

***Job Deficits Deepen as Budget Deficits Explode:
A Brief Guide to the Labor Market Recession***

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viewed such temporary, cyclical budget deficits as a necessary evil, so long as the extra government spending is devoted to softening the downturn in income and consumer spending in order to achieve what should be the top priority ending the recession as quickly as possible. Once the recession has ended and job and income growth resumes, prudent government policymakers can then take the opportunity to wipe out the deficit as tax revenues rise to their pre recession levels.

The current Bush Cheney government deficits are an extreme departure from the mainstream approach. They threaten to be long lasting and structural, and to cannibalize major government programs. The government's own economists at the CBO predict a

“...e, as a matter of philosophy, understand that when you cut taxes the economy grows, and revenues to the government grow. The whole notion that you have to cut spending in order to cut taxes negates that philosophy, and so I’m not interested in something that would negate our philosophy.”

To most economists, the evidence is overwhelming that such claims are dead wrong. The Reagan record of early 1980s tax cuts, followed by a tripling of the national debt, was enough to convince most. But last year, both Congress’s Joint Committee on Taxation and its Congressional Budget Office conducted tests of the supply side “revenue feedbacks” of the 1980s tax cuts. Their conclusion that the tax cuts would clearly not pay for themselves are reflected in the CBO’s latest projections of huge year deficit increases through 2014.

A bolder defense of tax cuts biased toward the wealthy has recently merged the old “trickle down” theory with the startling claim that the rich are “overtaxed.” The chairman of the White House’s Council of Economic Advisors last year, Glenn Hubbard, complained that “The income tax is paid almost entirely by the well to do.” He based this claim on IRS data indicating that the richest 1% of taxpayers accounted for 47% of federal income taxes paid in 2007.

However, this claim fails to reveal the huge increase in the richest taxpayers’ share of the income pie and also fails to look beyond the income tax at the full tax burden. In 2007, the richest 1% received a staggering 23% of all pre-tax income in the country, but paid only 4% of all payroll taxes. When all federal income and payroll taxes are considered, the share paid by the richest 1% is only 1 percentage point above their income share. Moreover, if not only federal taxes but also state and local taxes are considered, the tax share paid by the rich falls even more.

The evidence is overwhelming that the biggest winners in the 1980s, as in the 1990s, were the wealthiest Americans. Inequality slowed, during the record 1990s boom, but the income and wealth gap between the rich and the rest continued growing. For example, comparing the highest income one fifth of households with the middle fifth from 1980 to 2007, income growth among the top fifth was 10 times greater than for middle income households, reversing the 1970s equalizing trend of slightly slower growth at the top. Compared to the average worker’s pay, average CEO pay was 4 times higher in 1980, but had skyrocketed to 38 times higher by 2007. Business Week’s annual national survey of CEOs at large corporations

On the other hand, the average private sector real wage, which had risen over the 1980s to \$4 per week by 1980, still had not

- the Environmental Protection Agency will have its budget cut by $\$$ billion., including nearly $\$$ million less for community water pollution control and nearly $\$$ million less for research
- the Justice Dept budget will be cut by $\$$ billion., including $\$$ million less for the Sept 11th victims' fund
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billion through '4 plus another trillion in the following decade. And the chief Medicare actuary, Richard Foster, recently said that he was ordered not to reveal his cost estimate of billion in the months prior to the bill's passage.

According to the latest annual report by the Medicare trustees, the hospital insurance part of Medicare is now expected to deplete its trust fund by years earlier than was predicted just last year. The other component of Medicare, covering doctors' services and the new prescription drug plan, is funded mainly by general government revenue. But with revenue declining and the health cost rising still faster, it too faces a budget squeeze. Unfortunately, few experts expect the new White House approach to do anything but exacerbate these financing pressures, since it explicitly avoids any serious measures to ensure cost containment, much less

The more that current labor policies drive millions of native born workers into lower wage non union labor markets, the more they may increase job competition with the foreign born

Welfare Work Rules Congress is moving quickly to reauthorize the expiring ' welfare reform law that placed unprecedented workfare restrictions on the poor. Despite over million unemployed and millions more so discouraged they have vanished from the official jobless rolls, the White House is stiffening welfare rules to require more hours worked each week to qualify for benefits. This will compel more welfare recipients to compete for

is to end the program and reallocate its funding to antiterrorist measures at the country's borders, nuclear weapons storage sites, and ports

