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**As California's Economy Worsens  
Public Workers to Form an Action Agenda  
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As the historic-global structural crisis of capitalism deepens, workers, students, and the poor in California are being subjected to some of the worst economic setbacks in the nation. This is reflected in the state's budget, passed on February 19th, 2009. In the wake of that budget, California workers, students, and the poor are facing:

- Wage reductions in the public service sector;
- Potential cuts of tens of thousands of public service jobs;
- Erosion of quality education for millions of students;
- Radical reductions of public services, including health care, social welfare, housing, environmental protection, and local services;
- State fiscal measures that contribute to increasing unemployment and lower prospects for economic recovery.

California's budget also includes regressive tax increases that will impact workers, students, and the poor. At the same time, over a billion dollars in tax handouts to the wealthy and corporations are included.

In response to the economic crisis and its budgetary implications, a conference of state-wide public workers convened on March 15, 2009 at Sacramento City College. The conference has been organized by the United Public Workers for Action. The [UPWA](#) is a organizing committee and network, formed in 2008 by San Francisco Bay Area union members and activists committed to bring all-affected public workers in the state together to address the current crisis.

The crisis that California workers, students, and the poor face is caused by the ongoing weakening of California's economy and chronic state budget deficits, compounded by

the accelerating structural crisis of the integrated global economies. The weakening of California's economy—the world's eighth largest—is fundamentally due to deindustrialization and Neo-Liberal policies. The latter include tax cuts, rolling-back social services, privatization, and deregulation. The deindustrialization of the economy and Neo-Liberal policies were implemented starting in the late-1960's and early-1970's, and have been the basis for United States/California economic policy since that time. Moreover, in the past decade, Enron gouging California's energy revenues and the dot.com bust added to the economy's further decline.

Further, the collapse of the housing-bubble, which is considered to be the trigger of the current stage of the structural crisis, has greatly intensified the crisis. For example, California has had the highest number of home foreclosures in the nation in the past year. In 2008, the state experienced 236,000 foreclosures, more than the previous nine years combined. The price for a house also declined significantly during that period. For example, the median price for a house in Southern California last year was \$415,000, while it is now worth \$278,000. This deflation is responsible for a vicious downward cycle: With the collapse of housing prices, tax revenues are severely reduced, adding to government deficits. This results in further unemployment of public workers, and undermines consumer demand, and leads to even more foreclosures.

Thus, it is not surprising that in January, 2009, California lost 79,000 jobs, bringing the total unemployed in the state to 1,863,000, up 754,000 from January, 2008. This figure brings the state's official unemployment total for January to 10.1 percent, 2.5 percent higher than the national average for the month. This is the largest unemployment rate in California in 26 years.

Moreover, the economic crisis in California is intensified by a political situation that has proven to be undemocratic and unworkable. This situation is caused by a combination of Neo-Liberal policies and constitutional procedures, such as term-limits and the requirement for a 2/3rds vote for passage of budgets and tax increases. Neo-Liberal policies are largely responsible for long-term structural imbalances in the tax structure, reflected by the notorious Proposition 13 passed in 1978. This proposition, sponsored by right-wing tax reform advocates, has prevented property taxes from reflecting the increase in the value of property in the state over the past three decades, significantly limiting tax revenues.

Furthermore, Proposition 13 has forced the state to rely on personal income taxes for a significant portion of its revenue. This has proved to be problematic owing to both tax loop holes and recurring economic downturns. For example, the state was expecting revenues from capital gains and the sale of stock to account for 11.5 percent of the General Fund this year. However, owing to the accelerating structural crisis this fall, that amount dropped to 5 percent; and will certainly be even greater next year.

The main constitutional procedural impediment is the 2/3 requirement for passage of the budget and raising taxes. The 2/3rds vote requires that a budget can only be passed by a supermajority in the state legislature. Proposition 13 also mandates a 2/3rds vote to increase taxes. The 2/3rds requirement was originally passed in 1933, when it was to be implemented only if there was a five-percent increase in the budget from one-year to the next. In 1962, it was endorsed by the voters to be used every year. Interestingly, the 2/3rd requirement is used in only two other states, and no local government in the state uses it as a means to pass budgets.

The political implication of the 2/3rds requirement has been that the Republican minority in the state legislature—which consists almost entirely of right-wing

ideologues—can hold the budget hostage and attempt to undermine any effort to pass equitable tax increases. Instead of a commitment to “fiscal responsibility,” it is obvious by coordinated actions of California Republican Party that the intent is to completely roll-back the state’s public sector. Ironically, when the voters endorsed the 2/3rd requirement in 1962, the state treasury was always “flush” and Republicans were generally fiscal “moderates.”

The problem outlined can be seen in the context of the California’s recent (ongoing) budget cycle. A balanced budget was supposed to be finalized in June, 2008. However, it stalled primarily due to coordinated intransigence of the Republicans in the state legislature and was not passed until the fall. During that period, the deficit projected to June, 2010 grew to \$42 billion, forcing the state to re-negotiate the budget to make up for the deficit.

Over the past few weeks, Governor Arnold Schwarzenegger and the Democratic and Republican leaders from the Senate and Assembly (the so-called “Big Five”)—pressured by the fact that the state was running out of cash and that the state had the lowest bond rating in the country—negotiated a budget behind closed-doors. When the budget was presented to the legislature, two Republicans were willing to vote for its passage. However, there was still the problem of getting a final Republican to support the budget (including the tax increases), even though it was one of the most Draconian budgets in California history.

