Governors decree austerity drive

Three state governors with national political ambitions are showing how to kill with austerity. Steve Parsons reports.

In the two weeks before George Bush's inauguration, several state governors launched their own versions of the vicious austerity that will undoubtedly characterize the "sacrifice" demanded by the new President in his inaugural address.

With the nation mired in the debris of Ronald Reagan's great "recovery," virtually every state is facing a crippling budget deficit, and the concomitant choices of cutbacks and tax hikes. We feature here three of those states—New York, California, and Massachusetts—whose governors have proposed drastic austerity measures, triggering an uproar of incompetent "debate" over how the sacrifices will be implemented.

Cuomo: a Wall Street Democrat

The 1990 New York State budget unveiled on Jan. 17 by Gov. Mario Cuomo focuses on eliminating an expected $2.6 billion deficit. Echoing Republican Bush and Wall Street friends, Democrat Cuomo opposes any increase in the state's personal income and corporate taxes. His intent is not only to hit virtually every state program and locality with cutbacks, but—as Reagan has done and Bush will accelerate—to begin dumping financing requirements for these programs onto local governments.

This will force local governments to make more cuts and raise property taxes, the only taxes localities can raise without state approval. Since New York property taxes are already nearly double the national average, construction and purchases of homes will be further decimated, and real estate values eroded.

Cuomo's budget calls for eliminating state revenue-sharing contributions to counties—a loss of $79 million in unrestricted local grants that would particularly devastate rural areas and unincorporated towns. Further cuts would be made in aid to localities, including sewer, prison, and Medicaid funds.

Cuomo wants to double the share of Medicaid contributions paid by local governments, from 5% of costs to 10%, while the state cuts its share by the same amount. Even more morally outrageous, he wants the state to cease funding education for the handicapped. Together, he says, these two measures will "save" the state $100 million a year. But local officials believe the cost to them will be much higher.

These cuts would be in addition to a drastic "overhaul" of the Medicaid reimbursement system featured in the Cuomo budget: requiring Medicaid recipients to pay the state a fee for each visit to a doctor, and eliminating coverage for visits to private podiatrists and psychologists. He also proposes a 15% reduction in the state's reimbursements for hospital capital equipment costs. "The hospital industry will be reeling with these cuts," said Kenneth Raske, president of the Greater New York Hospital Association.

Cuomo presents a potpourri of gimmicks and chiseling to achieve his balanced budget:

- Reduce aid to localities by $700 million.
- Eliminate 2,100 state jobs.
- Increase the education budget by only 3%, less than the rate of inflation. This would mean terminating 1,335 faculty positions at the City University of New York alone, paring down curricula, closing schools, and forcing big, local property tax hikes.
- Impose nearly 200 new or increased fees and taxes, ranging from parking tickets to marriage license. Some are downright absurd, like a $10 monthly "probation supervision fee" for convicts!
- Cut the allocation to the state insurance fund, which has already been raided to shore up this year's deficit.
- Cut the state payment to its pension fund by $300 million, based on "new estimates" of the fund's interest earnings from investments in the Wall Street markets. This has become a favorite gimmick of more than half the states in the nation, which is setting these funds up for bankruptcy—and the taxpayer for a big hit—when the bubble bursts.

Cuomo does hint, however, that things could get a lot worse if the "great recovery" dissolves into financial collapse under George Bush. "There are no margins in my budget," warned Cuomo. "There is no leeway."

Deukmejian's booming economy

Over the past two years, the state of California has covered actual deficits by draining its $1.1 billion reserve fund. This year, Gov. George Deukmejian has particularly targeted cuts for the most vulnerable strata: the poor, the infirm, and the elderly.

He proposes to save $242 million by withholding cost-of-living increases for both welfare recipients and the aged, blind, and disabled. This would deny, for example, a mere $29-32 monthly increase for a disabled person or welfare mother with two children, freezing their monthly stipends in the miserly range of $602-663. To save $63.9 million, Deukmejian wants to limit state payment by the In-Home Supportive Services program for the disabled and elderly, to a mere 70 hours a month—at the minimum wage. Unless localities picked up the tab, tens of thousands would be virtually condemned to death.

