CALIFORNIA POLICY ISSUES ANNUAL

CALIFORNIA'S FUTURE IN THE BALANCE:
Transportation, Housing/Land Use, Public Higher Education, and Water Four Decades Beyond the Pat Brown Era

This report was based on the 9th Annual California Policy Issues Conference (Convened November 2001)

SPECIAL EDITION

TABLE OF CONTENTS

Acknowledgment

Introductory 1

A California Investment Policy for the 21st Century 3

Philip Angelides
California State Treasurer

Searching for the Next Pat Brown:
California Infrastructure in the Balance 11

Bruce Cain
Director, Institute of Governmental Studies
University of California, Berkley

California's Transportation Problems as
Land-use and Housing Problems:
Towards a Sustainable Future 15

Robert Cervero
Department of City and Regional Planning
University of California, Berkeley

Transportation in California: The Coming Challenges 49

Elizabeth Deakin
Director, U.C. Transportation Research Center
Department of City and Regional Planning
University of California, Berkeley

TABLE OF CONTENTS

A Reflection and Prospectus on California Higher Education:
The Beginning of a New History 80

John Aubrey Douglass
Center for Studies in Higher Education
University of California, Berkeley

California's Water Wars Enter a New Century 157

Harold Brackman
Simon Wiesenthal Center

Steven P. Erie
Director, Urban Studies and Planning Program
Department of Political Science
University of California, San Diego

Biographies 197

ACKNOWLEDGMENTS

The Pat Brown Institute gratefully acknowledges that the *9th Annual California Policy Issues Conference* and this special edition of the *California Policy Issues Annual (CPIA)* would not have been realized without the generous support of our hosts and sponsors. This support exemplifies and enhances the public, private and community collaborations that were vital to the central subject of the 2001 Conference and the 2002 edition of CPIA: *California's Future in the Balance: Transportation, Housing/Land Use, Public Higher Education, and Water Four Decades Beyond the Pat Brown Era.*

Our deep appreciation is extended to *AT&T*, our Corporate Host, and to the *Institute of Governmental Studies* of University of California, Berkeley, our University Co-Host. We also wish to thank the following sponsors: *Southern California Edison, SBC Pacific Bell*, *Automobile Club of Southern California*, *Fannie Mae Foundation*, *State Farm Insurance Company, Walt Disney Company*, *Wells Fargo, California Bank and Trust*, *California Faculty Association*, and the *Center for California Studies* of California State University, Sacramento.

Introduction

ALI MODARRES
Associate Director, Pat Brown Institute

Writing on California's infrastructure is not a mundane accounting task, but a tale of accountability, promise and despair. As the sixth largest economy in the world, California can hardly afford to ignore its lifeblood of mobility, security and smart growth. California cannot be a major Pacific Rim, high technology center without a serious investment in its higher education. It cannot attract the needed skilled and professional labor population without attention to affordable, adequate housing. It cannot build without attention to water and cannot move without serious attention to its transportation needs. A sustained high quality of life is implicitly reliant on an optimally operational infrastructure.

Will the sense of security and the promise of a bright future that brought the post-World War II generation to California continue to erode? Will the image of the Sunshine State become tarnished? There is only one answer if we ignore the very infrastructure that was built to help promote the growth of this state by the visionaries of California, such as the late Governor Edmund G. "Pat" Brown. California is globally recognized as a place of consumption, luxury and comfort. This luster will fade without attention to sustainability and smart growth.

The four authors whose reports appear in this publication are among the most recognized experts in their respective areas. Each was asked to develop a report discussing the history, status and future of the four selected infrastructures. These reports are not original research, but a synthesis of work done by the authors and their colleagues. They represent this collective wisdom on each of the infrastructure topics.

Although hopeful, all four experts warn about the future that California may face if it does not invest in repairing and upgrading its infrastructure. In the area of higher education, Dr. Douglass emphasizes that California's last place among all states in B.A. graduation rates and its low investment in higher education could have a dire impact on the economic competitiveness of the state. Without a truly competent 21st century labor pool, California's chance of remaining the sixth largest economy will be seriously compromised. Moreover, an eroding economic position would impact the ability of the state to maintain and expand other components of infrastructure, such as transportation, housing and water delivery.

Given the natural connectivity of transportation and housing, Dr. Deakin and Dr. Cervero arrive at a similar conclusion, that planning agencies will need to move away from compartmentalized approaches and focus on local, regional and state-level solutions in anticipation of changes in technology and communication. Both authors also advocate smart growth and recommend fiscal/funding considerations for attaining the principles of sustainability. This translates to institutional reform and integration of transportation and land use.

