

New report foreshadows post-election assault on pensions, social programs in US

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19 July 2012

The State Budget Crisis Task Force—a body set up by former New York Lt. Governor Richard Ravitch and ex-Federal Reserve Chairman Paul Volcker—has issued a report aimed at preparing public opinion for an unprecedented attack on social services and public employees after the November elections.

The findings, which detail the deepening financial crises facing state and local governments, claims there is no money to continue funding public services and employee wages and pensions at current levels. The report's authors advocate huge cuts in health care and other services and the elimination of health and pension benefits won by public sector workers over generations of struggle.

While the report is presented as an unbiased, objective analysis, neither Ravitch nor Volcker are neutral observers. On the contrary, both are long-standing Democratic Party operatives tied to Wall Street and corporate America who oversaw ruthless attacks on the working class in the 1970s and 1980s. In addition, Ravitch in particular, has close relations with the AFL-CIO trade unions, which have collaborated in the attack on public employees.

“The fiscal crisis for states will persist long after the economy rebounds,” the *New York Times* wrote in a summary of the report, citing “rising health care costs, underfunded pensions, ignored infrastructure needs, eroding revenues, and expected federal budget cuts” as reasons for concern over long-term budget volatility.

Expenditures, the report claims, “are growing at rates that exceed reasonable expectations for revenues... The existing trajectory of state spending, taxation, and administrative practices cannot be sustained. The basic problem is not cyclical. It is structural.”

The report ignores the real causes of the fiscal crisis. In the nearly 100-page document nothing is said about how state, local, and federal government coffers have been emptied by corporate tax giveaways, multi-trillion dollar bank bailouts, and multiple wars and overseas interventions. The economic breakdown that followed the Crash of 2008 hardly merits a mention even though it led to a plunge in tax revenues as millions lost their jobs, home values plummeted and small businesses, starved of loans, went bankrupt.

The main target is public employee pensions, which have

been neglected and underfunded by the states and have also seen a dramatic fall in assets as a result of the financial crisis that began with the collapse of Lehman Brothers in September, 2008. Wall Street is now hell bent on looting pension funds just as it has done the public treasury.

“Legally and politically, legislation directed at new hires is the easiest to achieve because new hires are invisible and, until hired, do not vote in union elections (where unionized),” the report explains. “[B]ut such modifications produce the smallest immediate savings and do not reduce unfunded liabilities.”

In other words, simply attacking new hires, a common tactic states and local governments have used with the willing collaboration of the unions, is not enough. Current workers and retirees who have been paying into pension funds for decades must be made to pay for state deficits, despite the fact that their share of national wealth has been on the decline for the previous four decades.

The report points to an aging population as a particular reason for long-term concern. The next two decades will each see 30 percent+ increases in the over-65 population, resulting, the report claims, in increased stress on Medicaid and pension funds. Rising Medicaid costs, which must be paid on account of Medicaid's status as an entitlement program, “can no longer be absorbed without significant cuts to other essential state programs...this trend is likely to continue,” the report states.

A 7.2 percent average growth in Medicaid spending is expected over the next five years alone, which, when coupled with a 3.9 percent growth in revenue, will result in an annual budget gap of \$23 billion for the states by 2017.

In pointing to these trends, the report echoes complaints made by sections of the American ruling elite—like their counter-parts in Greece and other European countries—that workers are simply living too long after retirement. According to this argument, the supposedly bloated health care and retirement benefits of workers not the near-criminal and criminal activities of the financial aristocracy, is bankrupting the country. Typical were the comments of Robert Benmosche, the multi-millionaire CEO of American International Group (AIG)—a company that received a publicly funded bailout—who recently said retirement ages in the US and Europe should be raised to 80 years old.

The task force sheds the usual crocodile tears for “hard

choices” before praising both state governments controlled by both political parties for their attacks on public employees. Some of the deepest cuts have been made in New York, Illinois and California, all controlled by Democratic governors.

“Governments have been making changes. Between 2009 and 2011, 43 states either increased employee contributions or cut benefits or both. Additional changes will be needed.” These are not empty threats: this report foreshadows the strategic assault being planned by the corporate and political establishment.

