

“Wisconsin Death Trip.” Mass Privatization as the “Final Stage” of Neoliberal Doctrine

By [Prof Michael Hudson](#) and [Jeffrey Sommers](#)

Global Research, March 12, 2011

12 March 2011

Region: [USA](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

On Wednesday evening, in a veritable Night of the Long Knives, Wisconsin’s integrity was brutally murdered on the floor of the state Capitol in Madison. On 9 March, integrity and trust built up over a century was obliterated as Wisconsin state senators quickly reversed course and cleaved its budget “repair bill” in half. Financial items require a quorum, thus, collective bargaining was split off from the budget repair bill and voted on separately so as to permit its being voted on now. Even so, this still broke the state’s open meeting law requiring 24 hours’ notice to ensure transparency. Instead, the Wisconsin senate Republicans pulled out this new legislation without advance notice and began voting, leaving only a stunned Democratic legislator, Peter Barca, to read the open meeting law out loud to prevent the senators from voting. The senate voted over his objections anyway.

The Wisconsin brand has always centered on integrity. This was really about the only distinctive comparative advantage the state could lay claim to. Now, it is gone. With collective bargaining abolished, huge issues remain beyond labor. The privatization of public assets is now on the agenda, with the yet-to-be-voted-on budget repair bill.

Wisconsin is a state that invented Progressive Era Republican rule in the 19th and early 20th centuries under such progressive populists as Robert LaFollette. Under their tenure, rent-seeking from the public domain and similar insider corruption were checked by a strong public sector anchored in integrity. The state’s long history of reforms nurtured a prosperous middle class and made it a model of clean government, solid infrastructure, trade unionism and high value-added industry managed by socialists and the LaFollette Progressives.

Fast-forward to Scott Walker today. Representing a new breed apart from Wisconsin’s earlier Republicans, he is seeking to re-birth the asset-grabbing Gilded Age. A plague of rent-seekers is seeking quick gains by privatizing the public sector and erecting tollbooths to charge access fees to roads, power plants and other basic infrastructure.

Economics textbooks, along with Fox News and shout radio commentators, spread the myth that fortunes are gained productively by investing in capital equipment and employing labor to produce goods and services that people want to buy. This may be how economies prosper, but it is not how fortunes are most easily made. One need only to turn to the 19th-century novelists such as Balzac to be reminded that behind every family fortune lies a great theft, often long-forgotten or even undiscovered.

But who is one to steal from? Most wealth in history has been acquired either by armed conquest of the land, or by political insider dealing, such as the great US railroad land giveaways of the mid 19th century. The great American fortunes have been founded by

prying land, public enterprises and monopoly rights from the public domain, because that's where the assets are to take.

Read Michael Hudson's chapter in *The Global Economic Crisis*



The Global Economic Crisis
The Great Depression of the XXI Century
Michel Chossudovsky
Andrew Gavin Marshall EDITORS

WANT TO LEARN MORE ABOUT THE GLOBAL ECONOMIC CRISIS?

"In-depth investigations of the inner workings of the plutocracy in crisis, presented by some of our best politico-economic analysts. This book should help put to rest the hallucinations of free market ideology."
—Michael Parenti, author of *God and His Demons* and *Contrary Notions*

CLICK FOR INFO ON THE HIGHLY ACCLAIMED NEW BOOK FROM GLOBAL RESEARCH!

Throughout history the world's most successful economies have been those that have kept this kind of primitive accumulation in check. The US economy today is faltering largely because its past barriers against rent-seeking are being breached.

Nowhere is this more disturbingly on display than in Wisconsin. Today, Milwaukee – Wisconsin's largest city, and once the richest in America – is ranked among the four poorest large cities in the United States. Wisconsin is just the most recent case in this great heist. The US government itself and its regulatory agencies effectively are being privatized as the "final stage" of neoliberal economic doctrine.

A peek into Governor Walker's so-called "budget repair bill" reveals a shop of horrors that is just the opposite of actually repairing the budget. Among the items listed in the bill until Wednesday night were selloffs of state power generation facilities – in no-bid contracts notoriously prone to insider dealing.

The 37 facilities he wants to sell off that produce heating and cooling at low cost to the state's universities and prisons. Walker's budget repair bill would have unloaded them at a low price, presumably to campaign contributors such as Koch Industries – and then stick the bill for producing this power at higher rates to Wisconsin taxpayers in perpetuity. (And this is all being sold as a "taxpayer relief" plan!) Invariably, this will make its way into new legislation once attention is diverted from the current controversy.

The budget bill also plans to tear down the Wisconsin Retirement System (WRS). This is not New Jersey, where a succession of corrupt governments have underfunded (read: stolen) the state pension system in order to shift resources to pay for budget shortfalls in general revenues caused by tax breaks for the rich. The WRS is one of the nation's most stable, well-funded and best-managed pension systems. Although Wisconsin is not a big state, the WRS has amassed \$75bn in reserves, and pays out handsome pensions to its public retirees, without needing new public subsidy. The Walker bill has language providing for tearing down this system, raiding its assets to pay for further tax cuts for the rich (especially property owners), and then throwing Wall Street a meaty bone as public employees would be shifted to 401k plans handled by money managers on commission.

In a separate proposal, Governor Walker would start privatizing the University of Wisconsin's two flagship doctorate-granting campuses. Ironically, the land grant universities – of which

Wisconsin has long been among the best – were created by protectionist 19th-century Republicans as an alternative approach to British free-market doctrine, which dominated the prestigious and largely anglophile Ivy League universities. These universities, like their German counterparts, taught a new economic policy of state management and public enterprise that formed the basis for subsequent US and German development.

Walker would kill off this tradition, and return intellectual production to the highest bidder.

Other proposals suggest selling off Wisconsin's public northwoods lands with their cornucopia of mineral and timber wealth. And much more is said to be in the works.

So Walker's war is not only against the Democrats and labour, it is against Wisconsin's Progressive Era institutions. His policy threatens to pauperize the state and deal a coup de grace to Progressive Era institutions and impoverish the state's middle class. Contra John Maynard Keynes's gentle suggestion of "euthanasia of the rentier", it is the middle class that is being euthanized – throughout North America and Europe.

Michael Hudson is professor of Economics at the University of Missouri (Kansas City) and chief economic advisor to Rep. Dennis Kucinich. He has advised the U.S., Canadian, Mexican and Latvian governments, as well as the United Nations Institute for Training and Research (UNITAR). He is the author of many books, including Super Imperialism: The Economic Strategy of American Empire (new ed., Pluto Press, 2002). He can be reached via his website, mh@michael-hudson.com.

Jeffrey Sommers is a professor at Raritan Valley College, NJ, visiting professor at the Stockholm School of Economics in Riga, former Fulbrighter to Latvia, and fellow at Boris Kagarlitsky's Institute for Global Studies in Moscow. He can be reached at jsommers@sseriga.edu.lv.

The original source of this article is Global Research

Copyright © [Prof Michael Hudson](#) and [Jeffrey Sommers](#), Global Research, 2011

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Prof Michael Hudson](#) and [Jeffrey Sommers](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those

who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca