



**WEEKLY UPDATE**  
**JULY 4 - 10, 2021**

**COLAB**  
San Luis Obispo County



12th Annual

**DINNER &  
FUNDRAISER**

**2020-2021 What the Heck Happened?**  
**There has never been a more crucial time**  
**To Raise the Lantern of Liberty**

**THURSDAY, SEPTEMBER 9, 2021**  
**ALEX MADONNA EXPO CENTER**

**5:00 pm Social Hour, Open Bar**

**6:15 pm Filet Mignon Dinner including Wine**

**\$125 a person**

**\$1,250 a table, seating for 10**

For tickets:

On-Line Reservations & Payment can be made **HERE** at  
[www.colabslo.org/events.asp](http://www.colabslo.org/events.asp)

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COLAB SLO County, PO Box 13601, SLO, CA 93406

Cocktail Attire Optional

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## THIS WEEK



### **Celebrating Freedom in the Shadow of Tyranny Amidst the barbecues and fireworks - remembering with gratitude the words of the Declaration.**

**By Bruce Thornton**

This year we celebrate our nation's birth at a time when the foundational ideas that animated our break with England are under siege throughout our political, business, educational, and cultural institutions. The iconic preamble to the Declaration of Independence— “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness”—is under assault, and tyrannical ambition continues to undermine the infrastructure of our liberty.

We focus so frequently on that world-changing preamble that we forget the bulk of the Declaration is a detailed indictment of George III in terms that evoke Classical tyranny, which Aristotle defined as “arbitrary power . . . which is responsible to no one, and governs all alike, whether equals or betters, with a view to its own advantage, not to that of its subjects, and therefore against their will.” The cost of that tyranny is the weakening both of political freedom limited by the tyrant's will; and of the independence necessary for self-government and full human dignity.

The Declaration, then, contrasts unalienable rights and political freedom with their opposite, tyranny, laying the foundations of a government that by design checks the excesses of power that destroy both independence and freedom. Rather than depend, as the Left has done since the French Revolution, on the progressive improvement of human nature, the Founders believed that people are by nature driven by “passions and interests,” as Madison called them. These forces motivating human destructive action cannot be eliminated or improved either by greater knowledge or by “technicians of the soul,” as Stalin called technocratic oligarchs. Rather, political institutions must divide and balance power so that “ambition counters ambition,” preserving the freedom of all, and forestalling tyranny whether of the minority or the majority.

A century of progressive assaults on the Founders' architecture has weakened this defense against tyranny. Power has increasingly been expanded and concentrated in the federal government and its agencies. These bureaucracies are insulated from accountability to the people, and unconstitutionally combine the three functions of government—legislative, judicial, and executive—into one institution backed by the coercive power of the state.

Hence the overweening actions of agencies such as the IRS or the EPA, both of which under the Biden administration have seen their powers and funding increase. And who can forget the feckless arrogance of the NIH and the CDC during the pandemic, as it serially revised its diktats, on everything from masks to the virus' origins, with every shift of the political winds? Or the Small Business Administration and the USDA illegally doling out grants on the basis of race?

We have an even more shameful example of such tyranny in the excesses of our security and justice agencies in the aftermath of the January 6 demonstrations at the Capitol, which the progressives and their media minions have inflated into an “armed insurrection.” People who committed misdemeanors like trespassing have been imprisoned for half a year. Meanwhile the NSA surveils Americans and the FBI labors to create a mythic “white supremacist” conspiracy to overthrow the government, even as thousands of hours of exculpatory video evidence are embargoed by prosecutors. This is the same role the agencies played throughout Donald Trump's term when they facilitated the Democrats' “collusion” and “Russian interference” myths.

In effect, these agencies provide the “muscle” for the Dems' partisan attacks on Republican voters and their enumerated rights. The consequences of this corruption of federal agencies is the tyranny of the bureaucratic minority that impinges in myriad ways upon the freedom of individuals, families, churches, businesses, all those communal spaces that should be free from the meddling of distant government elites.

Progressives also are working to create the tyranny of the majority, those political clients they make “accustomed to feed at the expense of others,” as Polybius described them, while “their prospects of winning a livelihood depend upon the property of their neighbors” through the redistribution of wealth and the proliferation of cradle-to-grave entitlement transfers. Indeed, if Biden manages to pass legislation for new entitlements, economists John Cogan and Daniel L. Heil report, half of working-age Americans will be on some form of the dole, and \$1 trillion will be added to the national debt over the next ten years. Our Constitutional order will become what Winston Churchill called “government of the/by the/for the dole-drawers.”

