

“genders” and would henceforth be calling himself “Christine.”

“During my 23 years with *The Times*’ sports department, I have held a wide variety of roles and titles. Tennis writer. Angels beat reporter. Olympics writer. Essayist. Sports media critic. NFL columnist. Recent keeper of the Morning Briefing flame,” he wrote in an essay that appeared in the Sports section. “Today I leave for a few weeks’ vacation, and when I return, I will come back in yet another incarnation. As Christine.”

Now Christine Daniels, Penner said that “I am a transsexual sportswriter.” He thanked his colleagues and boss for their understanding: “When I told my boss Randy Harvey, he leaned back in his chair, looked through his office window to scan the newsroom and mused, ‘Well, no one can ever say we don’t have diversity on this staff.’”

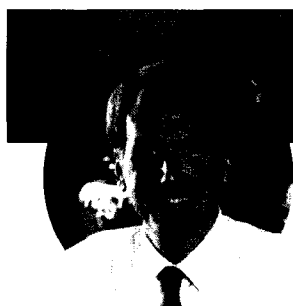
His barber, however, is perplexed: “When I told Robert, the soccer-loving lad from Wales who cuts my

hair, why I wanted to start growing my hair out, he had to take a seat, blink hard a few times and ask, ‘Does this mean you don’t like football anymore, Mike?’ No, I had to assure him, I still love soccer. I will continue to watch it. I hope to continue to coach it.”

Penner-turner-Daniels’s essay of explanation generated considerable reader interest, “becoming one of the most heavily viewed stories on *latimes.com* in the last year, with about half a million page views,” said the paper, which, maximizing the number of PC points it could rack up, proudly announced that it expects its transsexual sportswriter to be with the paper for “many” years to come. Imagine the gallows humor this episode must have triggered amongst sacked staffers.

Meanwhile, the *Sacramento Bee*’s Sports page found itself in a controversy for deviating from politically correct expectations. In May, the paper abjectly apologized for using “shucked and jived” in a boxing story about Floyd Mayweather Jr. The ombudsman for the paper pronounced the phrase “offensive.”

CPR



## Business Trends

### Governor’s veto pen slows job-killing juggernaut

*But all defense, all the time, does not address key threats to the economy, such as AB 32.*

JAMES W. ROBINSON

**F**OR A brief moment, it seemed like the old Arnold Schwarzenegger was back — the reform-minded Milton Friedman acolyte who won an historic recall election decrying the chronic deficits, tax increases, and regulations that had been driving businesses and jobs out of California.

Speaking to the state Chamber of Commerce in May, Governor Schwarzenegger praised the business group for compiling its annual list of “job-killing” bills. “This is the greatest service for the people of California,” he said, just before reprising some famous lines one more time:

“You know my opinion about job-killing bills. I

mean, that’s what we have done for three years, is we said, ‘Hasta la vista, baby,’ to those bills. Exactly. And that’s what we’re going to do the next four years, terminate those bills.”

It is appropriate, accurate, and politically astute for the governor to remind the business community how bad things could be were he not guarding the gate with his veto pen in hand. There is simply no limit to what the current legislative majority in Sacramento would

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*James W. Robinson is a senior vice president at the U.S. Chamber of Commerce and former communications director for Gov. George Deukmejian and Attorney General Dan Lungren. The views expressed are his own.*

pass in the way of new taxes, spending, mandates, and regulations if it could have its own way.

**T**HE PROBLEM is that vetoing bad bills, while meritorious, is a defensive approach that fails to address the major competitive challenges facing California's future. And, it pales in significance alongside a new era of government intrusion in the economy that is just around the corner.

Many long-term challenges will have to be addressed including fixing failing schools, reining in frivolous litigation, and upgrading a crumbling infrastructure. Governor Schwarzenegger has at least properly identified what needs to be done in these areas. Yet on fiscal, health care, and energy policies, decisions are being made that could, collectively, add crushing costs to doing business in California. Corporate planners are taking note.

#### STATE FINANCE

Let's look first at state finances. Earlier this month, the *New York Times* discovered that "more than 40 states have found themselves with more money than they planned as they wound down their regular sessions.

"Governors in 23 of those states proposed tax cuts, and a majority of states with surpluses chose to shore up their roads, schools, and rainy day funds," the newspaper reported.

