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The state's policies make it inevitable that prices will rise, especially for housing and energy.

LIFE SCIENCE

Why the Affordability Crisis Is Most Severe in California

Here's a trivia question for your holiday road trip: In which five U. S. metropolitan areas did the consumer- price index rise by less than 2% over the preceding 12 months? Ding, ding, ding. The answer: Detroit (0.7%), Dallas (1.1%), Houston (1.1%), Phoenix (1.4%) and Atlanta (1.7%).

Now guess the four metro areas where prices on average have increased by more than 3%. Don't cheat by asking ChatGPT, which answers incorrectly anyway. The answer: Philadelphia (3.3%), Los Angeles (3.6%), San Diego (4%) and Riverside, Calif. (4.5%).

Note

Milton Friedman observed that inflation is always and everywhere a monetary phenomenon. But affordability— the prices of particular things—can be very much a local phenomenon.

Consider housing. Among the reasons for higher CPI readings in California's metro areas are fast-rising housing costs. Riverside, an exurb of Los Angeles, has drawn droves of middle-class families who can't af--ford to live on the coast. Yet the housing supply in Riverside—and for that matter, everywhere else in the state—hasn't kept up with demand.

Blame the state's litigationfriendly environmental laws and strict zoning, which raise construction costs and suppress development. Shelter prices have risen by 4.4% in Riverside and 5.6% in San Diego over the preceding 12 months, versus 0.1% in Dallas and 1.1% in Houston. In Phoenix, shelter prices have declined by 0.1%.

It's true that housing prices in many Sun Belt cities surged early in the pandemic as people migrated from states that had imposed strict lockdowns like California. But morepermissive permitting and zoning enabled housing developers to bring on additional supply quickly, which has helped curb prices.

Only 118,000 building permits for new homes were issued for the Los Angeles metro region (population 12.8 million) between 2021 and 2024, versus 163,000 in Atlanta (6.3 million), 187,000 in Phoenix (5.1 million), 276,000 in Houston (7.5 million) and 281,000 in Dallas (8.1 million).

Vice President JD Vance blames illegal immigrants for making housing unaffordable. It's a specious ex--planation that doesn't add up. It's not as if Arizona and Texas were unaffected by the flood of foreign migrants during the Biden presidency.

One reason housing prices have remained stubbornly high in Florida is a dearth of construction workers, which has been exacerbated by a state law requiring com-

panies with 25 or more employees to use E-Verify to check a new hire's work authorization. Nearly 40% of Florida's construction labor force is foreign-born, with a large share undocumented.

Contractors can't hire many foreign- born roofers and drywall finishers, which is delaying projects and keeping prices high. Memo to the vice president: Contractors can't build, baby, build if their workers are being deported.

On the other hand, Democrats in California don't want to build—or drill. The state's melange of climate policies have driven up energy prices in San Diego (8.7% year over year), Riverside (7.9%) and Los Angeles (7%), even as they have been falling in places like Atlanta (by 2.3%), Phoenix (0.8%), Detroit (3%) and Houston (3.4%) that haven't sought to banish fossil fuels.

Folks in the Philadelphia metro area have also seen a jump in energy prices (5.1%) as the shutdown of coal and nuclear plants in the region has driven up electric rates. Economics 101 teaches that when demand grows faster than supply, prices increase.

Another local phenomenon is legal abuse, which affects insurance premiums and other business costs that ultimately get passed onto consumers. The American Tort Reform Foundation this year scored Los Angeles as its top "judicial hellhole." The Perryman Group estimates its local "tort tax" at $3,658 a person.

Plaintiff attorneys exploit California's tort-friendly laws to extract settlements. Proposition 65 requires businesses to place warnings on products—including many toys, clothing items and electronics—if they contain trace amounts of chemicals that the state has deemed potentially carcinogenic. Such laws are toxic for business.

Proposition 65 legal settlements totaled more than $43.7 million this past year in response to 1,204 notices of violation, according to ATRF. Property and casualty insurers also pick up some of the costs of excessive litigation, which get reflected in higher premiums. If businesses have to pay more for insurance, they may raise their prices.

Mandatory insurance costs make up about 45% of the average Uber fare in Los Angeles County, versus 10% or less in most places in the country. Taking an Uber across L.A. can cost more than a flight to Miami.

Higher state-mandated minimum wages can also increase the price of a burger. The cost of eating out has climbed by 14.4% in San Diego and 12.4% in Riverside since September 2023, when Democrats increased the state minimum wage for fast-food employees to $20 an hour. Restaurant prices nationwide have increased only 8.3%. Who cares if California's working class can't afford a Big Mac? Gov. Gavin Newsom's attitude: Let them eat filet mignon.

California offers a textbook example of how to make life unaffordable. The lesson for the president: When government makes it harder and more expensive for businesses to do what they want to do, consumers pay the price.

By Allysia Finley