Hence the Dems plot against the Constitutional “filtrations,” as Madison called them, designed to prevent the tyranny of the majority, such as the equal number of Senators per state, which protects the smaller states from the larger; and the electoral college, which keeps presidential elections from empowering majority rule at the expense of minority rights and freedom. Likewise the attempt to dismantle the guardrails of electoral integrity such as photo I.D.'s, in-person voting, fixed limits on the number of voting days, and same-day, transparent tabulations. The aim of those attempting to dismantle these rules is to make fraud and other interference the features of the system rather than the failures of it. The pretexts for such patent assaults on electoral integrity typical of all tyrannies, have become more preposterous, as in the specious

justifications for “reform” based on exaggerated claims of “voter suppression” of minorities who are in fact voting in historical numbers.

Of course, government agencies are the enforcers behind these attempts at revising the Constitution’s provision that the states control elections, as happened with the DOJ’s hounding of states that are trying to reform existing bad practices. Right after the Dems proposed “voting reform” legislation stalled, the DOJ filed suit against Georgia’s recent common-sense reforms that are less stringent than blue Delaware’s. Once again, the federal police, investigative, and judicial agencies are the Luca Brasi for progressives’ anti-Constitutional schemes.

Finally, there’s the government’s support in promoting and institutionalizing literally racist ideologies such as Critical Race Theory and its related fantasies like “white supremacy” or “white fragility.” Sounding like Jim-Crow era segregationists, CRT claims that “racism” is encoded in white identity, every white is indelibly tainted by this stain, and every public and private institution continues to reinforce this racist hegemony. Hence white citizens must be subject to endless brow-beating by CRT commissars, and humiliating spectacles of apology and masochistic self-flagellation unworthy of free peoples.

This intellectually crude, juvenile ideology is diametrically opposed to the foundational principles of the Declaration of Independence and its identification of unalienable rights that are not determined by government, but are part of all humanity’s essential nature. Thus CRT, along with agitprop history like the “1619 Project,” is undermining our freedom and independence, and the proposition that “all men are created equal”—not “all sects,” not “all tribes,” not “all peoples,” not “all ethnicities,” but all human beings understood as unique individuals with minds and free will.

Despite that direct threat to the essence of our political order, here too government agencies are empowering and propagating this pernicious doctrine, particularly in education from preschool to graduate school. Now, however, we see CRT infiltrating all taxpayer-funded governments at all levels. Most dangerous is the adoption of CRT training by the military, promoted by the Generals and Admirals who are nominated by the president with counsel from Secretary of Defense. As such, they are inherently political and vulnerable to partisan political pressure.

Consider the recent spectacle of this nation’s highest ranking military officer, Chairman of the Joint Chiefs of Staff General Mark Milley, in testimony before the House Armed Services Committee. There he argued for bringing CRT propaganda into the military academies and the armed forces’ training programs. No adversary could devise a better way to destroy the morale, patriotism, effectiveness, and cohesion of our military personnel than to train them to privilege superficial physical characteristics like skin color more their comrades’ skills, loyalty, and courage. Such are the predicates of tyranny. For sure, as of now we have not seen levels of civic violence typical of past tyrannies. We are closer to Tocqueville’s insidious “soft despotism” that seeks “to keep [the people] in perpetual childhood”:

*It is well content that the people should rejoice, provided they think of nothing but rejoicing. For their happiness such a government willingly labors, but it chooses to be the sole agent and the only arbiter of that happiness; it provides for their security, foresees and supplies their*

*necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances; what remains but to spare them all the care of thinking and all the trouble of living?*

“Soft” as the tyranny may be, all these dangers to our Constitutional order are still real, and have been multiplying and intensifying over the last half-decade.

Yet we are not done for yet. Thanks to the Constitution, we still have the Bill of Rights, we still enjoy a level of freedom unprecedented in human history, we still have sovereign states to check federal overreach, and we still have regularly scheduled elections in which, as compromised as they have been, we are free to vote and to hold our public officials accountable.

But though we still have these Constitutional bulwarks of our liberty like freedom of speech and regularly schedule elections, institutional, cultural, and educational predicates for tyranny grow stronger, and each generation marinated in these tyrannical ideas brings us closer to the tipping point. Like rust, the enemies of freedom never sleep.

So this Fourth of July, amidst the barbecues and fireworks, we should all remember again with gratitude the words of the Declaration that founded the freest, most prosperous, most inspirational, most consequential country in history.

*This article first appeared in Front Page Magazine on July 2, 2021. Bruse Thornton is a Shillman Journalism Fellow at the Freedom Center, a Research Fellow at Stanford’s Hoover Institution, and a Professor of Classics and Humanities at the California State University. He is the author of nine books and numerous essays on classical culture and its influence on Western Civilization. His most recent book, [Democracy’s Dangers and Discontents](#) (Hoover Institution Press), is now available for purchase.*

## CELEBRATE INDEPENDENCE DAY KEEP IT IF YOU CAN

- **Rule of Law** (property rights, freedom from corruption);
- **Limited government** (fiscal freedom, government spending);
- **Regulatory efficiency** (business freedom, labor freedom, monetary freedom); and
- **Open markets** (trade freedom, investment freedom, financial freedom); and
- **Personal Security** ( freedom of speech, religion, legal equality of citizenship - *LIBERTY*)

# **SPIRIT OF AMERICA REVIVE!**

## **BY ANDY CALDWELL**

In the days of our founding, it was presumed that only kings had divine rights. Our fathers instead declared, in light of self-evident truths, that all men are created equal and therefore all men have divine unalienable rights, among them, life, liberty and the pursuit of happiness. Hence, they declared that no government had the authority to infringe on inviolate personal liberties including the freedom of speech, religion, self-defense, private property, etc. For the first time in history, the people were declared the sovereigns and the only legitimate purpose of government was to protect these divine rights via the consent of the governed.