California cannot be counted among them — not anymore. The era of easy money appears to be over. The Schwarzenegger administration issued a May revision to its proposed budget that readjusted revenues expectations downward by \$243 million. Two weeks later, the revenue picture worsened further — to \$764 million under projections.

Spending has continued its rapid growth. According to Sen. Tom McClintock, annual spending has expanded at a faster rate under the current governor (8.1 percent) than it did under Governor Gray Davis (7.1 percent). The structural budget deficit remains. The nonpartisan Legislative Analyst has estimated that the state will spend at least \$3 billion more than it takes in during the 2007-2008 fiscal year and \$5 billion more in the following year. Furthermore, expected changes in federal tax policy could significantly squeeze California's ability to generate future revenues — and you can thank Californian Nancy Pelosi and her congressional majority, in advance, for that.

The Bush tax cuts, which pulled the national econo-

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my out of its post-9/11 slump, are set to expire in 2010. If allowed to expire, the result would be the largest tax increase in the nation's history. Congressional Democrats might extend some politically appealing tax relief for lower-income Americans. But there is little chance they will renew the investment-oriented tax cuts (on dividends, capital gains, and upper-income taxpayers) which have produced surging revenues for state and federal tax coffers.

The impact on California could be severe, because over time, the state has foolishly narrowed its tax base — relying to an inordinate degree on those very same investors and upper income taxpayers. Yet as revenues shrink, businesses and wealthier taxpayers are likely to be targeted — again.

### PENSION, HEALTH BENEFIT BILL DUE

California also has a huge bill coming due for its unmet public employee pension and health benefits. As reported recently in the *Los Angeles Times*, the state is on the hook for \$48 billion in health care costs for government employee retirees and their families. Los Angeles County faces an additional \$20 billion in obligations, and the Los Angeles Unified School District, another \$10 billion. This is in addition to potentially tens of billions of dollars in unmet pension obligations.

Then there's health care. At a time when those 23 other governors cited by the *New York Times* are cutting taxes (and competing with California for jobs and businesses), Governor Schwarzenegger has proposed raising taxes \$3.5 billion to pay for a new health care mandate. Not to be outdone, Democrats in the Legislature have passed a 7.5 percent-of-payroll mandate to fund its own health care plan. This added payroll tax would suggest only one thing to companies that are struggling in a tough, competitive environment: either cut your payroll or move it out of California.

### AB 32: BUREAUCRATIC NIGHTMARE

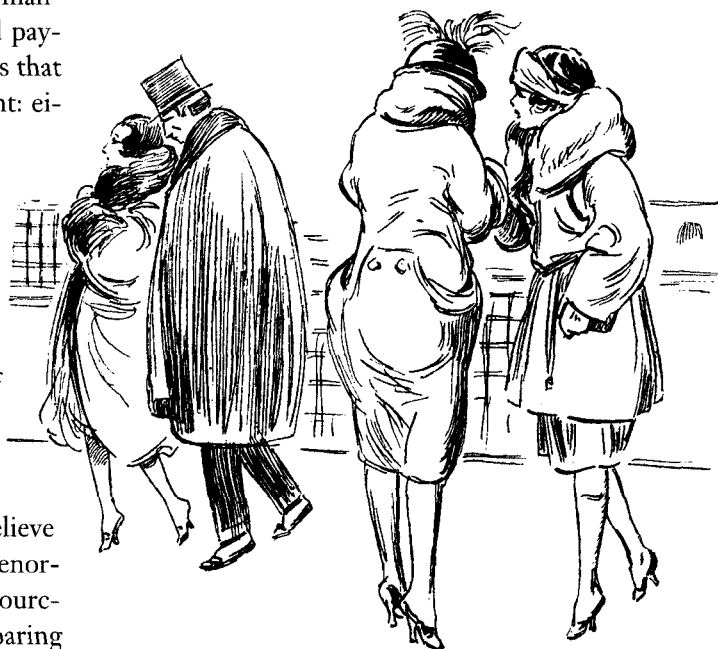
When it comes to energy and the related issue of climate change, California and especially the governor are being lauded around the world for a purportedly enlightened approach. Yet California may be in the process of pricing itself right out of an affordable and reliable supply of fuel and electricity. The enactment of the AB 32 global warming bill establishes mandatory caps on the carbon dioxide emissions that many believe contribute to global warming. The law grants enormous power to unelected regulators at the Air Resources Board (ARB), whose minions are already preparing to fan out across the state to measure emissions, estab-

