California and the rest of the country have grown more polarized between the two main parties in recent years. The trend is somewhat more pronounced in California than elsewhere, in part because the state legislature is elected from districts gerrymandered with precise computer programs to make many districts safe for one party or the other -- a practice California pioneered and perfected.

Thus, state elections have tended to produce legislators who aren't so much in the middle but who hail from the strong liberal or conservative base of their parties. At the same time, California has adopted term limits for state representatives. Many think that also means there are fewer lawmakers who are experienced in the art of compromise. Combined with a two-thirds vote needed to pass budget or tax legislation, the result has been policy paralysis.

"The heart of democracy is compromise," says Steve Peace, the state finance director, who was a state legislator for 20 years. "We lost track of that."

The recall reflects the polarization, with Republicans overwhelmingly supporting it and most Democrats opposed.

"When Mr. Davis came into office, we had a surplus and that's all gone," says Larry Brant, 63, a retired farm manager in Kingsburg, near Fresno, Calif., and a Republican. "There just seems to be no control on spending."

Eli Rosas describes the recall as "dumb, stupid, silly." Mr. Rosas, 66, a retired maintenance supervisor at Hewlett-Packard Co. and a Democrat, has his complaints about Mr. Davis, especially regarding the electricity mess. But he views the recall as a Republican "conspiracy" to undo last year's election.

While California's polarization may be extreme, similar trends are playing out elsewhere. A copycat group has just formed in Nevada in the hope of punishing Republican Gov. Kenny Guinn for raising taxes. In Texas, Democratic lawmakers have left the state en masse to avoid voting on a redistricting plan drawn up by Republicans.

In Nebraska, as term limits begin to kick in for the state's traditionally nonpartisan legislature, antitax and other conservative groups with Washington ties are enlisting like-minded activists to run for newly opened seats. That already has incumbents of both parties predicting a hardening of political lines.

PARALLEL LINES

California's economic troubles in some ways mirror those of the U.S. as a whole.

	California	U.S.
Unemployment rate (July)	6.60%	6.20%
Percentage of jobs lost (since February 2001)		
Total	1.95%	2.03%
In manufacturing	15.40%	14.20%
Economic growth (12 months ended June)	2.50%*	2.50%
Growth in personal income (2002)	2.25%	2.46%
Budget deficit as a percentage of GDP	2.61%**	2.88%

In the 2000 presidential election, the nation essentially split down the middle. Fierce partisanship has been a feature ever since in Congress, where the House of Representatives in particular increasingly is the home of strict party-line votes in which few or no members vote against the wishes of their party's leadership.

California's economic angst and voter polarization didn't produce a political explosion until the state's budget crisis helped ignite the combustible mixture. When Mr. Davis was re-elected in November, only about 36% of eligible voters went to the polls, the worst turnout ever in a California general election. Apathy more than anger seemed the order of the day.

|| (June) || || || ||

*Estimate

**Based on California budget deficit of \$38 billion. Budget enacted since then closes that gap.

Sources: Bureau of Labor Statistics, Department of Commerce, Economy.com

But then Republicans, upset at losing the gubernatorial election to Mr. Davis last fall, charged afterward that he had lied to voters about just how sorry the state's fiscal picture really was. Indeed, estimates of the state's budget deficit ballooned rapidly to \$38 billion in May from \$21 billion after the election in November. Irate conservatives saw the recall as a chance to vent and then vote again.

"I think that California isn't being run right," says Ms. Spoden, the grocery clerk. "When Davis went in, there was money there, and there's no money there now."

A spokesman for Gov. Davis said the governor had used the surplus to cut taxes, as well as to increase spending. All of the spending was approved by both Republicans and Democrats, and most went to schools and health care, the spokesman said.

