As we explained in the May 2018 issue of Trends, the United States is now engaged in a de facto “civil war” between two economic systems built upon two incompatible worldviews. As in the mid-19th century, the two systems cannot coexist because the priorities, values, and policies are incompatible. What one demands is anathema to the other, and vice versa! Civility will only be restored when one model prevails and the other is marginalized.

Today, one model based on fossil fuels is typified by Texas, the other based on solar panels and windmills is typified by California. The Texas model favors small government, minimal regulations, low taxes, tightly controlled borders and social programs that “put U.S. citizens first.” The California model favors big government, strict regulations, high taxes, open borders, and social programs that essentially “treat noncitizens like citizens.”
In prior issues, we’ve discussed the costs and benefits of borders, regulations, and citizen-focused social services, which emphasize earned benefits rather than hand-outs. However, nothing sets the two economic models and their underlying societies apart more than their approaches to environmentalism.

While Texas sees the physical environment as just one relatively minor priority among many, an obsessive focus on environmental standards has increasingly come to dominate California’s public policy. Earlier this year, California was engaged in a concerted attack on energy companies in the courts; a bill pending in the legislature that would fine waiters $1,000, or even send them to jail, if they offered people plastic straws; and UCLA issued a report describing pets as a “climate threat.” California has even taken upon itself the mission of limiting the flatulence of cows and other farm animals.

As the self-described capital of the anti-Trump resistance, California presents itself as the herald of a greener, more socially and racially just society. But notably, that argument was factually devastated by a recent report from Chapman University; in that report, coauthors David Friedman and Jennifer Hernandez demonstrate that California’s draconian anti-climate-change regime has exacerbated economic, geographic, and racial inequality. And, to make things worse, California’s efforts to save the planet have actually done little more than divert emissions of greenhouse-gases (or GHGs) to other states and countries; a Pyric victory at best!

Perhaps no leader has played a bigger role in creating this situation than California’s Governor Jerry Brown. His return to Sacramento in 2011 brought back to power one of the first American politicians to embrace the Club of Rome’s 1972 “limits to growth” thesis. Brown has long:

- worried about such debunked resource depletion notions as “peak oil,”
- taken a Malthusian approach to population growth, and
- opposed middle-class suburban development.

Like many climate-change activists, he has limitless confidence in the possibility for engineering a green, “socially just” society through “the coercive power of the state.” Yet, he has little faith that humans can find ways to cope with the challenges of climate change, when and if they manifest themselves.

Brown’s “era of limits” message in the 1970s failed to catch on with the state’s voters, who promptly elected two Republican governors in his wake. Yet, he has found in climate change a more effective rallying cry, albeit one that often teeters on the edge of hysteria. And, few politicians can outdo Brown in encouraging hysteria; recently, he predicted that climate change will cause 3-to-4 billion deaths, leading eventually to human extinction. Not surprisingly, he openly endorses a campaign to literally brainwash the masses, in order to save the planet.

The result has been a relentless ratcheting-up of California’s climate-change policies. In 2016, the state committed to reduce greenhouse-gas emissions to 40 percent below 1990 levels by 2030. In response, the California Air Resource Board (or CARB), tasked with making the rules required to achieve the state’s legislated goals, took the opportunity to set policies consistent with the (unlegislated) goal of “an 80 percent reduction from 1990...
levels, by 2050.”

As noted by Friedman and Hernandez, Brown and his supporters often tout their policies as “in line with the 2015 Paris Agreement.” However, California’s reductions under the agreement require it to make cutbacks double those pledged by Germany and other stalwart climate-committed countries, many of which have actually increased their emissions in recent years, despite their Paris pledges.

Governor Brown can be frequently seen in Paris, at the Vatican, in China, in newspapers, and on national television claiming credit for environmental accomplishments. However, few in academia or the media have considered how his policies have worked out in practice.

Consider the facts! California is unlikely to achieve even its modest 2020 goals; nor is it cutting emissions faster than the states which lack such dramatic legislative mandates.

Since 2007, when the Golden State’s “landmark” global-warming legislation was passed, California has accounted for barely 5 percent of the nation’s GHG reductions. Meanwhile, a similar total population in Ohio, Georgia, Pennsylvania, and Indiana has achieved total reductions, over the past decade, about 5 times greater than California’s. And ironically, Texas, the very embodiment of the fossil-fuel economy, has been reducing its per-capita emissions more rapidly than California.

