

The Assault on Public Worker Union Pensions and Neo-Liberalism:
Greenhut's *Plunder!* Broad-sides Public Worker Unions from the Libertarian-Right—

Review Essay: Steven Greenhut, *Plunder!: How Public Employee Unions are Raiding Treasuries Controlling Our Lives and Bankrupting the Nation* (Santa Ana, California: The Forum Press, 2010)

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“Yet any person would trade their paltry Social Security promise for the generous public pension guarantees enjoyed by government workers.”¹ —Steven Greenhut

“With the annual gross figure...divided by 12 months, [the] average CalPERS school system retiree at \$1,192 is not only living at poverty level, they are not achieving a California or national minimum wage figure after years of retirement contributions, which would reach an annual minimum wage level with a \$1,386.67 monthly gross retirement benefit, before taxes.”² —Catherine D. Alexander

“Yet no amount of sophistry or brainwashing can disguise the fact that any such attempt to undo the social gains made in the industrial West over the last hundred years would go completely against the grain of history.”³ —Harry Shutt

Introduction

This review will examine Steven Greenhut's *Plunder!: How Public Employee Unions are Raiding Treasuries Controlling Our Lives and Bankrupting the Nation*.⁴ The book is a Right-wing-Libertarian attack on public worker unions, with particular emphasis on public worker pension plans, claiming that: 1) public workers are a “government elite” because they earn more in salary and benefits than private

¹ Steven Greenhut, *Plunder!: How Public Employee Unions are Raiding Treasuries Controlling Our Lives and Bankrupting the Nation* (Santa Ana, California: The Forum Press, 2010) p. 98.

² Catherine D. Alexander, “Defined Benefit Pensions: A Modest Model for Economic Growth and Stability,” (November 17, 2010). Internet Source.

³ Harry Shutt, *The Trouble with Capitalism: An Inquiry into the Causes of Global Economic Failure* (London: Zed Press, 2009) p. 230.

⁴ Greenhut (2010).

sector workers; 2) public worker unions control the Democratic Party, which in turn carries out the political interests of public worker unions; and, 3) public worker salaries and benefit packages, particularly pensions, are the cause of state and local government budget deficits. The premise of the book is that public worker unions are “plundering” state and local budgets, which will lead to those governments becoming bankrupt. However, examining Greenhut’s argument in relation to the realities of the United States’ political-economy, the conclusion that should be drawn is that it is corporations and Wall Street, facilitated by the United States Government, that are “plundering” state and local governments as well as public and private sector workers. This review argues that Greenhut’s book is a propaganda tool in the current corporate-Wall Street-Right-wing-Libertarian assault on public worker union pensions. Moreover, since the 2007-2008 financial-economic crisis public worker pensions have been made a central issue on the national political agenda. In addressing this topic the paper will: 1) discuss the recent historical-political context of the assault on public worker union pensions; 2) outline the central points of Greenhut’s argument; 3) assess Greenhut’s assumptions, methodology, and conclusions; and, 4) discuss the current political assault on public worker pensions in California.

I.) Historical-Political Context of the Assault on Public Worker Pensions

The historical-political context for Greenhut’s call for an assault on public worker union pensions is based on Neo-Liberal policies.⁵ Neo-Liberalism is the current “hegemonic ideology” which defines policy outcomes and shapes the parameters for policy formulation, debates, and implementation.⁶ The policy outline of Neo-Liberalism includes: 1) cutting taxes for the wealthy; 2) eliminating social welfare programs; 3) privatizing the public sector; 4) deregulating the economy, and, 5) busting unions. These policy guidelines underscore, and are integral to, Monetarist and Supply-side macro-economic policy tools that have been used by the Federal

⁵ The academic architects of Neo-Liberalism include: Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962); George Gilder, *Wealth and Poverty* (New York: Basic Books, 1981); Frederick Hayek, *The Road to Serfdom* (Chicago: The University of Chicago Press, 1944).

⁶ Among many see: Richard Crockett, *Thinking the Unthinkable: Think-tanks and the Economic Counter-Revolution* (London: Harper-Collins, 1994); Gerard Dumeil and Dominique Levy, “The Nature and Contradictions of Neo-Liberalism,” Leo Panitch and Colin Leys, eds., *Socialist Register, 2002*, (London: The Merlin Press, 2001) pp. 43-72; Susan George, “A Short History of Neoliberalism,” Paper presented at the Conference on Economic Sovereignty in a Globalising World, Bangkok (March 24-26, 1999). Internet Source.; David Harvey, *Neo-Liberalism: A Brief History* (Oxford: Oxford University Press, 2005); Gary Teeple, *Globalization and the Decline of Social Reform* (Toronto: Garmond Press, 1995); Rachel Turner, *Neo-liberal Ideology: History, Concepts, and Politics* (Manchester: University of Manchester Press, 2008).

government since the Carter administration.⁷ According to the late-Italian Political Theorist Antonio Gramsci, a “hegemonic ideology” aims to form a dominant-class defined-“collective will” or “consensus” in support of that political agenda among the competing and conflicting social classes.⁸ Moreover, Neo-Liberalism, which was put into place in the 1970’s and the 1980’s, is a return to nineteenth century “Classical Liberalism” —based on limited government.⁹ The objective of Neo-Liberalism is to facilitate the accumulation of profits for the dominant economic interests in response to the inherent, and ongoing, contradictions of capitalism since the late-1960’s.

The impetus to construct the Neo-Liberal political agenda emerged in the mid-1960’s when United States corporations began to experience a “falling rate of profit.” By the mid-1970’s, the economic situation was more acute as the United States faced stagnant growth, inflation, and high rates of unemployment—referred to as “stagflation.”¹⁰ Simultaneously, West European and Japanese economies revived from the destruction of World War II to where they were carving into the United States post-war monopoly over global markets, challenging United States core industries. This economic competition was largely responsible for increased balance of trade deficits. The economic crisis became even more urgent for the United States during the 1973-1975 recession, a crisis which also witnessed the Organization of Petroleum Exporting Countries quadrupling the price of a barrel of oil. This action significantly added to an increase in commodity prices. Political Scientists Thomas Ferguson and Joel Rodgers, explain, “By the mid-1970’s the cumulative weight...[of] faltering domestic performance, lagging international

⁷ Among many see: Friedman (1962); Milton Friedman and Anna Schwartz, *A Monetary History of the United States, 1867-1960* (Princeton: Princeton University Press, 1963); Gilder (1981); Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (New York: Picador, 2007), Kevin Phillips, *The Politics of Rich and Poor: Wealth and the American Electorate in the Reagan Aftermath* (New York: Harper Perennial, 1991).

⁸ Among many see: Martin Carnoy, *The State and Political Theory* (Princeton: Princeton University Press, 1984) pp. 65-88; Chantal Mouffe, ed., *Gramsci and Marxist Theory* (London: Routledge & Kegan Paul, 1979).

⁹ See: Thomas Ferguson and Joel Rodgers, in *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986) p. 88.; Harvey (2005) pp. 39-63.

As an example of this “advocacy financing” at the early stages of the demand for Neo-Liberal solutions, Ferguson and Rodgers explain, “By the mid-1970’s, [United States] firms were spending more than \$400 million a year on “advocacy advertising,” much of it directed against government constraints on business.

¹⁰ Among many see: Manuel Castells, *The Economic Crisis and American Society* (Oxford: Basil Blackwell, 1980); Douglas Dowd, *Capitalism and its Economics: A Critical History* (London: Pluto Books, 2004); Joyce Kolko, *America and the Crisis of World Capitalism* (Boston: Beacon Press, 1974); James O’Connor, *The Fiscal Crisis of the State* (New York: St. Martin’s, 1973); Rodgers and Ferguson (1986).

competitiveness, the explosion of energy and other commodity prices, and the pressures for increasing military spending, along with a cost cutting in labor, regulation, social programs, and taxes—was immense.”¹¹ Therefore, by the early-1970’s, corporate, Wall Street, and Sun Belt-wealth interests began to finance (and encourage) the Republican and Democratic parties, Right-wing forces, Libertarians, as well as the Liberal-Establishment to work separately, and occasionally together, to systematically smash New Deal-Great Society policies and institutions, while implementing Neo-Liberal policies.