The report on water, prepared by Dr. Erie and Dr. Brackman, highlights the history and the en-tangled water policy in California. How can the state accommodate a doubling of its population with less water? These experts point to the fragmented policy making environment as the symptom and cause of enduring water policy problems. The devolution of policy making and the absence of a statewide/regional policy making approach seem to emerge once again as the culprits in the emerging challenge to California's quality of life. The future of equitable water delivery—much the same as higher education, transportation and housing—lies in responsible governance, visionary policy making, creative budgetary considerations and accountability.

California was imagined by its boosters and built by its visionaries; however, its future depends on citizens and on public and private advocates, who can envision a state known for its smart growth agenda for the 21st century. Once again, California has to be imagined as a place that prioritizes environmental responsibility, commitment to the working population, advocacy for education, equitable planning and policy making and responsible governance. The image of consumption has to be banished to the pages of 20th-century history books and replaced with an image of increasing social and environmental consciousness.

A California Investment Policy for the 21st Century

PHILIP ANGELIDES
California State Treasurer

Today I would like to speak with you about the economic challenges we face as Californians—especially since the tragic events of September 11th—and how we need to respond in these uncertain times. I will outline an investment policy that can see us through this difficult period and help us to achieve sustainable economic growth in the decades ahead.

I begin by providing a little perspective. The decade of the 1990s was extraordinary. We had the good fortune to experience a remarkable economic boom that made California the very crucible of the new global economy. California became the wealthiest State in the richest nation on earth.

Then, as is inevitable, the up-cycle ended and a down-cycle began. This year we already were struggling with an economic downturn when some of the most jarring events in our nation's history accelerated the slide. We have been reminded—with the collapse of the dot-com industry, the roiling of the stock market, the emergence of the energy crisis, and the trauma of September 11th—that nothing lasts forever in this world and that, like most things in life, economic progress is continually earned.

And now, everyone is asking: How much longer will this new turmoil last and how deeply will it affect our economy?

Before I go any further, I just want to say that I am an optimist. I don't believe in foolish optimism, but I do believe that what looks doubtful today can be turned into a solid gain tomorrow.

A story about Harry Truman comes to mind. During his whistle-stop campaign for the presidency in 1948—in which he proved the pundits wrong and won the election—he refused to be pessimistic despite the heavy odds against him. One day he was speaking from the back of the train, and he asked a man in the crowd how he intended to vote. The man said, "Mr. Truman, I wouldn't vote for you if yours was the only name on the ballot." Truman turned to an aide and said, "Put that man down as doubtful."

I believe we should show the same spirit of determination. As we struggle to survive these difficult times, let us not cast our eyes to the ground despondently. Rather, we should look ahead at the challenges our State may face and, in both the public and private sectors, invest in our physical and human infrastructure to support the enormous growth we will experience in decades to come.

There is no doubt that, in the coming year, the State budget will face critical challenges. With the economy slowing and tax revenues in decline, there is a projected budget deficit of $8 billion to $14 billion. So we must do what any family would do in tough times—cut back on spending. Yet, even as they watch their pennies, prudent families make an effort to plan ahead—setting aside money for their children's education, or even looking to buy their first home when prices are down and interest rates are low.

Similarly, as the Governor and the Legislature struggle to close the budget shortfall, we can take advantage of resources at our disposal—from pension and investment funds to our ability to issue bonds at historically low interest rates. These can serve as the engines of our financial recovery and build long-term economic strength.

If you will indulge me, I will give a personal example. When I was running my own real estate investment and management business during the recession of the early '90s, I spent much of my time trimming the costs of struggling projects so I would have the resources to invest in new ventures that would build my company's future.

In the business world, smart investors excel during hard times. In every recession, they look for new opportunities and deploy their capital wisely to fund ventures that will grow as the economy rebounds. This requires sound money management, toughness, dedication, and faith in the future.

Franklin D. Roosevelt, who presided over our nation in the dark days of the Great Depression and World War II, said, "The only limit to our realization of tomorrow will be our doubts of today."