While the Obama administration made trillions available to Wall Street banks, it has provided no bailout to state and local governments, which have eliminated 600,000 jobs since the Democratic president took office. On the contrary, the White House has deliberately starved the states and cities of federal funding in order to advance its agenda of slashing the jobs, living standards and working conditions of teachers and other public workers and privatizing public education and other assets.

In the coming months, the states will be required to foot more of the financial crisis, as the Obama Administration is expected to make heavy block grant cuts to state and local governments following the November election. The Obama Administration’s Budget Control Act of 2011, according to the Congressional Budget Office, mandates that “discretionary spending for education, transportation, and housing programs benefiting state and local governments will shrink by 35 percent between 2012 and 2022. [The CBO] project[s] that selected income security programs, primarily those benefiting children, will decline by 35 percent during the same period.”

Ten percent cuts to federal block grants would also result in a \$60 billion annual loss for state and local governments. This amount is “nearly twice the size of the combined tax increases that states enacted for 2008 through 2011,” the report claims.

These cuts are being made to offset a 47 percent mandatory increase for entitlement programs. The aging population met with high unemployment and the resulting loss in employer-provided health insurance plans has led to a drastic increase in the Medicaid and Medicare rolls.

Though the health care benefits and retirement savings of millions of public employees is up for the taking, the trillions obtained by the banks, Fortune 500 companies, and financial speculators in the aftermath of the financial crisis are not in play. More than 90 percent of the income produced in the post-2010 “recovery” went to the top 1 percent, but this huge sum is off-limits to settle state and local budgets.

The findings and recommendations of the Task Force are unsurprising given its architects. The Volcker and Ravitch are long-time enemies of the working class. Volcker, a life-long Democrat and former Chase Manhattan Bank executive, served as Chairman of the Federal Reserve under Presidents Carter and Reagan. In 1981, he drove interest rates to a record 20 percent, precipitating what was up to then the worst downturn since the Great Depression. Mass unemployment, factory closings and

union busting were used to batter down the resistance of the American working class, which had repeatedly defied attacks on living standards through militant strikes by coal miners, auto workers and other sections of workers in the 1970s.

Volcker praised Reagan’s smashing of the 1981 PATCO strike as the most important action “the administration took in helping the anti-inflation fight.” The firing of 13,000 air traffic controllers, Volcker gushed, transformed “the climate of labor-management relations” both “profoundly” and “constructively.” He most recently was appointed by President Obama to Chair the Economic Recovery Advisory Board, a post that he held from 2009 to 2011.

Richard Ravitch’s past is similarly unambiguous. A former unelected Lt. Governor of New York, Ravitch served as an adviser to former New York Governor Hugh Carey during the “bailout” of New York City in 1975-76. Using the threat of municipal bankruptcy Ravitch helped design a plan that mandated draconian cuts to social services, eliminated tens of thousands of city workers’ jobs and slashed wages for remaining employees. It also led to the first-ever tuition fees for the City University of New York students along with a sharp increase in transportation fares.

Ravitch worked closely with then teachers’ union chief Albert Shanker and other labor officials to use workers’ pension funds to purchase \$2.7 billion in city debt. The plan also created the Financial Control Board, which gave banks the power to veto city spending measures and labor contracts.

During the 11-day New York City transit worker walkout Ravitch served as strikebreaker in chief as Chairman of the Metropolitan Transit Authority. Before his stint as Lt. Governor, Ravitch—a wealthy real estate developer—sat on the Executive Committee of the AFL-CIO Housing Investment Trust’s Board of Trustees, a joint business venture of the trade unions.

The additional nine members of the task force are not politically distinct from Volcker and Ravitch. They include Nicholas F. Brady, former Secretary of the Treasury under Presidents Reagan and Bush; Peter Goldmark, the former budget director of New York State; Alice Rivlin, former Vice Chairman of the Federal Reserve under the Clinton Administration; and former Secretary of Labor, Treasury, and State, George P. Shultz.

The bipartisan character of the Task Force points to the vicious attacks being prepared against public employees and essential social service, regardless of whether President Obama or his Republican challenger Mitt Romney wins in November.



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