Perhaps most sinister, Deukmejian proposes to cut $363.9 million from the state's medically indigent program, and then create a new program that would provide "uncompensated care"—for fewer people with more stringent requirements for qualification. The funds for this would supposedly come from the federal government's illegal alien amnesty program, and from new cigarette taxes. The catch is that it may be determined that these funding sources cannot legally be applied in this manner. If that happens, localities would be forced to pay, while thousands would go without medical treatment. This could cost the overburdened hospitals in Los Angeles County alone, an impossible $100 million.

Deukmejian says that he is being forced to take these drastic steps because of a voter-approved referendum mandating substantial increases in state funds for education. But education is slated for only an 8% increase in his budget. Not only is this hardly sufficient to compensate for inflation; the California university system has imposed a 10% tuition fee hike just to tread water, with no new programs permitted by the governor.

All of this, "despite the fact that our economy is booming," in the words of Governor Deukmejian.

Dukakis's 'competence'

Gov. Michael Dukakis of Massachusetts has delivered on his erstwhile presidential campaign promise, in spades. On Jan. 12, he proposed the biggest tax increase in the state's history.

After demonstrating the managerial "competence" he advertised to the national electorate as his chief qualification, by taking out repeated short-term loans, Dukakis wants well over $1 billion of new taxes assessed over both the 1989 and 1990 fiscal years. He has already decreed more than *400* fee and fine increases to help ameliorate the state's current $636 million deficit. Although the Duke insists that the state's revenue problems are over—as he did in July—the state legislature is howling.

Democrats in Massachusetts are demanding that Dukakis make budget cuts, while their comrades in California and New York are clamoring for tax hikes. No one is addressing the real issue: how to generate real economic growth and the expansion of the revenue base.

Haggling over the price of Soviet Jews

by Scott Thompson

In mid-January, officials of the U.S.-U.S.S.R. Trade and Economic Council (USTEC) gathered with world Jewish leaders in the Manhattan apartment of whiskey baron Edgar Bronfman to map out a campaign for the direct shipment of Soviet Jews to Israel in return for lifting the 1974 Jackson-Vanik trade barriers. Bronfman, who is president of the World Jewish Congress, is a board member of USTEC, whose president, James Giffen, has publicly stated that he wants to turn the Soviet Union into an "economic superpower" through favorable trade and credit agreements. The Bronfman family is also one-third owner of E.I. DuPont de Nemours, which has been a major corporate sponsor of USTEC, also involved in trade with the Soviet Union which Giffen admits borders upon military-related technology.

Apart from Giffen and Bronfman, the other USTEC official involved in the scheme to swap Jews for expanded trade is Dwayne Andreas, the U.S. co-chairman of USTEC and chairman as well of the grain cartel firm Archer Daniels Midland (ADM). In a Dec. 26, 1986 front-page article in the *Wall Street Journal,* entitled "Gorbachov's Pal: Dwayne Andreas Gains an Apparent Position as Kremlin Favorite," the writer wondered "whether Mr. Andreas is beginning to edge out Armand Hammer, the chairman of Occidental Petroleum Co., as Moscow's favorite American businessman." It is Andreas who has recently filled Soviet grain bins with cheap American grain, despite the ongoing drought that is likely to create global shortages and push grain prices sky-high.

Ripping up the Helsinki accords

Syndicated columnists Rowland Evans and Robert Novak in a Jan. 23, 1989 article entitled, "Swap Soviet Jews for U.S. Trade?" went directly to the core of the problem posed by the Bronfman-Andreas-Giffen proposal:

" 'An ugly deal,' one former official told us. 'Jackson-Vanik is a statute with specific provisions. They say nothing about Jews and nothing about Israel.' "The 1974 Jackson-Vanik amendment imposed major restraints on trade until Soviet emigration becomes 'substantially free.' The amendment was one of the opening wedges in the human rights movement. It presupposed that all Soviet emigrants—Jewish, Pentecostal, Armenian, or other—would have freedom of choice to leave and to go where they wanted. Although it avoided target numbers for emigrants, the United States told