

# Impact

Fall/Winter 2024

A Pacific Research Institute Publication

## THE CALIFORNIA LEFT COAST SURVIVOR'S GUIDE

A Pacific Research Institute  
Handbook to Help the Rest  
of America Avoid Making a  
Wrong Left Turn

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HOW TO AVOID THE  
CALIFORNIA WAY**

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# DEAR FRIENDS AND SUPPORTERS,

The California Way was on full display in the fall campaign with Vice President Kamala Harris' run for president.

Harris' campaign was notoriously devoid of policy specifics; fortunately, the Pacific Research Institute's Kerry Jackson and Tim Anaya took up the Herculean task of explaining to the rest of the country what a progressive Californian in the White House might have been if she had won.

In their new book, *The California Left Coast Survivor's Guide*, Kerry and Tim present an exhaustive list of poor policy decisions made in California of which the rest of the country should seriously consider the consequences before enacting these ideas in their states and communities.

On pages 4-5, we offer a sampling of the insightfulness – and wittiness – of the book, starting first with a truncated version of the foreword written by Rowena Itchon, PRI's Chief Operating Officer.

Next, on pages 6-7, you'll find one of my favorite passages of the book highlighting California's ban on gas generators, which is a particularly ironic idea considering California's consistent dance with blackouts. The prevalence of the blackouts is included in the book, but not here in *Impact* – yet another reason to pick up your copy of *The California Left Coast Survivor's Guide* today!

Also in this issue:

- As we near the end of the Joe Biden Administration, I look back on his disastrous legacy regarding health care on pages 22-23.
- A monumental court ruling was recently delivered allowing cities more freedom to conduct homeless sweeps. This was a major victory for American cities, but also for PRI, which filed an amicus brief in the case. Read more about the ruling from Wayne Winegarden and Steven Greenhut, as well as Kerry and Wayne's analysis of the failures of California's bloated and ineffective Project Roomkey initiative, on pages 8-11.
- High school grade point averages are up while college readiness is at a historic low. Lance Izumi explains why that is on pages 12-13.
- Crime in California is reportedly down, but a closer look reveals a murkier picture—one where underreporting by significant agencies suggests crime might actually be *up*. Steve Smith gives a fuller breakdown on pages 14-15.

As always, I wanted to extend the sincerest gratitude to all of you for supporting our mission at PRI. None of this would exist without all of you. Thank you so much.



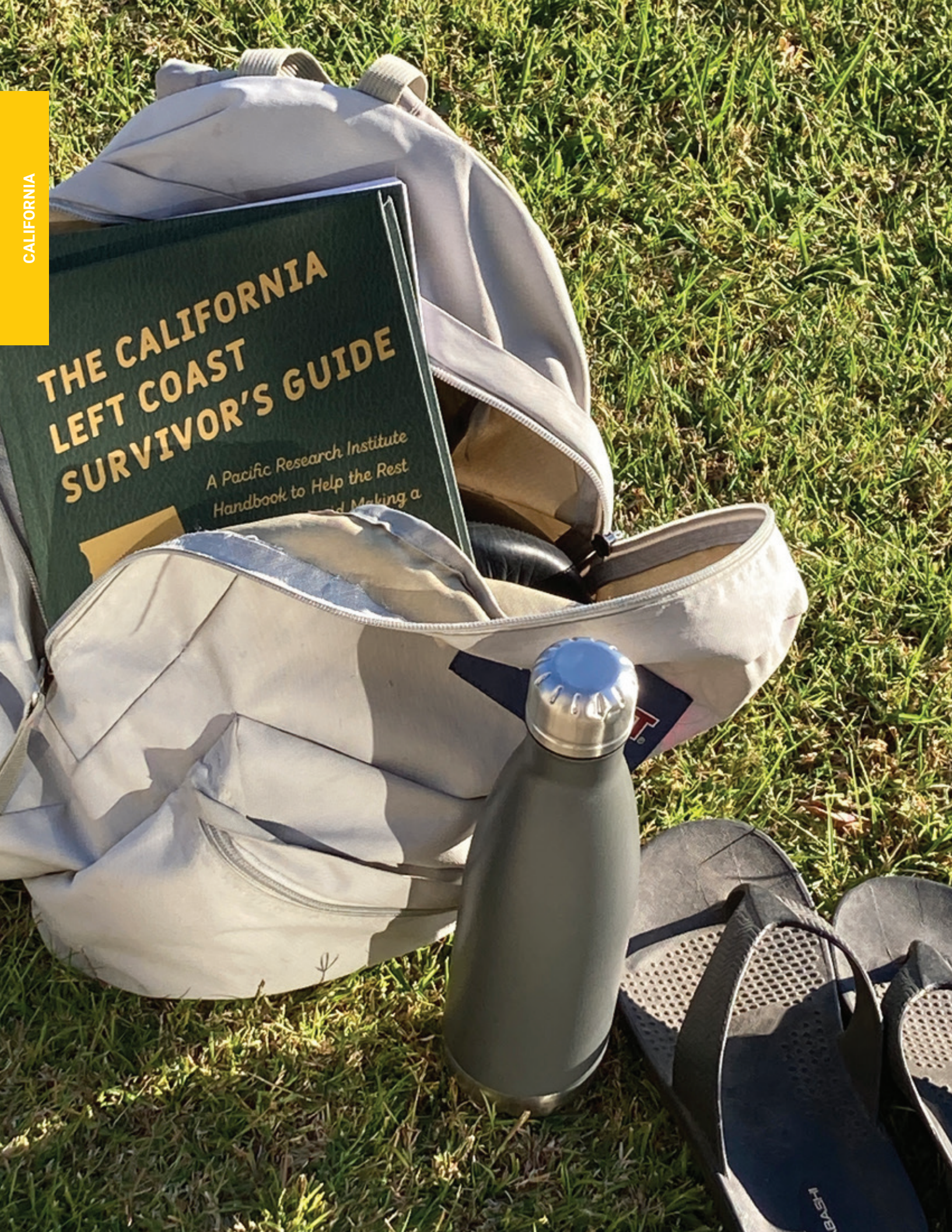
A handwritten signature in cursive script that reads "Sally".

Sally C. Pipes  
President, CEO, and  
Thomas W. Smith Fellow in  
Health Care Policy



# THE CALIFORNIA LEFT COAST SURVIVOR'S GUIDE

A Pacific Research Institute  
Handbook to Help the Rest  
and Making a





# THE CALIFORNIA WAY'S STRING OF FAILURES GOES NATIONAL

by Rowena Itchon

Excerpt of the foreword to the  
*California Left Coast Survivor's Guide*

Generations from around the world have moved to California for their chance at better, more prosperous lives for themselves and their families.

In a speech to Congress Hall in San Francisco in 1866, Mark Twain observed that, “multitudes of stout hearts and willing hands are preparing to flock hither, to throng her hamlets and villages; to till her fruitful soil; to unveil the riches of our countless mines; to build up an empire on these distant shores that shall shame the bravest dreams of her visionaries.”

Twain was a better prophet than Nostradamus because that’s exactly what transpired. Those who rushed to California helped build the transcontinental railroad that united a young country, produced the most bountiful harvests the world has ever seen, formed business empires, used the inspiration of their surroundings to make incredible innovations in medicine and technology, established the world’s best centers of learning, and launched creative ventures that have entertained and influenced the world.

Gazing upon the majesty of Yosemite or watching millions sail through the Golden Gate Strait in magnificent San Francisco Bay, how could anyone not be inspired to go big and bold in California, given all the advantages it has to offer?

Unfortunately, somewhere along the way California’s leaders forgot the “golden dream by the sea” that Gov. Arnold Schwarzenegger – one of California’s most famous immigrants -- spoke about in his inaugural ad-

dress. “California has always glimmered with hope and glowed with opportunity” he said. “Millions of people around the world send their dreams to California with hope their lives will follow.”

But in true Hollywood fashion, California policy-makers acted like B-movie directors, turning the California dream into *The Empire Strikes Back – Again and Again*.

In this movie, freedom and liberty are being choked by the state. Government knows better than Californians how they should live their lives: where to send their kids to school, how to run their businesses, the food they should eat, the cars they should drive. Over the past four decades, politicians have set about dictating Californians’ every move, exerting as much control as possible over the state’s economy, this abundant land and its natural resources, and an education system that is failing its students

Like the tens of millions from around the world who came here on the initial migration to California, we at PRI love this state and we want to restore the opportunity for all forty million of our friends and neighbors to achieve the California Dream.