Because a number of New Deal-Great Society policies and institutions persist efforts to roll them back continues. Moreover, with the advent of the 2007-2008 financial-economic crisis, that political imperative has been intensified. The rollback is generally carried out through “single-issue “consensus building” campaigns aimed to erode, and possibly eliminate, specific New Deal-Great Society polices and/or institutions. The policies and institutions that have been targeted include welfare, unions, taxes, regulation, affirmative action, occupational safety, Social Security, public worker pensions, and public education. In each case, a coordinated corporate and/or foundation-financed campaign was formed to create a political climate to legitimize the attack on the specific issue. Simultaneously, the specific issue was introduced into the political process, with the intent of implementing Neo-Liberal policy outcomes. The policy outcomes are generally incremental, therefore, the single-issue “consensus building” campaign is perpetual. Moreover, the “consensus building” campaigns consist of a myriad of separate, and inter-related, mediated interventions. Those interventions include media interviews with single-issue “consensus building” campaign advocates; news reports providing favorable coverage to the campaigns; speaking tours by issue advocates at Centrist, Center-Right, Right-wing, and Libertarian events; Right-wing Christian political advocacy; “consensus building” at political and association conferences, work-shops, and seminars; policy-planning organizations formulating Neo-Liberal-oriented policy programs; foundation funded Neo-Liberal single-issue research projects; financing and cultivating political candidates for elective office; and, campaign contributions to elected officials.

The single-issue “consensus building” campaigns are also reinforced by the publication of one, or more, “scholarly” books and/or reports which aim to legitimize the assault. The objective of the “scholarly” work is political. Therefore, those works generally: 1) discuss the specific issue without historical and/or intellectual context; 2) exaggerate anecdotal or isolated information that back-up the argument presented, while claiming it to be universal; 3) make allegations without substantial, or accurate, factual support; 4) cater to the racial prejudices and economic fears of susceptible working class whites who are the targeted population; and, 5) advocate implementation of Neo-Liberal-oriented approaches. These works generally

¹¹ Ferguson and Rodgers (1986) p. 103.

produce a set of rhetorical code-words or phrases, that frame the issue that is being promoted.¹²

The current assault on organized labor commenced in the mid-1970's, initiating a new stage in the over one-hundred year capitalist-offensive against labor.¹³ Between 1870 and 1932 corporations were hostile towards the labor movement, while government carried out largely repression and occasionally co-optation.¹⁴ However, in the 1930's government switched to a policy of regulation. For example, the Roosevelt administration passed the National Labor Relations Act, which established guidelines providing labor the right to organize and bargain collectively. This legislation was largely in response to the militancy of the labor movement at the time. During World War II organized labor was staunchly behind the war effort. However, immediately after the war a round of labor strikes began, demanding better wages, benefits, and working conditions. In response, business interests, Republicans, and Southern Democrats mobilized to bring labor in line. This was achieved with the passage of the Taft-Hartley Act in 1947, which amended the National Labor Relations Act by establishing "unfair labor practices" applied to labor unions. The leadership of organized labor also purged Progressives and Communists from its ranks in complicity with the Truman-McCarthy Cold War-anti-communist hysteria of the late-1940's and early 1950's. By the late-1940's, an unwritten "limited capital-labor accord" between corporations and organized labor was formed where employers recognized unions and their right to bargain collectively, and union leadership adhered to managerial control of the workplace in exchange for wage increases and retirement benefits and job

¹² See: George Lakoff, *The Political Mind: You Can't Understand 21st Century Politics with an 18th Century Brain* (New York: Viking, 2008).

¹³ Among many see: Kate Bronfenbrenner, *Organizing to Win: New Research on Union Strategies* (Ithaca: ILR Press, 1998); Debjas Banerjee and Michael Goldfield, eds., *Labor, Globalization and the State: Workers, women and migrants confront neoliberalism* (London: Routledge, 2007); Taylor Dark, *The Unions and the Democrats: An Enduring Alliance* (Ithaca: ILR Press, 1999); Jeff Goodwin and James M. Jasper, eds. *The Social Movements Reader: Cases and Concepts* (Malden, Mass: Blackwell Press, 2003); and Patricia Cayo Sexton, *The War on Labor and the Left: Understanding America's Unique Conservatism* (Boulder: Westview Press, 1991).

¹⁴ Among many see: Steve Babson, *The Unfinished Struggle: Turning Points in American Labor, 1877-Present* (Lanham, Maryland: Rowman Littlefield Publishers, 1999); David Montgomery, *The Fall of Union Power in the Progressive Era* (New York: Press Syndicate of the University of Cambridge, 1987); Michael Nash, *Conflict and Accommodation: Coal Miners, Steel Workers, and Socialism, 1890-1920* (Westport, Connecticut: Greenwood Press, 1982); Sexton, (1991).

security.¹⁵ Therefore, as long as the National Labor Relations Act/Taft-Hartley guidelines contained organized labor, and unions did not challenge United States Cold War-militarist policies, that “limited capital-labor accord” held.

The Neo-Liberal-oriented anti-union offensive was part of the response to the structural economic crisis in late-1960 and early-1970’s.¹⁶ During that period, the United States began to be restructured from an industrial-based economy to a service-based economy. The result was the outsourcing of industrial and manufacturing jobs, mainly to the Third World, while installing low-wage-non-union service sector employment. Furthermore, the computerization and automation of manufacturing also contributed to the loss of union jobs. Fernando E. Gapasin and Michael D. Yates explain that corporate-financial wealth understood “that the best way to maintain and increase profit margins in a period of slow and sporadic economic growth was to cut labor costs.”¹⁷ The Carter administration resuscitated the attack on organized labor, while the Reagan administration institutionalized that approach.¹⁸ The latter development can be observed when Reagan fired nearly 12,000 members of the Professional Air Traffic Controllers Organization (PATCO) air controllers in 1981. Reagan’s action emboldened private sector employers and public sector management to negotiate contracts firmly, weaken existing unions, and repress the formation of unions.¹⁹ Moreover, each President since Reagan has continued the assault on unions. This agenda has meant the systematic erosion of the “limited labor-capital accord.” Economic Historian Michael Wachter explains the, “Union membership,...has been in unrelenting decline for nearly a half a century. There is a single cause for this decline: the United States’ change from a corporatist-regulated economy to an economy based on free competition. Unions are central to a corporatist regime and are peripheral in a liberal pluralist regime.”²⁰

¹⁵ Alejandro Reuss explains that the “capital-labor accord” was limited because the arrangement did not include the majority of United States workers because they were not unionized. See: Alejandro Reuss, “What can the crisis of United States capitalism in the 1970’s teach us about the current crisis and its possible outcomes,” *Dollars and Sense*, (November/December, 2009). Internet Source.

¹⁶ See: Ferguson and Rodgers (1986) pp. 130-137.

¹⁷ See: Fernando E. Gapasin and Michael D. Yates, Labor Movements: Is There Hope?,” *Monthly Review*, 57 (2) 2005. Internet Source.

¹⁸ Labor Historian Patricia Cayo Sexton observed, “by the mid-1970’s, with unions under fire from employers, Democratic officials had backed off from labor. Even during the Carter administration, with a Democrat as President and a Democratic majority in both houses, labor’s agenda was still largely neglected, or rejected, and Carter proved to be, at best, an aloof friend of labor.” See: Sexton (1991) p. 198.

¹⁹ See: Rodgers and Ferguson (1986) pp. 135-137.

²⁰ Michael Wachter, “The Rise and Decline of Labor Unions,” *The Washington Post*, (July 18, 2007). Internet Source.