One of these revolutionary precepts, the “pursuit of happiness”, is key to understanding the secret of our success and longevity. However, the concept does not translate well in these days of materialism, hedonism, narcissism and especially, nihilism, and that could prove fatal to the American experiment. Specifically, the meaning of the phrase had to do with the liberty to live with a clear conscience before God. That begs the question, whatever happened to the concept and primacy of conscience and can America survive, thrive, and function without it?

To wit, John Adam authored the Massachusetts Constitution in 1780, which was written before the US Constitution and served as a model for it. It enunciates this principle of happiness in Article 3, “...The happiness of a people and the good order and preservation of civil government essentially depend upon piety, religion, and morality, and as these cannot be generally diffused through a community but by the institution of the public worship of God and of the public instructions in piety, religion, and morality...”.

John Adam also stated: “We have no government armed with power capable of contending with human passions unbridled by morality and religion. Avarice, ambition, revenge or gallantry would break the strongest cords of our Constitution as a whale goes through a net. Our Constitution is designed only for a moral and religious people. It is wholly inadequate for any other.”

To paraphrase De Tocqueville, America was great because America was good, by virtue of religion, morals and common regard for the truth. Such concepts and confidence is peculiarly lost today with respect to our society in general, including by way of various pathologies emanating from the rejection of self-evident truths, endowed rights, and traditional values.

Sans an inspired collective conscience, we find ourselves governed by secular humanists who put their trust in situational ethics instead of God. They believe mankind is evolving as society progresses. This is made possible by a government which subsumes our individual independence, freedom, liberty, and sovereignty, along with our income, for some ethereal vision of the collective good. All the while, they categorically reject truths and values ensconced in eternity.

America devolved as young people were no longer taught to value our unique history. Moreover, the inculcation of traditional faith and values was also rejected, hence the aforementioned internalized propensities for materialism, hedonism, narcissism, and nihilism filled the vacuum. In other words, the influence of God has been abandoned for all practical purposes, and as such, our divided society is no longer personally, individually, or corporately anchored and united by way of common respect for endowed divine rights, precepts and values. Hence, we have lost our collective conscience which is foundational to our unity, freedom, and independence.

America is losing its way via this blind subjugation to an ideology that demands its soul by way of nullifying our traditions. Thomas Jefferson charged Britain for their “long train of abuses and usurpations, pursuing invariably the same Object evinces a design to reduce them under absolute Despotism”. Unfortunately, today such despotism is personified, internal, and organic to our body politic, the American psyche and our relatively dead conscience.

*Andy Caldwell is the Executive Director of COLAB of Santa Barbara County, host of the Andy Caldwell Radio Show, and guest editorialist of the Santa Barbara News Press.*

## **NO BOARD OF SUPERVISORS MEETING**

### **PLANNING COMMISSION CANCELED**

### **OTHER AGENCIES DORMANT**

#### **LAST WEEK**

### **NO BOS MEETING THIS WEEK**

**NEXT MEETING JULY 13, 2021**

### **SLO PENSION TRUST**

**RATES CRACK 50%**

**THE PENSION TAIL WILL EVENTUALLY WAG THE COUNTY DOG**

#### **COLAB IN DEPTH**

**SEE PAGE 13**

# THE THEMES THAT MAKE ANYTHING POSSIBLE

*Optimism, which the Golden State's ruling class has abandoned, is nonetheless in California's cultural DNA.*

BY EDWARD RING

## The Stimulus Boom Is Already Over: Now Comes Stagnation

BY DANIEL LACALLE

### THIS WEEK'S HIGHLIGHTS

**In General:** Most of the agencies, except for the Coastal Commission are off for this week.

#### No Board of Supervisors Meeting on Tuesday, July 6, 2021 (Not Scheduled)

The Board is on its summer recess. The next meeting is scheduled for Tuesday, July 12, 2021.

#### Planning Commission Meeting of Thursday July 8, 2021 (Cancelled)

The meeting was cancelled with no explanation.

### LAST WEEK'S HIGHLIGHTS

#### No Board of Supervisors Meeting on Tuesday, July 6, 2021 (Not Scheduled)

The Board is taking its summer recess.

