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Is California's Economy on the Brink Due to Climate Change?

BY KERRY JACKSON

The economic outlook for California inspires as much optimism as a weather report of dark clouds and heavy thunderstorms. Rather than entertain the possibility that the hard times are the result of poor public policy, blame has been assigned to an outside influence: climate change. It's a way to avoid the hard work of rolling back the policies that hurt the economy and an excuse to accelerate the green agenda.

According to the UCLA Anderson School of Management, while "the state's economic outlook will improve substantially," a full recovery "will not occur before the end of 2022." The September report also predicts that even though the unemployment rate will fall below 10% by the end of 2020, it will be "close to 6% at the close of 2022 (compared to just under 5% for the U.S. as a whole)."

A couple of weeks after the school issued its forecast, Bloomberg News was reporting that "California's Boom Collapses" as "wildfires, power outages and extreme weather that have ravaged California are setting the stage for a deepening economic crisis for an engine of U.S. growth."

By December, the Bank of the West's California Economic Outlook noted the state's "labor market recovery is lagging the nation" and assumed "additional substantial fiscal support from the federal government will be needed" to reach even "modest job growth across the state of California in 2021."

Three months after its September analysis, the Anderson School predicted "the '20s will be roaring, but with several months of hardship first," caused by "rising COVID infections, continued social distancing, and the expiration of social assistance programs."

Of note: There were no climate-related policies enacted over the last quarter of 2020 that would have changed the somewhat dreary economic forecasts to conditionally optimistic projections.

Part of California's economic troubles were clearly caused by the pandemic economic lockdowns, which the Legislative Analyst's Office called "an unprecedented disruption to California's economy," grinding it "abruptly … to a halt." The lockdowns were the products of policy decisions and had no connection whatsoever to climate. Just another one of this state's many self-inflicted wounds.

Wildfires are also to blame. The Federal Reserve Bank of San Francisco, says Bloomberg, reports that roughly 69% of the state's economic output was exposed to fire risk in 2018. The bank expects the exposure to increase to 71% over the next 20 years. Fires destroy property, shut down economic activity, trip power blackouts, force people to flee, depress property values and productivity, and make investors nervous.

Though it's obvious to many that environmental policies have turned California into a raging furnace, elected officials and much of the media have blamed the wildfires on climate change, drawing a direct link between human carbon dioxide emissions and a struggling economy. After a single fire burned a record 1 million acres in early October, Gov. Gavin Newsom said "if that's not proof point, testament, to climate change, then I don't know what is." A month earlier, he said while looking over the damage caused by the North Complex Fire that "the debate is over around climate change."

"Just come to the state of California. Observe it with your own eyes. It's not an intellectual debate. It's not even debatable any longer," he said. "This is a climate damn emergency."

With more than 4 million acres burned, California is going through its worst wildfire season since data have been kept. But if the infernos – which can create their own fire-producing weather, a fact rarely mentioned because it doesn't fit the popular narrative that man is causing Earth to warm – are directly linked to climate change, then we have a story bigger than any story in a year overflowing with historic news: Man-made climate change has almost exclusively fallen on California.

While the state suffers, the rest of the country remains relatively untouched. According to the National Interagency Fire Center, the total number of U.S. wildfires was lower in 2019 than 1990 and has been trending downward throughout the period while acres burned are roughly the same. Yet fires have been growing in California in number and acres burned since the mid-1980s.

POORLY MANAGED RESOURCES

Wildfires are as native to California as the giant redwoods, but mismanagement of the state's forests has created a nearly endless supply of fuel. Newsom admits this, saying "that's one point," while stubbornly insisting that "it's not *the* point." But of course it is. Environmentalists have opposed conventional approaches that would cut fire risks.

- Small burns that could be quickly contained too often grow into roaring wildfires because activists have shut down access roads that would allow firefighters to put themselves and their equipment in position to suppress fires before they become unmanageable.