And this does not even consider the question about whether all this effort matters. In 2010, California accounted for less than 1 percent of global GHG emissions; therefore, the disproportionately large reductions sought by state activists and bureaucrats will have no discernible effect on global emissions under the Paris Agreement. In fact, “If California ceased to exist in 2030,” Friedman and Hernandez note, “global GHG emissions would still be 99.54 percent of the Paris Agreement total.”

The problem with California’s eco-fanaticism lies not just in its futility, but in its multiple negative consequences for society in California and the nation as a whole.

First, many of California’s “green” policies make the environment demonstrably worse. For example, California does not encourage biomass energy use, though the state’s 33 million acres of forests could provide renewable energy, while reducing the excessive emissions and loss of life from the wildfires resulting from decades of forest mismanagement.

Second, green zealots in California have been adamant about shutting down nuclear power plants, which continue to reduce emissions in France; as we’ve explained in previous issues of Trends, the safest, most economical, zero-emission, energy-source beyond 2050 will be a new generation of nuclear reactors. Similarly, they refuse to count hydro-electricity as a renewable energy source. As a result, California now imports roughly one-third of its electricity from other states; that’s the highest percentage of any state and it’s up from 25 percent in 2010. This is part of what Hernandez and Friedman show to be California’s increasing propensity to export energy production and GHG emissions, while maintaining the fiction that the state has reduced its total carbon output.

Third, this is consistent with California’s tendency to send all its “dirty work, like mining, manufac-
uring and fossil fuels, elsewhere. The same is true of its unwanted middle-class and working-class people, who are driven out by the high-cost side-effects of California’s green policies. Net migration to other, less temperate states and countries has already been large enough to more than offset the annual emissions cuts within the state. This may make California look greener, but it actually increases global emissions of GHGs. And,

Fourth, the state’s regulatory policies make it difficult for industrial firms to expand or even to remain in California. Virtue-signaling green firms like Apple produce most of their tangible products abroad, mainly in high-GHG emitting China, while other companies, like Facebook and Google, tend to place energy-intensive data centers in other, higher GHG emission states. Friedman and Hernandez estimate that GHG emissions just from California’s international imports in 2015 was equivalent to about 35 percent of the state’s total emissions. And that doesn’t even count imports from the rest of the U.S., consumed in California.

What is all this environmental regulation doing to the economy and the people?

California’s green regulators predict that the implementation of ever-stricter rules related to climate will have a “small” impact on the economy. They point to strong economic and job growth in recent years as evidence that strict regulations are no barrier to prosperity. Though the state’s economic growth is slowing, and now approaches the national average, a superficial look at aggregate performance makes a “seemingly plausible” case for even the most draconian legislation. That’s because, the impact on most California businesses and citizens is masked by the fact that it is also the headquarters for three of the nation’s five largest companies by market capitalization. Those three companies account for much of the growth since 2010.

Unlike past recoveries, growth has been uniquely concentrated in the San Francisco Bay Area, where employment has grown by nearly 17 percent. That’s almost three times the growth of the rest of the state, where growth rates have tumbled compared with past decades.

Some of these inequities are tied directly to policies associated with climate change. High electricity prices, and the war on carbon emissions generally, have undermined the state’s blue-collar sectors, traditionally concentrated in Los Angeles and the interior counties. These sectors have all lost jobs since 2007. Manufacturing employment, highly sensitive to energy-related and other regulations, has declined by 160,000 jobs since 2007. And California has benefited far less from the national industrial resurgence, particularly this past year. Manufacturing jobs—along with those in construction and logistics, also hurt by high energy prices—have long been key to upward mobility for non-college-educated Californians.

As climate-change policies have become more stringent, California has witnessed an unprecedented level of bifurcation between a growing cadre of high-income earners and a vast, rapidly expanding poor population. Meantime, the state’s percentage of middle-income earners — people making between $75,000 and $125,000 annually — has fallen to well below the national average. This decline of the middle class even occurred in the Bay Area, notes a recent report from the California Budget and Policy Center, where in 1989 the middle class accounted for 56 percent of all households in Sil-
icon Valley, but by 2013, only 45.7 percent. Lower-income residents accounted for 30.3 percent of Silicon Valley’s households in 1989, and that number grew to 34.8 percent in 2013. Meanwhile the upper income earners making over $125,000 a year grew from 13.2% to 19.5%

The most egregious impact on middle-class and working-class residents can be seen in housing, where environmental regulations, often tied directly to climate policies, have discouraged construction, particularly in the suburbs and exurbs. California’s determination to undo the primarily suburban, single-family development model in order to “save the planet,” has succeeded both in raising prices well beyond national norms and creating a shortfall of some 3 million homes.