#### San Luis Obispo County Pension Trust Meeting of Monday, June 28, 2021 (Completed )

**Item 5 - FY 2019-20 Pension Trust Annual Financial Report.** The report covered the period ending December 31, 2020. The table below, which is included in the report narrative,



summarizes a sensitivity analysis of the relative amount of unfunded liability at different interest rates.

The following presents the net pension liability of the employers collectively, calculated using the discount rate of 6.875%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.875%) or one percentage-point higher (7.875%) than the current rate:

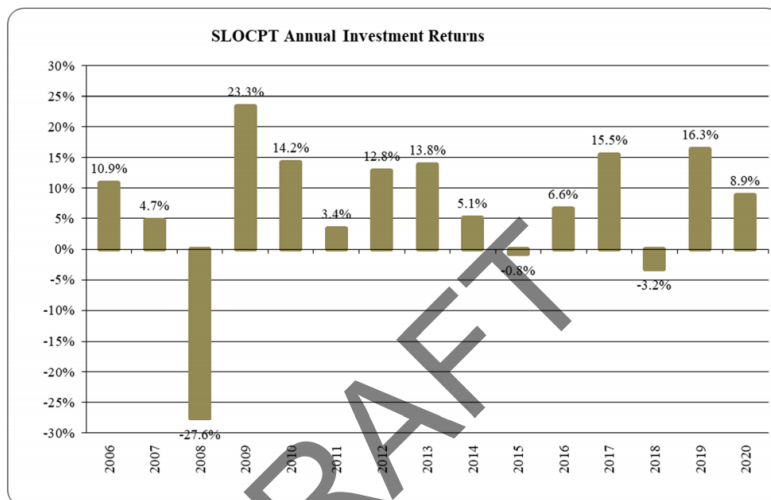
Employers' Net Pension Liability as of December 31, 2020	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
	\$ 990,101,705	\$ 680,685,579	\$ 427,590,044

The required annual contribution has climbed steadily

**SAN LUIS OBISPO COUNTY PENSION TRUST  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution**	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2011	\$ 30,435,940	\$ 30,435,940	\$ -	\$ 161,783,273	18.81%
2012	\$ 30,942,038	\$ 30,942,038	\$ -	\$ 161,054,639	19.21%
2013	\$ 30,795,872	\$ 30,795,872	\$ -	\$ 164,299,413	18.74%
2014	\$ 32,046,545	\$ 32,046,545	\$ -	\$ 167,343,323	19.15%
2015	\$ 33,618,330	\$ 33,618,330	\$ -	\$ 175,628,910	19.14%
2016	\$ 35,451,409	\$ 35,451,409	\$ -	\$ 180,728,417	19.62%
2017	\$ 42,340,904	\$ 42,340,904	\$ -	\$ 192,735,874	21.97%
2018	\$ 46,243,596	\$ 46,243,596	\$ -	\$ 199,283,713	23.20%
2019	\$ 48,957,564	\$ 48,957,564	\$ -	\$ 200,924,549	24.37%
2020	\$ 56,305,770	\$ 56,305,770	\$ -	\$ 218,911,525	25.72%

The rate of return has, on average, exceeded the target in recent years. Nevertheless, the unfunded actuarial liability continues to grow. The model adopted by most government pension systems seems to experience the same phenomenon. All it would take is a bad year every so often and they can never catch up.



For cumulative periods, the annualized time-weighted total rates of return are as follows:

	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>	<u>15 years</u>
SLOCPT Total Returns	8.9%	7.1%	8.6%	7.7%	6.2%

Source: Verus 4<sup>th</sup> Quarter 2020 report and Pension Trust records for pre-2006 returns

As demonstrated in the table below, the unfunded liability continues to relentlessly grow.

### Schedule of Funding Progress

Valuation Date	Valuation Assets <sup>1</sup>	Actuarial Liability <sup>1</sup>	Funded Ratio	Unfunded		
				Actuarial Liability	Member Payroll	Ratio to Payroll
12/31/2010	\$1,000,169	\$ 1,282,058	78.0%	\$ 281,889	\$ 161,783	174.2%
12/31/2011	1,057,922	1,334,545	79.3%	276,623	161,055	171.8%
12/31/2011 <sup>2,3</sup>	1,057,922	1,378,549	76.7%	320,627	161,055	199.1%
12/31/2012 <sup>3</sup>	1,122,151	1,468,001	76.4%	345,850	164,299	210.5%
12/31/2013 <sup>4</sup>	1,182,924	1,518,751	77.9%	335,827	164,704	203.9%
12/31/2014	1,231,474	1,605,591	76.7%	374,117	167,695	223.1%
12/31/2015	1,248,328	1,686,497	74.0%	438,169	177,004	247.5%
12/31/2015 <sup>2</sup>	1,248,328	1,749,342	71.4%	501,014	177,004	283.1%
12/31/2016	1,268,405	1,827,342	69.4%	558,937	185,020	302.1%
12/31/2017	1,328,750	1,937,173	68.6%	608,423	196,848	309.1%
12/31/2017 <sup>2</sup>	1,328,750	1,945,681	68.3%	616,930	196,848	313.4%
12/31/2018	1,362,562	2,029,929	67.1%	667,368	200,537	332.8%
12/31/2019	1,416,763	2,116,700	66.9%	699,938	205,694	340.3%
12/31/2019 <sup>2</sup>	1,416,763	2,170,071	65.3%	753,309	205,694	366.2%

