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Author

Mitchell, Daniel J.B.

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Introduction

California faces a host of interrelated challenges as the year 2005 opens. Although there is always short-term uncertainty concerning the economic outlook, the larger economic problems for the state are longer-term. As Hurd and Mitchell point out in Chapter 1, the one certainty is that the state's population will continue to grow. A key issue is the willingness of the electorate to face up to the implications of that growth. It is possible, by shortchanging infrastructure and implementing various legal and regulatory impediments, to slow down the demographic advance. But the state might not be a very pleasant place for many in the existing population if that becomes the guiding policy, let alone the newcomers. Yet, the authors note, the possibility exists of a left-right tacit alliance in California of environmentalists, activists, anti-immigration groups, and anti-tax organizations that could produce just such a result.

Much of the political analysis of the state, William Parent points out in Chapter 2, has swirled around the governor. Some argue that Arnold Schwarzenegger is merely a more entertaining version of Gray Davis, the man he ousted in the 2003 recall election. Others, pointing to such Schwarzenegger initiatives as the California Performance Review, see the new governor as transformational. If indeed the Review produces a major improvement in the way in which the state delivers public services, a variety of festering problems might finally be addressed. Many observers believe that 2005 will be the year we find out which identity the governor will adopt.

Fiscal issues are among those most immediately pressing on California. In Chapter 3, Hirsch and Mitchell note that the 2004-05 state budget deferred resolving what has been termed a "structural deficit" into the future. The state's immediate cash crisis was relieved by large-scale borrowing, although much of that borrowing was approved by the voters in the March 2004 election. Even with the relief of borrowing, legislative budget approval was delayed over a month into the fiscal year. As Hirsch and Mitchell point out, California history offers lessons for the current fiscal stalemate. They document how then-Governor Earl Warren pushed through a hike in the gas tax – with heavy popular support – to build the California freeway system after World War II. Warren could rally public support because the state had a record of delivering major infrastructure as promised. Regaining such public trust would go far toward resolving California's contemporary budgetary dilemma.

The housing market will inevitably reflect California's population increase. But is there a housing "crisis," Stephen Cauley asks in Chapter 4, because of the escalation in home prices? There are regulatory impediments to construction of lower-cost housing, including multi-family (apartments). But actual construction is not the major element in cost. The major element is land price. And land-use restrictions play an important role in keeping the state's land prices high. There is not so much a crisis as there is a foreseeable consequence of a variety of local policies and politics that constrict *de facto* land supply for housing.

Health care for Californians is an ongoing area of controversy, usually centering on coverage or non-coverage by health insurance. Chapter 5 by Rickles, Ong, and Spetz takes up an aspect of health care delivery – as opposed to coverage – that is also receiving growing public attention. They point out that there is a nurse shortage in health care facilities. The shortage has produced an action-reaction within the California political system. Nurse unions supported legislation that came into effect in 2004 mandating specified nurse-patient ratios for certain services. But such requirements tend to intensify the shortage. A key question is why nursing – unlike other occupations – seems to have a chronic tendency to exhibit shortages. In other occupations, when shortages develop in the short term, they are alleviated by rising wages that attract more people into the occupation and that encourage employers to find substitutes. Many economists have identified employer "monopsony" – tacit or not-so-tacit collusion to restrain nurse wages – as the root of the problem. Ultimately, the nurse shortage can be alleviated only at the cost of increased labor costs and, therefore, health costs.

Transportation in California has been based heavily on the personal private automobile. But if cars are to be the primary transportation mode, there must be a place to park them at travel destinations. As Donald Shoup points out in Chapter 6, efficient parking utilization requires efficient parking pricing. In many cases, employers, retailers, and other trip destinations subsidize parking and thus encourage driver-only automobile travel as the transportation choice. Universities in particular tend to delegate parking to semi-autonomous entities that often are “self-funded” and thus escape critical budgetary review. Since these entities seem to pay for themselves, academic managers are content to focus on other campus issues. Using UCLA as a case study for similar problems that arise at universities and other destinations throughout California, Shoup points to the tendency of such managerial disinterest to create ongoing parking “shortages,” to induce a variety of perverse behaviors relating to parking rationing, and to impose real costs on the community. Despite the veneer of self-funding, the costs of parking can be substantial, particularly in an era of limited resources for California higher education.

The alternative to private transportation (personal cars) is mainly public transportation. Some public transportation is quite expensive, e.g., taxis and airport supershuttles, and is used for limited purposes. The bulk of public transportation is mass transit by bus or rail. Most of mass transit is provided by public authorities in California. There are important questions relating to the future of public transportation. But one factor that can influence the degree to which the public will use mass transit, and the welfare of those who do, is reliability. Reliability, in turn, is partly tied up with labor relations. Strikes on transit systems can induce potential riders to rely instead on personal automobile transportation. And they can have important adverse effects on those who must rely on public transit to get to jobs, schools, or shopping centers. In Chapter 7, Edelman and Mitchell analyze California’s labor relations policies for public-sector employees, particularly those in mass transit. An extended strike in the Los Angeles area in 2003 was settled through a novel variant of conventional arbitration. The authors suggest such an approach could be useful in the future in resolving transit and other public sector labor disputes without disruptive work stoppages.

After the September 11, 2001 terrorist attacks, homeland security became both a national and state concern. Although much of the focus has been on airlines, there is increasing recognition of the vulnerability to other forms of attack. California’s seaports carry a substantial volume of the nation’s international trade. The combined ports of Los Angeles and Long Beach are the largest such facility in the country. An attack on ports could have a major impact on world trade and on the local economy. Moreover, ports can be used as a means to attack the surrounding urban areas. Zegart, Hipp, and Jacobson in Chapter 8 analyze policies in use at the ports of Los Angeles and Long Beach. They find weaknesses in inspection and emergency response planning. Fragmented authority surrounding the ports poses a major challenge.

With the partial exception of the ports – where there are also national policies in play – the various issues raised in the eight chapters in this volume need to be addressed primarily at the state and local levels. The problems posed are not insoluble. California needs to find the political will to rise above its current state of political gridlock and myopia. In 2003, the recall showed evidence of dissatisfaction of the voters in the status quo. The year 2005 could be a turning point in which that dissatisfaction is expressed in legislative action.

Daniel J.B. Mitchell
Ho-su Wu Professor
Anderson Graduate School of Management
and
UCLA School of Public Affairs

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