California is not done. Despite Sacramento’s worst efforts, there are still those of us left with “stout hearts and willing hands” and who share “the bravest dreams of her visionaries.” This book by PRI is a warning, but it’s also a roadmap that brings us closer to the dream.



## **BANNING GENERATORS**

### **LIVING IN THE DARK IN AN EMERGENCY**

It's helpful to have backup power in the event of blackouts. Generators can prevent food from spoiling, keep the heat and air conditioning on depending on the weather, and ensure that medical equipment and water pumps don't shut down during an emergency.

But beginning in 2028, emission standards for generators, as well as large pressure washers, must be zero.

The average gas-powered generator can provide 10-12 hours of electricity to run lights, phone chargers, refrigerators, microwaves and more, with a simple refueling keeping them powered another half-day. Zero-emission power generators wouldn't work very well in lengthy power shutoffs as current models have the capacity to run only the lights, appliances and technology listed above for between 35 minutes and three hours.

There are a couple of other points that show how odious the ban is.

One, zero-emission generators, which need batteries to operate, are particularly unreliable during outages. Their batteries "cannot be recharged during power outages without expensive solar panels or expensive spare charged batteries," according to a report carried on Business Wire.

Two, the Senate floor analysis of Assembly Bill 1346 notes that "while portable power stations such as the popular Goal Zero Yeti can provide power without any associated noise or emissions from the unit, they are ultimately constrained by battery capacity," and "can also be five to twenty times the cost of fossil-fuel powered options."

Gas-powered generators, gig-economy work, and so many other bans coming to a town near you, America. It's The California Way.



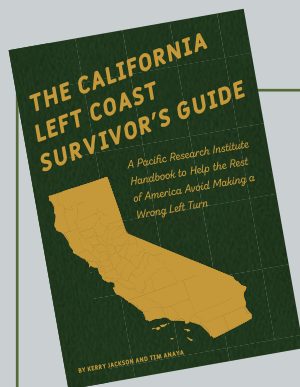
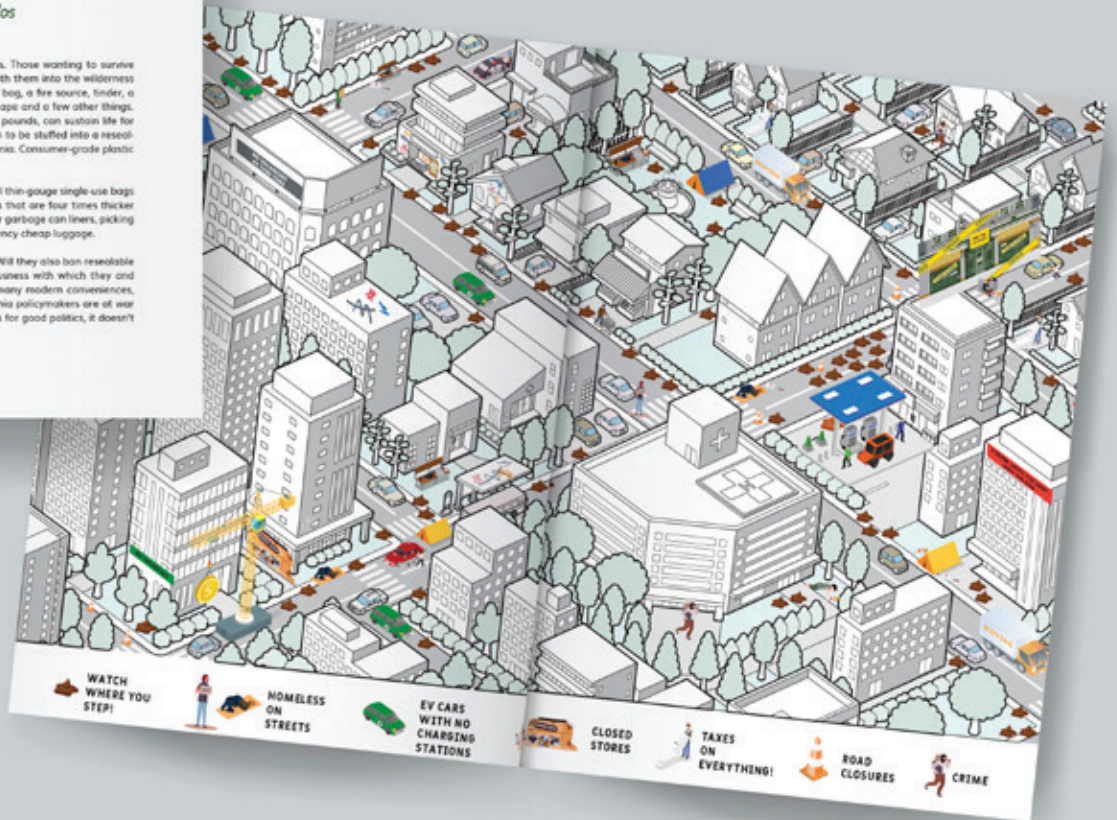


## CHAPTER 7 More No-Nos

Properly packed survival kits can save lives. Those wanting to survive the Left Coast would be advised to take with them into the wilderness a plastic tube tent, an emergency sleeping bag, a fire source, tinder, a signaling device, light, water, a knife, duct tape and a few other things. Altogether, the items will weigh about two pounds, can sustain life for 72 hours or more, and are compact enough to be stuffed into a resealable plastic bag.<sup>1</sup> Well, maybe not in California. Consumer-grade plastic bags have become prohibited goods.

Lawmakers initially banned the highly useful thin-gauge single-use bags in retail stores. They were replaced by bags that are four times thicker and are designed for multiple uses, good for garbage can liners, picking up pet waste, lunch sacks and in an emergency cheap luggage.

But then lawmakers went after those, too. Will they also ban resealable plastic bags? Given the zeal and impulsiveness with which they and coastal elitists have tried to eliminate so many modern conveniences, it would surprise no one if they did. California policymakers are at war with plastics of all types, and while it makes for good politics, it doesn't make good sense.



You can read these stories and plenty more in Pacific Research Institute's new book, *The California Left Coast Survivor's Guide*. Pick up a copy at your favorite online bookseller.

