

As California Goes...

By Alan Caruba

As a lifelong resident of New Jersey, one of the most fiscally imprudent states, it may be deemed unfair for me to say bad things about California, but having lived in a state that has “been there, done that” it also endows me with an understanding of what happens when a state is taken over by its public service unions and indulges in stupid environmental policies that have nothing to do with a sound economy.

Governor Arnold Schwarzenegger declared an economic crisis last week in order to demand some fiscal sanity that has not been forthcoming from its legislature. By the end of the month, California will be forced to pay bills with IOUs and we all know that won't work. The U.S. Constitution reserves to the federal government the right “to coin money, regulate the value thereof...” As a form of currency, IOUs are forbidden to California.

A recent issue of The Heartland Institute's “Budget & Tax News” monthly newspaper had a disturbing article by Jason Sorens and William Ruger, two members of the University of Buffalo faculty who studied the issue of personal and financial freedom in the nation's 50 States. Their study ranked states on government spending, taxes, and regulations on market transactions and private behavior.

Since Americans pride themselves as a free people, the actions of state government have a direct impact on how much actual freedom they have because “states and local governments regulate workplaces, land use, and health insurance. They tell individual citizens how to educate their children, where they are permitted to smoke, which kinds of firearms they may own, and when they are allowed to buy liquor.” And, of course, they levy taxes.

The five least-free States, from the bottom up, are New York, New Jersey, Rhode Island, California, and Maryland. New York State's legislature has been in a complete meltdown, unable and unwilling to tend to business. New Jersey is locked in the run-up to an election pitting an ultra-liberal Governor, Jon Corzine, against a Republican candidate who promises to do a better job of governance, but in New Jersey that is no guarantee of any improvement.

California, ranked fourth from the bottom in terms of freedom, reflects the study's finding that “Liberal states tend to be nanny states when it comes to issues of personal choice.” Linked to economic freedom, states that impose excessive taxation and regulation tend to chase people and business away.

New Jersey has had more people leaving than coming to live there and, in the 1990s California saw 2.08 million more people leave than moved there from other parts of the nation. According to the U.S. Census, this loss was offset by a net immigration of 2.02 million from Latin America. To put it another way, California imported poverty along with an increase in the social services these new immigrants (many illegal) require.

One of the factors contributing to the population loss was the high cost of housing in California, about 53.1% above the February 1999 median of \$129,300 in the rest of the nation, making housing in California less affordable than anywhere else. When the housing bubble burst in late 2008, California's homeownership rate was only 55.7% as

compared to 66% for the entire nation. In more blunt terms, California's white (non-Hispanic) population has been leaving in droves.

The result of this has been a dramatic increase in costs relative to the rise of its population of illegal aliens. By 2004, a study by the Federation for American Immigration Reform (FAIR) that examined the costs of education, health care, and the incarceration of illegal aliens committing crimes in California, concluded it costs Californians \$10.5 billion per year. The K-12 education system spent approximately \$7.7 billion to school the children of illegal aliens and another \$1.4 billion in taxpayer's money went toward providing healthcare to them and their families, about the same spent on incarcerating illegal alien criminals.

Doing nothing about immigration comes with a big price tag and this is increasingly true of the entire nation that is estimated to have some 12 million illegal aliens. Neither the Bush administration of the passed eight years, nor the new Obama administration will stem this wholesale invasion of the nation, not just burdening taxpayers, but reducing the number of jobs available to natural born and naturalized citizens. Amnesty would double or triple the number of new citizens as family members join them.

Of equal concern are the nation's energy policies and, in this regard, California is the template for doing everything possible to restrict the development of its own energy sources and reserves.

The state's oldest oil refinery, the massive 104-year-old Richmond facility was in the process of modernization, but environmentalists sued and a judge ordered Chevron Corporation to stop work for yet another "environmental impact report." A hundred workers have been laid off and as many as a thousand more may lose their jobs as the project shuts down. That is insanity.

California is highly dependent on imported electricity. As of 2008, its failure to provide for the energy needs of its citizens meant it was short by 23% of the total demand for power. California has been loath to permit the building of coal-fired plants and slow to build those based on nuclear power. California has been a big proponent of wind and solar energy; the least practical means of providing electricity.

Today, California consumes 65% more electricity than it did in 1980. Coal-based electricity imports from other states grew by 60% from 1998 to 2005. Intent on emphasizing "efficient" power use policies, California has discovered that efficiency improvements do not reduce its overall energy consumption and, as often as not, leads to more energy use because people perceive such "efficiency" savings as freeing up more dollars for other energy-consuming devices and activities.

Meanwhile, demands for greater energy "efficiency" have driven up the cost of housing and driven out manufacturing firms because of high energy prices. If the states from which it imports electricity were to reduce or cut off supplies, California would swiftly decline to the status of a third world nation.

Estimates of the amounts of untapped oil off its coast on the continental shelf are in the millions of barrels, possibly billions. A reversal of this policy would generate lots of high-paying jobs and reduce the nation's dependence on imported oil.

As this is being written, California faces a \$21.3 billion deficit. Its citizens have defeated all of the proposed measures to close it, probably in retaliation for the spendthrift insanity of its legislature.

These are the same policies—immigration, education, housing, energy—being pursued by the Obama administration and, if California is a template for what will occur nationwide, it portends a very grim future.

Alan Caruba writes a daily blog at <http://factsnotfantasy.blogspot.com> and a weekly commentary at <http://www.anxietycenter.com>, the website of The National Anxiety Center.

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