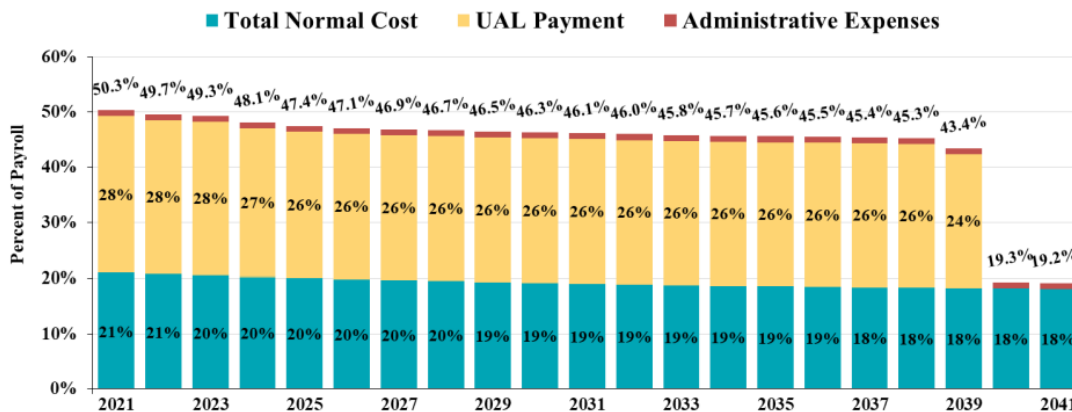
**Item 6 - January 1, 2021 Actuarial Valuation and Pension Contribution Rates.** The Board adopted the higher rates based on the actuary's recommendations for 2021. For the first time the average contribution rate hits 50%. That is, for every dollar of regular salary paid, the County and employees (mostly the County) must contribute another 50 cents. The key action for the Pension Trust Board at this meeting is to approve the higher rate.

*Approve the recommendation of the Plan Actuary to increase the current level of County Appropriation and Employee Contribution rates such that a Total Contribution Rate of 50.34% effective January 1, 2021 is received - an increase of 2.16% over the current 48.18% Charged Rate of contributions as of 1/1/21 as recommended by Cheiron in the Contribution Rate Comment of the Valuation.*

*Projection of Contributions. The following graph shows the expected total contribution rate or actuarially determined contribution (ADC) based on achieving the 6.75% assumption each year for the next 20 years. This scenario is highly unlikely; even if the Plan does achieve an average return of 6.75% over this period, the returns in each given year will certainly vary. The total contribution rates shown at the top of the graph consist of the total normal cost, the UAL Payment, and assumed administrative expenses (1.07% of payroll over the projection period.*

Note that the actuary warns that the schedule adopted by the Pension Trust Board to pay off the unfunded liability over the next 19 years won't work. This is true even if the Plan achieves a rate

of return of 6.75 percent over the period. Again as we noted above, it may be impossible for the County, and other similar systems, to ever fix the problem. What if the rates grow to 100%?



As noted in the table below, the liability grew by 579.2 million over the past 13 years. It has now reached a total of \$807 million.

Table II-1 below numerically summarizes the changes in the UAL for each year over the last 13 years. These totals support our identification of investment returns and assumption changes as the primary risks to the Plan.

Table II-1

Changes in Unfunded Actuarial Liability (\$ in millions)														
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Assumed Rate of Return	7.75%	7.75%	7.75%	7.25%	7.25%	7.25%	7.25%	7.125%	7.125%	7.00%	7.00%	6.875%	6.750%	
Source														
AVA (Gain)/Loss	\$ 62.6	\$ 17.9	\$ 16.7	\$ 22.2	\$ 11.5	\$ 11.3	\$ 23.3	\$ 51.8	\$ 44.9	\$ 14.3	\$ 43.7	\$ 17.9	\$ (13.5)	\$ 324.6
Liability (Gain)/Loss	3.3	(16.8)	(15.3)	(21.7)	0.3	(7.3)	14.3	10.8	(5.6)	24.7	1.7	9.0	26.1	23.5
Assumption Changes <sup>1</sup>	0.0	0.0	0.0	44.0	0.0	(19.3)	0.0	62.8	0.0	8.5	0.0	53.4	38.5	187.9
Contributions <sup>2</sup>	(18.7)	3.2	1.6	(5.7)	13.4	5.2	0.6	1.5	18.6	10.5	5.0	5.6	2.4	43.2
<b>Total UAL Change</b>	<b>\$ 47.2</b>	<b>\$ 4.3</b>	<b>\$ 3.0</b>	<b>\$ 38.8</b>	<b>\$ 25.2</b>	<b>\$(10.1)</b>	<b>\$ 38.2</b>	<b>\$ 126.9</b>	<b>\$ 57.9</b>	<b>\$ 58.0</b>	<b>\$ 50.4</b>	<b>\$ 85.9</b>	<b>\$ 53.5</b>	<b>\$ 579.2</b>

<sup>1</sup> In 2021, the \$2.8 million difference in the Actuarial Liability for the actuarial transition was included.