California's rise to economic preeminence after World War II is a testament to the power of vision and the willingness to invest in the future. A previous generation of leaders—from Earl Warren to Goodwin Knight to Pat Brown—had the courage to look ahead and make investments in the public infrastructure that still sustains us nearly half a century later. They advanced a world-renowned water project that gave life to dry fields and distant cities. They fostered us a nine-campus university system and a 23-campus state university system that educated the best workforce in the world. And they inspired a transportation system that, in its heyday, was unequaled.

Now is the time to revive the legacy of those leaders. We are a State of wealth, capacity, and potential. We must find ways to use our assets to reinvigorate our economy today and create wealth for future generations of Californians. Even in this time of budget stress, we are replete with resources. Here are a couple of examples.

The State of California's $300 billion pension and investment portfolio represents the largest pool of capital in the global marketplace. Now is the time to focus this capital on California, to invest in badly needed infrastructure and economic development projects that will stimulate growth for decades to come.

With long-term tax-exempt interest rates at the lowest levels since 1969, the State has an extraordinary opportunity to finance, over a 30-year timeframe, public investments of value to today's economy and onward. Our State has the capacity to issue upwards of $25 billion in bonds over the next four years, with transaction structures that minimize payments in the upcoming budget years. Now is the time to move forward with the financing and construction of critical public needs—such as school repair and construction—that constitute the public fabric of any successful economy. Now is the time to finance the water supply and conservation and environmental protection projects to meet our State's ongoing needs. And now is the time to accelerate the funding of public investments in areas such as information technology, which can improve our productivity and give ballast to critical sectors of our economy.

Felix Rohatyn—the highly-respected investment expert, who served as U.S. Ambassador to France and who led New York City out of bankruptcy in the 1970s—wrote something worth quoting in the *Wall Street Journal* on September 25th:

> *"A large-scale public investment program would have an important long-term economic impact and is badly needed by urban as well as rural America. It would also provide a great psychological lift to Americans worried about the future."*

Mr. Rohatyn is correct. This is the right investment policy for these times, and it is consistent with what the Treasurer's Office has advocated since I took office—even when the economy was more robust. Investing in our future is good business and necessary whether we are in troubled economic waters or enjoying smooth sailing in the seas of prosperity.

In June of 1999, my office issued a report called *Smart Investments* in which we articulated the need for a State public investment policy to keep California strong into the 21st Century.

In May of 2000, we built on our *Smart Investments* initiative by launching a new policy effort—*The Double Bottom Line: Investing in California's Emerging Markets*. That initiative called on the public and private sectors—from public pension funds to venture capitalists—to invest in California's communities in a way that achieves the "double bottom line" objectives of strong returns and broadened economic opportunity in our State.

In those two reports, we outlined a set of investment policies and programs to respond to California's potential challenges in the years ahead. And we noted, two in particular may threaten our sustained economic progress if we do not respond adequately.

The first challenge is to find a way to meet the tremendous demands of projected growth, while preserving those unique environmental qualities that have been so much a part of California's economic strength.

Over the next 20 years, California will add 12 million new residents, more than 5 million new jobs, and 4 million new households. Two million children will be added to our public school system. Even more startling is the fact that this growth will likely exceed that seen during the boom years of the 1950s, 1960s and 1970s combined!

We need to embrace a set of policies—including investment initiatives—to change the growth patterns we have experienced for decades because they threaten to degrade the environment and make California a less attractive place to live and work.

We must commit ourselves to curbing sprawl and to reinvigorating the communities within our existing urban fabric. Our public policies—from water supply and conservation to transportation to open space preservation—must foster a new era of environmentally sustainable growth for the 21st century.

The second overarching challenge that we noted in *Smart Investments* and *The Double Bottom Line*—and one that is even more daunting—is to find ways to grow that promote equality of opportunity across our State. For future economic strength will be elusive if there are "two Californias"—with much of the State enjoying prosperity while at the same time there are communities suffering from economic decline and devastation.

These two challenges are still squarely in front of us, even as we enter a period of recession. California will continue to experience growth over the long term—meaning we must remain committed to making the investments in our public fabric that will sustain us in the years ahead. We made the mistake in the early '90s of failing to focus on our growth challenges and have been paying the price ever since in areas like water, energy, and transportation. And, the recession is likely to exacerbate the economic opportunity gap that has persisted despite the boom of the '90s.

Since we launched our *Smart Investments* and *Double Bottom Line* efforts, we have been at work putting in place public investment programs and initiatives to respond to our long-term economic challenges. We intend to redouble our efforts as we enter this current period of economic uncertainty.

