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Elected Leaders Hitch Southern California Economy to Imports

By William J. Kelly

March 11, 2005 - Traffic at the ports of Los Angeles and Long Beach —and ports around the nation—is expected to triple by 2025, after doubling over the last ten years. The rapid growth has made promotion and subsidization of imports the pet projects of Southern California politicians.

However, the diesel soot spewed to move imports from China threatens to rain on their parade.

The reason? That pollution from trucks, trains, ships, and other equipment creates \$2.5 billion in medical bills a year, according to a recent analysis by the Public Policy Institute of California, a fact which has fueled a public backlash against port expansion.

To date, importers and shippers have managed to fully externalize these costs, which institute economist Jon Haveman calls a subsidy of \$7,000 for each of the 600,000 trade-related jobs in the region.

Haveman calculated that hefty medical bill based on a series of recently completed epidemiology studies in Southern California—which some now call “America’s driveway.” Twenty-five percent of the nation’s imports move through the region’s ports.

Haveman is quick to admit his calculation is inadequate. For instance, it does not include the additional costs of missed days of work and school due to asthma attacks and chronic bronchitis. It does not include the value of the lives lost prematurely due to cancer, heart attacks, and chronic lung diseases that medical researchers at the University of Southern California and University of California at Los Angeles have documented through a decade of painstaking research.

However, Southern California’s political establishment does not seem to view these costs as unreasonable. They just want to make sure that the health costs do not escalate and become an impediment to port expansion.

That is the logic of Los Angeles Mayor James Hahn’s “no net increase” goal for port-related pollution. Hahn would use public funds to subsidize those who profit from the city’s port to keep their pollution from growing in the future, but would not require them to reduce their pollution from today’s level.

Taxpayer financed pollution control grants already are being piled onto the externalized health costs and other subsidies enjoyed by importers.

Take for instance, the \$2.4 billion in largely local funding provided for the Alameda Corridor

rail line, which has not yet performed as promised in reducing pollution and traffic congestion.

Local officials are discussing how to finance some \$30 billion in new rail lines, freeway truck lanes, and other projects urban planners have figured will be needed to accommodate port growth.

Then there is the \$15 million in small change the state grants each year in tax relief to subsidize worker pay at warehouses located in state enterprise zones, according to the Office of the Legislative Analyst. Import distribution center operators enjoy “free trade zone” status too, which allows them to minimize customs payments to the U.S. Treasury.

The Los Angeles City Council routinely approves such status for importers, declaring there is no environmental impact in doing so. At the same time, the California Air Resources Board warns that homes and schools should be set back from such distribution centers due to diesel pollution from trucks and other equipment.

The net effect, says Haveman, has been the “hollowing out” Southern California’s economy. “If you subsidize goods movement, you’re going to move manufacturing overseas,” he said.

His research shows that areas around trade-related warehouses, rail yards, and shipping terminals actually have seen less economic growth than similar areas of Southern California not located near such facilities.

Haveman, however, does not seem to have the ears of locally elected officials, who are backing expansion of freeway truck lanes and rail lines through the regional planning agency known as the Southern California Association of Governments. Instead they listen to economist John Husing, who says the region can do little to stop the inexorable flood of imports from China, so why not capitalize on it.

Husing predicts that employment in trade related activity will almost double over the next 25 years and produce good paying jobs for the region. High school graduates working in the sprawling import distribution centers built on farm land east of Los Angeles make an average of \$16 an hour. “That’s not chicken feed,” said Husing, who asks what those once destined to labor as blue collar workers will do without more imports.

Perhaps that’s something state and local politicians should think about before enabling a tripling of imports. What alternative economy could they build with the massive public subsidies that now help promote cheap imports from China?

As the dollar tumbles and the trade deficit and national budget deficit grow, the import economy could well sputter. Will the warehouse clerks, forklift drivers, and Wal-Mart greeters be able to replace the skilled manufacturing workers and farmers that cheap imports have destroyed?

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