The results of the anti-union offensive have been very effective. This can be seen in the changing percentage of union workers since the 1940's.²¹ For example, in 2009, according to the United States Department of Labor's Bureau of Labor Statistics, only 12.3 percent of the workforce was unionized; compared to 35.5 percent in 1945; 31.5 percent in 1950; 33.2 percent in 1955; 31.4 percent in 1960; 28.4 percent in 1965; 27.3 in 1970. Moreover, the percent of the workforce unionized decline precipitous when the revived anti-union assault commenced. For example, in 1975, 25.5 percent of workers were unionized; in 1980, 21.9 percent; in 1985, 18 percent; in 1990, 16.1 percent; in 1995, 14.9 percent; in 2000, 13.5 percent; and in 2005, 12.5 percent. Furthermore, by 2009 only 7.2 percent of the private sector workforce was unionized, compared to 35 percent at the end of World War II. *The New York Times'* Steven Greenhouse states that the 2009 figure is the "lowest percentage of private sector workers in unions since 1900."²² The effectiveness of the assault on unions can also be seen in the number of strikes and lockouts since the early-1950's. In 1950, there were 424 work stoppages; 363 in 1955; 222 in 1960; 268 in 1965; 381 in 1970; and, 235 in 1970. However, in 1980 there were 187 work stoppages; 54 in 1985; 44 in 1990; 31 in 1995; 39 in 2000; 22 in 2005; and, only 15 in 2008. Phyllis Cayo Sexton explains, "union decline in America is largely explained by aggressive employer opposition to unions, which is in turn facilitated by laws and policies that favor employers over workers."²³ Furthermore, Richard Freeman, who is co-Director of the Labor and Worklife Program at Harvard Law School, adds, "the role of repressive employer strategies in reducing unionization, and highlights the way in which a state ideology of anti-unionism tacitly accepted these strategies."²⁴

Despite the fact that organized labor has been under assault since the mid-1970's, public sector unions still have a prominent place in the country's political-economy. This reality is owing to the fact that, in 2009, 36.4 percent of the public sector workforce was unionized. Furthermore, the Bureau of Labor Statistics reports that 43.3 percent of local government workers (mainly teachers, police, and firefighters) are unionized.²⁵ In fact, the Bureau of Labor Statistics reported that in 2009, for the first time, there were more unionized public workers in the country (7.9 million), than private sector workers (7.4 million). Historian Kevin C. Brown, elaborates, "In historical terms, public-sector workers are more densely unionized

²¹ The percentage of union members and the number of work stoppages were taken from: *The World Almanac and Book of Facts, 2010* (New York: World Almanac Books, 2010) p. 115.

²² Steven Greenhouse, "Most U.S. Union Members Are Working for the Government, New Data Shows," *The New York Times*, (January 23, 2010). Internet Source.

²³ Sexton in Goodwin and Jasper, eds. (2003) p. 374.

²⁴ See: "Labor Unions in the United States," *Wikipedia*. Internet Source.

²⁵ *The World Almanac and Book of Facts* (2010) p. 115.

today than private-sector workers were at their peak in 1953.”²⁶ This reality is because the public sector, including public education, began to expand dramatically in the 1950’s and 1960’s. Prior to the 1950’s, public workers could not organize, bargain collectively, or strike. However, in the late-1950’s state and local governments began to allow public workers the same rights that private sector workers had. By the early 1960’s, 13 percent of the public sector was unionized. In 1962, President Kennedy gave further impetus to the public worker union movement, when he issued an Executive Order giving Federal employees the right to join labor organizations and bargain collectively, although not to strike. By the 1970’s, state and local governments were putting into place codified laws providing public employees worker rights, thus giving impetus for public workers to join unions. In California, the 1977 Dills Act gave state public workers collective bargaining rights and civil service protections; while the 1979 Higher Education Employee Relations Act gave higher education public workers the same rights.²⁷ Kevin C. Brown elaborates, “Essentially, governed by separate laws, and subject less immediately to the whims of the market, public workers had ‘success while others failed.’ Ironically, coming into power as Neo-liberalism gathered coherence ideologically and force politically.”²⁸

The assault on unions has intensified since the beginning of the financial-economic crisis in 2007-2008. The assault on labor can be seen in the proliferation (and pervasiveness) of anti-union propaganda. It is also seen in the active role of corporate managers and state and local politicians, assisted by the Obama administration, demanding evermore concessions from labor.²⁹ The crisis is rooted in the fact that the banking and financial sector had exploited nearly 40 years of government deregulation of that sector.³⁰ The major reason for the intensified

²⁶ Kevin C. Brown, Public-Sector Unions,” *Monthly Review* 61(12)2010. Internet Source.

²⁷ The Dills Act grant[ed] “state employees the right to belong to organizations that serve as their exclusive representatives in contractual negotiations over wages, hours, and other terms and conditions of employment. The act require[ed] the state and employee representatives to ‘meet and confer in good faith’ and endeavor to reach agreement on these matters.”

See: “Collective Bargaining: The Ralph C. Dills Act,” State of California Legislative Analyst’s Office, Sacramento (January, 1995). Internet Source.; Also see: “Higher-Education Employer-Employee Relations Act.” Internet Source.

²⁸ Brown (2010).

²⁹ Among many see: Jerry White, “Obama administration spearheads attack on autoworkers,” World Socialist Web Site (February 17, 2009). Internet Source.

³⁰ Among many see: Robin Blackburn, *Age Shock: How Finance in Failing Us* (London: Verso, 2006); Robert Brenner, *The Economics of Global Turbulence* (London: Verso, 2006); John Bellamy Foster, “The Financialization of Capitalism,” *Monthly Review*, 58(11) 2007, pp. 1-12; Andrew Gamble, *The Spectre at the Feast: Capitalist Crisis and the Politics of Recession* (London: Palgrave, 2009); Peter Gowan,

offensive against unions was that the corporate-interests, led by the Wall Street banking and investor sector, have taken advantage of a historic-political “opening” that the 2007-2008 financial-economic crisis provided. The “opening” has allowed the dominant economic interests and the political establishment the “political space” to accelerate the implementation of Neo-Liberal policies. Those policies include: rolling back social services; privatizing the public sector; and, union busting. The objectives are: 1) to force private and public sector workers and the unemployed to pay for the national, state, and local government deficits and debts caused by Wall Street speculation by slashing wages and rolling back public expenditures; 2) to transfer public revenues to the corporate elite and investor class; and, 3) to break, once and for all, the political leverage of public sector unions.

The acceleration of Neo-Liberal policies can be observed on the national and the state and local levels. On the national level this intensified offensive has included trillion dollar bailouts for Wall Street; increased military spending, including increased privatization of the military; privatizing public services, such as education; extending President George W. Bush’s tax cuts for the wealthy; and, raiding public worker union pensions. While the prospects for much deeper cuts in national, state, and local social spending, including cutting into entitlements like Social Security and Medicare, loom over the near future. On state and local levels there have been massive lay-offs of public employees; public services have been severely reduced; wages for public workers have been reduced, frozen, or rolled-back; public employee pensions have been targeted; and the cost of public higher education has been increased. Furthermore, this accelerated offensive has been successful so far because: 1) organized labor is fragmented where each unit generally bargains for itself; 2) the leadership of many labor unions are willing to comply with the concessions demanded by capital; 3) the disconnect between the interests of union officials and the union rank-and-file; 4) the public worker union leadership has a symbiotic relation with the Democratic Party, which, however, is committed to deepening the Neo-Liberal offensive; and, 5) the disarray, economic impotency, and general theoretical disorientation of the Liberal-left, Progressive, and Radical activists and organizations.

The assault on organized labor has been carried out by a “consensus building” campaign aimed to disparaged unions, while working to implement anti-union policies. The attacks have focused on public unions, in general, and specific labor

The Global Gamble: Washington’s Faustian Bid for World Domination (London: Verso, 1999); Peter Gowan, “Crisis in the Heartland,” *New Left Review*, 55(2009) pp.5-30; Gabriel Kolko, “Why a Global Economic Deluge Looms,” *Counterpunch.org* (June 15, 2006) Internet Source.; Kevin Phillips, *Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism* (New York: Viking, 2008); Jack Rasmus, *Epic Recession: Prelude to Global Depression* (London: Pluto Press, 2010); Robert Scheer, *The Great American Stickup: How Reagan Republicans and Clinton Democrats Enriched Wall Street while mugging Main Street* (New York: Nation Books, 2010); Robert Wade, “Financial Regime Change,” *New Left Review*, 53 (2008) pp. 5-22.

related issues. Recently, the most prominent issues targeted have included public education under the guise of Bush's *No Child Left Behind* and Obama's *Race to the Top*. That attack on public teacher unions gained momentum in February, 2010, when Obama endorsed the Central Falls, Rhode Island school district firing of 93 unionized teachers, alleging that they were responsible for "failing" standardized test scores. In what might be considered Obama's *PATCO Moment*, he stated: "if a school continues to fail its students year after year after year, if it doesn't show signs of improvement, then there's got to be a sense of accountability."³¹ Just like when President Ronald Reagan opened the door for the attack on unions when he fired the PATCO air controllers in 1981, Obama's statement was a signal that unionized teachers are increasingly vulnerable. Moreover, the assault on public worker union pensions has also reached center stage on the national, state, and local political levels. (See below)

A central component of the "consensus building" campaign against public worker unions has been media propaganda blitz. An example of this approach was made on August 19, 2009 by Right-wing Independent Women's Forum CEO, Michelle Bernard, on MSNBC's *Morning Meeting*. She stated,

The labor unions right now exist for one reason: To self-perpetuate, receiving union dues, and having political influence.... And my answer to this would be they are showing themselves to be as ridiculous as many members of the American public think they are. What happened to pragmatism, what happened to competition, and what actually happened to winning? Maybe it would be great for the Democratic Party to lose the support of labor unions because quite honestly a lot of labor unions are what holds American back and keeps us from being as good as we can be.³²

Moreover, Right-wing radio personality Rush Limbaugh declared on October 19, 2009, "Until we get rid of the unions, we're not going to have any change in public schools. If you want to clean up the schools get rid of the unions."³³

The comments above are reflective of Right-wing activists, but Centrist-journalists also express the same point of view. Peter Hart, who is the Director of Activism at

³¹ Michael A. Fletcher, "Obama seeks accountability in underachieving schools," *Boston Globe* (March 2, 2010). Internet Source.