It is all the more startling that federal taxes on high income Americans are being slashed just as defense expenditures are skyrocketing. In justifying its initial request for \$79 billion for the invasion of Iraq, the Bush Cheney administration claimed that Iraqi oil revenues would be used to minimize further costs. Only in mid summer – just after winning approval of another \$100 billion tax cut – did Defense Secretary Donald Rumsfeld admit that U.S. military costs in Iraq had doubled to nearly \$4 billion per month. Barely a month later, the president announced that another \$87 billion more was needed for the coming fiscal year, two thirds of it for military spending on the Iraqi occupation. The total \$186 billion Iraq bill so far is equivalent to 1.5 times the entire federal budget for education, or 1.5 times the budget of the Environmental Protection Agency.

Even if the invasion of Iraq brings stability in that country soon, there will remain widespread concerns that the White House foreign policy of unilateral action may compel American taxpayers to fund many billions in reconstruction funds and in future interventions elsewhere, as well as protracted anti terrorism measures at home. The so called Bush Doctrine, contained in the "National Security Strategy" released in September 2001, dismisses international treaties and instead advocates unilateral "preventive" action by the U.S. not only against terrorist attacks, but against any country that the U.S. deems a challenger to its superpower dominance – whether or not it is posing any imminent threat to our country. Such a policy is as risky and controversial as it is likely to be costly for both the U.S. and the rest of the planet. U.S. foreign interventions have for too long propped up corrupt authoritarian governments abroad, thereby allowing industrial pollution to endanger public health, perpetuating the appalling wages and working conditions of their people, and compelling many into unauthorized migration to the U.S.

End "Corporate Welfare" & Tax Avoidance:

Each year, an astounding \$100 billion in taxpayer money is lavished on large corporations in the form of tax breaks and subsidies. The current debate on outsourcing of American jobs abroad has focused attention on one corporate tax break – deferral of taxes on profits of U.S. companies abroad. Likewise, the current administration energy policy offers \$20 billion in tax breaks to giant oil and related corporations over the next 5 years – down from \$100 billion offered in the original November bill. Another increasingly controversial and expensive form of corporate welfare is the government's crop subsidy program. Despite White House speeches on free trade and fiscal restraint, in May 2002 the president approved wasteful farm subsidies costing taxpayers nearly \$5 billion over the next 5 years. The House of Representatives has passed a bill to end the program and reallocate its funding to antiterrorist measures at the country's borders, nuclear weapons storage sites, and ports.

Social Security remains a solid, risk free program, not subject to investor luck or stockbroker fraud. Social Security benefits are the most important source of income for the majority of elderly households. All households, where the head of the household is 65 and older, receive an average of 40% of their income from Social Security. The bottom 40% of the income distribution among aged workers receive close to 40%. Middle class seniors, those in the middle 40% of the income distribution, depend largely on Social Security as their main source of income. In 2000, middle class seniors received 40% of their retirement benefits from Social Security. Social Security is a successful anti poverty program. Without it, an additional 40% of seniors would live in poverty.

Raise the Minimum Wage

Raising the legal minimum to at least \$7.25 would help the working poor, as well as lift the pay of others near the minimum. Already, some states have taken lead. Most of New England now has state minima above \$7.25/hr and many cities and counties have established even higher "living wage" levels for certain government funded jobs, with no apparent dampening of job growth.

Restore Democratic Rights at Work

Although the fundamental right of employees to freely choose workplace union representation has long been enshrined in U.S. law and United Nations conventions, it has been effectively denied by more and more American employers. A large body of research has shown that unions dramatically improve workers ability to obtain better pay and fringe benefits than comparable non union workers. Substantial improvements in federal and state labor enforcement staff and resources, as well as stiffer fines, would be a valuable start toward leveling the playing field. So too would be passage of a new U.S. Senate bill introduced by New York's Charles Schumer, requiring companies to recognize unions as soon as a majority of employees sign pro union cards, rather than through a lengthy election. This "card check" process is standard in Canada, and has helped unions win recognition by one third of the work force.