The passage of the state budget occurred because one Republican, State Senator Abel Maldonado of Santa Maria, extracted concessions from the Governor and the Democrats. The concessions included elimination of a proposed twelve-cent increase in the gasoline tax, and support for a May 19 “special” election which will present to the voters for consideration a permanent “spending cap” and an “open primary.” As noted above, the budget was passed in the early morning hours of February 19th. One can assume that, because of his capitulation to Schwarzenegger and the Democrats, Maldonado has become a pariah within his party.

The outlines of the \$140 billion budget include: \$14.8 billion in cuts; \$12.5 billion in temporary tax increases; \$5.4 billion in borrowing, including from the state lottery; and relying on revenue from President Obama’s stimulus bill. Obviously, these spending reductions and tax increases will disproportionately hurt the working classes, the poor, the elderly, and the disabled.

The budget cuts are the most severe in the education and social services sectors. The overall cuts for education are \$11 billion through June, 2010. That amount includes an \$8.4 billion reduction for K-12; and the remainder taken from university, state college, and community college systems budgets. The state college system has already announced that it will turn-away 10,000 new students next fall and increase tuition by nine percent. Examples of social spending cuts include: \$200 million reduction for Dependent care tax credits; \$226.7 million reduction for mental health services; and dropping 230,000 children from the California Opportunity and Responsibility to Kids Program.

The regressive taxes increases include: 1) a one-cent increase in sales tax; 2) a 0.25 percent increase in personal income taxes; 3) a 2.5 percent surcharge on tax bills; and 4) doubling the vehicle license fee. Ironically, when Schwarzenegger ran for Governor in 2003 one of his main selling-points was reducing that fee. Moreover, state public employees will be subject to a one-day-a-month furlough, which amounts to a five percent per-day pay cut. The budget also eliminates two state holidays. The furlough program and the elimination of the state-holidays are estimated to save a projected

\$1.4 billion.

As Richard Holober, Executive Director of the Consumer Federation of California, explains, "The average working family of four will pay an additional \$1200 over the next 17 months in increased sales tax, personal income tax and vehicle license fees. At the same time, business gets about one billion dollars in tax breaks."

What must also be recognized as important in this scenario, is that the budget is not final. The final version is contingent on one, or more, of the following:

- 1) the voters passing eight-budget related compromised concessions, including establishing a permanent "spending cap" in a May 19 special election;
- 2) the amount California receives in the Federal stimulus program; and
- 3) the discretionary line-item veto power Schwarzenegger has wrestled from the legislature. The state is expecting a \$9 billion expenditure from President Obama's stimulus plan. If that occurs, it would mean that the state would have to borrow less and restore \$950 million in cuts.

Nevertheless, owing to the accelerating global/national-economic/financial crisis, California's economic future does not look promising. Moreover, the political conundrum it finds itself in will also continue to be an impediment to fiscal soundness. Thus, the cuts could be even deeper before the summer 2009. Furthermore, the state's structural and constitutional procedural problems, amplified by the deepening global structural crisis, portend an even graver situation in the next budget cycle.

As the economic crisis has accelerated over the past year and-a-half, public employee unions have:

- 1) attempted to deal with contract negotiations unilaterally;
- 2) expected the Democrats in the legislature to defend the interests of workers, and/or
- 3) lobbied to have a "seat-at-the-table."

This is also underscored by intra-union divisions and conflicts, which has further prevented a unified front to deal with the crisis. Overall, public employee unions have not been able to defend the gains that labor has made over the past century-and-a-quarter, nor protect the resources that local governments need to adequately provide services and compensate public employees. This reality is clearly indicated by the anti-democratic nature of the recent budget deliberations. Moreover, without coordinated mass mobilizations and alternative strategies by labor, students, and the users of public services, the budget outcome was predictable.

Therefore, the UPWA advocates that the accelerating economic crisis and its political ramifications in California requires the formulation of new strategies and agendas based on a collective response. This is based on the belief that only a unified organized labor can build a broad movement to achieve those ends. This includes putting the "house in order" for organized labor and participating actively in coalitions with unions in the private sector, student groups, housing activists, environmentalists, immigrant rights organizations, civil rights organizations, etc.

Furthermore, the UPWA agenda is premised on the recognition that the economic/budget crisis is not being solved within the parameters of the established political system. In California, the policies that come out of the Governor's office and

the state legislature have avoided confronting the underlying structural (and ideological) realities, and are inadequate short-term responses which fundamentally benefit the wealthy and corporations at the expense of workers, students, and the poor. This reality is rapidly becoming obvious to increasing numbers of Californians. By implication, owing to the historic structural crisis a political space is opening where the potential for progressive change is possible.

In that light of the foregoing and current events, the conference aimed to accomplish the following:

- Outline and define the effects of the economic/budget crisis on public services and workers, and identify potential allies;
- Examine the reasons for the current political and policy impasse and the recent succession of band-aid budget measures;
- Develop a common agenda to confront the ongoing crisis in the interest of the public, and rebuild viable public services and funding sources responsive to changing needs of Californian's during both good and bad economic times;
- Develop strategies and organizations to address the systemic crisis over a sustained period of time.

Specific areas that will be discussed in workshops at the UPWA conference are:

- Revenue generation and the political process;
- The 2/3 requirement and strategies to change it;
- The crisis of the public service sector;
- The health care crisis and the viability of single-payer;
- The state's public education system, its funding, and its future;
- The housing crisis;
- Impact of the crisis on services for immigrants;
- Organizing for community and the future.

The conference will also develop plans to participate in the statewide Day of Action for immigrant rights and public services to be held on May 1, 2009 in Sacramento. To find out more about the United Public Workers for Action go to: [www.UPWA.info](http://www.UPWA.info).

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