

Domestic Migration Transforms the West

To the dismay of the locals, the Rocky Mountains are being transformed by invaders from the west. The *Economist* reports in “Dreams of Californication,” a wave of Californians has begun to migrate to the quiet, conservative Rockies - an area notorious for complaining about 'crazy' Californians.

California is by far the most populated state in the union and continues to attract large numbers of immigrants, primarily from Asia and Latin America. Any benefit that these foreign immigrants bring is quickly negated, however, as native-born Californians are leaving the state at an even higher rate, moving to medium-to-large cities further inland. This demographic shift has drained California of some of its higher incomes and spending and has begun to change the face of the Rockies. The *Economist* reports, five million native-born Californians have left their home state, becoming the nation's second biggest group of migrants after New Yorkers.

The single biggest lure of the Rockies for many Californians is home prices. "*People from California, who pay a fortune for tiny places, find this to be an appealing market*" reports Rocky Anderson, the mayor of Salt Lake City. Moving inland does have a downside for some Californians. Often, once people move from California, they can not afford to go back, as prices on the coast rise beyond their reach.

As Californians are drawn inland, local economies are expanded. The changes go beyond just economics, however, as the political dynamism of the area is shifting as well. "*I would not be mayor without them,' says Mr. Anderson of Salt Lake City's immigrants. [The] list of the mayor's activities in his office reads like a California Democrat's: setting a green-house-gas reduction target for the city, blocking a proposed highway and protesting against a visit by George Bush.*" California migrants are a big reason why Colorado has moved out of the Republican camp in the past few years.

One of the unfortunate effects of the Rockies' transformation is an increase in crime and gang related activity. "*Gang graffiti in Salt Lake City [now] features Californian telephone codes, such as 310 and 714, and allusions to sections of the state's penal code*" reports the Economist.

Going forward, expect more cities to be “Californified” or “New Yorkified” as people migrate for lower taxes, lower housing costs, a better business climate, and growing job markets. Californians will not be the only Americans to migrate; individuals across the US are moving inland from expensive coastal cities to the more affordable southeast and southwest.

In the coming downturn that we forecast after 2010, domestic migration will be the zero-sum game that determines which areas of the country prosper and which areas wither. Large population states with bloated budgets, unwieldy pensions, and cumbersome regulations – states like California, New York, and much of the old industrial “Rust Belt” - will see a critical chunk of state revenue disappear just when they need it the most.

States with lower taxes and regulation and lower costs of living – such as Nevada, Florida, and Arizona – should continue to benefit from a steady stream of migrants.

Migrating to a thriving area might be the smartest choice for individuals wishing to remain afloat during the coming downturn. Perhaps it's time for some to start thinking about moving to the warmer climate they've always dreamed about.