<sup>2</sup> Actual contributions (more than) / less than normal cost and interest on the UAL (tread water level)

The total growth of the liability is summarized in the table below. The unfunded liability is now 377% of payroll. If this trend continues unabated, the County will have no money for services and will at some point simply be funding pension debt. When the national debt becomes unsustainable and the Biden depression collapses the economy, the entire house of cards will collapse.

It is estimated that the current total unfunded liability of the State, counties, cities, universities, school districts, special districts, etc. is now about \$1 trillion if one assumes an average rate of return of 7%.

**Table VI-1**  
**Schedule of Funding Progress**  
(dollars in thousands)

Valuation Date	Actuarial Value of Assets <sup>1</sup>	Actuarial Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a % of Covered Payroll
12/31/2011	\$1,057,922	\$1,334,545	\$276,623	79.3%	\$161,055	171.8%
12/31/2011 <sup>2,3</sup>	1,057,922	1,378,549	320,627	76.7%	161,055	199.1%
12/31/2012 <sup>3</sup>	1,122,151	1,468,001	345,850	76.4%	164,299	210.5%
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12/31/2019	1,416,763	2,116,700	699,937	66.9%	205,694	340.3%
12/31/2019 <sup>2</sup>	1,416,763	2,170,071	753,308	65.3%	205,694	366.2%
12/31/2020	1,506,270	2,277,428	771,158	66.1%	214,044	360.3%
12/31/2020 <sup>2</sup>	1,506,270	2,313,128	806,858	65.1%	214,044	377.0%

*December 31, 2019 and earlier values were calculated by the prior actuary.*

If this wasn't enough to scare you, click on the link below and really gas your mind.  
[Microsoft Word - Agenda - June 28, 2021 - v1 \(ca.gov\)](#)

**Item 8 - Monthly Investment Report for May 2021.** The system did okay in the short term so far, given the big stock market loss in March and has since recuperated. The problem is that it doesn't seem to help tame the overall problem of ever increasing unfunded liability.

	May	Year to Date 2021	2020	2019	2018	2017	2016
Total Trust Investments (\$ millions)	\$1,658		\$1,552 year end	\$1,446 year end	\$1,285 year end	\$1,351 year end	\$1,196 year end
<b>Total Fund Return</b>	1.5% Gross	<b>8.4% Gross</b>	8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	0.9%	5.8%	10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

# COLAB IN DEPTH

**IN FIGHTING THE TROUBLESOME, LOCAL DAY-TO-DAY ASSAULTS ON OUR FREEDOM AND PROPERTY, IT IS ALSO IMPORTANT TO KEEP IN MIND THE LARGER UNDERLYING IDEOLOGICAL, POLITICAL, AND ECONOMIC CAUSES**

## THE THEMES THAT MAKE ANYTHING POSSIBLE

*Optimism, which the Golden State's ruling class has abandoned, is nonetheless in California's cultural DNA.*

**BY EDWARD RING**

For conservatives across America, California has become the cautionary tale for the rest of the country. Anyone who actually lives in the Golden State, and enjoys the best weather and the most beautiful, diverse scenery on earth, knows there are two sides to the story of this captivating place. Nevertheless, the story keeps getting worse.

For every essential—homes, rent, tuition, gasoline, electricity, and water—Californians pay the among the highest prices in the continental United States. Californians endure the most hostile business climate in America, and pay the highest taxes. The public schools are failing, crime is soaring, electricity is unreliable, water is rationed, and the mismanaged forests are burning like hell. Yet all of this can be fixed.

The solutions aren't mysteries. Deregulate housing permits. End the disastrous "housing-first" policies and instead give the homeless safe housing in inexpensive barracks where sobriety is a condition of entry. Repeal Proposition 47, which downgraded property and drug crimes. Build reservoirs, desalination, and wastewater recycling plants. Build nuclear power plants and develop California's abundant natural gas reserves. Recognize that the common road is the future of transportation, not the past, and widen California's freeways and highways. Let the timber companies harvest more lumber in exchange for maintaining the fire roads and power line corridors. Implement school choice and make public schools compete with private schools on the basis of excellence.

It isn't quite that simple, of course, and in the articles to follow in this series, each of these issues will be looked at in greater depth. But while fixing California requires both political will and smarter investment of public funds (OK, *much* smarter investment of public funds), none of this can happen without a change in attitude. How we think about problems needs to change.