- Thinning forests is a conventional means of depriving wildfires of the fuel they need to grow out control. Thinning also has the added benefits of improving wildlife habitat, and enhancing environmental quality, according to the Little Hoover Commission. The Nature Conservancy says modeling estimates cutting back vegetation in the Sierra Nevada would increase downstream water flow from 1% to as much as 16%. While some environmentalists have come around to acknowledging the need to thin forests, there still remains opposition, enough on occasion to shut down needed projects.

- Fuel loads can also be reduced, and plant systems renewed, through prescribed burns. But activists and sometimes local residents will block controlled fires.

- Expanded grazing is another strategy that would render wildfires less deadly and destructive. Researchers at the University of California Cooperative Extension say that well-managed grazing not only can "be beneficial in reducing the risk of a catastrophic wildfire, maintaining and enhancing habitat for many native grassland plants and animals, and maintaining the open character of our iconic grasslands and oak savannas," it can also produce other "positive outcomes," including an increase in local food production. Despite grazing's usefulness, green radicals have used legal challenges and other means, including the effective lobbying of policymakers, to stop the practice.

CALIFORNIA'S FIXATION ON GLOBAL WARMING IS A FIRE HAZARD ALL ITS OWN

Due to a "rush to renewable energy, and the crusade to reduce and ultimately eradicate fossil fuels," utilities have been pressured "to allocate funds that should have been used for wildfire prevention to programs and projects conceived by politics." Instead of completing maintenance and performing upgrades that would reduce the risk of utilities' equipment starting fires, wind and solar schemes have been prioritized.

Renewable mandates established by the state "impose tens of billions of dollars in additional costs and require the use of less reliable technologies," says PRI senior fellow Wayne Winegarden. They "also divert resources away from investing in other priorities, such as an infrastructure that reduces the risks of wildfires. The result will be a less reliable, more expensive, energy infrastructure that will harm all Californians."

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Wall Street Journal columnist Holman Jenkins has noted there have been "billions" spent in California on wind and solar energy projects "that might be better spent on fireproofing."

The value of efforts to mitigate climate change by moving to alternative energy sources is not established because the science, in spite of years of claims to the contrary, is still uncertain. It's true that some researchers believe manmade carbon dioxide emissions have produced an existential threat. It is equally true that a number of scientists remained unconvinced of this.

Furthermore, nothing Sacramento can do regarding human carbon dioxide emissions will impact the climate either way. Only about 1% of global greenhouse gas emissions are produced in California, not nearly enough to make a difference.

ECONOMY-CHOKING BLUE STATE POLICY

Even before the country was categorically split into blue states and red states, California was moving toward public policy regimes that negatively affect economic expansion. From that initial trickle came roaring a flood of laws and rules that have slowed the California growth machine.

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"During the second half of the 20th century, the state shifted from an older progressivism, which emphasized infrastructure investment and business growth, to a newer version, which views the private sector much the way the Huns viewed a city – as something to be sacked and plundered," Chapman University's Joel Kotkin, whose description of state a decade ago in the Orange County Register still applies today.

Demand for more social spending increased, concerns over growth and the environment superseded polices oriented toward development, and, says Kotkin, the "new progressives" were "unenthusiastic about welcoming business."

Consequently, the California of 2021 and going forward is muzzled by an overabundance of structural hurdles to a growth:

High taxes. Four years ago, business and finance forecaster Kiplinger said that "California is a killer when it comes to taxes" and was in fact the "worst state to live in for taxes." Today, California is one of the top 10 outbound states, according to the U.S. Census Bureau. Of the 10 states, only five have a higher state-local tax burden as a percentage of income; only two have a higher state corporate tax rate; and none have a higher individual income tax rate.