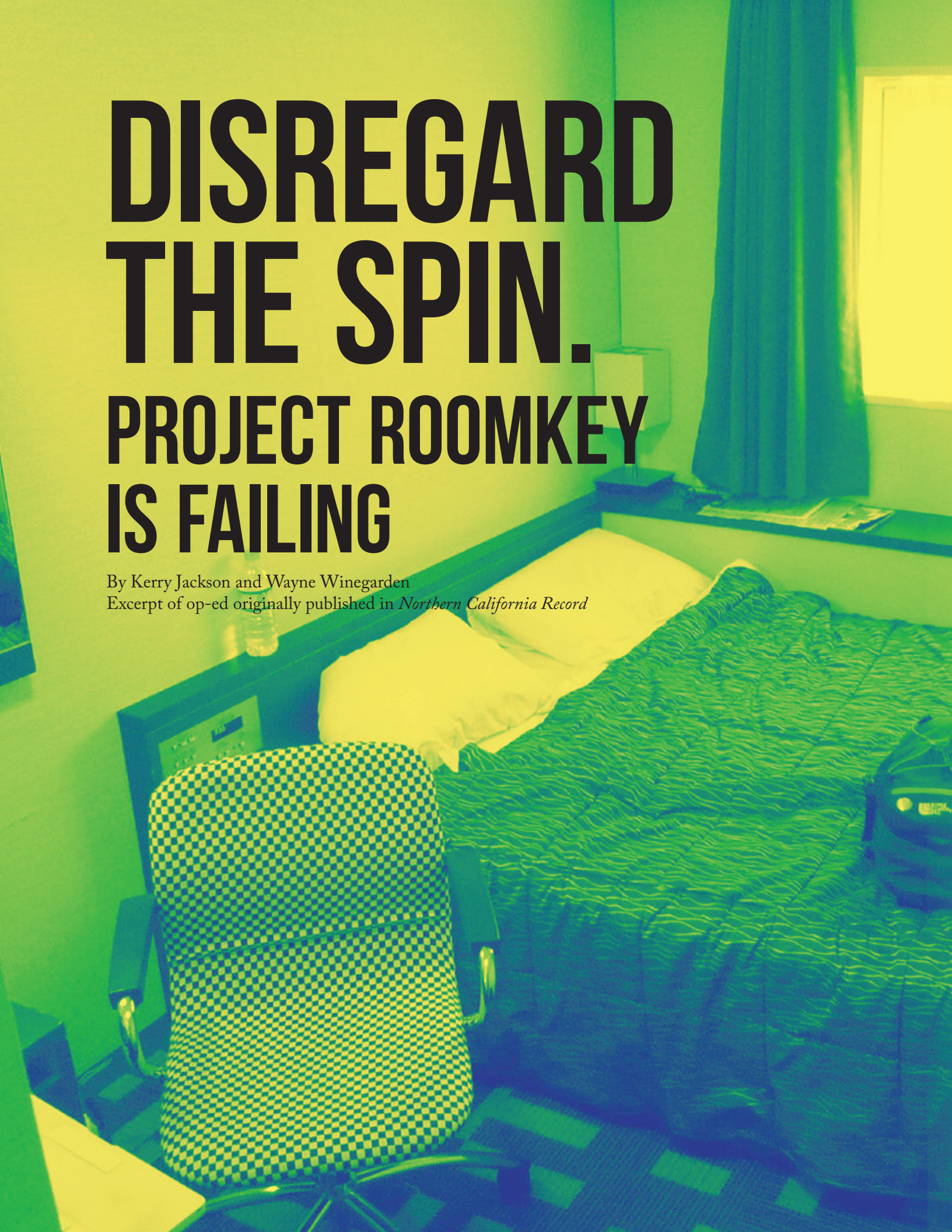


# DISREGARD THE SPIN.

## PROJECT ROOMKEY IS FAILING

By Kerry Jackson and Wayne Winegarden

Excerpt of op-ed originally published in *Northern California Record*





In a blatant attempt to rewrite history, Gov. Gavin Newsom claims that Project Roomkey was a great success, which provides important lessons for other states. The only lesson other states should take from the governor's program is what not to do.

To facilitate this revision, research firm Abt Global was contracted to evaluate Project Roomkey for its successes, challenges and outcomes. Despite the attempts to portray this report as a glowing review, a more careful examination illustrates that caution is warranted.

Judged against the numbers of homeless people in California, it is clear that Project Roomkey was not a success. There were nearly 162,000 homeless people living on California's streets in 2020 – the year Project Roomkey was launched. By 2023, the number of homeless increased to more than 181,000. A 12.3% increase in the homeless population is a sign of a program's failure, not success.

Perhaps the reviewers are defining success as improving the welfare of the homeless. Even judged against this criterion, there is no evidence that Project Roomkey attained its goals.

Unlike the data on rising homelessness, the data tracking Project Roomkey was sparse.

As *CalMatters* reports, “the researchers acknowledged large holes in the accessible state and local data. For example, they couldn't cross-reference death records or information about participants' health, meaning they had no way to prove Roomkey prevented deaths or kept people healthier.”

This deficiency is material. Newsom justified Project Roomkey as a necessary program to help people avoid COVID-19, which was supposed to be a larger risk for those who moved from the streets to traditional shelters. Individuals were provided single-occupancy hotel rooms to provide them with privacy and socially distance from others. Without the ability to judge whether those health benefits were achieved, it is premature to call the program a success . . .

One claim that may demonstrate some success is longer-term participants were more likely to exit to permanent housing. However, this claim is not what it seems. As *CalMatters* reported, only about one in five people left Project Roomkey for permanent housing. Twice as many people remained homeless and another one in five did not reveal where they were going.

Accounting for the \$150 million the state released and the \$300 million that the federal government (through FEMA) has indicated it will not cover, this comes to more than \$30,000 per person who found permanent housing. This is an exceptionally expensive approach, which is made even more costly by the increasing numbers of homeless while the state was implementing the program.

It is also important to remember that these numbers are inconsistent with other reports that showed the program was less successful. For instance, an analysis by *The Desert Sun* found that “statewide, only 5% of Roomkey clients have found a permanent home.” Another investigation, this one from the *San Francisco Chronicle*, documented the many glitches of Project Homekey, the legacy of Roomkey. The rodent infestation, crime, drug abuse, disorderly behavior, room fires and too-frequent death detailed by the *Chronicle* made life in the city's “supportive housing” hardly indistinguishable from the street.

We further note that government's inability to monitor what has been spent on homelessness contradicts Newsom's insistence that California has been “a national model” for addressing the crisis. According to the state auditor, officials have not consistently tracked and evaluated efforts to end homelessness. The auditor also said, “the state must do more to assess the cost-effectiveness of its homelessness programs.”

*Wayne Winegarden is a senior fellow in business and economics at the Pacific Research Institute. Kerry Jackson is the William Clement Fellow in California Reform at PRI.*

In June, the U.S. Supreme Court issued a ruling in a key case that could tremendously impact how state and local governments address homelessness.

The Supreme Court's ruling in *Grants Pass v. Johnson* was a big victory for PRI and a big victory for those who want to see stronger action taken to clean up our communities and get the homeless needed treatment or a push toward self-sufficiency.

PRI filed an *amicus curiae* brief in the case. The case involves efforts by the city of Grants Pass, Oregon to discourage sleeping and camping in public spaces. Homeless advocates sued the city, arguing that its methods were cruel and unusual punishment. The 9th Circuit Court of Appeal ruled that cities cannot enforce total sleeping and camping bans without sufficient shelter space to offer the homeless.

The brief, which was prepared and filed by attorney and PRI adjunct fellow in legal studies Erik Jaffe of Scherr | Jaffe LLP, made two key arguments.

- **Anti-Vagrancy Laws Have a Long History of Enforcement:** As

noted in the brief, “anti-vagrancy laws come with a long historical pedigree” and that punishment for violating anti-vagrancy laws issued more than 100 years ago “were often far more severe than the mild penalties at issue here yet were not denounced as cruel and unusual.”

- **California's Homeless Problem Is Too Complex for Narrow Policy Choices:** The brief also objected to the Ninth Circuit “using narrowly confined notions of involuntary behavior or unavoidable choices as the touchstone for deeming even the mildest punishment to be disproportionately cruel and unusual,” arguing this “is an overly simplistic approach to a complex social problem.”

The Supreme Court overturned the 9<sup>th</sup> Circuit in its ruling. Commenting on the decision, PRI senior fellow in business and economics Dr. Wayne Winegarden, who is a co-author of

PRI's book on California's homeless crisis *No Way Home*, told the *Northern California Record*:

The *Grants Pass* decision eliminates a key obstacle that made it more difficult for cities and the state to address the homelessness crisis. Cities can now enforce no camping laws and have greater ability to help homeless individuals transition from the streets to a more stable housing situation.

PRI's amicus brief has received significant media coverage in California and across the nation, including a mention by prominent national columnist George Will in an April column discussing the *Grants Pass* case, which was published in the *Washington Post* and printed in dozens of newspapers across the country.

