

The Fiscal Crises of the States: Neoliberalism's Next Terrain of Struggle, and Ours

By Michael Hirsch

Social peace as corporate America's prescription for sound labor relations was always more mist than material, but even that fog lifted after the Reagan Administration destroyed the Professional Air Traffic Controllers Organization in 1981. The PATCO attack declared open season for union hunting, leading to a radical shrinking of union density in the private sector, a downsizing of heavy industry and an outsourcing of jobs to low-wage nations. Now get ready for the ongoing assault on public sector workers, for a drastic shrinking in the services they provide, and for the political space and opportunity for a fight back.

Virtually every state is undergoing a second or third round of budget cuts, an evisceration of public services and an ideological and political attack on its public sector workers and their unions led by state businesses, their good-government toy poodles and right-of-center think tanks. In order to fill huge budget holes, public workers are being laid off or their positions attrited, even as more contracts – often noncompetitively bid and often not even cost-effective – are let to private vendors for the same work. California, Illinois and New York are the hardest hit, in part because their public services are among the most generous, even as states' elected officials studiously avoid enacting progressive tax legislation.

The states' budget shortfalls – what John Shure of the Center on Budget and Policy Priorities calls “a revenue collapse” – are the outcome of the late 2007/2008 recession, the Wall Street mortgage bond market/housing bubble collapse that followed, and the drop in state tax revenues. Yet even before Wall Street's September 2008 crash, 29 states already faced total budget gaps of at least \$48 billion. After Wall Street stopped shuffling housing debt but before the federal government began playing 52 Pick-Up, some \$15 trillion in personal wealth disappeared.

The effect: 8 million jobs lost in the last three years even as the 2009 federal stimulus package led to a growth in GDP and a shrinkage in job losses. The Economic Policy Institute estimates that without the February 2009 Recovery Act's injecting \$787 billion into the economy, the nation would have lost an additional 1.5 million jobs. While many, including Paul Krugman, argued that the stimulus was weak tea compared to the jolt needed to shock the economy awake, it did have demonstrable results. Not so the Bush administration's TARP dollars put into banks too big to fail – the single largest investment the Treasury Department ever made for U.S. banking – and which is still largely unaccounted for.

State government shortfalls in fiscal years 2010 and 2011 are expected to reach \$375 billion, says the Center on Budget

and Policy Priorities. Among the worst hit: California, Illinois and New York, which expect to massively cut health care and education spending and lay off thousands of state workers to close respective shortfalls of \$12.3 billion, \$13 billion and \$9.2 billion.

What these shortfalls mean for the working classes of these states is a collapse in public services, attempts at the mass firing of state and municipal workers, the slaughter of pension and benefit standards and a battle even for the survival of public sector unions, which today constitute the majority of the nation's unionized workforce. The fiscal crises of the states and who pays for the crises is the terrain on which class struggle will be fought in the coming five years.

Don't expect a battle with “the state” in traditional binary, them-and-us terms as much as discrete and localized brawls with several things in common:

- A business class resistant to any diminution of its wealth and power or even assuming a fair share of the tax burden.
- The ratcheting up of press attacks on public workforce salaries and benefits, especially pension funds and health care, abetted by a series of alleged “good-government” groups. New York's is the Citizens Budget Commission,* but every major city has one, shilling for the corporate class.
- A public sector battle royal because a majority of the some 15 million unionized workers in the U.S. are now government employees, and budget cuts mean layoffs, which in turn mean hot union-management contention.
- A ripple effect far beyond those union members immediately harmed to all working people and the poor, and a delegitimation of government precisely because it's not doing its job.
- The real possibilities of a national fight-back, waged state-by-state and even county-by-county.

The Crisis in NYC Education

I'll describe the effect of the fiscal crisis on just one sector – public education and its teacher unions in New York City – but remember, every state is weighing what to cut and whom to screw.

Here as elsewhere jobs and tax collections are down. Local politicians and union leaders who last year jumped at the opportunity to tax the rich sadly say it's a loser this time. Even New York state's Working Families Party put tax equity on the back burner. Yet as city services deteriorate

*See “Talking Union Blog,” March 11, 2010.

and the recession wipes out more jobs, the needs of our most vulnerable: children, the elderly, the poor and the sick become more intense.

We know that the backwash of the state's now \$9.2 billion deficit will slam the city. Education was already precarious after suffering two years of cuts and postponement of the hard-fought-for Campaign for Fiscal Equity dollars that are now on hold and potentially DOA. Now David Paterson, the accidental governor and a lieutenant governor candidate once favored by virtually every city union and liberal sachem, wants to cut school aid statewide by \$1.4 billion. Anywhere from \$500 million to \$600 million would be chopped from New York City school operating funds.

That's \$11,000 per classroom.

That's \$400,000 per school.

That's 8,500 teachers Mayor Bloomberg is threatening to lay off if the state also refuses its state aid to the city, as Paterson proposes.

Even somehow holding schools harmless won't be enough, when cuts to other city offices such as the Agency for Child Services harm children, too. In the case of ACS, harm goes to the large and growing number of students living in city-run shelters. Imagine the irony of a city cutting shelter funding at precisely the moment banks and sheriffs are stepping up foreclosure proceedings.