When Mr. Davis first took office in 1999, the state was flush. As recently as June 2001, California had a \$7 billion budget cushion. Then, state revenue plunged along with income-tax payments that had been tied to the stock-market boom of the 1990s. Such payments have fallen by more than two-thirds, to a projected \$5.3 billion in the fiscal year that began July 1, from \$17.6 billion in the 2000-01 fiscal year.

Unable to agree on either tax increases or deep spending cuts, the legislature and Mr. Davis cobbled together a spending plan for the current year that relies heavily on fund transfers and borrowing. Fiscal experts say the state will face a budget gap of at least \$8 billion in the year beginning July 1, 2004.

Now, the Field poll has found that 76% of Californians believe the financial condition of state government has worsened in the past year, more than at any time in the 21 years that the group has asked the question. Two-thirds of Californians say they are unhappy with the recently passed state budget.

California Republicans' strategy of using deficits and political turmoil against Democrat Davis isn't a good omen for President Bush. When he took office, the federal government had just recorded a \$236 billion surplus for fiscal 2000. For fiscal 2004, which ends just weeks before next year's election day, the CBO in its midyear report projected a \$480 billion deficit -- a swing of more than \$700 billion downward in his term. The CBO's estimate doesn't include any new expenditures in the coming year, yet for Iraq alone the U.S. will spend billions.

Excluding current surplus Social Security tax revenues -- as Democrats have already begun doing in their attacks on Mr. Bush -- the annual deficits would be about \$160 billion wider.

In 1992, the deficit became a kind of metaphor for a broken political system, producing the Ross Perot challenge to the re-election of Mr. Bush's father. Mr. Perot drew 19% of the popular vote as a third-party candidate and contributed substantially to the elder Mr. Bush's defeat. Karlyn Bowman, who tracks national attitudes at the American Enterprise Institute, a Washington think tank, says she sees no evidence yet in polls that the widening federal deficit is a national concern. Yet she is watching for signs of it.

Between distress over the economy and trouble abroad, "there's plenty of things for incumbents to worry about," says analyst Jennifer Duffy of the nonpartisan Cook Political Report.

Three states -- Louisiana, Mississippi and Kentucky -- elect governors this fall, but only in Mississippi will the incumbent, Democratic Gov. Ronnie Musgrove, be on the ballot to seek another term under the burden of bad times. He's facing well-financed former Republican Party Chairman Haley Barbour. Mr. Musgrove is trying to turn Mr. Barbour's Washington and corporate ties against him.

Next year, just 11 governor's seats are up for grabs, and perhaps five incumbents now occupying those seats won't seek re-election. As for the six other governors who are to face voters, four potentially are vulnerable, most notably Democratic Gov. Bob Holden, who has had continuing budget and tax battles in the swing state of Missouri.

The biggest incumbent of them all is President Bush. Bill McInturff, a Republican pollster who worked in 2000 for Bush rival Sen. John McCain, says Mr. Bush is in a much more enviable position than past presidents going into his re-election year. Unlike most Republican presidents -- including his father -- who didn't have the support of about 30% of their own party, Mr. Bush continues to have the backing of about nine out of 10 Republicans. "In our lifetime," Mr. McInturff says, "we have never seen that."

But in a 50-50 nation, that still isn't enough to elect him. In 2000, independents split their votes between him and Democrat Al Gore. Today's polls show just over a majority of self-described independents supporting Mr.

Bush's performance as president overall. A slight majority opposes his economic policies, while support for his foreign-policy actions has slid from post-Sept. 11, 2001, highs amid mounting entanglements and casualties overseas.

Mr. Bush could get a warning shot if Democratic Lt. Gov. Ben Chandler wins Kentucky's governorship over Republican Rep. Ernie Fletcher in one of this fall's elections. Even in the Republican-leaning Bluegrass State, Mr. Chandler is running against "the Bush-Fletcher" federal deficit, blaming much of it on the Bush tax cuts that Mr. Fletcher voted for.

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(4) <http://interactive.wsj.com/documents/candidates.pdf>

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