



# CAPITAL IDEAS

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## Is This How California is Solving Its Housing Crisis?

BY KERRY JACKSON

Not too terribly long ago, the Legislative Analyst's Office said that to meet demand, each year the state needed 100,000 new housing units in addition to the 100,000 to 140,000 that are expected to be built annually, an impossibility in today's political environment. But, intentional or not, policymakers have hit on a novel approach to solve California's housing crisis: Make living here so miserable that residents have little choice but to flee.

For the first time since the state Department of Finance began to keep records in 1900, it has reported a population decline. Last year, 182,083 more people moved out of California than moved in. It appears, however, that the losses precede 2020. Using IRS data for an upcoming PRI policy brief on the resident and business flight from California, PRI senior fellow Wayne Winegarden has calculated that from at least 2012, more tax returns, which can represent an individual or a family, have been filed by taxpayers who had lived in California the previous year and moved than taxpayers who had moved into California after filing from another state the year before.

It might be a bit of an exaggeration to call the outfilling of California a "mass" exodus, since the state lost only 0.46% of its population. But the trend, which includes the loss of a congressional seat – another first – due to slow growth from 2010 to 2020, as determined by the Census Bureau, should concern policymakers in Sacramento and local elected officials in California's largest cities.

But it seems they've adopted an [Alfred E. Neuman](#) "what – me worry" attitude.

Chapman University professor Joel Kotkin, who has carefully documented California's decline, is "not convinced they care" in Sacramento about the lost representation in Washington and resident departures.

“Maybe they can take the seat from a Republican or moderate Democrat,” he told PRI, simply to ensure the state’s D.C. delegation doesn’t become a paler shade of blue. And rather than lawmakers learning from policy mistakes, he sees them following through on the agenda that brought California to this point.

“They are using the surplus to build a semi-permanent welfare state but seem to have no interest in business development,” says Kotkin. “No breaks for business or the middle class.”

R Street Institute’s Steven Greenhut, another long-time observer of California politics, suggests that “instead of worrying about Census counts, the state’s leaders ought to worry about their own high-tax and anti-business policies, which are sending Californians of all income levels to the growing states that are picking up congressional seats.”

“Our state has seen a drop in population for the first time in at least a century,” Greenhut said in an email exchange. “That’s shocking news. If Democrats want California to have more political power, they need to embrace policies that draw people here again.”

Why would people leave California, with its sun, beaches, mountains, predominantly temperate climate, Silicon Valley energy, and bustling big cities?

It’s probably no coincidence that the pandemic year is also the year, at least according to Sacramento data, in which California lost population. No state was locked down more tightly than California. People became isolated, disconnected from human interactions and their livelihoods. Their [mental health suffered](#). Businesses closed, some lost forever. A [survey](#) taken last fall “before the late-November public health orders were enacted by the California governor and local government officials,” found that 16% of small-business owners said they were likely to sell out while 15% reported they’d likely have to close permanently in the next three months. Rather than inspire and encourage, officials trafficked in fearmongering and threats of stricter policies if Californians didn’t comply.

But California’s troubles reach back much further than 2020.

Living in this state has been unbearable to many for decades. Housing prices are punitive, thanks to government overregulation, and reasons to be optimistic about a reversal feel smaller every day. Workers have been robbed of their freedom by a law that [outlawed the independent contract jobs](#) that put food on the tables of many. [Few states](#) have a higher tax burden, the cost of living is crushing, public officials’ animus toward business is out in the open, and growing homelessness is quickly eroding the quality of life. The California dream is far easier to attain elsewhere.

If residents and businesses continue to express their dissatisfaction with California by renting moving vans, the housing crisis will resolve itself organically. No further action is needed by policy-makers. Their work is done. But it’s a certainty that worse is yet to come.

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