This isn't just about ideology. Going into that labyrinth can become a fool's errand. The politicians who governed California during what arguably were its greatest years were Democrats. Old-timers refer to them as the Pat Brown Democrats, leaders whose approach to politics was pragmatic and focused on serving the people. During that heyday, homes were affordable and freeways weren't crowded. Public schools were good, and the University of California campuses offered the best public higher education in the country. The California Water Project, taking barely more than a decade to construct, remains the most impressive feat of interbasin water transfers in the world.

### What happened?

Some of the constraints that have led to today's neglect and failures are legitimate. In the 1960s the air quality in California's urban centers, from the Santa Clara Valley to the Los Angeles Basin, was far worse than it is today, despite the fact that four times as many people are living in those basins now. Back in the 1960s, the San Francisco Bay was choking on pollution, and was on track to be filled in to make room for more suburbs.

Nobody wants to turn back the clock on an environmental cleanup that has been heroic. But today, environmentalism has gone too far. Regulations and litigation have stopped development in its tracks. More than anything else, environmentalism run amok is the reason Californians live with scarcity and high prices.

The extent and complexity of environmental regulations have allowed special interests to put their agenda ahead of the interests of ordinary Californians. Public employee unions, which didn't even exist when Pat Brown was California's governor 60 years ago, now exercise almost complete control over California's state and local government agencies. Freezing infrastructure spending allows government funds to be redirected to pay and benefits for state bureaucrats, instead of to freeways and water projects. And tying development up in knots with more regulations always means more government hiring.

Also benefiting from extreme environmentalism are California's high-tech billionaires, who now have a lucrative mandate to create an "internet of things" to monitor the consumption of resources. Public utilities benefit because their profits (which are regulated by law at a fixed percentage of revenues) soar when the per-unit costs for electricity and water go way up to pay for renewables and to cope with artificially imposed scarcity. This imposed scarcity keeps housing unaffordable, locking out homebuyers but yielding high returns to real estate speculators.

While this radical environmentalism that would have John Muir turning in his grave provides moral cover to California's economic tyrants, a similar perversion of ideals has happened with respect to race. California is one of the last places one may find racism in the 21st century. Through the second half of the 20th century—certainly compared to every other state in America—California was not known for racism. But suddenly racism is an existential crisis. As if California's beleaguered citizens didn't have enough to contend with, now their failing public

schools are moving even further from teaching the basics, turning instead to teach every subject through the lens of critical race theory.

We've heard all this before. Much of what Californians face are challenges confronting everyone in America. But California, the biggest state, and the bluest state, is a powerful trendsetter. California is broken, hijacked by opportunists wielding overwhelming financial and political power. How does this change?

The solutions to be discussed can't succeed merely on their merits, despite a compelling case for each of them. Politicians and influencers who want to fix California have to change how people think. They have to reiterate themes that change the filters through which people form opinions. California's voters are the victims of 50 years of increasingly effective brainwashing by the media, the public school system, Democratic politicians, and more recently (and more virulently than ever), by social media. They have to be deprogrammed.

The themes that will inspire Californians and alter their perception of issues might begin with the concept of abundance instead of scarcity. Californians have been convinced that rationing of water and energy and land is necessary to save the planet. But it isn't. As will be seen, resources and technologies already exist to create abundance. There are ways to unlock open land for development, and there are ways to increase the supply and lower the price for water and electricity, without harming the environment. Urban civilization has an inevitable footprint on ecosystems. But the solutions being proposed—thousands of square miles of wind turbines and solar farms, tens of thousands of square miles of biofuel plantations—are far worse than the conventional alternatives.

Embracing abundance and rejecting the necessity for rationing, while making a realistic assessment of the tradeoffs between various environmental solutions, are themes that cannot be emphasized enough. But other themes offer additional vital support to a new way of thinking. The Pat Brown Democrats back in the 1960s, and even a few of them today, put practical solutions ahead of ideology. Ideological extremes are hindrances to practical solutions. Republicans and Libertarians tend to reflexively offer principled opposition to government spending on infrastructure. When they do this, they're playing into the hands of the special interests, just described, that profit when infrastructure is neglected. It isn't government spending that's bad—that judgment depends on what the spending is for.

The theme that can attract coalition partners and create majorities, building on the themes of abundance and pragmatism, is optimism. Even the liberal media ridiculed Jerry Brown as “Governor Moonbeam” when he suggested in the late 1970s that California develop its own space program. But if Pat Brown's son didn't get much right—he is the quintessential Malthusian—when it comes to a space program in California, he was a prophet. Elon Musk has proven that. And Musk, whom libertarians tend to deride as someone who collected subsidies while building SpaceX, has—in *one decade*—brought down the cost of lifting a payload into earth orbit by an order of magnitude. Musk is a quintessential Californian, and SpaceX is a perfect example of government funds that were invested with a tremendous return.