Here are some examples of what the Treasurer's Office has done over the past three years to direct public expenditures in a way that builds our communities today and for the future.

- At the Tax Credit Allocation Committee, which I chair, we adopted new criteria for awarding federal and State tax credits for the construction and rehabilitation of affordable rental housing. We now give priority to projects in struggling neighborhoods in which the housing is part of a comprehensive revitalization effort. We also reward projects that meet a set of sustainable development goals—for example, those within walking distance of transit, schools, parks, and shopping. And, as importantly, we successfully fought, over the past year, to increase annual funding for this critical program from $450 million to $650 million.

- At the California Infrastructure and Economic Development Bank, we have launched a new low-cost loan program for local infrastructure projects. This precious resource will be targeted to economically distressed communities, in support of projects that are environmentally sensible.
- I successfully pushed for adoption of the Extra Credit Teacher Home Purchase Program—a $164 million initiative to provide down-payment assistance, low interest mortgages, and homeowner tax credits for teachers willing to serve in low-performing schools. The program aims to bolster schools in poor neighborhoods and to recruit and retain teachers with experience and capability.
- Since January of 1999, we have provided financing for nearly $700 million in water supply, conservation, and environmental protection projects to meet the needs of a growing population and economy. And at the Infrastructure Bank, we are now launching a new leveraged financing program with the capacity to issue up to $2 billion in bonds—dramatically increasing State lending for the construction of wastewater and water recycling facilities, and other conservation programs.
- And, from January 1999 through today, we have financed over $5.5 billion in public school construction and repair to meet the needs of a growing population and economy.

Of course, we recognize that public works and community development programs are only a small part of the wide array of State public policy initiatives needed to meet the challenges of sustainable growth and economic opportunity. That is why we also have diligently labored to mobilize the powerful instrument of financial capital in ways that bolster California's future economic prospects.

In this regard, we have put in place a set of investments that begin to fulfill the promise of our *Double Bottom Line* and *Smart Investments* initiatives.

Here are some actions we have taken:

- The Treasurer's Office has purchased $960 million in home mortgages made under the Community Reinvestment Act to low- and moderate-income families and communities, providing new capital to lenders to make even more loans.
- We have increased State deposits in California lending institutions by $2.9 billion, making available well-priced capital for home and business lending. We are now depositing State funds with over 120 community lenders in our State, serving a broad range of urban and rural markets.
- CalPERS and CalSTRS, in the last year, have committed over $1.5 billion in new capital investment for real estate development—from mixed use to office to commercial to housing—targeted to California communities. $400 million have been allocated for affordable housing, a critical need for our residents and our economy.
- CalPERS has just launched the California Initiative—a $475 million venture fund to grow businesses in underserved neighborhoods.
- And, at my urging, CalPERS and CalSTRS each have adopted a goal of investing 2 percent of their portfolios—which totals about $5 billion—in California's underserved communities, our own emerging market.

To summarize, we have been able to make a fundamental shift in State investment policies and to direct more than $12 billion in State resources and investment capital over a three-year period into pursuit of the policies that we outlined in the *Smart Investments* and *Double Bottom Line* initiatives.

I cite these initiatives not as a pat on the back, but to give an idea of ways that California can use its vast resources to boost our economy today and to create enduring economic strength. We have the means to ensure sustainable growth. As important, we can also ensure that the gap between the "two Californias"—which was wide during prosperous years—does not become a gaping chasm in lean years. This is not a new idea.

After the nation had made slow but steady progress against the Depression, it plunged into a recession in the Summer of 1937. President Franklin D. Roosevelt responded in the Spring of 1938 with an investment program to assist economic recovery. I want to quote from his Fireside Chat radio address to the American people on April 14th, 1938.

> *"In the first century of our republic we were short of capital, short of workers and short of industrial production, but we were rich, very rich in free land, and free timber and free mineral wealth. The federal government of those days rightly assumed the duty of promoting business and relieving depression by giving subsidies of land and other resources."*

Thus, from our earliest days we have had a tradition of substantial government help to our system of private enterprise. But today the government no longer has vast tracts of rich land to give away and we have discovered, too, that we must spend large sums of money to conserve our land from further erosion and our forests from further depletion. The situation is also very different from the old days because now we have plenty of capital, banks and insurance companies loaded with idle money; plenty of industrial productive capacity and many millions of workers looking for jobs. It is following tradition as well as necessity, if government strives to put idle money and idle men to work, to increase our public wealth and to build up the health and strength of the people—to help our system of private enterprise to function again.

