California's future:
Time to view the Bay Area as a city-state
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FROM THE COVER
CALIFORNIA'S ECONOMIC FUTURE

A powerful Bay Area city-state could save California

Discussion: Where is the state going?

By Paul Saffo

Staying competitive in a flat world

What A discussion of big-picture trends in California over the next 20 to 30 years.

Who Laura Tyson, member of President Obama's economy recovery advisory board; Paul Saffo, futurist; Nancy Pfund, managing partner at DBL Investors; Robert Klein, governing board chair of the California Institute for Regenerative Medicine; Robert Hartzberg, former Assembly Speaker; Sydelle Cohen, KPIX TV news anchor.

Where Commonwealth Club of California, 555 Market St., 2nd floor, San Francisco

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Staying competitive in a flat world

It is July and once again California has no budget. The Legislature is gridlocked and the governor is wrestling with state Controller John Chiang in a reprise of his annual minimum-wage stunt. In short, Sacramento is fiddling its tired old tune while California's economy crumbles.

It is clear that Sacramento can't solve California's problems. It is also clear that California's voters are unwilling to force real change, preferring merely to add to the state's thicket of mindless, gridlock-inducing initiatives. Meanwhile, the mess in Sacramento is threatening the Bay Area's economic future.

That is why the Bay Area needs to start thinking like a city-state. In an age when nations have become so large that their citizens no longer identify with distant governments, city-states are political units large enough to have a global economic impact but small enough for even the most casual citizen to understand the relationships that make their city-state work. Politicians are local and thus more inclined to pragmatism and constructive action. Businesses understand that their fortunes are tied to the success of the local community. This balance between effect and size and the tendency toward social cohesion make contemporary city-states like Singapore and Hong Kong bright spots in an uncertain global economy.

The Bay Area has all the qualities of a successful city-state. Consider geography: The Bay Area isn't an island like Singapore but, like Hong Kong, it is defined by a central bay and bordered by mountains. There are no "Welcome to the Bay Area" signs on our highways, yet we all know where we leave the rest of California and enter the Bay Area.

Successful city-states have outsized economies compared to their neighbors. If the Bay Area were to secede from California, it would instantly become the world's 25th largest economy, ahead of Austria, Taiwan, Greece and Denmark.

City-states have global business reputations. Singapore is synonymous with pragmatic corruption-free business; Hong Kong is famous for its trading savvy.
save itself from Sacramento's morass

global model for innovation and it underscored by Russian
veda's recent pilgrimage to
of new ideas. The Bay Area
is from personal computing
stech, and is home to more
than anywhere else in the
entire world. The Bay Area
is a cohesive, with a strong
residents may joke about the
latest resolution passed by the
he is the basis of an all-imper-
pressing elsewhere in Califor-
utes up to the coming economic
agmatic governments. Prag-
the local level, where deci-
sequences of their deci-
ays. Bay Area cities may be
cities like San Jose started
years before Sacramento}
got serious, and towns like San Carlos have been
proactive in attempts to re-engineer services (the city
recently outsourced its police department). The Bay
Area might not resemble Singapore with its highly
disciplined government ministries, but our local gov-
ernmental bodies have shown remarkable foresight
in creating regional bodies like BAR; the Metropol-
itan Transportation Commission, the Association of
Bay Area Governments and the Bay Area Air Quality
Management District to achieve pragmatic long-term
goals. City-states also have awkward relationships
with their neighbors. Malaysia still resents Singa-
apore's independence and success, and Hong Kong
citizens regularly oppose policies imposed on it by
Beijing's central government. The Bay Area hasn't
experienced this sort of tension with Sacramento, or
other California regions, but it is time to do so. Ten-
sion would signal that the Bay Area is finally acting
as a single body when it comes to looking out for its
vital interests.

As a city-state, the Bay Area needs to remind our
representatives in Sacramento that they represent us,
not the entire state, much less a political party. Our
local politicians also need to make themselves heard
directly in Sacramento and Washington as Bay Area
voices and not merely as representatives of local cit-
ies. And Bay Area business, academic and cultural
leaders need to do the same.

This sounds like a recipe for regional selfishness,
but it also could be what breaks California's ruinous
political gridlock and rescues the Golden State's
economy. A sudden outbreak of city-state pragma-
tism might shock Sacramento out of its ideological
deadlock and into a serious exploration of how to
offset essential but unpopular solutions — from ser-
vice cuts and tax increases to a rewriting of our state
Constitution.

And if the rest of the state doesn't come to its sens-
es, perhaps the Bay Area should follow Singapore's
example in 1966 and threaten to secede. If we stopped
payments to Sacramento and embargoed the ex-
port of iPhones, the rest of California would beg us to
return — and on our own terms.

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feedback to us through our online form at
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The case for a city-state

The Bay Area economy
forms those of most
nations. Here are the
numbers:

Annual GDP: $420 billion
Ranking: 26th largest
economy, ahead of Austria,
Taiwan, Greece and Den-
mark.
Per capita GDP: $60,667.

is higher than any other
region of California and
would rank among the top
five countries in the world
— ahead of the United
States and Singapore.

Corporate headquarters:
7 percent of Fortune's
Global 500 companies are
here, second only to New
York.

Source: Bay Area Economic
Institute,avid work, Forbes.