

US states' budget crises threaten social disaster

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In 1975, as New York City faced a fiscal crisis, then-President Gerald Ford refused an appeal from the city for aid, prompting the famous *New York Daily News* headline, “Ford to City: Drop Dead.” The headline captured something of the anger felt by city residents toward the federal government’s refusal to provide aid, forcing deep spending cuts.

Today, the Obama administration is carrying out a similar policy throughout the United States, standing by as states respond to budget crises brought on by the recession through massive attacks on critical social programs. A similar headline would be appropriate today, with the proviso that the various state governments are active collaborators in an attack on the entire US population.

Obama has repeatedly insisted that the states restore their “credit-worthiness” by reducing spending and resolving “structural problems.” The implications of this policy are now being felt.

Tuesday was the end of the fiscal year for most states, almost all of which are required to balance their budgets. With the economic crisis leading to reduced tax receipts and increased demands on social programs, many states are responding by sharply cutting spending on education, health care and other social services. Because of the particular character of the political system in the United States, resources for these programs are provided by the states or jointly by the states and the federal government.

The crisis extends across the country. Seven states still have not passed budgets: California (budget deficit—\$24 billion), Illinois (\$9.2 billion), Pennsylvania (\$4.8 billion), North Carolina (\$4.6 billion), Connecticut (\$4.1 billion), Ohio (\$3.3 billion) and Mississippi (\$480 million).

The budget crisis is most severe on the West Coast,

East Coast (North and South), and in the Midwest—where unemployment and home foreclosures are highest. However, almost every state is affected. Colorado, Kansas, Missouri, Kentucky and Tennessee all face budget deficits of close to or more than \$1 billion. The collective budget deficits of all the states total about \$121 billion.

Of the states that still remain without a budget, several have threatened to shut down government services altogether if agreements are not reached soon. Illinois Governor Pat Quinn (a Democrat) vetoed a budget passed by the Democratic-controlled legislature that includes major attacks on social programs. Quinn favors somewhat fewer cuts, combined with an increase in the state’s regressive flat income tax. Providers of services for the mentally ill and disabled have already laid off staff in response to the budget crisis.

California has the largest economy in the US. If California were an independent country, its economy would rank as the eighth largest in the world. This week, the state government will start issuing “IOUs” instead of cash to pay contractors, vendors, residents receiving tax rebates, and recipients of state aid such as the elderly, disabled and college students.

Faced with a \$24 billion deficit, Governor Arnold Schwarzenegger is demanding the virtual destruction of the social safety net in the state. The Democrats, who control the state legislature, are proposing fewer cuts combined with regressive tax increases. On Wednesday, the governor ordered all state workers to take a third unpaid day off every month—an effective pay cut of about 5 percent.

The crisis in the states is having a particularly dramatic impact on education, as the vast bulk of funding for public education comes from the states and from local property taxes. States across the country are

already cutting or eliminating summer school programs. These programs are critical for students and for parents who have nowhere else to send their children during work hours. Summer school programs in Florida and California, among other states, have been virtually wiped out.

The future of public education in the United States is an open question. In Detroit, which is at the center of the crisis of American manufacturing, city officials are readying a bankruptcy declaration for the public school system. They are contemplating dismantling the public schools altogether.

With the active encouragement of the Obama administration, states and local governments across the country are moving to replace public education with various forms of privately-administered charter schools.

The policy of the Obama administration is an expression of the stranglehold exercised by the financial elite over the federal government. The sums involved in the state budget deficits are dwarfed by the funds that have been provided to the banks. The \$700 billion Troubled Asset Relief Program (TARP), passed last year to bail out the banks, provided nearly six times the amount of money required to overcome the collective deficit of the states.

Altogether, the administration has provided the banks with trillions of dollars in cash, debt guarantees and virtually interest-free loans. But there is no suggestion that the states should have access to the resources necessary to avert a social catastrophe. Nor is there any suggestion that the banks and large bondholders, having themselves received public subsidies, should be required to give the states a better deal on existing or future loans.

The government has plundered the entire country to bail out the financial elite, while leaving the states without resources to confront a massive economic crisis.

In this sense, the role of the federal government and its relationship to the states has changed. During the New Deal period of the 1930s, the federal government was strengthened significantly, in large part through the expansion of federal social programs.

Now the federal government plays the opposite role, encouraging cuts in social programs at the state level as a precedent for cuts in basic entitlement programs at the national level—including Social Security, Medicare and

Medicaid.

Opposition to these attacks requires a unified movement of the entire working class. There is no state or regional answer to the crisis. Rather, the crisis in the states is a manifestation of a national and global economic crisis.

What is required to meet the needs of today's mass society is a multitrillion-dollar public works program, devoted to rebuilding infrastructure, schools and communities while providing good-paying jobs to the millions of unemployed.

The principal obstacle to such a program is the subordination of every aspect of economic and political life to the profit interests of the financial oligarchy. The nationalization of the major corporations, banks and financial institutions—and the establishment of genuine democratic control over the collective resources of society—is the basic precondition for resolving the crisis of the states.

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