³² "Union busting: Right-wing media relentlessly attack worker representation," *MediaMatters for America* (August 5, 2009). Internet Source.

³³ "Union Bustings: Right-wing Media Relentlessly Attack Worker Organizations," *UE News Update* (August 12, 2010). Internet Source.

Fairness and Accuracy in Reporting, elaborates,

Unions of any sort are going to provoke ire from conservatives pundits. But some of the most vocal opposition to teachers unions comes from Center-Left pundits. Part of the explanation might be that corporate media coverage of American politics invariably counsels the Democrats to move to the right, and an easy way to demonstrate lack of allegiance to the left is to attack teachers, who are an important part of the Democrats' progressive electoral base. ³⁴

As an example of what Hart describes, on July 21, 2008, *Newsweek's* Jonathan Alter suggested that Presidential-candidate Obama should tell teacher unions "they must change their focus from job security and the protection of ineffective teachers to higher pay and true accountability for performance—or face extinction." ³⁵ Further, after Obama was elected and he had introduced *Race to the Top*, *The New York Times's* columnist and *PBS News Hour* analyst David Brooks opined: "Obama has taken on a Democratic constituency, the teachers unions, with a courage not seen since George W. Bush took on anti-immigration forces in his own party." ³⁶ Moreover, on January 28, 2010 *Newsweek's* Joe Klein declared, "unions and their minions in the Democratic Party, have been a reactionary force in education reform for too long." ³⁷ The educational "reforms" Klein referred to is the movement to privatize education and eliminate teacher unions. ³⁸ Therefore, it is not accidental that public worker unions are the target in Steven Greenhut's *Plunder!: How Public Employee Unions are Raiding Treasuries Controlling Our Lives and Bankrupting the Nation*.

II.) Greenhut's *Plunder!*: Background, Premise, and Arguments

Steven Greenhut's book, *Plunder!*, can be examined within the context of the Neo-Liberal anti-union "consensus building" campaign strategy discussed above. Therefore, *Plunder!* is integral to a three-and-a-half decade long, but recently intensified,

³⁴ Peter Hart, "First, Bash Teachers: Media find a scapegoat for educational failure," *Commondreams.org* (September 10, 2010). Internet Source.

³⁵ Hart (2010). Internet Source.

³⁶ David Books, "Getting Obama Right: Who is Barack Obama," *The New York Times* (March 11, 2010). Internet Source.

³⁷ Joe Klein, "Why We're Failing Our Schools," *Time* (January 28, 2010). Internet Source.

³⁸ This author does not consider the privatization of education "reform;" instead it represents a "counter-revolution" aimed to dismantle the public sector which came about largely as a result of the radical and progressive demands and protests of the working classes over the past 140 years. Moreover, in historical terms "reform" means the expansion of political and economic opportunities and access for the working class, women, minorities, youth. See: Shutt (2009) p. 230.

assault aimed to bust public worker unions. Furthermore, Greenhut is a participant in a corporate-Right-wing-Libertarian network that is committed to the roll-back of New Deal-Great Society policies and the deepening of Neo-Liberal policies. That political agenda includes: deregulation; cutting taxes; rolling back the public sector; privatizing government services; and busting unions. For example, Greenhut was deputy editor and columnist for the Libertarian-*The Orange County Register*, which is owned by the Irvine, California-based Freedom Communications. That company, which is the twelfth largest media organization in the United States, states as its goal a “commitment to the ideals of individual freedom.”³⁹ The Right-wing-Libertarian anti-union network complements, and overlaps with, organized corporate-Wall Street anti-union activism. Greenhut’s involvement in that network exposes how single-issue “consensus building” campaigns are organized, financed, and operate.

Greenhut currently serves as director of the San Francisco-based Pacific Research Institute’s Journalism Center. The Pacific Research Institute states as its goals the following: 1) “to strike down barriers to economic growth and innovation;” and, 2) “to identify and limit harmful government regulations in the technology sector.”⁴⁰ That institute also proposes that “these principles are best encouraged through policies that emphasize a free economy, private initiative, and limited government.”⁴¹ The Pacific Research Institute, which was founded in 1979, also professes that, “Now more than ever, it is vital that our policy responses are guided by the principles that best preserve the essence of America—its entrepreneurial spirit, belief in the dignity of individuals, and vigilant defense of liberty.”⁴² Between 1985 and 2005, that institute received \$8,909,880 in contributions from corporations, foundations, and individuals.⁴³ The corporate contributors included: Chevron-Texaco, Exxon-Mobile, Freedom Communications, Microsoft, Pfizer, AT&T, and Verizon; while the foundation contributors were: Charles Koch, Lilly Endowment, Sarah Scaife, Walton Family, William E. Simon, Dean Witter, and Anschutz. Moreover, members of PRI’s Board of Directors include venture capitalist, high-tech sector executives, real estate developers, and bio-medical executives. That institute is also affiliated with the Right-wing American Enterprise Institute and the Libertarian Cato Institute. Greenhut is also editor-in-chief for the CalWatchdog.org, which is a project of the PRI Journalism Center.⁴⁴ That web-site states that its goal is “to hold the government accountable for spending and regulatory programs by exposing government waste, fraud, and abuses of power.”⁴⁵ The Board of Directors for Calwatchdog.com include individuals from *The Orange County Register*, Eagle

³⁹ See: “Preserving Liberty,” Company Information, Freedom Communications, Inc. Internet Source.

⁴⁰ See: “About Pacific Research Institute,” Pacific Research Institute. Internet Source.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ See: Calwatchdog.org. Internet Source.

Publishers, the Forum Press, and the Hoover Institute.⁴⁶ Therefore, based on Greenhut's connections it can be surmised that he has an ideological and financial interest in the assault on public worker unions.

The premise of Greenhut's *Plunder!* is that public worker unions are responsible for state and local government budget deficits, and that continuing to pay those salaries and benefits will cause further cuts in social services and eventually bankrupt state and local governments. Moreover, writing in the context of the current stage of the economic crisis and the interwoven California budget crisis, Greenhut claims, "We've seen a massive transfer in wealth from the private sector to the public sector, from taxpayers to tax consumers. The result is a class of coddled, overpaid and under-worked public 'servants' whose pay and retirement levels cannot be sustained without cutbacks in public services and higher taxes."⁴⁷ Furthermore, Greenhut adds, "This uncontrolled spending, mostly to the benefit of government workers and not for the benefit of the public, is the real cause of the fiscal problems facing state and local government."⁴⁸ The author also states, "Instead of offering accolades and honors the public should be mad at the current situation and ought to question what the situation says about the nature of our society. We should be outraged that the public's servants have turned into our masters."⁴⁹

The organization of *Plunder!* sets out to substantiate Greenhut's premise. In the first three chapters the author focuses on public worker salaries and benefits, including employer-employee funded "defined-benefit" pensions.⁵⁰ Greenhut's view is that public workers make, on average, more in salary than workers in the private sector. There are numerous allegations laden throughout the book. For example, Greenhut purports that, "In California, community colleges typically pay their professors \$100,000 and more and these professionals get all sorts of extra pay for things that private sector professionals would assume of the job—such as holding office hours and teaching extra classes."⁵¹ Further, Greenhut alleges that California leads the nation with "extremely high government salaries."⁵² Reporting

⁴⁶ Ibid.

⁴⁷ Ibid., p. 99.

⁴⁸ Ibid.

⁴⁹ Ibid., p. 12.

