Tax the Rich! State Budget Crisis Deepens: Humanitarian Crisis Emerges

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Social catastrophes are poorly expressed by statistics. A recent study by The Center on Budget and Policy Priorities revealed that 41 states are facing severe budget shortfalls for 2009. Some states are worse off than others, with California ($31.7 billion) and Florida ($5.1 billion) leading the deficit pack. In all, the 41 states are currently facing a $71.9 billion budget shortfall. The key word here is "currently," since a similar study was conducted by the same group only three months earlier, at which time "only" 29 states were predicted to face shortfalls of a "mere" $48 billion. As the recession deepens, so will the state's budget problems, turning this "budget crisis" into a humanitarian disaster. Projections have already been made for a $200 billion shortfall by 2010.

These deficits have already transcended the computer screen of the statistician into real suffering of the most vulnerable sections of society. In dozens of states across the country, vital services are being cut to the elderly, disabled, the poor, and recently unemployed. Teachers are being cut from schools and tuitions are rising. Workers from state construction sites are being laid off, while social service employees suffer a similar fate. Non profits are closing their doors.

Most likely, these pains only mark the beginning. Many states have a "rainy day fund" of some kind that they use to plan for such crises. These funds are already depleted, or certain to dry up quickly, with "hard decisions" now having to be made. This is especially troubling when one considers that, in many cases, state cutbacks made from the 2001 recession remained in place. Not to mention that successive presidents have successfully plundered federal social programs. The new, extraordinary state budgets that are being drawn up to address the current deficit crisis will essentially destroy the social safety net for millions of people, including access to daycare, food stamps, welfare, and basic medical services. The fact that the federal budget is in even worse shape, and will likely choose to follow a similar route of massive cuts, makes future predictions of social calamity all but certain.

The options available to states to respond to budget crises are limited since states are not allowed to run deficits; they must solve their budget problems immediately. Nearly every state government is reacting to the crisis in essentially the same way: by cutting essential services and raising "secondary" taxes (alcohol, cigarettes, gas, etc). In reality, after spending their reserve funds, states have only two viable options: cutting spending and raising taxes.

Raising taxes is counterproductive for two reasons: it can cause social unrest and it takes money out of people's pockets who would otherwise be "aiding" the economy by purchasing things.

However, there is a class of people whom this does not apply to: the very wealthy. By taxing them instead, money will not be taken out of the economy since it lays idle in banks (especially since they've temporarily stopped gambling in the stock market). Also, there can be no fear of social unrest when this group is taxed, since they constitute a very, very small section of society.

Rather than opting for this common sense solution, states are instead raising taxes on gas, alcohol, cigarettes, sales taxes, among other things that affect working and poor people disproportionately more than the rich, at a time when the working class is already financially desperate.

And yet another grim way that states are responding to the crisis is building prisons and focusing on "law and order." The money spent on building these prisons will likely house many people who have recently had their social services terminated.

Perhaps most disturbing about this crisis is that it could not have been planned for. In a market economy, a state's budget depends on income generated by "market forces", determining the ability of corporations to sell their products and employ workers. When there is a crisis in the markets— as when more goods are produced than can be bought— society as a whole is dragged down; a"glut" in the labor market emerges, followed by mass layoffs. The states cannot plan their budget, including how many services they need to provide, nor how many roads they can build, because the market is completely unpredictable. Every projection the states made about the future was completely off: instead of building towards a better future they are destroying what had already existed.

The first step in addressing the current crisis is to confront those who benefit most from the current social arrangement. It is not by accident that most corporations pay far less taxes than the average worker, while the rich continue to have their taxes lowered. In fact, according to a recent study, two-thirds of all corporations did not pay any taxes during the past year. These same interests sparked the current crisis by not only driving down the wages of workers to the point they were unable to purchase goods, but by creating and profiting from the pyramid scheme that created the housing crisis.

The vast profits made by the rich and corporations in the previous boom must be funneled back to the states and local governments to pay for the current crisis. Because this solution is a threat to the corporate elite who control government, it will not happen merely by request.

To accomplish this, a broad-based coalition is needed of working and poor people affected by the current crisis, led by the organized labor of the teachers, health care workers, and public employees, united around the demands of ending corporate bailout and for a progressive tax policy— one aimed at taxing the rich, not working people. Such a coalition, because of the vast numbers of people it represented, would have the potential to unite all workers, both in the public and private sectors. It would therefore have the strength to transform this "request" into a demand: TAX THE RICH!

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