Attacking Public Employees: Will New York Lead?

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As in other states, New York's new governor has focused attention on the state's budget woes: revenues insufficient to cover expenditures. His major response has been to blame public employees and their unions as if their pay, benefits, and especially pensions were chief causes of the problem. He loudly demands they "share the burden" of fixing the state's budget crisis.

Many political leaders across the states and in both major parties have been pushing the same agenda. Yet before New York helps draw other states down this path, **a quick examination of New York State's finances** suggests a very different and far fairer way to fix New York's as well as other states' budgets. New York has three major kinds of taxes: the personal income tax hits nearly everyone's earnings, the sales and excise taxes hit everyone's expenditures, and the corporate and business profits tax hits them. In 2010 (fiscal year), personal income taxes raised $34.8 billion; sales and excise taxes raised $12.2 billion; and corporate and business profits taxes raised $6.6 billion. Not only do businesses pay a very small portion of the state's total tax take, but business taxes rose less than the other two kinds over the last decade. From 2000 to 2010, personal income taxes rose 50%, sales and excise taxes rose 24%, and corporate and business taxes rose the least, 20%.

One reality jumps out from these numbers. If taxes on corporations and businesses were raised by 50% over what they yielded in 2000 — equaling what happened to New York's personal income taxes — New York State's budget would get much healthier. Such a business tax would generate more new revenue for New York than would be saved by the new governor's proposed wage freezes and other public employee cutbacks.

Sales and excise taxes are the most regressive kinds of taxes. They do not tax persons according to ability to pay (as do both New York's and the federal income tax systems). A Rockefeller and you pay the same 4% state sales tax when purchasing a taxable good or service. There is little justice in having regressive taxes, but there is absolutely none in raising them *more* over the last 10 years than taxes on businesses.

Finally, consider the personal income tax. New York has 7 brackets: you pay a higher percentage of your *net* income (adjusted by allowable deductions from your gross income) the higher the net income you receive. Those in the bottom bracket (earning $8,000 or less annually) pay 4 % while those at the top (earning over $500,000 annually) pay 7.7%. Let's first ask why no more brackets exist for the very highest income earners who are most able to pay. For example, why not 8 or 9% for those earning over $1,000,000 annually and perhaps 15% for those earning over $2,000,000? Such additional brackets would only impact the top 1-2% of New Yorkers. Moreover they deduct taxes paid to New York from their federal taxable income, thereby recovering over a third of their tax payments to New

York.

A genuinely progressive governor would begin work on the state budget by correcting unfairly low levels of taxation of business, reducing regressive taxes, and increasing the progressivity of personal income taxes. The new governor instead chooses not to raise taxes on those whose wealth insulated them from the worst effects of the economic crisis and who got most of Washington's "recovery" spending since 2007. Public workers were not a significant cause of the global economic crisis that plunged all state budgets into crisis. In contrast, the biggest businesses and the richest citizens of New York were precisely groups whose members included major players in the financial excesses and speculations that were major causes of the crisis.

It is fashionable to worry that business and the rich might retaliate against raised taxes by moving to other states. If the new governor really cared about that, he might rally other governors and the mass of people to support federal laws or agreements among states preventing corporations from playing states against one another. But the new governor neither says nor does anything about that. When personal income and sales taxes are raised — as they have been — where are the worries about the economic consequences that result when squeezed family budgets cut short children's educations, reduce family members' visits to doctors, and shape a thousand other family decisions damaging to their, the state's, and the nation's futures? And where are the worries about similar consequences from freezing public workers' wages and cutting state payrolls?

Neither economic efficiency nor the people's welfare motivates the current attack on New York's public workers disguised as "responding to" the state budget crisis. Rather, the pressure is on state budget policies to serve the biggest businesses and the richest citizens (who own or manage those businesses). Using the profits their workers make possible, they press state government to meet their needs while taxing mostly others, especially the private and public employees paying the personal income, sales, and excise taxes.

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