lish benchmarks, and compile databases on every energy generator or user in the state. Then individual caps and targets will be set. Then comes a whole new phase where there is more reporting, measuring, and accounting to see if the targets and goals are being met. Furthermore, if the ARB deems it wise, a cap-and-trade system will be devised that will carry with it its own phone-book size directory of rules and strictures. Pollution credits and offsets would be bought and sold in an Enron-style virtual marketplace, which — as the Europeans have learned — is highly prone to manipulation and fraud. With AB 32 and other restrictive policies, California seems to be doing everything possible to saddle in-state businesses and other consumers with the costliest, scarcest, and most unreliable supplies of fuel and power in the nation.

The unbridled expansion of state power over free markets in our nation's most populous state should concern all Americans. California is a state of enormous potential for innovation, entrepreneurship, and creative new ideas that generate economic opportunity and human progress. Ironically, Governor Schwarzenegger has articulated an appreciation for this potential with more spirit and passion than any leader we've had in a long time. And, he has done several things right, including "terminating" those job-killing bills.

But a vibrant, prosperous economy depends on more than a veto pen. The competitive challenges facing California must be addressed with positive action and a consistency of principle, anchored in the proven tenets of free enterprise.

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# The Law

## Housing socialism leads to housing shortages

*Santa Monica goes to court in yet another attempt to overturn the laws of economics.*

JAMES S. BURLING

*The preliminary rounds of a legal battle occurred in early June in the courtroom of Los Angeles Superior Court Judge John A. Kronstadt. On June 6, the judge heard a citizens' challenge, argued by Pacific Legal Foundation attorneys, against the city of Santa Monica's so-called "Inclusionary Zoning" law. A PLF news release (at: <http://www.pacificlegal.org/?mvcTask=pressReleases&id=786>) describes the city's ordinance as forcing "builders of projects with four or more residential units to provide a specified number of 'affordable' residences for sale at below-market prices ...." PLF's attorneys argue that the law violates "the property protections of the state and federal constitutions."*

*This "Inclusionary Zoning" idea extends beyond Santa Monica's borders. The issue arose, for instance, in the 2005 L.A. mayoral race between James Hahn and Antonio Villaraigosa. The courts and attorneys will explore and decide the legal questions in this particular case. Underlying those, however, is the radical Santa Monica City Council's rationalization for its policy, arguing that it serves the overall economic interests of the people. Our legal correspondent here explores that argument, as well as the underlying legal issue.*

— editor

**I**n the strange political world of city council chambers across California and some other more befuddled parts of the nation, a belief in an alternative universe exists – where the laws of economics do not exist. In that universe, shortages created by government regulations can be eased only with more government regulations. And the skyrocketing cost of government regulation can be eased only with more costly government regulation.

This is the saga of "inclusionary zoning," a relic of the halcyon days where government officials could una-

bashedly worship at the altar of central planning. In the old days, of course, if the government discovered a shortage of something (such as low-income housing,) it would just decree more of that something to be made by the government. But times have changed. We've learned that such a course leads to failure. Planners today recognize that there is a role for the free market. They just haven't figured what the role is yet. So, today when planners recognize a shortage of something, they decree that more of that something should be made — by the free market.

A shortage of low-income housing exists in most parts of the country, a situation local governments often deplore, arguing that more such housing "must" be built. And, for some reason, it must also be new. Of course, no one likes the phrase "low-income" housing, so planners renamed it "affordable housing," making it more palatable to the middle class that ends up paying for it. More recently, planners, in a bow to the public's embrace of the value of something called "work," have renamed it yet again as "workforce housing." Perhaps "proletariat housing" will be next.

The problem with alleviating a shortage of new low-income housing is that someone has to build it. And since government has done such a lousy job building housing, taxpayers are reluctant to shovel more tax money for the construction of government housing projects. So what's a planner to do? The answer is so-called inclusionary zoning, an idea so loopy it almost makes rent control look like sound economics by comparison.

In a nutshell, "inclusionary zoning" says that, if a de-

*Pacific Legal Foundation Attorney James S. Burling is supervising the Foundation's current legal challenge to the City of Santa Monica's inclusionary zoning policies.*