I submit that we may well find ourselves today in a similar situation. And this makes it all the more imperative that, as we reduce State spending to balance our budget on the one hand, that we look at the investment tools that are still available to rebuild our infrastructure and our economy for the decades of growth that lie ahead.

Despite our current challenges, I believe we are on the verge of a great era in California—if we approach it wisely. We can sustain the California Dream in the 21st century if we summon the strength in this time of crisis to invest anew in our economy and our people.

Thank you for the opportunity to speak to you today, and to describe an investment policy that will prepare us for a bright future.

Searching for the Next Pat Brown: California Infrastructure in the Balance

BRUCE E. CAIN
Director of the Institute of Governmental Studies, UC Berkley

A few weeks ago, Ethan Rarick, who is writing a biography of Pat Brown, invited me to view some films of Brown at U.C. Berkeley's Pacific Film Archive. One of the most interesting showed Pat Brown announcing his intent to run for California Governor in 1958.

Two things about what I saw that day struck my modern political sensibilities as odd. First, Pat Brown, whose warmth and people skills were legendary, appeared to be very stiff and uncomfortable in front of the camera. Even Gray Davis and Pete Wilson seemed more relaxed. But then television campaigning was, after all, still in its infancy in 1958.

The other thing that seemed downright un-modern was the certainty of his pro-growth message, which he repeated throughout the campaign. "I deeply believe," he said, "that we still have a great state to build. We have millions of children to school—and school well. We have water to transport and tidelands to tap. We have highways to build and highway safety to achieve. We have discrimination to dispel, genuine underprivileged to provide for, and perhaps most important of all, hundreds of thousands of new jobs to be created for an expanding population."

Consider how those same remarks would be received today: environmentalists would object vehemently to tideland oil drilling, conservationists would argue that more highways mean only more traffic, and many ordinary Californians would question whether we really need additional people in the state.

As other participants in this conference will discuss in greater detail, California's infrastructure development has not kept up with its recent growth. State infrastructure spending has dropped from close to 20% to under 3% in the last thirty years. The state has serious deficiencies in transportation, water, higher education and housing—ironically, things that California was renowned for under Pat Brown.

But why is this so? Is it that modern political leaders do not think this is an important problem? Read the remarks of State Treasurer Phil Angelides and I think you will conclude that no, that is not the problem. There exist able political figures who care about the quality of California's infrastructure and are willing to speak out on it even if the issue does not rank first in the polls. The problem is not that there is no one willing to be the next Pat Brown, but rather that the complexity of the political and social environment in California makes it harder to be Pat Brown.

What has changed? To begin with, California has a bad case of "infrastructure ambivalence." Yes, we want good roads, schools, water, and so on, but we do not like what often comes with those things. There are, for instance, unavoidable environmental costs. Water projects can endanger fisheries in the Delta. New roads and housing can separate and destroy ecosystems. Drilling for oil and building more power plants can increase air pollution. We now know a lot more about the consequences of growth on the quality of our lives than we did in 1958, and our standards have risen.

As our feelings about growth have become more skeptical, attitudes about infrastructure have become more ambivalent. In 1958, growth and infrastructure were linked in a positive way. California's attitude in this golden period was "build it and they will come." But as our population has soared over 30 million, the attitude in recent years has become "let's not build it, because they might come."

The problem is somewhat analogous to the moral hazard problem in insurance. Buying insurance against a particular risk can encourage unwanted behavior if the consequences of risky actions are softened by the insurance. Similarly, when we build infrastructure to alleviate the problems caused by growth, we might be unintentionally encouraging more growth because we are softening the adverse consequences of excessive development. Hence, some have suggested, let the roads clog, the waters become dirty and the children fall behind in their education, and maybe it will deter unwanted growth. But at what cost to those of us who are here already?

It does not help in today's political climate that some of the new immigrant growth threatens the old predominantly Anglo-Saxon culture.

This makes growth less attractive to some and creates more opposition to all things that encourage it. But most Californians are not so extreme; rather, they are ambivalent and often inconsistent in their determination to solve infrastructure problems.

A second change that has hindered the cause of strong infrastructure is that public goods in general have become a harder sell in America. Part of this is that taxpayers have become less trusting of their representatives to make decisions that allocate money to build things for the common good. The rise of initiative government, the widespread imposition of term limits at the state and local levels, and the recent popularity of constitutionally-targeted taxes and expenditures have lessened the ability of elected officials to make decisions—wise or otherwise—on our behalf.