⁵⁰ A "defined-benefit" pension is based on employers and employees making financial contributions to a public pension system, and the employee is guaranteed a specific pension amount based on a formula which includes years in service, age at retirement, and the average of the final years of salary. The "defined-benefit" plan is in contrast to a "define-contribution" 401(k) account where the employee contributes to a private account and the retirement pension is dependent on investment returns.

See: "Pensions," Wikipedia.org. Internet Source.

⁵¹ Ibid., pp. 55-56.

⁵² Ibid., p.56.

that the average household income in the nation is \$50,000, he poses that, “Local government officials, including officials of all categories...in California are paid on average \$58,365 per year.”⁵³ Also, listing the average salaries for the next nine states, all above \$50,000, Greenhut, comments, “Moreover, using a base salary of \$80,000 for Vallejo (California) firefighters, he states that 21 out of 190 earn more than \$200,000 per year, while 77 earn more than \$170,000.”⁵⁴ He also makes the claim that many police in California earn more than \$200,000 annually, if overtime is included.⁵⁵

Having established what he claims public workers earn, Greenhut alleges that, with benefits (health insurance, pensions, etc.), what he refers to as “government-worker elites” earn a significant amount more than private sector workers.⁵⁶ For example, he claims that “government-worker elites” often earn more than double [the amount private sector workers make] in their retirement year.⁵⁷ [In many union contracts the final year of public worker employment is pivotal in establishing the amount public workers earn for their pension.] Greenhut stresses that is “perhaps the most striking symbol of an out-of-control system that is bankrupting cities and leading to the creation of a two-tiered society where the government elite live far better than the public.”⁵⁸ He also claims that public workers have numerous, what he calls, “scams” (or “spiking”) to boost “already generous benefits.” He cites the following as examples: overtime; *Golden Handshakes*—where workers can retire early with additional years-in-service offered by the district administration; move for last year of employment to a better paying job; and, receive tax payer funded health insurance holidays pay and pension benefits for several weeks after being terminated.⁵⁹

Furthermore, the author quotes a December, 2008 the Department of Labor’s Bureau of Labor Statistics report that stated, “Public employees earn benefits worth an average of \$13.38 an hour..., [while] private sector workers got \$7.98 an hour—\$11.90 more than in private business.”⁶⁰ Focusing on the status of police and firefighters, Greenhut states, “If they work for 30 years, police and firefighters can retire in their early 50’s with 90 percent of their last year’s salary.”⁶¹ He also emphasizes a Libertarian-based Reason Public Policy Institute report that alleged that many workers earn well above \$100,000 (annually) in pensions after they retire, while many police have \$175,000 a year retirement packages and that most can retire in their 50’s. He also refers to a California Foundation for Fiscal Respon-

⁵³ Ibid.

⁵⁴ Ibid., p.8.

⁵⁵ Ibid., p. 56.

⁵⁶ Ibid., p.9.

⁵⁷ Ibid., p. 8.

⁵⁸ Ibid., p. 9.

⁵⁹ Ibid., pp. 60-71. Also see: pp. 24-70.

⁶⁰ Ibid., p. 54.

⁶¹ Ibid., p. 9.

sibility report that states in the California Public Employee Retirement System (CalPERS) there are 24 retirees who earn more than \$200,000 annually, while 5115 earn more than \$100,000.⁶² Greenhut adds, that if all California retirement systems are included, 8,205 retirees earn more than \$100,000 annually.⁶³

Moreover, in a chapter entitled, “The Pension Tsunami,” Greenhut warns that because of public worker benefits, state and local government budget deficits “will soon implode.”⁶⁴ He explains, “The term tsunami is the appropriate one to describe the potential disaster looming because of the massive pension and other benefit increases granted to the public employees in the last decade.”⁶⁵ In addition, he poses that “the current tsunami is the result of ‘overgenerous benefits, chronic underfunding and now trillion dollar stock market loses.’”⁶⁶ For example, he states “some localities are facing bankruptcy to deal with unfunded liability problems related to government employee pensions.”⁶⁷ Further, Greenhut proposes that “the situation will lead to unsustainable debt levels and an unsustainable level of unfunded liabilities. This will burden future generations, actually, it already is intolerably burdening and will restrict economic opportunity.”⁶⁸ Acknowledging the urgency of the fall-out from the Fall, 2008 financial-economic crisis, Greenhut asks his readers, “Do we really want a situation, where cities have no room to maneuver because they must spend the bulk of their budgets on pension obligations? Do we really want all services to suffer so that an entire caste of 50-something former employees can live like royalty on salaries that often top what they earned at their peak working years?”⁶⁹

⁶² The California Foundation for Fiscal Responsibility, formed in 2009, is committed to “reforming California’s public employee retirement benefit system.” Its mission statement declares: “The California Foundation for Fiscal Responsibility is a 501(c)(3) organization committed to educating the public and key decision makers about California public employee retirement benefit issues and developing fiscally responsible solutions that are fair to employees, employers and taxpayers. CFFR believes managing the pension and retiree health care obligations promised to public employees is the most critical public finance issue facing the state.” The advisory board includes: Scott Baugh, former Republican member of the State Assembly; Jon Coupal, member of the Howard Jarvis Taxpayers Association; John Moorlach, member of the Orange County Board of Supervisors; Richard Rider, member San Diego Tax Fighters; Reed Royalty, member of the Orange County Taxpayers Association; and, Lew Uhler, member of the National Tax Limitation Committee.

⁶³ Greenhut (2010) p. 9.

⁶⁴ Ibid., p.9.

⁶⁵ Ibid., p. 71.

⁶⁶ Ibid.

⁶⁷ Ibid., p. 26.

⁶⁸ Ibid., p. 72.

⁶⁹ Ibid., p. 98.

In chapter five, the author puts particular focus on public worker unions and politics in California. He claims that public employee unions in California control the Democratic Party, which in turn, he argues, provides increased salaries and benefits and protections for those workers. He states that the state “legislature... merely [carry] water for California’s government unions bosses, the people with the real power in the state.”⁷⁰ He proposes that part of the reason for this is that public “unions have almost unlimited money to out spend rivals.”⁷¹ He discusses several examples where he claims unions outspent the opposition attempting to back-up this allegation. They include the defeat of the 1998 Proposition 226, which would have “...required unions to get permission from members before using union dues for political purposes;”⁷² and the defeat of Republican Governor Arnold Schwarzenegger’s four budget “reform” initiatives presented to the California voters in 2005.⁷³ Simultaneously, Greenhut claimed that Republicans are not “as beholden to, say, big business or pharmaceutical companies as the Democrats are to organized labor.”⁷⁴ He further alleges that “business...rarely can unify on anything, except perhaps, stopping some of the most noxious job-killer bills that might be introduced in the legislature.”⁷⁵

Greenhut also emphasizes that public unions are responsible for California’s budget crisis. For example, he states, “Before we look at solutions let’s remember the source of the problem. This is not caused by the economic conditions, bad as they might be. It is a revenue problem.”⁷⁶ He adds, “This uncontrolled spending to the benefit of government workers and not for the benefit of the public, is the real cause of the fiscal problems facing state and local governments.”⁷⁷ The author also warns his readers that the political leverage of public unions will only increase in California owing to what he alleges to be a growing public sector in the state. To support that point, he cites statistics that indicated that, in 1998, 16.1 percent of workers in California were unionized, the majority being public workers, while in 2002 the number had increased to 17.8 percent.⁷⁸ He also gives as an example, that, in 1999, the Services Employee International Union added 74,000 health care workers to its rolls. He claims that owing to union encouragement, the state legislature passed policies that encouraged the expansion of public sector health-care jobs. Greenhut elaborates, “Notice that these gains came through the coercive world of politics,

⁷⁰ Ibid., p. 136.

⁷¹ Ibid., pp. 137-138.

⁷² Ibid., p. 138.

⁷³ Ibid., pp.148-156.

⁷⁴ Ibid., p. 140.

⁷⁵ Ibid.

⁷⁶ Ibid., p. 99.

⁷⁷ Ibid.