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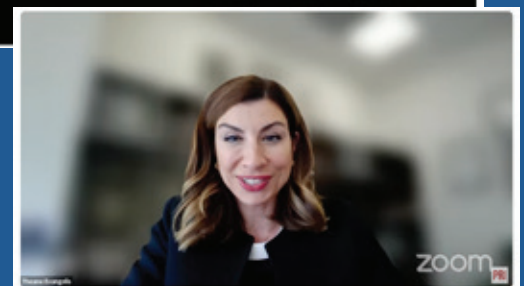
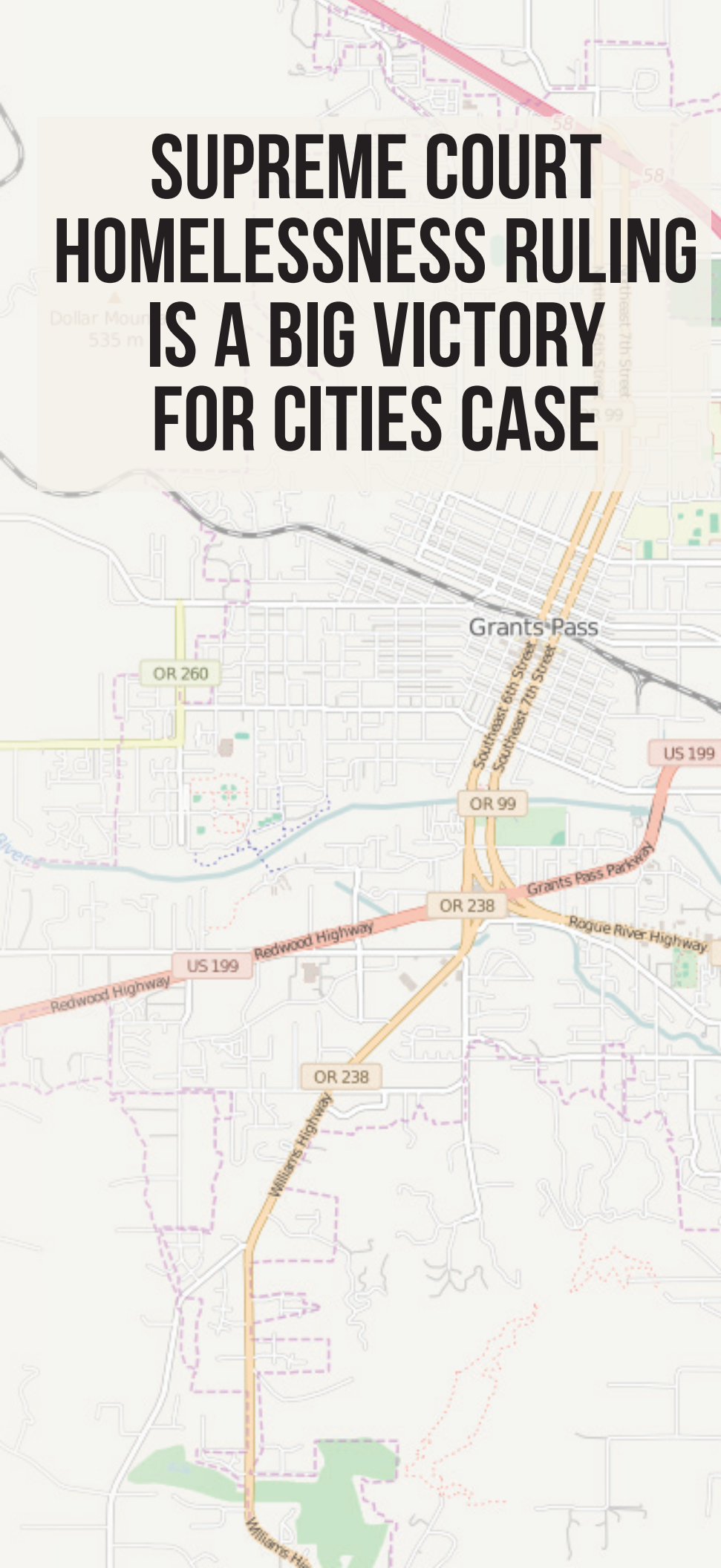
Our victory at the Supreme Court is part of PRI's ongoing work promoting private sector reforms to California's homeless crisis. This work includes performing much-needed oversight of ineffective big government homeless programs that are wasting billions and showcasing non-profit organizations that are doing a far better job than government in turning lives around.

Here are a few highlights of PRI's recent work on homelessness:

- PRI produced some of the first research showing that Project Homekey – Gov. Newsom's key anti-homelessness strategy – is costly, inefficient and not helping to reduce homelessness.
- Earlier this year, PRI's Free Cities Center, which explores how to turn around urban centers through market-based ideas, published “Giving Housing Supply a Boost,” which argues that homelessness is a social problem compounded by exorbitant housing prices.
- Sacramento County District Attorney Thien Ho, who is suing the city of Sacramento over its failure to enforce anti-homelessness laws, was a featured speaker at PRI's recent “California Ideas in Action” conference.



# SUPREME COURT HOMELESSNESS RULING IS A BIG VICTORY FOR CITIES CASE



**Watch PRI's webinar on the Grants Pass decision and get an inside look at the case**

PRI recently held a well-attended webinar going inside the historic Supreme Court decision with a panel of attorneys and policy experts. The keynote speaker was Theane Evangelis, partner with Gibson Dunn, who represented the city of Grants Pass before the Supreme Court.

**Watch the webinar at PRI's Youtube page: [www.youtube.com/PacificResearch1](https://www.youtube.com/PacificResearch1)**

# WHY HIGH SCHOOL GRADUATES TURN OUT TO BE COLLEGE ILLITERATES

By Lance Izumi

Excerpt of blog originally published at *Right by the Bay*

*Education Week* recently pointed out that high school graduates' "college readiness has reached historic lows, according to several metrics—including the lowest scores in 30 years on the ACT and declining scores on the SAT, the two primary standardized tests used for college admissions."

The ACT measures college readiness in English composition, social sciences, algebra, and biology. Janet Godwin, the head of the ACT, told *Education Week*: "Fewer students leaving high school are meeting all four college readiness benchmarks [on ACT tests]. Just 21 percent of high school seniors are meeting all of these benchmarks; 43 percent of students meet none of them."

Yet, many of these poorly prepared high school graduates are getting into college because of their inflated grade point averages.

A major study by the ACT found that from 2010 to 2022 the grade point average in high school English, math, science, and social studies courses among students taking the ACT college-entrance test increased year over year, while their ACT scores decreased in every one of those subjects.

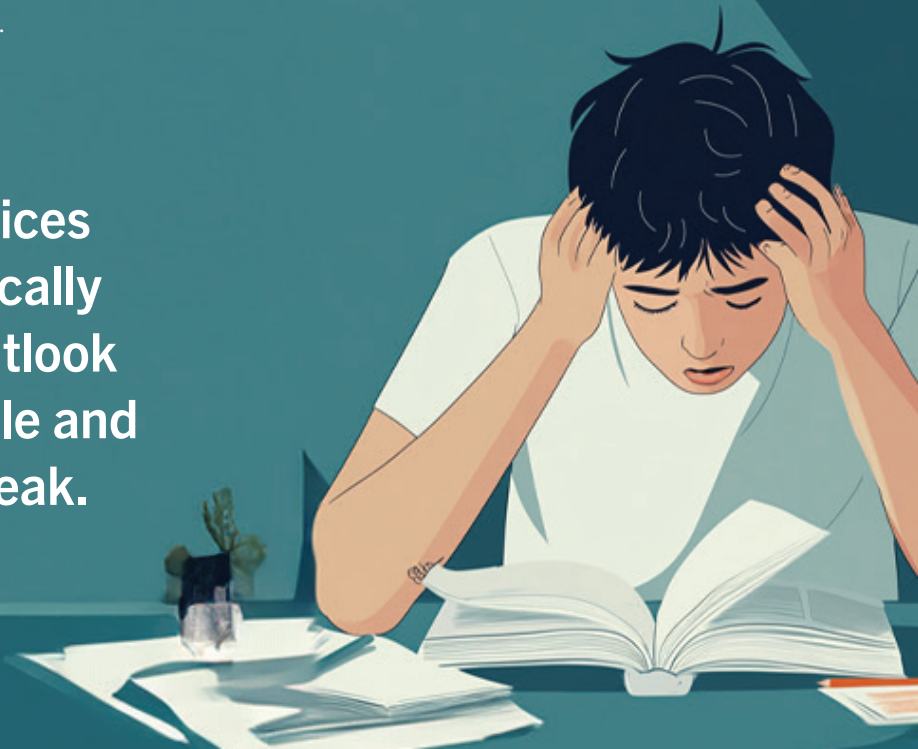
Yet, in the past few years, many colleges have begun favoring grade point averages over scores on tests like the SAT and ACT, with the result that legions of unprepared students now populate their classrooms.

According to the *Chronicle of Higher Education*, professors from Wellesley to Cal State Los Angeles now have students who do not read well and do not work very hard. Many students have a weak vocabulary, poor reading endurance, are unable to analyze complete or lengthy texts, and lack the context to understand various arguments and points of view.

The situation in math at colleges is even worse, which is not surprising since high school grade inflation increased at the greatest rate in math.

For my book *The Great Classroom Collapse*, I interviewed a math instructor at a California college who teaches calculus. He said that among his students, lack of foundational algebra knowledge is "the number one deficiency and it's chronic."

“ Unless these practices are changed drastically and quickly, the outlook for our young people and our nation looks bleak.





“So when a student comes to college,” he observed, “without algebra skills and without analytical skills there is really no hope.”

