Pennsylvania's new Democratic Party governor prepares austerity measures

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As the New Year starts, Pennsylvania's newly elected Democratic governor, Tom Wolf, is preparing to press ahead with cuts to public education and other social programs and attack the pensions and health benefits of state workers. The governor's budget proposals are required by March.

Last month Wolf toured the state in a public relations campaign to lay the groundwork for austerity, telling residents that the state government in Harrisburg was facing an intractable fiscal crisis. During one visit to Hoyt Library in the northeastern city of Kingston, Wolf said the deficit was a "big" not "trivial" problem and was "structural." He said "making sure we understand that we have a problem" was "the first step in the process of getting to a much better place for Pennsylvania."

Backed by the media, Wolf is seeking to generate a sense of crisis in order to justify the claim that the state government has no choice but to impose deeply unpopular "structural reforms," including reductions in pensions and other hard-won gains of the working class. During the election campaign, Wolf made vague calls about raising taxes on the wealthy and the natural gas industry; since taking office, however, such talk has been dropped.

Pennsylvania is experiencing a confluence of economically damaging factors—budget shortfalls, rising pension debt and anemic job growth—all the direct result of the financial meltdown of 2008 and the Great Recession. This has been exacerbated by the precipitous decline in energy prices, which is drying up state revenue from oil and gas production and adding more workers to the unemployment line.

The once booming Marcellus Shale region has proven not to be the savior once claimed and falling demand for so-called Oil Country Tubular Goods has led to layoffs in the state's already depressed steel industry, including the indefinite idling of a mill in McKeesport, near Pittsburgh. Overall, the state is ranked 47th in job growth, according to Keystone Research's report on the State of Working Pennsylvania last year. Manufacturing jobs have decreased and social inequality has grown as wages have stagnated or declined for the average worker.

A 2014 report by the Pennsylvania State Independent Fiscal Office detailed that outgoing Governor Tom Corbett had used over one billion dollars in one-time revenue reallocations and payment deferrals to fund the 2014-2015 budget that ends June 30, 2015. Governor Wolf will consequently be facing a $2 billion deficit come July 1.

The contracts covering the 73,000 state workers are coming up for renegotiation this July. Wolf will no doubt demand more concessions from workers who have already made concessions in each of the last two labor agreements.

Another avenue Wolf and the Republican-controlled state legislature are likely to take is to go after the pensions of state workers and teachers. Currently, pension debt amounts to about $50 billion. In 2014, Pennsylvania contributed about $1.7 billion to pensions with a projected increase in the next budget of about $460 million, according to Corbett's budget Secretary Charles Zogby in his update last year.

Following the pattern set in Detroit and California—where bankruptcy judges approved cuts to constitutionally protected public sector pensions—Wolf is preparing the groundwork for pension reductions in the name of "saving" promised benefits. During a press conference in December, Wolf said, "Part of what we're doing now is making up for, I think, a failure to keep up with pension contributions back when we should have been making them."

In the past, Wolf explicitly ruled out changing, reducing, or canceling pension benefits to retired workers, but he is now moving to renege on that promise. However, he has said nothing about cutting current or future state employees' benefits—which Democratic governors have done in Illinois and other states with the collusion of the unions.

Over the past several years, Corbett and the Republicans have been staunch supporters of pension "reform," including plans to dump current workers into a 401k-type retirement plan.

Democratic politicians, along with all of the state's public employee unions that backed Wolf, voiced opposition to these proposals in order to curry favor with voters during last year's elections.

However, AFSCME and the other unions that supported Wolf did so not because the Democratic governor-elect opposes attacks on state workers and public education—he does not. They did so because he was more likely to utilize the unions to attack workers and reward the union executives for their services.

As in the rest of the country, Wall Street is demanding pension cuts in Pennsylvania as part of the transfer of even more public resources into the hands of wealthy investors. In 2014 Moody's and Standard & Poor's reduced the state's credit rating two notches below the national average, citing in particular the state's underfunded pension obligations.

Bill Delahunty, who works at Eaton Vance Management, a company that manages $110 billion in municipal bonds, told Bloomberg business news, "The liability is growing…you can't get away from that math. Steps towards a solution are what the market wants to see."

There is little doubt that Wolf will heed the demands of these parasitical financial institutions during his reign as governor in the Keystone State.