Depression spreads through the Midwest

by H. Graham Lowry

The U.S. economic depression is spreading into the Upper Mississippi and Central Plains, where Illinois and Iowa are now experiencing a general collapse of revenues. This is occurring at the accelerating rates which have already produced severe budget crises throughout the Northeast and Mid-Atlantic states.

First-term Republican Gov. Jim Edgar of Illinois, who faces a deficit for 1991-92 of more than $1.5 billion for a $26 billion budget, has already cut $87.3 million from the current budget inherited from Gov. James Thompson. On March 6, Edgar presented a plan to the legislature calling for at least a net $440 million in cuts and $800 million in further taxes. The deficit is certain to grow far beyond Edgar's projections, however, since they assume that Illinois will suffer only a mild recession, and that the federal government will not only maintain its aid, but increase it by $273 million.

The bond-rating agency Standard and Poor's has already placed Illinois on its watch list and threatened to reduce its credit further unless deep cuts are made. Edgar is ready to serve Wall Street, if not the citizens of Illinois. "The budget that I will propose," he declared in February, "will answer the questions of the bond-raters out East. It will undoubtedly not please a lot of people here in Illinois. . . . No one should think the process is going to be easy. We're in for some very difficult times in Illinois, and they're not going to be easy to resolve."

'Death warrant' for the poor

The welfare rolls in Illinois increased by nearly 13% last year, and official unemployment hit 7% in January. Yet Governor Edgar would slash as much as $500 million from health care and income assistance programs, in what the Illinois Public Welfare Coalition charges is "nothing less than signing a death warrant for poor Illinoisians."

Medicaid would be cut by $312 million. General Assistance—the only income aid for 100,000 single poor persons—would be cut by $121 million, nearly two-thirds of the existing level. That would mean unbelievable suffering if local governments cannot make up the difference, since current payments amount to barely $40 per week for each recipient! Edgar would also eliminate $69 million in property tax relief for the elderly and disabled, cut in half heating assistance for low-income people, and lay off hundreds of workers from agencies serving the poor and mentally ill. "After a decade of excess in the '80s," Edgar declared, "this budget is a responsible blueprint for the '90s."

Even this level of austerity assumes that the legislature will approve an extension of the state's temporary 20% income tax surcharge—projected to yield $800 million—when it expires on June 30. In the midst of a political brawl over legislative redistricting, approval is by no means guaranteed. Many of the cuts also amount to little more than bookkeeping tricks, which assume that municipalities can maintain their services and infrastructure without the previous levels of state aid. Local school systems, for example, would lose about half of their current share of surcharge revenues, even if the tax is extended.

Chicago, the state's leading city, already faces a school budget deficit for next year of more than $100 million. The Chicago Transit Authority budget, scheduled to lose about $38 million in federal operating subsidies, would be cut by another $31 million under Edgar's scheme, which CTA chairman Clark Burrus says would be a "devastating" blow. State welfare assistance to the city would be cut by $17 million.

None of this suffering is necessary. In January, Sheila Jones, running as a LaRouche Democrat in Chicago's mayoral primary, presented a plan for an Infrastructural and Industrial Development Fund for the city, in parallel with LaRouche's federal emergency program for economic recovery. Jones proposed to raise $4-5 billion a year through a $25 tax on each contract transacted on the floors of Chicago's Mercantile Exchange, Board of Trade, and Board of Options Exchange, where tens of billions of dollars of pure speculation are conducted on any given day. Such a tax on speculation would generate the equivalent of nearly twice the city's current annual budget, and ensure the funds for high-technology industrial development, the most modern and efficient infrastructure, and a superior quality of services.

Budget crisis in Iowa

Iowa's official unemployment level jumped a full percentage point in January, which on an annual rate would bring it over 16% by the end of this year. Recent indications suggest that it may be much worse. The current state budget deficit is $250 million, nearly double the $133 million of last June, when Iowa's deficit per capita amounted to $47.72 for its 2.7 million people—second in the region only to Illinois's deficit per capita, which stood at $53.63. Republican Gov. Terry Branstad says he is determined to force layoffs and cutbacks.

Tax collections are declining, and the welfare caseload is up sharply. The dismantling of the nation's major auto companies is now hurting Iowa's auto parts and accessories producers; the number of non-farm jobs dropped by 28,400 in January. Construction has collapsed, and for Iowa's 33 major cities and towns, the value of new housing permits in January was down 75% from a year ago.

© 1991 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.