“It causes a lot of problems because that person is not ready to be educated at the level of calculus.”

Even among those who do not drop out of class, he believes, “maybe a large percentage of the remaining students aren’t really prepared, either.”

In *The Great Classroom Collapse*, I conclude that too many K-12 schools “are putting political ideology over what works, whether it be a misguided equity agenda that seeks to dumb down learning to the lowest common denominator” or progressive

curricula and instructional methods that are being used “in intellectual defiance of empirical evidence showing that are ineffective and are damaging children.”

Unless these practices are changed drastically and quickly, the outlook for our young people and our nation looks bleak. “We are not complaining about our students,” said Adam Kotsko, but rather, “We are complaining about what has been taken from them.”

*Lance Izumi is senior director of the Center for Education at the Pacific Research Institute. He is the author of The Great Classroom Collapse: Teachers, Students, and Parents Expose the Collapse of Learning America’s Schools.*

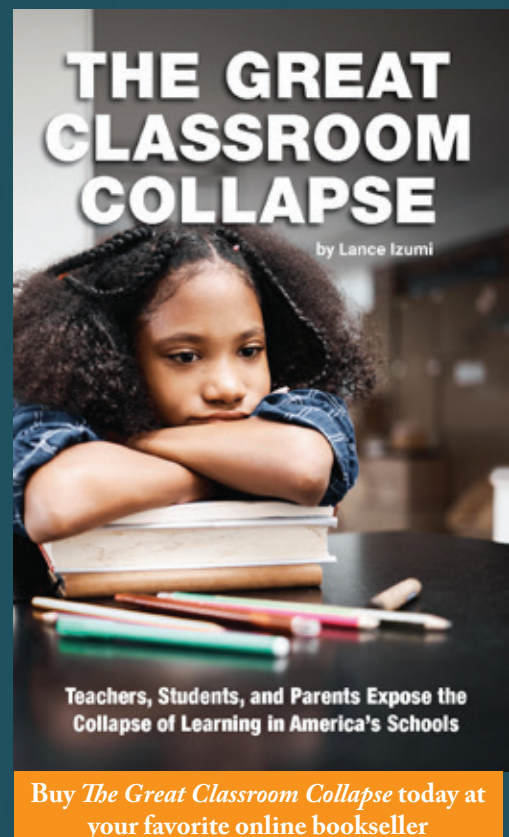
## New PRI Book Explores *The Great Classroom Collapse* Leaving Students Unprepared

The new PRI book by Lance Izumi, *The Great Classroom Collapse*, investigates the implosion of rigor and learning in schools nationwide. The book profiles students, parents, K-12 teachers and tutors, college instructors, and policy-makers who are experiencing the collapse of learning in America’s classrooms and who are fighting to change things for the better.

Among those profiled are:

- A mom who grew up in the tiny West African nation of Sierra Leone and who has fought against the efforts of her school district to decrease rigor in the name of equity;
- A top engineer at the famed Jet Propulsion Laboratory who has fought against the failed reading and math curricula at his children’s school; and
- A California state legislator, the daughter of immigrants from Mexico, who is pushing to ensure that children receive the foundational reading skills they needed to succeed.

“In too many places in America,” Izumi writes, “learning in the classroom has collapsed, but it can be improved so that our children have a greater opportunity for a successful future.



# WHAT THE NEW CALIFORNIA CRIME STATS SHOW

By Steve Smith

Excerpt of article originally published at

*Right by the Bay*





On July 1, Attorney General Rob Bonta's office released the State of California's 2023 crime statistics. The report shows that, despite the fact that law enforcement agencies and the Department of Justice had six months to produce useful statistics, significant gaps remain.

### Among the key findings:

- **Violent Crime:** Violent crime increased by 3.3% compared to 2022 levels.
- **Property Crime:** Property crime decreased by 1.3%, but thefts and property crimes have actually increased according to victimization surveys and industry reports.
- **Underreported Crime:** 28 law enforcement agencies did not report their statistics, potentially leading to a significant undercounting of crime. Cities also may not be releasing fully accurate data, case in point being the recent investigation by the San Francisco Chronicle concluding that the City of Oakland police data "overstated improvements actually seen on the streets" and "compare incomplete year-to-date figures from the current year to complete year-to-date figures from past years."
- **Overdose Deaths:** While not included in the report, overdose deaths continue despite widespread distribution of the lifesaving drug Narcan.

### Homicide and Violent Crime

Homicides declined from 2,206 in 2022 to 1,892 in 2023, but missing data from 28 agencies suggests there is an undercount. Agencies not reporting include the San Bernardino Sheriff's Office and San Jose Police Department. Based on the 2022 homicides statistics from these two agencies, this could represent a potential undercount of 93 homicides. A cursory review of other missing cities and counties show the homicide undercount could be as high as 150 victims, significantly affecting the portrait painted in the Department of Justice report of a homicide decline.

Other crimes are similarly undercounted:

- Aggravated assaults with firearms increased from a reported 17,908 assaults with firearms (including attempted murders and assaults with a deadly weapon) in 2018 to 29,179 in 2023,

a six-year increase of 62.9 percent. These are often individuals who perpetrators intended to murder, but didn't die.

- Robberies increased from 47,669 in 2022 to 49,177 in 2023.
- Sexual assaults and domestic violence incidents declined by 4.3% and 1.2% respectively in 2023.

By comparison, the US Military combat casualty statistics during Operation Enduring Freedom in Afghanistan from 2001 to 2014 were 1,847 deaths due to enemy action and 20,149 wounded. Put another way, thirteen years of combat casualties against the Taliban were fewer than just one year of criminal homicides and aggravated assaults with firearms committed in California. This is a dire and sinister statistic that any terrorist organization would envy . . .

### Property Crime Pays

Thefts declined slightly from 902,977 in 2022 to 888,841 in 2023, while the value of stolen goods increased significantly from \$2.9 billion in 2018 to \$5.1 billion in 2023 – with an average stolen property value of a lucrative \$5,737.00.

Property crimes are often underreported to law enforcement for a variety of reasons. The National Crime Victimization Survey, a national survey conducted annually by the Bureau of Justice Statistics, indicates that property crimes are the most underreported crime category. While state by state comparisons are not provided, the NCVS reports indicates property crimes increased 42 percent nationwide . . .

While some specific crime categories have shown declines and others increases, the overall picture is complex due to underreporting, missing data from law enforcement agencies, and varying trends in different types of crimes. A question remains: if the NFL can provide up to the minute play by play and same day career statistics for its players, why must California wait 6 months to produce an inaccurate report from the preceding year that raises as many questions as it answers?

*Steve Smith is a senior fellow in urban studies at the Pacific Research Institute, focusing on California's growing crime problem.*

# LEGISLATORS COOK UP A LAW THAT BURNS FAST FOOD

By Kerry Jackson

Originally published at *Right by the Bay*

Iconic California burger joint In-N-Out is not closing any of its restaurants due to the state's higher fast-food industry minimum wage (though it shuttered an Oakland location due to crime), but its prices have gone up. Company president Lynsi Snyder said she resisted the increases, telling other executives that "we can't raise the prices that much, we can't." But she could hold on only for so long.

The new prices, which won't go up in other states, depend on where the restaurant is. A double-double meal combo at San Francisco's Fisherman's Wharf now costs \$13.63 including taxes; not far away in Daly City, the same meal is \$2 cheaper, says the *New York Post*. In Irvine, near In-N-Out headquarters, the double-double meal combo is still less than \$11, but for customers who have been used to paying less than \$10 – it was never an exaggeration to call it the best deal in town, only four years ago that order was only \$7.95 before taxes – it can be a bit of a shock.

The lawmakers behind the minimum wage, which jumped 25% on April 1, from \$16 an hour to \$20 an hour, don't care, though, about Snyder's dilemma or the headaches their legislation is causing. All businesses can do is respond as best as they are able.

For some, this means shutting their doors because they can't afford to pay the higher-than-market wages the government says they must.

Rubio's Coastal Grill, for instance, "abruptly" closed 48 restaurants in California, "more than a third of its already slimmed-down chain of 134 restaurants," the *Los Angeles Times* reports. The company statement "attributed the closings to the rising cost of doing business" in the state.

