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'Post-industrial society' empties coffers of states

by H. Graham Lowry

After a quarter-century of imposing "post-industrial society" policies on the United States, its economy is disintegrating at all levels. Depleted vital functions of government are shrinking further under a kind of zero-sum fiscal scramble, and evidence at the state and local level only points to continuing collapse.

The advocates and architects of this wreckage refer to it as the inevitable "pain of structural change"—a mystical process beyond human control. What they mean is the deliberate effort to deindustrialize and depopulate the United States, a policy which the leading circles of finance do not intend to abandon. Their spokesmen, in fact, warned President-elect Clinton immediately following the November balloting that there is "not much any President can do to halt the steady stream of layoffs flowing from corporate America," as the *Washington Post* put it on Nov. 6. To that one must add, not unless he scraps every aspect of the lunatic policies governing the past 25 years.

The Clinton camp talks about creating 250,000 jobs through tax credits and puny investment levels in infrastructure. California alone has lost over 800,000 jobs in the last two years, and the state has 900,000 impoverished farm workers competing for the equivalent of 350,000 full-time jobs. Welcome to the post-industrial society.

Post-industrial ruin

The task of reconstruction, especially of the U.S. industrial base, is far greater than one might ever guess from the babblings of politicians, academic economists, and the news media. Not only are our largest cities lying in ruins, but the same fate has descended upon our medium-and smaller-sized industrial cities, once a bulwark of the economy. The state of Pennsylvania, which lost nearly 30% of its blue-collar work force during the 1980s, recently reported that 51 of its cities with populations under 500,000 are significantly more depressed that the state as a whole.

The Pennsylvania Data Center found that the population of these so-called "Third Class" cities (by size) has declined nearly 28% in the last 40 years, despite a 14% increase in the total state population. Their unemployment rate was 50% higher than the state average, and per capita income 22% lower. Almost 19% of their population lived below the official poverty line in 1989, compared to 11% statewide. During the 1980s, the number of single-parent families in these cities increased by 22%, at a rate almost 47% higher than for the state as a whole. The list includes such formerly industrial centers as Erie, Allentown, Altoona, Wilkes-Barre, Johnstown, Williamsport, and Hazelton. No "post-industrial" economy has emerged to replace what was lost, and all of these figures would be worse if only measured against the *rest* of the state, rather than being averaged into the overall statistics.

Under the reigning doctrine of "structural change," the state of New Jersey on Nov. 12 proudly released a forecast of its own post-industrial doom. Its Labor Department projects an 8% population increase by 2005, with a 14% increase in the number of jobs, but only in non-productive categories. Labor Commissioner Ray Bramucci announced that *85% of New Jersey's total work force* would be employed in retail trade and services by 2005, following another 10.5% decline projected in manufacturing. He added that such forecasts are "vital" to state policymakers in identifying job-training programs for new forms of employment. Funds for retraining the victims of deindustrialization are frequently non-existent. Michigan Gov. John Engler is seeking $50 million in federal funds to provide job retraining for 11,695 auto workers,

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scheduled to be laid off by General Motors beginning in January. Perhaps selling one another's used clothing may be added to taking in one another's laundry.

Dwindling public funds

Declining production, sales, income, and employment are increasingly resulting in empty public coffers. In Indiana, the state teachers' pension fund is underfunded by $5 billion, one of the worst shortfalls in the nation. California's disability insurance fund ran out of money in mid-November, largely due to the fact that 226,000 fewer payroll workers are contributing to it than a year ago. The Los Angeles Unified School District, which cut teachers' pay 12% on Oct. 3, faces imminent bankruptcy if a court injunction against the cutback is sustained. The city of Detroit plans to lay off at least 445 public school workers just to cover a 4% pay raise the teachers won in this fall's school strike. New York City, already projecting a deficit this year of up to $1.5 billion, announced plans on Nov. 10 to eliminate 6,500 more municipal workers.

Meanwhile, the continuing collapse of state and local revenues during the current fiscal year has again produced a rash of emergency budget-cutting proposals. In September, Maryland Gov. William Donald Schafer demanded a $400 million reduction at the beginning of October, marking the eighth time in two years he has resorted to additional cutbacks. Ohio Gov. George Voinovich, who made three sets of cuts totaling $600 million during his first 18 months in office, announced in November that another $300 million would have to be slashed in December. Ohio's budget director offered the absurd analysis that, despite a worsening economic outlook and prospects of high unemployment levels next year, the state's businesses are "growing stronger" and Ohio is "moving slowly toward what we consider to be a half-strength economic recovery." The budget director for the state of Washington announced more bluntly on Nov. 18 that its budget is on a train headed for an "ugly destination," driven by a deficit currently projected at a whopping $1.8 billion. Governor-elect Mike Lowry is already promising deep cuts.

Depression-wracked California, where budget shortfalls the last two years have totaled $25 billion, has already borrowed $6 billion through issuing short-term notes which come due during the current fiscal year. The projected deficit on top of that officially stands at $2.4 billion, which state forecasters believe could easily triple if the "recession" continues into next year. Gov. Pete Wilson plans to present further budget cuts to the legislature in January. The Wall Street credit-rating agency Standard & Poor's attributes the "budgetary stress" to "recessionary pressures and structural changes in the underlying economic base." The "structural changes" include the virtual devastation of its aerospace, defense, and electronics sectors—the core of its modern industrial base. The federal government's response was to recently allocate less than $1 million to set up programs for "dislocated workers."

Gambling with the future

One of the most obscene economic proposals of the post-industrial society has surfaced lately in Chicago, where Mayor Richard M. Daley has proposed a $2 billion downtown casino development as the answer to unemployment and revenue shortfalls. Daley announced his 1993 budget proposal on Nov. 10, calling for an increase in property taxes and the elimination of 1,100 municipal jobs. "The reality is that we live in an age of declining resources and over-taxation," Daley declared, "so we must continually find ways to do more with less."

The new age of casino gambling (and a windfall for organized crime) has so hooked Daley that, the day before his budget announcement, he offered to spend $1 billion over 10 years to build and rehabilitate public schools throughout the state. The money would be raised through bond sales and a 10% tax on gaming (half what the riverboat casinos already in operation pay). Daley claims that the scheme, which requires approval from the state legislature and faces a veto threat from Gov. Jim Edgar, would generate $600 million the first year—yet he expects only $174 million of that to end up in the city treasury.

Daley himself would become the state's gambling kingpin, through the creation of a Metropolitan Entertainment District Authority, for which he would name four of the five members, leaving the governor the fifth. The authority would be empowered to raise up to $500 million in bond sales to cover land acquisition, relocation of residents and businesses, and "other uses." The authority could even lend money to the casino companies involved in the project, Caesar's World, Hilton Hotel Corp., and Circus Enterprises! The casino development would also permit the companies to include 1,200 hotel rooms in the giant complex.

A bailout for gambling interests

Daley, of course, has only our children's welfare in mind. His $1 billion school financing scheme, designed to lure legislative support, "will do for our children what the Illinois lottery and the riverboats failed to do—provide new money for schools," Daley declared. But his legislative proposal includes a state bailout. If the gaming-tax revenues prove insufficient to pay off the bonds, the state would have to pick up the tab from its general fund.

The debate over the proposal—except for numerous objections from law enforcement officials that the "mega-casino" would be a magnet for criminal activity—has been nearly as bad as the plan itself. Governor Edgar has complained that it would lead to job losses—in the downstate horseracing "industry." As for generating additional revenues, he fears it would cut into the take from the Illinois lottery. Is this any way to run an economy?