⁷⁸ Ibid., p. 140.

where legislators approved new mandates that forced home health care workers into unions.”⁷⁹

Greenhut also takes aim at public school teacher unions. In a chapter entitled “The Education Racket” he argues that public education is a “government monopoly” which is controlled by public unions.⁸⁰ According to Greenhut, not only do these unions exploit taxpayers, causing higher taxes and increasing government debt, they also block the possibility for educational reform and budgetary reform.⁸¹ The so-called “reforms” he is referring to are based on what he calls a “competitive-market” model, which involves school vouchers, charter schools, tuition tax-credits, and home-schooling. What Greenhut proposes is “schools ought to be produced in a true free market. Then most of the money would go to the classroom under such a system, students and parents would be customers who would shop around for the best deal.”⁸² Greenhut, in fact, claims that “in the public-school system, union control has created an almost criminal level of mismanagement and abuse that has led to a far lower standard of achievement for the 90 percent of children who are educated in the government-operated public schools.”⁸³ Moreover, the author goes even further when he blames teacher unions for the “nation’s inner city schools [that] are failing[,] leading to one generation after another of poverty and other social ills.” Greenhut surmises, “Essentially the lunatics are running the asylum, and they appear to be running it for their own benefit.”⁸⁴

In the final chapter, which is entitled “It’s Time for more than Outrage,” Greenhut proposes a political program aimed to mobilize Conservative, Right-wing, and Libertarian forces to challenge the alleged influence of public unions.⁸⁵ He concedes that there are no quick fixes to the economic crisis, but adds that “America does need to start by recognizing that the current [budget deficit] situation [on the state level] is unsustainable.”⁸⁶ He proposes “reforms” in the following areas: Pension and Pay Reform; School Reform; Union Reform; Law Enforcement Reform; and Tax and Budget Reform. The thrust of these “reforms” is aimed at destroying public worker unions, privatizing public services, raiding the pensions of public employees, and reducing taxes and social services. For example, related to reforming public union pensions Greenhut borrowed an agenda from the California Foundation for Fiscal Responsibility. Marcia Fritz, the President of that organization, argued that “the core of any reform ought to be policies that benefit taxpayers and the employer/agency, not what benefits the union and its mem-

⁷⁹ Ibid.

⁸⁰ Ibid., pp. 100-136.

⁸¹ Ibid., p. 164.

⁸² Ibid., p. 8.

⁸³ Ibid., p. 166.

⁸⁴ Ibid., p. 173.

⁸⁵ Ibid., pp. 224-241.

⁸⁶ Ibid., pp. 222.

bers.”⁸⁷ Among the many proposals Greenhut endorses include: 1) temporarily suspension of the earnings of service years for pension benefits or require employees to pay employer pension costs; 2) get ride of “airtime” credits that allow employees to “purchase risk-free annuities for five service years to tack on to their ‘years worked’ formula;” 3) a reduction in the compensation time off (sick days, holidays, vacation days); and, 4) creating a second retirement tier for new employees based on “defined-contribution plans; and, 5) end so-called “spiking” options.⁸⁸

Furthermore, despite claiming that the reforms he proposes are reasonable, Greenhut declares,

Public unions should be outlawed. There is absolutely no public good served by it, especially in a world of civil service protections. In fact, such unionization is a relatively recent phenomenon. We need to runback the clock here. Legislatures should impose tighter restrictions on union political contributions. States should also pass paycheck protection measures that allow union members to withhold dues payments that are used for political purposes.... Union power is what leads to these absurd benefit levels and work rules, so reducing union power is essential in order to reform any of these government systems.⁸⁹

He concludes his argument making a call for action. He declared, “It’s time for the grassroots—and not just conservatives or libertarians, but everyone who is concerned about the misuse of resources and abuse of power to benefit a special group of powerful Americans to get agitated and to decry the plundering of America.”⁹⁰

III.) Greenhut’s *Plunder!*: A Critique

Steven Greenhut’s *Plunder!* has played a role in legitimizing the attack on public worker pensions. This can be observed owing to the favorable Conservative-Right-wing-Libertarian reviews the book has received. For example, Libertarian-Cato Institute reviewer Chris Edwards has written, “Greenhut’s book provides a timely guide to the challenges ahead in reforming government’s and restraining the self-serving appetites of government unions.”⁹¹ *The Washington Times*’ Jeremy Lott states, “[Greenhut] knows where the bodies are buried and came prepared with pick

⁸⁷ Ibid., p. 225.

⁸⁸ Ibid., pp. 224-225.

⁸⁹ Ibid., p. 223.

⁹⁰ Ibid., p. 240.

⁹¹ See: TheForumPress.com./ThePressRoom—Plunder.html. Internet Source.

and shovel.”⁹² While Mike “Mish” Shedrock states, “*Plunder* takes a look at the perverse incentives that bring together corrupt political and public unions to rape tax payers.”⁹³ He continues, “*Plunder* is a book you need to read, because until you do, you cannot possibly fathom how you are being played for suckers by greedy unions and politicians in bed with those unions.” Since the publication of his book Greenhut has written scores of newspaper columns and participated in scores of radio and television interviews.⁹⁴ These types of interventions are central to a “consensus building” campaign. Furthermore, candidates running for elective office in California in the Fall, 2010 also parroted the same arguments and proposals that Greenhut has presented. The majority of those candidates were Republicans, like billionaire Meg Whitman, who ran for Governor of California, but many Democratic candidates also utilized some of the same points. (See below) Whether these candidates took ideas directly from Greenhut, or not, there is no doubt his book has had influence in the “consensus-building” campaign attacking public worker union pensions.

Nonetheless, Greenhut’s book can be held up for critical scrutiny. The book aims to inform and legitimize the anti-public worker “consensus-building” campaign, with a focus on public worker pensions. The intent of Greenhut’s “scholarly” work is political: It contributes to the decades-long assault aimed to rollback and privatize the public sector. Also, Greenhut’s proposed solutions are integral to the Neo-Liberal project to bust unions and raid public worker pensions. Moreover, the book aims to mobilized opposition to public worker pensions. There are five characteristics, as noted above, that a “scholarly” ideological-oriented book uses to make its argument. Those works generally: 1) discuss the specific issue without historical and/or intellectual context; 2) exaggerates anecdotal or isolated information that back-up the argument presented, while claiming it to be universal; 3) make allegations without substantial, or accurate, factual support; 4) cater to the racial prejudices and economic fears of susceptible working class whites who are the targeted population; and, 5) advocate implementation of relevant Neo-Liberal oriented approaches. The following critique will show how Greenhut work employees those five characteristics.

1.) Discussing the specific issue without historical and/or intellectual context.

The author is correct about the significance of the state and local government budget crises. For example, the budget situation California faces is not sustainable within the current ideological-political-economic order. Nevertheless, Greenhut lays the blame in the wrong place. He blames public employee union salaries and benefit packages for the state and local government budget crises. However, public worker unions are not the cause of those budget deficits. The cause is rooted in the

⁹² See: Jeremy Lott, “Book Review: *Plunder!*,” *The Washington Times* (March 7, 2010).

⁹³ Mike “Mish” Shedrock, “Five Thumbs Up for Steven Greenhut’s *Plunder!*,” *Mish’s Global Economic Trend Analysis* (May 10, 2010). Internet Source.

⁹⁴ See: TheForumPress.com./ThePressRoom—Plunder.html.

financial-economic crisis which manifested in 2007-2008 and abetted by four decades of United States Neo-Liberal policies combined with generalized (and specific) economic and political conditions at the state and local levels. The Neo-Liberal policies that precipitated the economic crash in 2007-2008 include: 1) the deregulation of the banking sector creating the conditions for a speculative profit accumulation model based on Financialization; 2) a regressive tax structure involving massive tax cuts for the wealthy; 3) huge cuts in social welfare and education, while carrying out privatization of those services. These policies have been underscored by a lack of investment in domestic production by the dominant corporate and investor class. Further, related to California, owing to specific constitutional impediments and tax policies, the state has had a chronic budget deficit for decades, exacerbated by the 2007-2008 financial meltdown.

The sub-prime mortgage crisis that erupted in 2008 greatly intensified the financial-economic crisis in California.⁹⁵ For example, California had the second highest number of home foreclosures in the nation by 2010.⁹⁶ In 2008, the state experienced 236,000 foreclosures, more than the previous nine years combined; while between 2007 and 2010 there were 1.1 million foreclosures. The price for a house also declined significantly during that period. For example, the median price for a house in 2006 was \$594,800, while in 2009 the median price dropped to \$271,000. These developments have undermined consumer demand, and led to even more job losses and foreclosures. For example, between July, 2007 and December, 2009 the state lost one million non-farm jobs.⁹⁷ Therefore, the state unemployment rate increased from 5.4 percent in 2007 to 7.2 percent in 2008; and to 12.4 percent in 2009. In May, 2010 the unemployment rate was 12.4 percent.⁹⁸ This was the largest unemployment rate in California in 26 years. These numbers are responsible for a downward cycle causing tax revenues to severely decline, adding to the state and local government deficits. For example, the state budget deficit was \$26.3 billion for 2008-2009; \$19.1 billion for 2009-2010; and is expected to be over \$25.4

⁹⁵ See: Richard Walker, "The Golden State Adrift," *New Left Review*, 66 (November-December, 2010). Internet Source.

