

## U.S. depression leading to 'war of each against all'

by H. Graham Lowry

The depression-wracked U.S. economy has moved predictably into the increasing balkanization of vital government functions and services. The failure to reverse the precipitous collapse of the nation's revenue base has unleashed a Hobbesian "war of each against all" among state and local governments—and the anarchic scramble for funds has all but eliminated the concept of policymaking for the general good.

With the scrapping of even the token attempts by the Clinton administration to stimulate the economy, the mounting deficits accumulating at all levels of government are beginning to crush the basic foundations of public education, health care, welfare, and police and fire protection.

### **Pulling the plug on California**

For the state of California, which lost over 800,000 jobs during the previous two years and racked up budget deficits totaling \$25 billion, the deficit looming for the coming fiscal year is already projected at another \$9 billion—despite record tax increases. Another \$4 billion has been rolled over during the last three years through short-term borrowing on the money markets, at interest rates costing 10¢ on every dollar.

Gov. Pete Wilson presented a revised budget on May 20 that would end state aid to cities and counties, slash health and welfare programs already cut to the bone, and leave localities with the choice of making further cuts or increasing their own sales taxes. Wilson announced a statewide election for Nov. 2 to enable California's 58 counties to place sales tax increases on the ballot. The elimination of \$2.6 billion in state assistance will leave cities and counties without enough money to meet their payrolls, and will cost Los Angeles

County alone \$1.2 billion. The L.A. County Sheriff has warned he would be forced to lay off 1,100 of his 7,600 deputies.

Another ballot item, the so-called Parental Choice Initiative, threatens the very existence of public education. This version of the school voucher plan, which deschooling advocates have been pushing for years, would provide parents of school-age children the equivalent of about \$2,600—about half the cost of educating a student—for use at any school, public or private, with 25 or more students.

Opponents have correctly charged that the measure would simply drain more funds from local public schools, while supporters have openly claimed that the measure would "force" public schools to "improve" by competing for voucher monies. The proponents do not explain what happens to the public schools if they lose any significant amounts, nor how they are to plan curricula with uncertain budgets. Far from ensuring equal access to quality education, the voucher scheme would simply herd more and more disadvantaged students into poorer and poorer schools.

The day after Wilson announced his revised budget, the University of California Board of Regents suspended plans for a tenth campus, to serve the San Joaquin Valley. Board president Jack Peltason also said that the system may have to abandon its historic goal of ensuring college educational opportunities for all California high school graduates who qualify for admission.

### **And the taxes go 'round and 'round**

State after state is similarly shifting its tax burdens from one source to another. In Ohio, Senate Republicans have proposed to cover a \$68 million deficit by imposing \$30

million in "franchise fees" on nursing homes, and then collecting \$30 million in federal matching funds to help senior citizens live at home. A similar assessment on hospitals and nursing homes in Illinois has already flopped, and its legislature is still looking for alternative sources to pay an estimated \$1.5 billion in Medicaid bills during the fiscal year beginning July 1.

During the final week of May, the Illinois legislature considered swiping \$139 million from the Department of Public Aid budget, and imposing a \$200 million increase in the state's cigarette tax. The tax hike was killed when state officials and legislators objected that it would simply fatten tobacco sales on the other side of Illinois' borders with Indiana, Kentucky, Missouri, Iowa, and Wisconsin—and open the doors to large-scale bootlegging operations for the benefit of organized crime. Crime syndicates are already thriving on state budget deficits throughout the Midwest, where the chimera of revenue and job expansion has led to legalized casino and riverboat gambling, especially along the Mississippi, Ohio, and other major rivers.

In Illinois, which faces a statewide school funding crisis, Lt. Gov. Bob Kustra recently suggested that riverboat casinos be extended to Chicago, and that their potential future revenues be used as collateral to take out loans now for the state's public school systems. Gov. Jim Edgar, previously an opponent of opening casinos in Chicago, said on May 24 that funding schools with gambling revenue "could be a good idea whether it went to Chicago schools or all of the schools." Meanwhile, Edgar has withdrawn more than \$210 million in state aid to local governments, in order to count the money in the state's woefully underfunded public school budget. School districts in Mt. Morris and North Chicago are already in the process of closing down for lack of funds.

Another revenue tradeoff scheme was scheduled to go before Michigan's voters on June 2, in a referendum on increasing the state sales tax by 50% in return for reducing local property tax assessments. Gov. John Engler was hoping for support from Coleman Young, the mayor of bombed-out Detroit, on the promise that the city's assessment rates would decline, while school spending per pupil would marginally increase. Prior to the vote, Young said that the plan would do little for Detroit schools or taxpayers, but suggested he might back it in return for favorable action on bringing casino gambling to Detroit.

In Massachusetts, where budget deliberations for the coming fiscal year are under way, the legislature is considering easing a 13-year-old property-tax cap by permitting increases tied to inflation, to make up for cutbacks in local aid by the state. One of the budget-balancing schemes is the legalization of computerized poker gambling, for an estimated \$50 million of revenue in a \$15.6 billion budget.

Beyond the obscenity of tying the future of vital public services to the state's cut from the gambling take, the marginal revenue prospects never justify extending legal blessings

to organized crime syndicates. The Illinois State Police have charged criminal involvement and money laundering in the riverboat casinos already licensed there. In Iowa, several riverboats operating on the shores of the Mississippi River pulled away and steamed south last year after complaining of multimillion-dollar operating losses. And the Wisconsin State Gaming Commission audits for 1992 show that three of the state's dog tracks lost \$6.5 million. Owners of a fourth track still being audited project a \$6.4 million loss, and all of them are lobbying for reductions in the state's pari-mutuel tax rate—and resulting revenues.

## **Brawls over base closings**

Ever since the Pentagon's announcement in March of another major round of U.S. military base closings, intense political infighting has spread among states with targeted facilities, and even within states with more than one on the list. The internecine warfare over dwindling economic assets worsened following the release on May 20 of an expanded list drawn up by the Defense Base Closure and Realignment Commission, the presidential review board charged with recommending what facilities should be eliminated or scaled down.

Commission chairman James Courter has urged enlarging the list of targets, for the explicit purpose of maximizing possible tradeoffs and giving affected communities enough notice to campaign for their own interests. The Defense Department originally proposed to close 31 major bases, cut back 12 more, and shut or reduce another 122 smaller operations. Now the commission has added another score of installations, including four Army bases, three Air Force bases, three Navy shipyards, four Naval air stations, and three ports.

The loudest screams have come from California, where losses from the closings originally proposed were estimated at 156,000 direct and indirect jobs and up to \$5.2 billion a year in payrolls and contracts. Four more facilities have been put on the list, including Long Beach Naval Shipyard. Virginia has been sent scrambling to defend Army posts at Fort Lee and Fort Monroe, as well as Norfolk Naval Shipyard and Oceana Naval Air Station. Those installations employ 18,700 military personnel and 22,500 civilians.

Also added to the list of closings are the Portsmouth Naval Shipyard in New Hampshire; Air Force bases in Plattsburgh, New York, Fairchild, Washington, and Grand Forks, North Dakota; Navy ports for surface ships in Everett, Washington, Ingleside, Texas, and Pascagoula, Mississippi; and Naval Air Stations at San Diego, California, Corpus Christi, Texas, and Memphis, Tennessee.

President Clinton will have the final say, but only either to accept or reject the entire list submitted to him, and present it to Congress on the same terms. The supposed dividend of the end of the Cold War, the base closings will only accelerate the nation's economic collapse as long as no real recovery is mounted on a massive scale. Meanwhile, what's left of the country will continue to wage war over the crumbs.