Optimism is an irresistible theme. With optimism, dreaming is possible, reconciliation is possible, partnerships and coalitions are possible. With optimism, abundance is not a fantasy, it is a choice, and rationing is easily overcome. With optimism, grand bargains are possible, and big things get done. With optimism, a sense of urgency isn't oppressive, it's inspiring. Optimism is anathema to environmentalist extremists and "anti-racist" fanatics, it is the antidote to the politics of fear and resentment. Optimism, which California's ruling class has abandoned, is nonetheless in California's cultural DNA, written across the centuries.

In the installments to come, focusing on water, energy, transportation, housing, law and order, the homeless, forest management, and education, these themes of promise and potential still to be achieved will be woven into the narrative—because without them, nothing is possible, and with them, anything is possible.

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## **The Stimulus Boom Is Already Over: Now Comes Stagnation**

**BY DANIEL LACALLE**

The United States retail sales and jobless claims weakness, significantly below estimates, coincides with the largest fiscal and monetary stimulus in history. Something is not right when these figures come significantly below estimates in an environment of massive upgrades to gross domestic product (GDP). Why?

The diminishing returns of stimulus plans are very evident. Artificially boosting GDP with large government spending and monetized debt generates a short-term sugar high that is rapidly followed by a sugar low. The alleged positive effects of a \$1 trillion stimulus plan fade shortly after three months. [I recently had a conversation with Judy Shelton where she mentioned](#) that the recovery would be stronger without this latest massive stimulus package. The economic debacle happened due to lockdowns and the recovery comes from the reopening. We need to let the economy breathe and strengthen, not bloat it.

The diminishing returns of stimulus plans are evident. A \$20 trillion fiscal and monetary boost is expected to deliver just a \$4 trillion real GDP recovery followed by a rapid return to the historical trend of GDP growth this will likely lead to new record levels of debt, weaker productivity growth and slower job recovery. The pace of global recoveries since 1975, according to the OECD shows a weaker trend.





Deficit spending is mostly devoted to current spending, which leads to an almost negligible potential growth improvement. If any, evidence suggests fiscal multipliers are poor, even negative, in highly indebted and open economies.

We must be cautious of the excess of euphoria that emerges from many statements about the so-called European “Next Generation” funds. Many of the optimistic estimates seem to forget the negligible effect of previous similar plans.

The sharp increase in contributions to the European Union Budget and the tax increases announced by some countries like Spain will likely diminish the net effect of these funds. All the success or failure of the European Recovery Plan rests on the estimates of the multiplier effect of the investments made. And the prospects are not good if we look at history.

The average impact of the last programs such as the 2009 Employment and Growth Plan, the Juncker Plan or the Green Directives to support investment in renewables has been extremely low. The empirical evidence from the last fifteen years shows a range that, when positive, moves between 0.5 and 1 at most ... And in most of the peripheral countries, they have been negative.

According to the European Union’s own estimates, the Juncker Plan generated between 2014 and 2019 a total impact of +0.9 percent in GDP and added 1.1 million jobs from €439 billion invested. The return on invested capital of this massive plan was beyond poor. And let us remember that the Juncker Plan was used entirely for investment projects with expected real economic return and without the amount of current spending and political intervention of the 2021 Recovery Plan.

Can we really believe in an impact of 4 percent on GDP in three years from these European funds as the average consensus estimates when the Juncker Plan generated—if we believe it—0.9 percent in five years?

The government of Spain, in its Recovery, Transformation and Resilience Plan, states that “in aggregate terms, the employment generated by the Plan will represent twelve jobs for every million euros invested.” Twelve jobs per million spent!

The multiplier effect and its structural impact depend on execution and efficiency factors that are more than questionable. The likelihood that these funds will be malinvested or squandered is enormous.

The idea that hundreds of magnificent and profitable projects will suddenly appear is also questionable. It is very difficult to believe that, suddenly, thousands of profitable and job-creating projects will appear when they were not carried out in recent years with interest rates at historic lows, unlimited liquidity and growing investment appetite.

These so-called stimulus plans have a huge risk: that they involve a huge transfer of wealth from the middle classes and taxpayers destined for political spending without real economic return and investments of doubtful profitability.

There has never been capital available for technology, digitization, and sustainability investment. These investments do not need political direction or funding.

Cheap money, increased public intervention, and massive stimulus plans have not worked as drivers of productivity and potential growth. The path to stagnation and zombification was already a problem in 2018. We need private investment and free trade to boost productivity. We need open economies with a thriving entrepreneurial spirit, not an economy based on spending and debt. The problems created by the chain of the stimulus of the past years are clear: elevated debt and weak growth. More spending and debt will not solve them.

*Daniel Lacalle, PhD, economist and fund manager, is the author of the bestselling books [Freedom or Equality](#) (2020), [Escape from the Central Bank Trap](#) (2017), [The Energy World Is Flat](#) (2015), and [Life in the Financial Markets](#) (2014). He is a professor of global economy at IE Business School in Madrid.*



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