Renegotiate Global Trade Agreements:

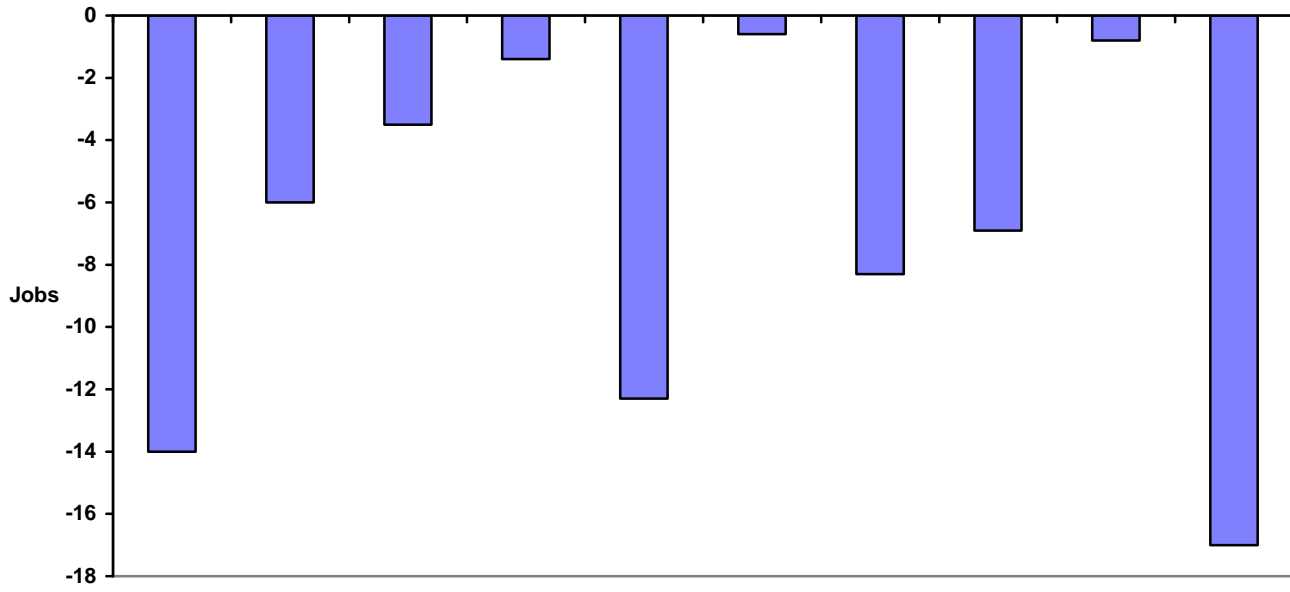
Outsourcing American jobs abroad has sparked new anxiety among a wide swath of blue collar and, increasingly, white collar workers in recent months. It has also become a political issue in February when the chief White House economist, Gregory Mankiw, defended outsourcing as a long run "plus" for the U.S. economy. Despite widespread criticism of Mankiw's remarks, a month later John Snow, the Treasury secretary, told the Cincinnati Enquirer that outsourcing "is part of trade" and that it "makes the economy stronger."

NAFTA is praised by advocates as a model for other trade accords because it has increased U.S. exports to Mexico and Canada. Unfortunately, recent estimates indicate that it has generated far more imports than exports, at a net cost in lost U.S. jobs so far of \$100 billion. It has also helped weaken workers' bargaining power, stymie unionization efforts, and put downward pressure on wages and benefits.

Human rights and labor spokesmen argue that there is no "free trade" with unfree countries. Authoritarian systems, whether in China, Southeast Asia, Central America or elsewhere, subsidize the profitability of U.S. production there by repressing labor rights, refusing to enforce basic labor pay and safety standards and allowing unchecked environmental pollution. The White House was forced to confront this argument by a mid March petition from the AFL CIO to determine whether widespread violations of worker rights in China provides an implicit government subsidy to Chinese manufacturers. "Fair trade" requires that no trade agreements should be continued or new ones initiated without building in serious enforcement and independent monitoring provisions to ensure decent wages and working conditions, full labor rights and adequate environmental standards. Enforceable labor and environmental protection.

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Long Island & All U.S., Dec. 2002 – Dec. 2003

Figure 1
NYC Job Growth by Industry: Dec. 2002 – Dec. 2003
(in thousands of jobs, and percent change)



⁵L Bartels, "Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind," *Center for the Study of Democratic Politics Working Papers* Princeton Woodrow Wilson School,