

# The US states' budget crisis: Where should the money come from?

**Patrick Martin****7 March 2011**

Republican and Democratic governors in state after state claim they have no choice but to impose drastic cuts on the wages, health benefits and pensions of public employees, as well as slashing funding for education, health care and other vital social services. The states face intractable budget shortfalls, the argument goes. They have to cut because "there is no money."

This is the main theme sounded by Governor Scott Walker in Wisconsin, who is snatching \$300 million from state workers' pockets and eliminating most of their collective bargaining rights as part of a \$3.6 billion deficit reduction program. As he said in one television interview, "The bottom line is we are trying to balance our budget and there really is no room to negotiate on that because we're broke."

Democratic and Republican politicians in Washington, from House Speaker John Boehner to President Obama, agree with this diagnosis. "We're broke," Boehner declares on a regular basis to justify demands for more cuts. In his State of the Union speech, Obama said, "We have to confront the fact that our government spends more than it takes in. That is not sustainable."

The corporate-controlled media parrots these claims, never questioning the unstated premise behind all these declarations of bankruptcy: the uncritical acceptance of the vast social polarization in America, with the piling up of untold riches by the financial elite and the accumulation, at the other pole of society, of unemployment, poverty and unmet social needs.

The media portrays opposition to budget cutting as irrational and unrealistic, as though it flew in the face of the laws of arithmetic. But even before we get to the more basic structural changes in American society required to solve the economic crisis, there are obvious

places where the resources could be obtained not just to erase the deficits, but also to greatly expand vital social services.

The two-year projected deficit of the state of Wisconsin is \$3.6 billion, little more than a rounding error when considering the vast wealth of the American financial aristocracy. The Koch brothers, the ultra-right patrons of Governor Walker, could write a check to cover that deficit and still remain billionaires.

Let us consider, starting with the low-hanging fruit, where the money could be found to wipe out the deficits of all 50 states combined, which this year come to a projected \$130 billion.

- The extension of the Bush tax cuts for the wealthy, enacted by a Democratic-controlled Congress in December with the approval of the Obama administration, pumps \$700 billion over the next ten years into the pockets of the rich. Reclaiming two years of that tax windfall would eliminate all the state budget deficits combined.

- Total compensation at Wall Street banks and securities firms last year hit a record \$135 billion, according to an analysis by the Wall Street Journal, on all-time-high revenue of \$417 billion. The recipients of the Wall Street bailout could bail out the states out of their own pockets.

- The 400 richest individuals in the United States dispose of a staggering \$1.37 trillion in assets, an average of nearly \$3.5 billion apiece. A levy of 10 percent on the resources of these billionaires would also erase the deficits of all 50 states.

- Combined profits for all American corporations rocketed upwards in 2010, hitting an annual rate of \$1.66 trillion in the third quarter. A tax of eight percent on those profits—the same percentage as the cut Walker seeks to impose on schoolteachers and park

rangers—would eliminate all state deficits.

- US corporations are currently sitting on \$2 trillion in cash, refusing to hire workers despite collecting tax cuts that are supposed to be incentives to do so. A levy of 10 percent on that idle cash would provide enough money to eliminate not only the deficits of the states, but the deficits of all cities and local governments too, as well as preserving the jobs of hundreds of thousands of public employees.

- Hedge funds assets rose to \$1.92 trillion in 2010, the highest ever, up from \$1.18 trillion at the beginning of the year. Given a standard earnings formula of 2 percent of total assets plus 20 percent of the increase, hedge fund bosses stood to collect roughly \$186 billion in personal income. An 80 percent tax on that income—less than the percentage rate on multimillionaires levied under the Eisenhower administration—would produce more than enough revenue to put all 50 states in the black. (It should be pointed out that the top hedge fund manager, John Paulson, had a personal net profit of more than \$5 billion in 2010, while more than a dozen hedge fund bosses had personal incomes above \$2 billion and many more took in over \$1 billion).

Contrary to the claims of the politicians and the media, it is not difficult to find the money to close the state and local budget gaps, with enough left over to begin a massive social rebuilding program. Implementing just some of the above proposals would generate sufficient funds, for example, to provide jobs in the next two months for 5 million Americans.

While not themselves socialist measures, they would mark an important step in addressing social inequality and moving toward the structural changes—the nationalization of the banks and major corporations and their transformation into publicly owned utilities under the democratic control of the working population; the institution of democratic economic planning; the rational and progressive integration of the American and world economy—that are needed to solve the crisis, eliminate poverty and hunger, raise the living standards of the broad masses and end social inequality.

The problem is the entrenched power of the capitalist ruling class and its total domination of the political system. The two established parties, the Democrats as much as the Republicans, are wholly owned

subsidiaries of the financial elite. Both parties defend the profits and property of the owners of the banks and giant corporations.

The working class, as Wisconsin demonstrates, is ready to fight to defend jobs, living standards and social services. But the old trade union organizations are thoroughly rotten. They are unshakably committed to the Democratic Party and the defense of capitalism, in which the unions are themselves sizeable shareholders, with the union leaders raking in six-figure salaries and perks.

Workers should reject the fraudulent claims that American society can no longer—in the 21<sup>st</sup> century!—afford decent schools, health care, housing and other necessities. The resources exist, produced by the labor of hundreds of millions of working people and appropriated by a tiny layer of exploiters at the top. These resources must be reclaimed for social use, to serve the needs of the working people who are the vast majority of the population.

This is a political fight, requiring a break with the Democrats and Republicans and the building of a mass socialist movement. The Socialist Equality Party, *World Socialist Web Site*, and International Students for Social Equality are sponsoring a series of conferences throughout the country in April to discuss the organizational forms and political program needed to conduct this struggle. We urge all our readers and all those who want to carry out a serious fight against the policies of the ruling class to make plans to attend today.

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