UCLA economics professor and Hoover Institution senior fellow Lee Ohanian, who called his first fish taco from Rubio's a "game changer," figures "these closures destroyed about 1,250 jobs, since the average Rubio's restaurant employs about 26 workers."

While it "did not elaborate" on the reasons behind the closures, the *Times* notes "the move came two months after the state's \$20 an hour minimum wage took effect for fast-food employees."

Not all Rubio's California locations will close, though. Maybe those still open have a profit margin large enough to absorb the higher labor costs – until the government raises wages again.

The California Business and Industrial Alliance reckons that nearly 10,000 fast-food jobs have been lost since the legislation that set the minimum-wage hike, Assembly Bill 1228, was signed last fall. In addition to the Rubio's closings, the organization lists in a full-page ad in the June 6 *USA Today* several other restaurant chains "that have been forced to raise prices, lay off workers, and shut down stores." A few of the big


names include McDonald's, Pizza Hut, El Pollo Loco, Burger King and Subway, which has been undergoing a downsizing that is likely to continue as the chain deals with the new California minimum wage. The ad is topped off by a banner that reads "In Memoriam: Victims of Newsom's minimum wage." Naturally, the governor's office has disputed the number. And if it's right and the correct figure is 5,000 or only 1,000 – it has to be at least 1,250, doesn't it? – that still doesn't justify lawmakers killing jobs as a favor to organized labor, which benefits because a higher minimum wage pushes up union wages and protects "their economic flanks."

How many more jobs will have to be lost before policymakers admit they've been wrong not only this time but every time they've raised the wage floor? How many robots at the grill and self-ordering kiosks that flash rising prices will they have to see before they realize that the laws of economics are rigid? At what point will anyone feel they've violated a private company's right to manage its business without government interference?

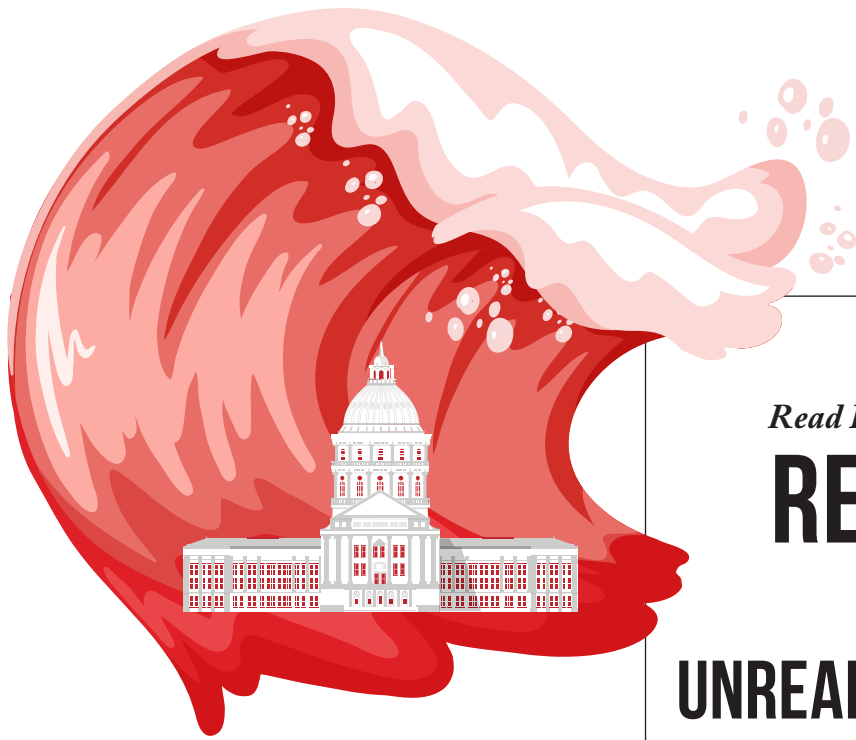
There are so many policy changes needed in California that it's impossible to know where to begin. But repealing the minimum wage would have to be among the first 10 or 12.

*Kerry Jackson is the William Clement Fellow in California Reform at the Pacific Research Institute.*





“ The California Business and Industrial Alliance reckons that nearly 10,000 fast-food jobs have been lost since the legislation that set the minimum-wage hike, Assembly Bill 1228, was signed last fall.



Read *PRI's New Spending Watch series*

# REPARATIONS: A FINANCIALLY UNREALISTIC PROPOSAL THAT WILL BANKRUPT CALIFORNIA

By Wayne Winegarden

With the introduction of its first set of reparations bills, the California legislature is officially considering the recommendations of the California Reparations Report from the state Reparations Task Force.<sup>1</sup> Given these introductions, it is imperative to understand the financial implications. Some basic arithmetic demonstrates that the idea of reparations is fiscally unrealistic.

According to the U.S. Census,<sup>2</sup> there are 2.5 million “black or African Americans” currently living in California. *CalMatters* estimates that 80 percent of the current black or African American residents would be eligible for reparations.<sup>3</sup> Further, based on the California Reparations Report, *CalMatters* estimates that reparations should pay \$1,381,198 to each eligible person, which does not even include estimates for the unjust property taking issues that the Commission could not estimate due to data constraints.<sup>4</sup> Paying 2 million people \$1.4 million each creates a \$2.8 trillion reparations bill.

Assuming the state takes 30 years to pay out the reparations, and ignoring inflation and the time value of money, the annual state cost would be \$93.3 billion. However, the value of \$93.3 billion paid over 30 years is less than the value of 2.0 million people getting \$1.4 million today. To ensure that the value of reparations over 30 years equals the value of receiving \$1.4 million today, the annual cost would be \$182.0 billion.

As a radical reduction in the state budget is unlikely, the Legislature’s more likely response would be to raise taxes to fund most of the reparations. However, the necessary tax hikes would need to be more extreme than any increase in state history.

For conservative purposes, it is assumed that the Legislature will not attempt to account for inflation or the time value of money so the tax increases only need to raise \$93.3 billion. Accounting for the estimated negative economic impact from the increase, a 3.25 percentage point increase in California’s three major taxes – income taxes, sales taxes, and corporate income taxes – would potentially raise \$94.9 billion.

To put the tax increase in perspective, the average California household (median) earned \$85,300 in 2022.<sup>5</sup> Based on the current income tax brackets, reparations would impose a more than 54 percent increase in their marginal state income rate and state sales tax burden!

Californians will also endure large economic costs that will harm the state’s lowest income families the most. Compared to California’s baseline growth, the economy in 2029 would be 11 percent smaller, the average family’s income will be 5.7 percent smaller, and there will be 4.9 percent fewer job opportunities.



The slower economy and higher tax burdens will also accelerate the current declines in the state population. By 2029, California would lose 1.8 million residents, including the huge increase in people seeking a better lifestyle in other states rather than California.

These costs will occur if the reparations are paid in cash or through in-kind services such as free tuition. Assuming professors will not teach pro bono, and utilities won't provide electricity free of charge, then someone will have to cover those costs. That someone is taxpayers.

This fiscal unrealism is not reduced by taking an incremental approach to reparations, either. For instance, State Sen. Steven Bradford is advocating to set aside \$1.5 billion this year and then 0.5 percent of the budget annually.<sup>6</sup> However, these expenditures are meant to be a “down payment” on the full cost of reparations as outlined above.

Ultimately, reparations would make the California Dream more elusive and would impose the largest burdens on the poorest residents who are least able to bear the costs.

Unlike reparations, there are many policies that the legislature can implement that will create prosperity and improve affordability for all California families including African Americans. These include repealing AB 5 to increase work opportunities in the gig economy, implementing school choice to improve education outcomes, and reforming CEQA and local zoning regulations to lower the cost of housing.

While not explicitly targeted toward black Californians, these policies will expand opportunities and incomes broadly speaking, particularly for lower-income households. Incentivizing broad-based prosperity is the best way to help African Americans and all Californians achieve the American Dream.

**PRI SPENDING WATCH**  
FEBRUARY 2024

**KEY TAKEAWAYS**

- Estimated cost of reparations: \$2.8 billion (based on \$1.4 million paid to 2 million people)
- Impact on average California household: 14 percent increase in marginal state income tax rate and sales tax burden; 5.89 percent lower household income (over 5 years)
- Accelerated migration: Would lead to 1.84 million people leaving the state over 5 years
- Economic contraction: Would cause the economy to be 11 percent smaller and 4.9 percent fewer jobs over 5 years compared to baseline growth.