Hostile Business Climate. Chief Executive has ranked California the worst state for business for all 16 years the magazine has compiled the list. Businesses "are still running away as fast as they can, especially those who make things," says Chief Executive. The CEOs who are surveyed to assemble the list have said California "goes out of its way to be anti-business," "is completely confiscatory, ever dreaming up new ways to stick it to sub-Apple-sized companies," and has the "worst government" which levies "punitive" taxes, enacts encumbering labor laws, and issues "restrictive" regulations.

Energy Costs. "Californians," says Winegarden, "could eventually save more than $2,000 annually if California lawmakers eliminated unnecessary state energy burdens."

Before the pandemic, California drivers paid 37% more for gasoline than the average American. By early December, the difference had increased to nearly 50%, according to American Automobile Association data. If policymakers would ease the fuel mandates they've stacked up, "over time and depending on consumption," they would "save Californians up to $9.6 billion annually (based on 2019 prices) or up to $11 billion (based on April 24, 2020 prices)," says Winegarden.

Meanwhile, energy mandates had, "as of 2018, driven up residential electricity prices by 46% versus the national average," Winegarden found in his 2020 report Legislating Energy Prosperity, while business electricity prices have been pushed 69% higher than the national average. "Eliminating inefficiencies" created by poor public policy "could generate annual average savings between $5.3 billion and $15.7 billion, depending on the scenario," says Winegarden.

Bureaucracy. Public administrative structures, no matter their size, are a drain on the private sector. They must be paid from private-sector tax revenue that could be put to better uses (such as investments), and suffocate markets with red tape.

"Hiring someone to be a bureaucrat obviously means that person is employed, but it also means that resources are being diverted to government," says economist Daniel J. Mitchell. "And that imposes costs on the economy's productive sector."

Researchers for the International Monetary Fund have found that "100 new public jobs crowd out 98 private jobs." They also noted that:

> "Public-sector hiring: (i) does not reduce unemployment, (ii) increases the fiscal burden, and (iii) inhibits long-term growth through reductions in private-sector employment."

There are nearly 900,000 state and local employees in California, about 237 for every 10,000 residents, a little higher than the U.S. average. But Newsom wants to "fix" that. His budget plans have included building "new bureaucracies" even as the state government is already overstaffed.

Pandemic lockdowns. Nearly 8 million Americans who weren't below the poverty line before June now find themselves in "the ranks of the poor," says an academic study released in the middle of December. "Poverty rose by 2.4 percentage points from 9.3% in June to 11.7% in November," say researchers from Notre Dame, the University of Chicago, and Zhejiang University.

The authors blame the increase on the expiration of government relief. But the root of the problem is found in the economic lockdowns that state and local governments have applied to try to control the coronavirus pandemic. The lockdowns have been particularly restrictive in California.

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Tourism, one of the state's most important economic sectors, has been deeply wounded. Spending will fall an estimated $74 billion in 2020, and 601,000 tourism jobs will be lost. The California Restaurant Association expects one in three restaurants to either close permanently or downsize. Citing the results of a National Federation of Independent Business survey, John Kabateck, the organization's California director, said the governor's stay-at-home orders, issued in early December, "will be a devastating death-blow to already fragile, uncertain, and terrified small business owners."

Legal landscape. California is among the worst Judicial Hellholes in the country, according to the American Tort Reform Foundation. Only the local courts in Philadelphia and New York City are ranked lower.

"In a year when many states saw a significant decrease in litigation, California plaintiffs' lawyers continued to target businesses, while the legislature and judiciary pursued innovative new ways to expand liability," says the foundation. "Businesses, small and large, are struggling to stay afloat, yet California's leadership failed to ease unjust liability burdens and further stacked the deck against their survival."

CONCLUSION

Wildfires are a factor, but California's economy wouldn't be on the brink if lawmakers were less hostile to business and didn't strangle markets and wreck personal finances with their eagerness to hike taxes and expand the regulatory framework. It continues to be the worst state in the country in which to do business due to an accumulation of economy-strangling legislative, regulatory, executive, and judicial decisions. Blaming the climate for the effects of lousy policies is a transparent cop out.

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