Massive Austerity Budgets are Destroying America

While the Rich Get Richer, Everyone Else Suffers

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The race to the bottom has picked up its pace. As state and federal governments face budget deficits, they are cutting critical programs with austerity budgets that will weaken education, health care, essential services and the economy.

Wisconsin is ground zero for the race to the bottom. I will be heading to Wisconsin the end of the week to get a better understanding of the situation and to gauge the anger – has government finally hit the breaking point so people will stand up against the class war being perpetrated against them? I have no doubt that if the people were organized and demanded change, we could see the end of the corporate political duopoly that allows big business interests to dominate government and puts profits ahead of people's needs. Maybe Wisconsin is the sign that the tipping point is here? I certainly hope so because the richest country on earth does not need to be in a race to the bottom. We are in this race down because of choices the government is making for their wealthy campaign contributors.

Take Wisconsin, not too long ago the state was seemingly well run with a budget surplus. The economic collapse, as it did for many states, created a budget deficit as expenditures rose and revenues declined; and now that the meager Obama stimulus is running out, the deficit is here. But, in Wisconsin the current deficit and future economic challenges are being made worse by choices made by the government. The Legislative Fiscal Bureau of Wisconsin, the state's official fiscal budget examiner, explained on January 31, 2011 how the state went from surplus to deficit:

> "More than half of the lower estimate ($117.2 million) is due to the impact of Special Session Senate Bill 2 (health savings accounts), Assembly Bill 3 (tax deductions/credits for relocated businesses), and Assembly Bill 7 (tax exclusion for new employees)."

Essentially, in a special session the governor signed into law two business tax breaks and a tax break for health savings accounts, a conservative approach to health care which primarily benefits the wealthy. This cost the state $117 million and none of these costs were offset by other sources of income. This contributed to a budget already stressed by a bad economy and built significantly reduced revenues into future budgets.

So, the race to the bottom escalated. Comparisons were made between salaries for workers in private businesses and public workers in ways designed to produce biased results. When you look at age, education, hours worked and other factors, a new study by the Economic Policy Institute indicates that "Wisconsin public employees earn 4.8% less in total compensation per hour than comparable full-time employees in Wisconsin's private sector."

Of course, private industry has been in decline for years in the Midwest as unions shrunk, good manufacturing jobs fled and were replaced by poor paying service economy jobs. So, as private industry declines, the public sector must keep pace and cut its salaries and benefits. In reality, Wisconsin public workers have not seen major pay increases in recent years. They get paid more than private workers because of the race to the bottom.

Pulitzer Prize winning tax writer, David Cay Johnston, recently focused on one of the big lies of those encouraging the race down. They attempt to divide workers by claiming private workers' pay the health and pension benefits of public workers. Johnston points out that out of every dollar of benefits, 100 cents is paid for by public workers who did not take pay increases in order to have adequate health and pension benefits.

Wisconsin is not the only state pushing workers down. As austerity measures take hold public employees are under attack across the country by both parties with governors cutting jobs for essential services. Cutting public jobs at a time of high unemployment will weaken the economy further. As the Economic Policy Institute writes: "Public sector workers' compensation is neither the cause, nor can it be the solution to, the state's financial problems. Only an economic recovery can begin to plug the hole in the state's budget. Unfortunately, the state's own current budget balancing efforts may prolong the economic downturn by increasing unemployment and reducing demand for products and services."

The two big areas under attack are health benefits and pensions. Health benefits to workers are under attack across the nation. This could have been avoided if the federal health care overhaul actually solved the health care crisis rather than protected the insurance industry. Under a single payer, improved Medicare for all system, money would be saved, health care provided to all and the driving force of deficits eliminated. Medicaid, health care for the poor, was projected to be the largest area of expansion of medical care under the Obama health care plan. That now seems like a mirage. Health benefits for the poor are being cut. More than half the states want permission to remove hundreds of thousands of people from Medicaid. Other states, like New York and California which are led by Democratic governors, are cutting benefits of health programs that already provide insufficient coverage. The health care crisis is worsening and driving deficits as the Obama plan takes hold.

Regarding pensions, the root of the crisis is in the gambling casino known as Wall Street and the failure of government to regulate it. A recent report by the Center for Economic and Policy Research found that "most of the pension shortfall using the current methodology is attributable to the plunge in the stock market in the years 2007-2009." They conclude that "the size of the projected state and local government shortfalls measured as a share of future gross state products appear manageable." This is an exaggerated crisis that will create insecure retirements, increase poverty among retired Americans and build into the economy a class of poor that will drag the U.S. economy down. For public workers reneging on pension's means they lose twice, as the Economist points out, they bargained for better pensions giving up higher pay, and now the government is trying to get out the contract.

In Wisconsin and Ohio governors have gone further and challenged collective bargaining, sparking protests. Collective bargaining was a key balance to concentrated corporate capital in private industry and has provided public workers with decent wages and benefits. The decline of private unions has coincided with wage stagnation and a growing wealth divide. As Nobel Prize winner in economics, Paul Krugman recently wrote: "if America has become more oligarchic and less democratic over the last 30 years – which it has – that's to an important extent due to the decline of private-sector unions." But, the race to the bottom is much bigger than unions. The root causes of U.S. economic dysfunction is concentrated wealth and corporate political power that controls both political parties and the media, thereby preventing obvious solutions that would benefit the vast majority of Americans.

Are Americans ready to really demand the change the United States needs? Rather than racing to the bottom why aren't workers racing to the top, increasing their paltry and stagnate wages, ending inadequate health care and insisting on retirement security? There is enough wealth in the country to achieve all of this but it requires challenging the power of concentrated wealth. Let's hope Wisconsin shows the tipping point has been reached and the people are ready.

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