Unless reversed, the cuts will yield a school system none of today's youngest and brightest educators would want to hire into. It's madness at a time when a consensus exists that among the most important markers of student success is a qualified, talented and motivated classroom teacher and when so-called education reformers scream that what stands between children and success isn't fiscal neglect but the two national teachers' unions whose protection of working and professional standards provide the lion's share of that motivation. Such alleged reformers advocate school vouchers and shrilly defend charter schools and their right to squat in community school buildings – forgetting that charters are free to cherry-pick students, which means that children with special needs and English language learners are routinely turned away.

Statewide it's the same grim story, though the governor says the state must end its "spending addiction." That's like claiming a starved child has an overactive metabolism.

The Crisis in the States—What to Do?

Meanwhile, New York's education crisis is typical. The one exception seems to be Massachusetts, which only flat-lined its school spending increases. In today's context, that's a good thing. For the rest, it's cut to the bone and beyond.

In California last summer, the epicenter of education-budget losses, \$5.9 billion was cut from the schools.

In Hawaii, officials introduced 17 mandatory "Furlough Fridays" for all schools. That's 17 unpaid vacation days.

In Minnesota, Colorado and Iowa, numerous school districts drafted short week schedules.

In Georgia, school days will be lengthened and the work week shortened, with the effect falling hardest on hourly workers – the school bus drivers, custodial and cafeteria workers – who will lose 20 percent of their pay.

Some people are fighting back, as with the March 4 National Day of Action, which prompted protests in 33 states by students, teachers and unions.

So what's the nub of the problem? Certainly savings can and should be taken, but the problem is as much demand as supply. As New York's Fiscal Policy Institute demonstrates, the state doesn't demand enough revenue. While the Institute wisely calls for a return to progressive taxation, that's a path few elected officials or activists are proposing.

New York school advocates do back some moderate revenue-raising policies, which the corporate class also predictably opposes. These include: closing corporate tax loopholes; ending the state's reliance on contracted-out work better done by state employees; redirecting the state's housing rebates away from the wealthiest homeowners; reducing the Stock Transfer Tax Rebate (yes, the business class gets its gambling fees rebated, too!); taxing sugary beverages and plastic bags; and refinancing tobacco settlement bonds.

Sure, all of these will generate income and obviate many cuts, but they also suggest just how moderate are the forces in play now fighting the cuts. Even a return to progressive tax rates of the mid-1970s is off the table. So is the return to a commuter tax, or eliminating entirely the rebate on stock shuffling. Forget about a tax on total wealth, and not just income.

This weak demand may be the hand we're dealt at a time when part of the problem is the thinness of union density. U.S. labor unions represent just 12 percent of the workforce and only 38 percent of all educators – mostly clustered in a minority of states. That's not enough to shake up the political world. If unions were a bigger section of the population and if unions unmistakably spoke for the interests of broad sections of the working class, organized and unorganized, then more radical demands aimed at a redistribution of wealth would be at least feasible. Still, it's worth staying at the table and playing out even a weak hand, because we can use it to raise the temperature ante on elected officials.

Making demands on elected officials is something much of the Left doesn't do. It shouts slogans and hurls insults (mostly richly deserved) but doesn't make demands. That's the kind of abstinence worthy of a penitent or a flagellant but not an engaged citizenry. Even if you think elected representatives are bought-and-paid-for cats-paws of Wall Street and other business interests, it's time to take lobbying seriously by making demands that can be legislated and that also bother the ruling classes while mobilizing and empowering people.

I know many on the Left consider lobbying a form of accommodation if not the beginning of a devil's bargain, but we need to make demands on those who can reverse the cuts and change the tax laws. So, U.S. leftists: pretend for just one moment that local, state and federal legislators are indeed

your representatives, and give them hell. Get them to either do their jobs or prepare for defeat in the next election. Make the political class realize that a broad section of the public is righteously angry. Contra the Tea Baggers, the public is hungry for good public services. And like foes of the Incredible Hulk, they wouldn't want us angry.

And of course there's mass action, because lobbying doesn't preclude other forms of protest. It can even be creative, nonviolent guerilla action, as exemplified by ACT-UP, which blocked tunnels out of Manhattan to raise the profile of AIDS treatment and research funding. Sure, it ticked off commuters, and the less collateral damage the better, but you can't raise the temperature without pissing off somebody. And, as the old organizers' maxim holds, if you're not pissing off anyone, you're probably not doing much good.

Because state cutbacks will devastate working people, what better time to start speaking "truth to power" and organizing the fight-back, as good socialists should? And we won't be alone. The laying off and downsizing of New York subway and bus workers going on as of this writing is a model for how an attack on public workers and a consequent decline in a vital public service becomes a social problem in search of a solution. Beyond the immediate impact on transit workers

and the militant response from a new elected leadership in the Transport Workers Union, the plight of transit workers highlights the effort to privatize government programs, which is being sold as a money-saving deal to politicians either too corrupt or too clueless to get that they are being played.

Equally important is the effect on the public of a collapse in decent transit service – a service built for the new suburban rich of the Gilded Age but maintained for later generations of workers commuting to the city centers and home as the city expanded into five boroughs. Screw with the subway and bus schedules? That's enough to create class anger and fertile ground for left organizing. And the TWU, along with the teachers' union and others, is making common cause with students and parents by solidly backing their demand that the MTA not cancel its free travel for students on school days.

Think of this mix as an algorithm for revolt. ♦

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