**Reparations: A Financially Unrealistic Proposal That Will Bankrupt California**  
By Wayne Winegarden

With the introduction of its first set of reparations bills, the California legislature is officially considering the recommendations of the California Reparations Report from the state Reparations Task Force. Given these introductions, it is imperative to understand the financial implications. Some basic arithmetic demonstrates that the idea of reparations is fiscally unrealistic.

According to the U.S. Census, there are 2.5 million “Black or African American” currently living in California. CalMatters estimates that 90 percent of the current Black or African American residents would be eligible for reparations. Further, based on the California Reparations Report, CalMatters estimates that reparations should pay \$1,180,198 to each eligible person, which does not even include interest for the unpaid property taking issues that the Commission could not estimate due to data constraints.<sup>1</sup> Paying 2 million people \$1.4 million each creates a \$2.8 billion reparations bill.

This dollar figure is approximately 72 percent of the state’s entire economy, so presumably the legislature would not consider paying this sum in one year. Assuming the state takes 30 years to pay out the reparations, and ignoring inflation and the time value of money, the annual state cost would be \$93.3 billion. However, the value of \$93.3 billion paid over 30 years is less than the value of 2.0 million people getting \$1.4 million today. To ensure that the value of reparations over 30 years equals the value of receiving \$1.4 million today, the annual cost would be \$142.0 billion.

To put these excessive sums in perspective, Governor Newsom’s total recommended state expenditures for the 2024-25 budget are \$291.1 billion. Reparations would

**FISCAL CLIFF RATING: DANGER**

1. https://www.california.com/news/2023/08/23/california-reparations-report-2023-08-23/

2. https://www.california.com/news/2023/08/23/california-reparations-report-2023-08-23/

3. https://www.california.com/news/2023/08/23/california-reparations-report-2023-08-23/

**PRI SPENDING WATCH**  
FEBRUARY 2024

**KEY TAKEAWAYS**

- The state’s budget problems are caused by too much spending and a volatile tax system.
- Unaffordable spending fuels outmigration, unemployment, reduced growth.
- Solving the crisis requires lawmakers to ask: what level of spending can taxpayers afford?

**Too Much Government Spending and Volatile Tax Revenues Drive State's Budget Problem**  
By Wayne Winegarden

This analysis is the first publication of Spending Watch, a new initiative from the Pacific Research Institute. Spending Watch is a resource that evaluates the revenue, spending, and economic impacts of major budget and policy proposals. The purpose of a budget is to establish an affordable spending level and then prioritize spending choices to ensure that total spending remains affordable. In addition to responding to budget and policy proposals, Spending Watch analyses will also proactively identify opportunities for spending control and efficiency improvements.

Governor Newsom was half correct in his January budget address when he claimed that “the state’s big three revenues [personal income taxes, sales taxes, and corporate income taxes] are projected to return to levels consistent with a normal revenue growth trajectory.”<sup>1</sup> The current revenue decline is normal, but unfortunately, so were the years of surging revenues that preceded it. In fact, today’s budget difficulties are best understood as the latest manifestation of California’s volatile budget cycle.

The root cause of this destructive budget cycle is too much government spending that is enabled by a tax system that shivers politicians with unanticipated revenues during good economic times. Since politicians rightly spend all the money when the state’s coffers are overflowing, expenditures surge to unsustainable levels during economic booms. When the economy slows, as it always does, the unavailability of the spending spree is revealed by the crash in state revenues and the onset of the inevitable budget crisis.

**FISCAL CLIFF RATING: DANGER**

1. “2024-25 State Budget Priority Items Preview and Issues Brief Update,” Office of Governor Gavin Newsom, January 16, 2024, <https://www.governor.ca.gov/newsroom/2024-01-16/2024-25-state-budget-priority-items>.

**PRI’s “Spending Watch” Shows Impact of Poor State Spending Choices by the Numbers**

Spending Watch is a new series of short analyses by Dr. Wayne Winegarden evaluating the revenue, spending, and economic impacts of major budget and policy proposals. The purpose of a budget is to establish an affordable spending level and then prioritize spending choices to ensure that total spending remains affordable. In addition to responding to budget and policy proposals, Spending Watch analyses proactively identify opportunities for spending control and efficiency improvements. Initial pieces have evaluated the impact of proposals to create a single-payer health care system in California and expand unemployment to striking workers.

**Read Spending Watch at <https://www.pacificresearch.org/spending-watch-series/>**

# THE DAMAGE FROM PRICE CONTROLS ON PHARMACEUTICALS BEGINS

By Sally C. Pipes and Wayne Winegarden  
Excerpt of a blog originally published at *Right by the Bay*





The federal government has announced the long-awaited results from the 2022 Inflation Reduction Act's (IRA) drug price negotiations. The Biden Administration has been crowing that they have achieved “a historic moment that will help lower prescription drug prices for millions of people across America.” Nothing could be further from the truth.

The Biden Administration has sold out patients and the hope for future cures to achieve results that pale in comparison to the benefits enabled by efficient market competition.

According to the Department of Health and Human Services (HHS), the “negotiated prices range from 38 to 79 percent discounts off of list prices.” The focus on list prices is crucial because Medicare Part D plans don't pay list prices. They pay net prices, which are the list prices minus all negotiated discounts and rebates – and yes, negotiations had been occurring prior to the IRA. Those negotiations occurred between the PBMs on behalf of private insurers and the manufacturers.

So how much were the negotiated discounts from list prices? According to Drug Channels, the average reduction in major manufacturer list prices in 2023 was 52.1 percent. Put differently, the reduction in list prices that resulted from this year's negotiations by HHS are similar to the negotiated reductions in list prices that already occur. From this perspective, the negotiations are underwhelming.

The negotiations are devastating because the federal government has established the means and methodology to impose price controls on any innovative drug it chooses anytime in the future. The risk that the government will demand uneconomical prices anytime in the future remains. This additional risk is disincentivizing continued innovation by drug manufacturers. As the *Wall Street Journal* notes,

Charles River Laboratories, a top research contractor that helps drug makers with clinical trials... warned in its quarterly earnings report that pharmaceutical companies are slashing research and development owing to the IRA's drug price controls.

“There are profound cuts” at pharmaceutical companies that reflect a “rapid deterioration” of their business, CEO James Foster said. He added: “A lot of these decisions have been taken relatively recently and probably more to come and haven't been taken yet.”

The reality that innovative research budgets have been “slashed” is terrible news for patients living with diseases such as Alzheimer's or many cancers including the devastating pancreatic cancer. The chances that an efficacious treatment will soon become available are now less.

The unintended consequences go beyond the innovative market as well . . .

Due to the complexity of biologic medicines, developing biosimilars is also costly – the estimated cost of developing an approved biosimilar is between \$100 million and \$300 million. Adding to the burden, the development process can take upwards of six to nine years . . .

Potential IRA price controls add an additional unknown on biosimilar manufacturers – the biosimilar manufacturer does not know whether the federal government will impose restrictive price controls on the originator biologic when it is deciding whether to invest the millions of dollars into the lengthy biosimilar development process. This unknown creates an additional risk . . .

There is one thing that the Biden Administration did get right. This may be “a historic moment,” but not the positive moment that they envision. Unless the “negotiation schemes” are abandoned, this may be the moment that signals to patients that fewer less innovative medicines will now be developed. If that is the case, today is nothing to boast about.

*Sally C. Pipes is PRI's president, CEO, and Thomas W. Smith Fellow in Healthcare Policy. Wayne Winegarden, Ph.D is director of PRI's Center for Medical Economics and Medical Innovation.*

President Joe Biden's term will expire on January 20, 2025, when a new president will be inaugurated. He brought his decades-long political career to a close last month when he announced he would not seek re-election . . .

Soon after, the tributes began to pour in. Many of them focused on Biden's healthcare record. He "was propelled into office in no small part by his health care agenda," Axios noted. As vice president, he launched the Cancer Moonshot, a plan to revolutionize treatment and end the disease as we know it. He continued that effort throughout his presidency, all while delivering on campaign promises to expand Obamacare and use government power to cap prescription drug prices.

That's a litany of foibles — not anything to celebrate. His efforts to shore up Obamacare have cost taxpayers billions without doing anything to lower insurance costs. His price controls are already stifling pharmaceutical innovation — and will therefore undermine the goal of his Cancer Moonshot to end cancer as we know it.