Brown and his acolytes ignore the often-unpredictable consequences of their actions, insisting that density will reduce carbon emissions while improving affordability and boosting transit use. Yet, as Los Angeles has “densified” under its last two mayors, transit ridership has continued to drop, in part, notes a UC Berkeley report, because incentives for real-estate speculation have driven the area’s predominantly poor transit riders further from trains and buses, forcing many to purchase cars.

First, undaunted by the facts we’ve summarized, California will continue to impose even stricter regulations until derailed by Federal courts and regulators. This will include mandatory installation of solar panels on new houses, which could raise prices by roughly $20,000 per home. These actions will combine with prior actions to further undermine the aspirations of people who still seek “the California dream.” Since 2007, California homeownership rates have dropped far more than the national average. By 2016, the overall homeownership rate in the state was just under 54 percent, compared with 64 percent in the rest of the country.

Second, political tensions within the state will grow as “social justice” considerations come into direct conflict with “environmental” considerations. Why? Because the groups most adversely affected by these policies, ironically, are those on whom the ruling progressives rely for electoral majorities. For instance, California millennials have seen a more rapid decline in homeownership rates compared with their cohort elsewhere. But the biggest declines have been among historically disadvantaged minorities, specifically Latinos and African-Americans. Latino homeownership rates in California are well below the national average. In 2016, only 31 percent of African-Americans in the Bay Area owned homes, well below the already low rate of 41 percent black homeownership in the rest of the nation. Worse yet, the state takes no account of the impact of its environmental policies on poorer Californians. Overall poverty rates in California declined in the decade before 2007, but the state’s poverty numbers have risen during the current recovery. Today, 8 million Californians live in poverty, including 2 million children, by far the most of any state. The state’s largest city, Los Angeles, is now by some

In short, environmentalism, as an ideology detached from day-to-day economic realities, is making California unlivable for tens of millions of residents. More importantly, it is becoming incompatible with much of the rest of the United States.

Given this trend, we offer the following forecasts for your consideration.
measurements America’s poorest big city. In early 2018, state electricity prices were 58 percent higher and its gasoline prices were over 90 cents per gallon higher, than the national average; this disproportionately hurts ethnic minorities, the working class, and the poor. Based on cost-of-living estimation tools from the Census Bureau, 28 percent of African-Americans in the state live in poverty, compared with 22 percent nationally. And, fully one-third of Latinos, now the state’s largest ethnic group, live in poverty, compared with 21 percent outside the state.

Third, in 2020 and beyond, expect California’s dominant electoral coalition to fragment as the interests of various economic and ethnic groups diverge. In a normal political environment, the disparities highlighted here would spark debate. For instance, longtime environmental activist Michael Shellenberger, expressed the view that California’s policies have made it not “the most progressive state,” but “the most racist one.” Recently, 200 veteran civil rights leaders sued CARB, on the basis that state policies are skewed against the poor and minorities. So far, these voices have been largely ignored. The state’s prospective next governor, Gavin Newsom, seems eager to embrace and expand Brown’s policies, and few in the legislature seem likely to challenge them. And, at least for now, Republicans seem incapable of mounting a strong challenge. But, the Trends editors expect all of that to change as the next Presidential election approaches.

Fourth, for at least the next four years, California will stay on a perilous path toward greater class and racial divides, increasing poverty, and ever-more strenuous regulation which will bring it into existential conflict with an increasingly hostile Federal government. Compromise on environmental, social and immigration issues is needed. Other ways to reduce greenhouse gases—such as planting trees, more efficient transportation, and making suburbs more sustainable—should be on the table. The Hernandez-Friedman report could be a first step toward addressing these issues but, regardless of how it happens, a return to rationality is needed in the Golden State. And,

Fifth, environmentalism, along with other social forces will force California to split into multiple states by 2030. The proposed 2018 referendum on a three-state proposal simply served to tee-up the idea for future consideration. However, it’s already clear that “southern and eastern California” has far more in common with “red America” than it does with the other two proposed “Californias.” If we apply the 19th century “Civil War” metaphor, dividing California would be analogous to “Reconstruction.”

□ □ □ □
August 2018 — Trend #4
Resource List