Walker explains, "When the housing bubble burst California ended up with more bad loans and foreclosures than any where else, and its mortgage bankers [Countrywide Financial, Ameriquest Mortgage Bank, New Century Financial, First Franklin Bank, etc.] were among the most prominent failure in the financial meltdown." He adds, "The principle fount of mortgage origination was California..... California was responsible for a stunning 56 percent of the \$1.38 trillion in sub-primes issued nationally in 05-07."

⁹⁶ "California has nation's 2nd highest foreclosure rate; Sacramento 14th," *Sacramento Business Journal* (July 29, 2010). Internet Source.

⁹⁷ "Fast Facts on California's Economy," *CalChamber2010*. Internet Source.

⁹⁸ Ibid.

billion for 2011-2012. The California total represents approximately 20 percent of total for all states.⁹⁹

The financial-economic crisis in California has been intensified by constitutional impediments. This situation is caused by Neo-Liberal policies and constitutional procedures, such as the requirement for a 2/3rds vote for passage of budgets and tax increases. The Neo-Liberal tax policies are largely responsible for long-term structural imbalances in the tax structure. The most significant example is Proposition 13, which was passed in 1978. That proposition, which capped local property taxes, has prevented property taxes from reflecting the increase value of property over the past three decades, significantly limiting tax revenues. Political Scientist Alan J. Auerbach elaborates, “property taxes raise a smaller share of income in California than they do for the United States as a whole. This is all the more remarkable given the very high property values in California; if taxes were levied at the same effective rates in California and the United States as a whole, then the property tax-income ratio would be higher in California than in the United States.”¹⁰⁰ Therefore, owing to Proposition 13, the state has been forced to rely on personal income taxes and sales taxes for a significant portion of its revenue. This has proved to be problematic because of the recurring economic downturns. For example, state tax revenues dropped from \$54 billion in 2007-2008 to \$45 billion in 2008-2009 as a direct result of the 2007-2008 crash. The irony of the economic reality in California is that the state is the world’s eighth largest economy, with a Gross National Product of \$1.9 trillion; registered the highest economic output in the country in 2009; and twenty percent (80) of the United States’ billionaires live in the state.¹⁰¹ Moreover, the top one-percent of income earners have doubled their share of income over the past 20 years from 13 to 25 percent.¹⁰²

⁹⁹ See: Kate Randall, “US state budget deficits could top \$140 billion,” *World Socialist Web Site* (January 24, 2011). Internet Source.

¹⁰⁰ Alan J. Auerbach, “California’s Future Tax System,” *The California Journal of Politics and Policy*, 2(3)2010, p. 10. Internet Source.

¹⁰¹ Tim Redmond, “80 billionaires—and California broke?,” *San Francisco Bay Guardian* (December 15, 2010). Internet Source.

¹⁰² Jim Miller, “Funding California’s Future,” *Huffington Post* (April 13, 2010). Internet Source.

Tim Redmond wrote: “A tax increase of about \$20 billion would secure our public services for years to come with a very tiny impact on our economic activity. Surely 1% of our GDP can be harnessed to fund the services that we must have for broadly shared prosperity in this state. Let me take it a step further. I just went through the Forbes 400 list of the richest Americans and started counting, and guess what? A full 80 of the 400 live in California. That’s one out of every five billionaires in America, living right here in a state that can’t afford to educate its kids. Then I took out my calculator and added up a long row of numbers and got a big one: The total net worth of the billionaires in California is \$231.8 billion. Ten percent of that wipes out the budget deficit. And that doesn’t even count the folks worth \$900 million or less; they didn’t make the list.” See: Redmond (December 15, 2010).

The main constitutional impediment is the 2/3rds requirement. The 2/3rds vote requires that a budget can only be passed by a “supermajority” in the state legislature. Proposition 13 added a 2/3rds requirement to increase taxes. The 2/3rds requirement for passing the budget was passed in 1933 in the midst of the Great Depression. The requirement would only be utilized if there was a five-percent increase in the budget from one-year to the next. In 1962, the voters decided the requirement would be used every year. 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 is that the Republican minority in the state legislature can hold the passage of the budget hostage and prevent tax increases. As an indication of the significance of this leverage, the marginal tax rate for the top tax bracket was 11 in 1980 percent, while it is 9.3 percent today.¹⁰³ If that rate was restored the state would generate an additional \$5 billion annually. Furthermore, the corporate tax rate is 11 percent today, while it was 15 percent in 1980. Ironically, when the voters endorsed the 2/3rd requirement in 1962, the state treasury was always “flush” because of a growing economy, and Republican legislators were generally fiscal “moderates.” The 2/3rds requirement to pass a budget was rescinded to a “simple majority” by the voters in the November, 2010 election; however, the 2/3rds requirement still holds for tax bills.¹⁰⁴ The voters also passed a proposition requiring a 2/3rds vote to raise fees. Despite overturning the requirement for passage of a budget, the restrictions on revenue raising will continue to be problematic.

2.) Exaggerate anecdotal or isolated information that back-up the argument presented, while claiming it to be universal.

In attempting to make his case Greenhut uses a highly selective methodology. The premise of his argument starts with an assessment of public worker salaries and benefits. He comments on salary figures as if all public workers made the same amount. For example, he claims that California Community College professors earn more than \$100,000 annually. He ignores the specific contractual salary schedules that each college district adheres to with its employees. In fact, most community college teachers earn much less than that amount. For example, assessing the salary schedules of five regionally diverse community college districts in California—Shasta-Tehama-Trinity, Yosemite, Cerritos, Peralta, and San Mateo—exposes Greenhut’s distortion. In those five districts the average starting salary for regular faculty with only a Master’s degree was \$47,154; with the salary increasing to \$68,487 after ten years of teaching; \$85,274 after 20 years of teaching, and \$91,958 being the top step up to 30 years of service. The starting salary for faculty with a doctorate averaged \$56,836; with the salary increasing to \$78,003 after ten years of

¹⁰³ Ibid.

¹⁰⁴ See: George Lakoff, “The Poll Democrats Need to Know About: Framing, Value Shifting, the California Budget Crisis, and Why Democrats So Often Act Like Republicans,” *The California Journal of Politics and Policy*, 2(1)2010. Internet Source.

teaching; \$91,256 after 20 years teaching; and the top step was \$98,103. Moreover, many community college teachers do not teach for more than 20 years, because they probably worked as an adjunct (part-timer) for many years before they were hired full-time. Furthermore, 30 percent of community college faculty are hourly-waged part-timers, making only a third of what full-time teachers earn. It is true that public sector executives, managers, and administrators generally make more than \$100,000, but they represent a small percentage of public employees.

Greenhut purports that there are 24 retirees who earn more than \$200,000 annually, while 5115 earn more than \$100,000 from the CalPERS retirement system.¹⁰⁵ Greenhut adds that if all California retirement systems are included, 8,205 retirees earn more than \$100,000 annually.¹⁰⁶ Nonetheless, according to the November, 2010 issue of *CalPERS Facts at a Glance* currently there are 492,513 CalPERS retirees, while there are 1,134,397 members are either actively working, or inactive, but not drawing a pension.¹⁰⁷ The number of retirees receiving a pension from CALStrs is 203,649. Therefore, Greenhut's figure of 24 retirees earning over \$200,000 annually from CalPERS represents .0000487 percent of all CalPERS retirees, while the 8,205 earning over \$100,000 represents .01131 percent of all public worker retirees. As these percentages indicate there are public sector executives and managers who make more than \$100,000 in pensions annually, but they represent an infinitesimal number of public employees receiving pensions.¹⁰⁸ Furthermore,

¹⁰⁵ The California Foundation for Fiscal Responsibility was formed in 2009 committed to "reforming California's public employee retirement benefit system." Its mission statement declares: The California Foundation for Fiscal Responsibility is a 501(c)(3) organization committed to educating the public and key decision makers about California public employee retirement benefit issues and developing fiscally responsible solutions that are fair to employees, employers and taxpayers. CFFR believes managing the pension and retiree health care obligations promised to public employees is the most critical public finance issue facing the state. The advisory board includes: Scott Baugh, former Republican member of the State Assembly; Jon Coupal, member of the Howard Jarvis Taxpayers Association; John Moorlach, member of the Orange County Board of Supervisors; Richard Rider, member San Diego Tax Fighters; Reed Royalty, member of the Orange County Taxpayers Association; and, Lew Uhler, member of the National Tax Limitation Committee.