The best thing for America's future would be if Biden's brand of health-care reform left office with him.

Biden made headlines in 2010 when he was caught on a hot mic telling President Barack Obama that the Affordable Care Act was a "big f\*\*\*ing deal." He made it a point to shore up his former boss's eponymous law, boasting that

8 million people signed up for coverage on Obamacare's exchanges during his term.

But enrollment has only increased because the Biden administration is paying people more money to sign up. In 2021, Biden signed the American Rescue Plan Act into law, which included \$34 billion in new subsidies for exchange enrollees. The next year, the Inflation Reduction Act spewed an additional \$64 billion worth of subsidies into the exchanges through 2025.

Without those subsidies, many Americans would not be able to afford exchange coverage at all. Thanks to the Affordable Care Act's costly mandates, average benchmark individual market plan premiums have more than doubled since those mandates took effect — from \$232 in 2013 to \$477 this year . . .

Wasteful and ineffective subsidies were only half of the Inflation Reduction Act's healthcare reform program. The other, a provision that gives Medicare the ability to fix prices for an escalating number of brand-name drugs, may be even more disastrous.

Price controls on ten drugs dispensed through Part D will take effect January 1, 2026. Fifteen more will be subject to price controls in 2027, another 15 under either Part B or Part D in 2028, and 20 each year in 2029 and beyond. Biden says that these price controls help seniors afford their prescriptions . . .

It costs nearly \$3 billion, on average, to develop a single new drug. When the government sets prices, investors know they won't be able to recoup the money they pour into research and development. So, they take their capital elsewhere.

To make matters worse, the IRA foists price controls on some medicines quicker than others. Biologic drugs — medicines made with living organisms — are only eligible for price controls after 13 years. But small-molecule drugs, the vast majority of medicines, will be eligible for price controls after just nine years on the market.

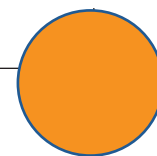
This disparity has already caused companies to cancel lines of research into small-molecule drug candidates . . .

Generics are as much as 85% cheaper than their branded competitors and account for nine in 10 prescriptions filled in the United States. By discouraging generic competition, the IRA's price controls could wind up costing seniors in the long run.

"On my watch," President Biden claimed last year, "health care is a right not a privilege in this country." It would be more accurate to say that on his watch, health care became more expensive, and health policy became more shortsighted.

*Sally C. Pipes is PRI's President, CEO, and Thomas W. Smith Fellow in Health Care Policy.*

**Stay up to date with Sally Pipes' weekly analysis on key health care issues. Visit <https://www.pacificresearch.org/health-care/> to learn more.**

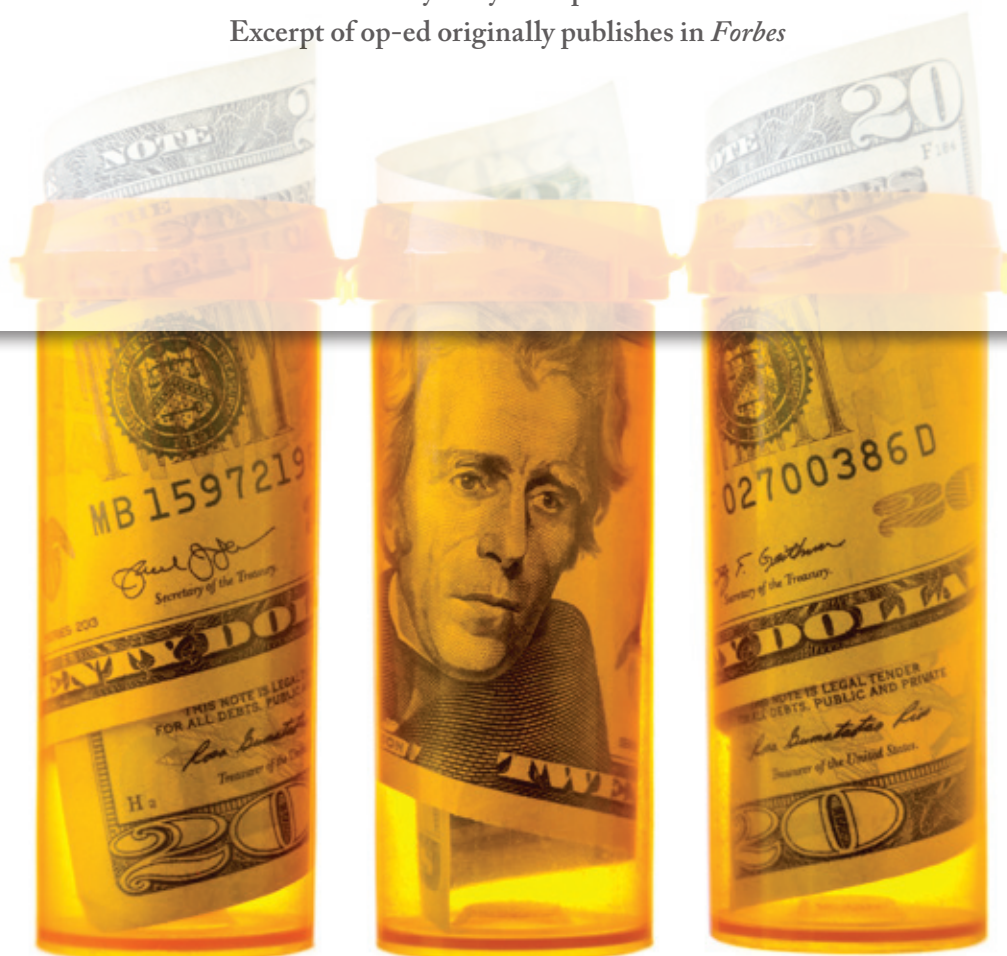




# JOE BIDEN LEAVES BEHIND A DISASTROUS HEALTHCARE LEGACY

By Sally C. Pipes

Excerpt of op-ed originally publishes in *Forbes*







“ China’s most destructive weapons are now meant less for deterrence and more for coercion.”





# THE GORDON CHANG REPORT

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“I don’t think I’ve seen anything more disturbing in my career than the Chinese ongoing expansion of their nuclear force,” said Secretary of the Air Force Frank Kendall in House testimony in March of last year.

What is Chinese ruler Xi Jinping up to? He is putting in place the arsenal to threaten the destruction of any country opposing his plans of territorial aggression. Yes, China’s most destructive weapons are now meant less for deterrence and more for coercion.

And in an age of nuclear blackmail, something is bound to go horribly wrong.

China has never publicly confirmed the number of its nuclear weapons. The Pentagon in a November 2022 report forecast that China would quadruple nukes from about 400 then to 1,500 by 2035.

These estimates look far too low. James Howe, the noted nuclear analyst, predicts China will have between 3,390 to 3,740 weapons by 2035 . . .

Whatever the number, everyone agrees that the Chinese regime is rapidly building its arsenal. As Admiral Charles Richard, then commander of U.S. Strategic Command, said in 2021, “We are witnessing a strategic breakout by China.”

That breakout became especially evident in 2021 when observers saw that China, in three separate fields in the northern part of the country, was building perhaps as many as 360 missile silos.

The silos appear designed to take the DF-41 missile, which has a maximum range of 9,300 miles—putting all America in reach from those three fields—and can carry 10 warheads apiece. Of course, China’s military could decide to not fill all the silos or even any of them—the Chinese, after all, are the masters of deception—but the strategic direction is clear.

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each month at  
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# PHOTOS FROM RECENT PRI EVENTS

PRI hosts a dinner with Victor Davis Hanson in Napa - June 2024.



PRI hosts its annual Sir Antony Fisher dinner with the *Wall Street Journal's* Kimberley Strassel in Silicon Valley - September 2024.





**Bestselling author Batya Ungar-Sargon discusses her book *Second Class* at a PRI luncheon in San Francisco - May 2024.**



**PRI's Steve Smith discusses California growing crime problem at the Pasadena Republican Club - April 2024.**



**Arizona and Florida events with Gordon Chang - April 2024**



**An Evening with Bestselling Author Lord Roberts of Belgravia - August 2024**



**Luncheon and Book Signing with Bestselling Author Timothy Carney - September 2024**



**PRI's Lance Izumi receives an award from the Californians for Equal Rights Foundation for his work fighting for equality of opportunity for all California students - August 2024.**



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