Ahead of mayoral elections

Chicago budget sets stage for long-term austerity

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Just weeks after announcing that he would not seek a seventh term as mayor of Chicago in next spring's municipal elections, Richard Daley presented his last budget to the city council. Facing ongoing declines in revenue—nearly $1 billion since 2007—the city projected a deficit of $654.7 million for the upcoming fiscal year.

While it demands $32 million in concessions from city workers, Daley's budget relies on a series of one-off measures to defer the brunt of spending cuts for years to come. In doing so, Daley has framed the current campaign for Chicago mayor as a contest over who will be most ruthless in implementing sweeping cuts in city services and to the wages and jobs of city workers.

The top candidates in the election, to be held February 22, are now attempting to outdo each other in their commitment to austerity. For example, Gery Chico, current chair of the board of the City Colleges of Chicago, said he would "strip down the city budget and rebuild it," according to the *Chicago Tribune*.

The leading contender, Rahm Emanuel, until recently Obama's chief of staff, is well-placed in the contest, having worked both in the finance industry and as its political servant in Congress and the White House. Among the largest contributors to his campaigns over the years have been Goldman Sachs, JPMorgan Chase, Blackstone, Citigroup and UBS.

"In attacking our budget deficit, there must be no sacred cows," Emanuel warns on his campaign website. "We should be guided only by the need to protect our neighbors and ensure taxpayer dollars aren't wasted. We need leadership that's tough enough to say 'no' when it needs to be said and smart enough to know what government should do, and also what it can't do."

In order to conceal the precarious state of city finances prior to the election, Mayor Daley has resorted to drawing down to near-exhaustion reserves built up over many years. It is a fitting end for a city administration that has overseen the 20-year promotion of staggering personal fortunes on the one hand, and on the other the destruction of public wealth and the creation of a level of social misery not seen since the Great Depression.

Notably, Daley did not propose raising taxes on Chicago's 19 billionaires, whose combined fortune is $34.2 billion, about 49 times greater that the city deficit. Nor did he consider increased taxation on the more than 20 Fortune 500 companies that make their home in the Chicago area, among them Boeing, Kraft Foods, Allstate Insurance, McDonald's, Motorola, Exelon, United Airlines, Discover Financial, and Abbot Laboratories.

Daley instead liquidated financial reserves that will pave the way for an assault on social spending in the years to come.

Funds generated from the widely despised long-term leases—effective privatizations—of the city's parking meters and of the Chicago Skyway will contribute $288 million toward meeting the deficit. After this year, a mere $576 million will remain from the two deals, out of the $2.98 billion the city originally received from investors. Over 90 years remain on the Skyway lease, and over 70 on the parking meters.

Daley also proposed using a $180 million "surplus" that was generated by the tax increment financing (TIF) districts he has created over the years. Ostensibly for the purpose of rehabilitating blighted neighborhoods, these TIF districts have little oversight and are used in a variety of ways by the Daley administration when it wants to spend money with a minimum of scrutiny. According to a report in the *Chicago Reader*, past uses of funds include $35 million to help United Airlines move its corporate headquarters to a new office in the Willis (formerly Sears) Tower. The company that owns the building, whose lawyer is a principal in Daley's brother's law firm, is also slated to receive tens of millions of dollars more for rehabilitation.

The proposed budget also expects to save $142 million through debt refinancing. This measure would reduce yearly payments, but would ultimately extend repayment for many years. Signaling their displeasure with the city's finances, in August both Fitch and Moody's dropped Chicago's bond rating, with the former blaming unfunded pension liabilities and a delayed economic recovery, as well as reliance on reserve funds.

A further $32 million will be extracted from city workers via yet to be negotiated concessions. Reflecting the high degree of collusion between the Democratic Party and the unions, the inclusion of this provision was perhaps more revealing than the Chicago Federation of Labor would have liked. The money would be saved by extending a two-year-old agreement that implemented furlough days and overtime restrictions. Completely accepting the rationale for these attacks, yet realizing the anger with which they will be received by workers, Jorge Ramirez, president of the CFL, told the *Chicago Sun-Times*, "They've gone two years with a pay cut. They've made a sacrifice. Come on. A two-year agreement is a two-year agreement."

Because the Illinois state legislature decided to wait until after the election to finalize its own budget cuts, legislators face a special session in mid-November. At that session, Daley expects to appeal to the state to authorize the implementation of a two-tier pension system for firefighters and police on the model of that already approved for teachers and other public employees. Under this plan, newly hired workers face a minimum retirement age of 67, as well as a lower maximum pension.

Daley's final budget is the culmination of a career in the service of Chicago's financial elite. Since 1989, city spending has been cut by $3 billion, a significant figure considering the 2011 budget is roughly $6.1 billion. Highlighting the extent to which concerns of law and order have predominated among the bourgeoisie, 68 percent of the city budget is now spent on police and emergency management.

The announcement by Daley that he would not be running for a seventh term appeared to come as a surprise to much of Chicago's political establishment, but it presages a shift in class relations in America's third largest city. Having long relied on the complicity of the unions and middle class radicals to channel working class anger in safe directions, class relations in Chicago must now assume a more openly hostile character, bringing the workers into direct conflict with the city government and the Democratic Party that dominates it.