

# Facing record loss of revenue, US states gutting essential services

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The governors of California, New York and dozens of other US states have submitted drastic budget-cutting proposals for fiscal year 2011, which begins on July 1, 2010. Reeling from the economic recession, high rates of unemployment and the sharpest decline in tax revenue on record, states are eliminating essential services that will have a devastating effect on children, senior citizens and working people.

In Greece, Portugal, England and other countries, the crisis has taken the form of the insolvency or near insolvency of entire nations and demands for austerity by national governments acting under the whip of the global bond markets and “sovereign debt” traders.

In the US, the Obama administration has shifted much of the burden of the economic crisis onto the states and municipalities. While handing over trillions to fund the bailout of the Wall Street banks and finance two wars, the White House has starved state and local governments, and what little money was made available in the federal stimulus is drying up this year.

In fiscal years 2010-2011, the states have faced combined shortfalls of \$375 billion, according to the Center on Budget and Policy Priorities (CBPP). Over the last two years, at least 45 states have slashed health, education and low-income assistance programs; 30 raised regressive sales taxes and fees; and 42 cut their payrolls through layoffs, unpaid leaves (furloughs) and hiring freezes. Since August 2008, state and local governments eliminated 192,000 jobs.

The new round of budget cuts will be even deeper, even as the need for government assistance reaches the highest level since the Great Depression.

Last week, California Governor Arnold Schwarzenegger outlined plans to cut \$12.4 billion in the country’s most populous state. Included in the draconian cuts is the elimination of the state’s

CalWORKS welfare program that serves 1.4 million people, two-thirds of whom are children. Billions more will be cut from payments to poor residents caring for disabled family members, food stamps, medical care, mental health, education and state workers’ wages and benefits. Access to health care for the unemployed and poor will be restricted by stiffening eligibility requirements for the state’s Medi-Cal program, raising co-pays, limiting doctor visits to ten per year and reducing funding for hearing aids and other medical equipment.

Announcing what he acknowledged were “absolutely terrible cuts,” the Republican governor compared the situation to Europe, saying, “You see what is happening in Greece, you see what is happening in Ireland, you see what is happening now in Spain. We are left with nothing but tough choices.”

In New York, Governor David Paterson, a Democrat, announced plans to furlough 100,000 state workers one day a week until a new budget is passed addressing the state’s \$9.2 billion deficit. Paterson has already proposed a \$1.1 billion cut in state education aid, which will eliminate 15,000 teacher jobs, and billions more in reduced payments to health care providers and other cuts in health care, funding for four-year colleges and financial aid for low- and moderate-income families. In addition, Paterson proposes the elimination of state revenue sharing aid to New York City and a reduction to other cities.

In New York City, which has the nation’s largest school district, billionaire Mayor Michael Bloomberg has announced a budget plan that would lay off 4,419 teachers. His proposal would also eliminate 400 firefighters’ jobs, close dozens of senior centers and daycare centers, and drastically slash spending for libraries and arts programs.

In Michigan, which has the highest unemployment rate in the country, Democratic Governor Jennifer Granholm is forcing thousands of state workers and teachers to retire, while eliminating one-third of the jobs left vacant. Health benefits will be reduced for new state employees and retirees, while scheduled pay increases for current workers will be cancelled. In addition, cuts to higher education will eliminate a program that gives college scholarships to 15,000 low-income students.

In Detroit, where 50 percent of the working-age population lacks a full-time job and tens of thousands try to eke out a survival in inhumane conditions, the city's mayor, millionaire David Bing, is demanding drastic pay cuts from city workers, privatizing services, overseeing the closing of another 45 schools, and planning to close whole sections of the city deemed too poor to maintain.

Such cuts—which are being imposed in virtually every other state and city in the country—are intolerable and, if imposed, can only produce further misery and destitution.

The entire political establishment—from the Obama administration to Democrats and Republicans on every level of government—agrees the working class must pay for the economic crisis.

While they insist workers in the US and around the world do without, the financial masters of the universe on Wall Street are amassing unprecedented levels of personal wealth. In fact the bankruptcy of nations, states and cities has been another lucrative source of income for wealthy speculators.

A recent investment report from global hedge fund PIMCO—whose head Bill Gross is worth \$2 billion—suggested that the uncertainty in Europe was making the \$2.6 trillion municipal bond market an attractive tax-free target for yield-hungry investors. “As we enter the primary budget season,” it advised, “focus on states that are successful in balancing their budget while avoiding states that struggle to do so.”

In the eyes of the financial elite, every penny spent on public schools, hospitals, sewer systems and recreation centers is an unnecessary and intolerable deduction from its potential profit. Therefore social programs must be cut to the bone.

While the politicians and the media repeat incessantly that concessions, austerity and cuts to the working class

are necessary for the good of the economy, in reality, it is impossible for society to continue to fund corporate profits and the personal fortunes of the super rich.

However, these competing claims—between the ruling elite and the vast majority of the population—can only be resolved through the class struggle.

Workers must reject all demands for budget cuts by the bought-and-paid-for politicians in both big business parties and the trade union organizations that collaborate with them. A new political movement of the working class must be built to advance a socialist solution to the crisis. Instead of austerity, economic life must be reorganized to guarantee the livelihoods of the masses of working people, i.e., those whose collective labor creates society's wealth.

The Socialist Equality Party calls for the ill-gotten gains of the financial aristocracy to be expropriated and used to provide relief to the tens of millions of workers who have lost their jobs, homes and savings during the economic crisis.

A multitrillion-dollar public works program must be launched to put the 15 million unemployed workers in America back to work to rebuild the cities and repair the nation's decaying infrastructure. The banks must be transformed into a single publicly owned enterprise so that society's resources can be allocated, according to a democratically drawn-up plan, to guarantee a secure income, high-quality education, health care and housing for all.

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