This has put many infrastructure decisions squarely in the hands of voters, often in the form of bond or initiative measures. Voters, when confronted with these decisions, will ask the question: What's in it for me? When it comes to social investments like education, individual voters may not benefit, but society is better off when children are well educated. Other infrastructure needs may service future generations or favor one part of the state over another. For all these reasons and others, voters may find it hard to make the right investment decisions over a series of independent elections.

The public's inclination to approve general social investments has probably been lessened by demographic trends over the last twenty years. Major portions of California have undergone a kind of "social sorting." The middle class has exited from inner cities into homogenous suburbs, leaving the problems of urban crime and poverty behind. New cities have incorporated around good tax bases in order to prevent poorer communities from retaining their wealthy areas or annexing unincorporated areas to pay for city services. This leaves areas that can pay for services without the obligation to do so and the areas that cannot pay with the responsibility of meeting their needs on their own.

Clearly, there is a danger that if responsibility for providing infrastructure is pushed down to the local level, there may not be a good match of needs and means—this on top of an attenuated sense of statewide social responsibility that comes with social sorting.

Although California localities have been resourceful in finding ways to get taxpayers to fund the services that they expect from their governments (e.g., special fees, assessments of various sorts, etc.), there are limits to this pay-as-you-go approach. Many of these payments are regressive and benefits tend to be targeted to the most powerful and influential in the electorate. This changes the character of infrastructure in California, making it more like private investments for those with clout.

One last structural feature that has made infrastructure planning harder is the increasing complexity of the planning process per se. Michael Neuman and Jan Whittington in their recent Public Policy Institute of California monograph describe the state's infrastructure planning process as ad hoc ("the inevitable byproduct of project-based financing and budgeting"), complex and slow. At the local level, counties, cities and special districts must contend with overlapping and fractured jurisdictions. Many of these features were present in Pat Brown's day, but have gotten worse over time.

Will we get better infrastructure by improving and rationalizing the process? Although a bad process certainly makes it harder to overcome vested interests, achieve coherence and secure cooperation, it is not so clear that, given California's growth ambivalence, a better process is the key solution to our infrastructure problems.

In the long run, our infrastructure ambivalence and attenuated sense of social responsibility doom simple solutions. In the immediate future, California's situation has been worsened by two recent developments. First, there is the legacy of September 11. Due to our heightened concerns about safety from terrorism, there will now be new costs to add onto the estimated billions it will take to bring our infrastructure up to speed. At this point, it is hard to tell whether our concerns will abate enough so that we can prioritize safety expenses, or whether it will result in large across-the-board additions to the costs of new roads, bridges, tunnels, water canals and so forth.

Second, in the short run, is the question of the California economy. The prospects for the next fiscal year are certainly gloomy, and this will only delay attempts to rectify our infrastructure problems. Phil Angelides, in his contribution to this volume, urges California to invest during difficult times, and perhaps it will happen this time. But the more common reaction in a recession is to postpone big-ticket expenses for better days.

So what is the next Pat Brown to do in the face of so many political and social impediments? I think that there are a few lessons to be gleaned from our generally futile efforts to address infrastructure concerns in the last decade:

1) California should avoid being swallowed up in the government rationalization debate. I personally have been involved in several ultimately futile discussions at various levels about the need to rationalize California's fractured planning process (e.g., Bayvision 2020, the State's Constitutional Revision Commission, Contra Costa County's review of Charter reform). In each instance, political inertia proved to be too great for reform to succeed. We need to accept that infrastructure planning has to operate in a fractured environment and incentivize the desired behavior within that structure.

2) We must avoid the ideological extremes of pure government and pure market approaches. As David Dowell and others have convincingly argued, many efficiencies can be achieved by using pricing and market schemes to make infrastructure decisions. This makes sense especially if we care about demand management and conservation. But as the recent energy crisis demonstrates, too little government supervision and regulation can also be a problem when market manipulation of an essential good is possible and profitable. The next Pat Brown needs to work out the details of this mixed private-public model.

3) Just as we know more about cholesterol than we did in the 1950s, we know more about the dangers of a growth rich diet, squandering our natural resources and satisfying our demands with unchecked supply. We have learned that sometimes we can do more with less, and that conservation and demand management must be part of any state plan to provide infrastructure. Finding that balance will truly require the talents of a new Pat Brown.