¹⁰⁶ Greenhut (2010) p. 9.

¹⁰⁷ "Retirement and Membership," *CalPERS Facts at a Glance*, (December, 2010). Internet Source.

¹⁰⁸ Journalist Chris Prevatt elaborates, "The rank and file employees do not receive excessive or bloated pension benefits. In fact, senior executives are the people getting bloated pension payouts. These managers contribute nothing to the employee share of their pension benefits, and they get the highest payouts. And even with the excessive retirement payouts for managers factored in, the average

CalPERS retirees take home on average of \$2,188 per month after 19.6 years of employment; retired school employees have an average monthly income of \$1,192 after an average of 16.8 years of employment; and retired state employees average a monthly pension of \$2,499 based on 23.1 years of employment. ¹⁰⁹ Also, 78 percent of CalPERS retirees have an annual pension of \$36,000, or less. Significantly, \$36,000 is considered below the poverty level for a family of two. Political Observer Catherine D. Alexander, elaborates, "With the annual gross figure...divided by 12 months, [the] average CalPERS school system retiree at \$1,192 is not only living at poverty level, they are not achieving a California or national minimum wage figure after years of retirement contributions, which would reach an annual minimum wage level with a \$1,386.67 monthly gross retirement benefit, before taxes." ¹¹⁰

Greenhut's allegation that public workers make on average more than private sector workers is also false. ¹¹¹ A joint report, issued in 2009 by The Center for Wage and Employment Dynamics at the University of California, Berkeley in conjunction with Professor Jeffery Keefe at Rutgers University in 2009, concluded that public workers earn seven percent less than private sector workers, but make about the same amount after benefits and compensation are factored in. ¹¹² The report, which focuses on education levels, also states that 55 percent of public employees surveyed had a college degree, while 35 percent of the private sector workers had a college degree. Therefore, co-author Sylvia Allegretto, observes, "public employees do not get the same return for their education level as private sector employees." ¹¹³ The report, which excluded self-employed, part-time, agricultural, and domestic

annual payout for General Members in the entire [Orange County Employee's Retirement System] was \$30,108 in 2009."

See: Chris Prevatt, "Time to Stop demonizing public employees; their pay, and pensions," *The LiberalOC.com* (August 9, 2010). Internet Source.

¹⁰⁹ Alexander (November 17, 2010). Internet Source.

¹¹⁰ Ibid.

¹¹¹ A report issued by the California Center for Public Policy on October 6, 2010 makes the same assertion. In fact, the report parallels the same arguments that Greenhut makes in *Plunder!* Materials for the report were provided by Steven Greenhut, the California Budget Project, the Pacific Research Institute, the California Foundation for Fiscal Responsibility, and the Evergreen Freedom Foundation.

See: Lanny Ebenstein, "Reforming Public Employee Compensation and pensions," California Center for Public Policy (October 6, 2010). Internet Source.

¹¹² Marisa Lopez, "Public workers highly paid? Not exactly," *SFGate.com* (October 19, 2010). Internet Source.

See: Sylvia A. Allegretto and Jeffery Keefe, "The Truth about Public Employees in California: They are Neither Overpaid nor Overcompensated," *Policy Brief, Center on Wage and Employment Dynamics*, University of California, Berkeley (October, 2010). Internet Source.

¹¹³ Ibid.

workers in the private sector, challenges the notion promoted by Greenhut that public workers have higher salaries and retirement compensation than private sector workers. The report further states “that public employees are not over paid when you make an apples-to-apples” comparison of employees’ education, experience and other factors that might influence pay.”¹¹⁴ Professor Allegretto concludes, “It is important to keep in mind that a huge state like California needs a lot of workers to keep going—and by and large they are highly educated, skilled workers who need to be fairly compensated. This tells me that the problems in California certainly could not have been caused by pensions and can not be cured by pensions.”¹¹⁵

3.) Make allegations without substantial, or accurate, factual support.

Greenhut miscasts the political influence public worker unions have with the Democratic Party in California when he claims that that party “carries water” for public worker unions. On the national and state levels, public worker unions do provide Democratic Party candidates and politicians financial contributions, along with many other economic and social interests. Also, unions often mobilize rank-and-file members to campaign for Democratic candidates running for elective office or for/against labor related state ballot propositions. Public unions also propose and advocate specific political agendas and/or issues that are designed to benefit organized labor. Why that support would be a problem to anyone in a supposed “pluralist-democracy” is curious. Pluralism, which was popularized by Political Scientist Robert Dahl, is based on the premise that non-governmental groups, or organizations, mobilize resources to lobby the supposed “neutral” political system with the intent of gaining favorable policy outcomes.¹¹⁶ Furthermore, the Democratic and Republican parties rely on historically specific “electoral coalitions” for political support. Those coalitions consist of blocs, or groups, which provide political support, including campaign contributions, voter canvassing, and votes, while, in turn, the parties and/or candidacies are expected to provide those groups with a *quid pro quo*. Therefore, unions, which have been a major component of the Democratic Party’s electoral coalition since the 1930’s, also should correctly expect that party to respond to its political agenda.

Moreover, to assume that the Democratic Party “carr[ies] the water” for public unions ignores political reality. On the national level, since the mid-1970’s, the corporate-Wall Street driven hegemonic project has been Neo-Liberalism, which, as noted above, is committed to busting unions. That “hegemonic ideology” establishes the parameters for policy formulation, policy outcomes, and implementation. Thus, the two-party system operates within those parameters. As suggested, that project

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ See: Robert Dahl, *A Preface to Democratic Theory* (Chicago: University of Chicago Press, 1956).

has amassed enormous resources to promote and implement that agenda. Furthermore, the United States economy has been restructured to where it no longer requires a large well-paid working class. Put another way, the capitalist class (in concert with the Federal Government) increasingly make it clear that “profits” are more important to them than creating “consumer demand.” Moreover, the Financialization profit accumulation model has caused recurring financial “bubbles” (dot.com, sub-prime mortgage, etc.), which have collapsed, further eroding the national economy.

Therefore, the Democrats operate within the context of the Neo-Liberal political parameters. This can be seen with all three Democratic Presidential administrations, including Carter, Clinton, and Obama, since the 1970’s. Those administrations have taken massive contributions from unions, have paid lip-service to union initiatives and demands, and have selectively supported some pro-union issues, all the while implementing (and/or complying with) policies which structurally undermine the conditions for organized labor, in this instance busting the political power of unions and reducing their share of the nation’s surplus. Bill Clinton’s support for the North American Free Trade Agreement in 1994 is an example. Historians Roy Rosenzweig and his co-authors explained that “NAFTA proved a powerful weapon in the hands of employers, who used the specter of a factory shutdown to forestall employee drives for higher pay and unionization.”¹¹⁷ Moreover, “Some economists estimate that nearly one-quarter of all recent growth in wage inequality (up to 2008) derived from this downward pressure of United States wages.”¹¹⁸ Barack Obama’s support for the *Race to the Top* educational restructuring is another example.

The overall result, as noted above, has been the dismantlement of private sector unions, to where today only 7.4 percent of private sector workers are unionized. Because 36 percent of public sector workers are still unionized, it should not be surprising that since the 2007-2008 financial-economic crisis there has been an intensified effort by dominant economic interests and its political collaborators, including the leadership of the Democratic Party, to weaken further, and possibly, destroy public unions. Furthermore, despite this reality, on the national and state levels, private sector and public sector union leadership have continued to support the Democratic Party, even while that party openly undermines organized labor, in general, and the interests of the “rank and file,” specifically. Moreover, union leadership, by implication, can (and generally do) comply with the concessions demanded by the dominant economic and political interests; policies aimed against the interests of the rank-and-file.

¹¹⁷ Roy Rosenzweig, Nelson Lichtenstein, Joshua Brown, David Jaffee, *Who Built America?: Working People and the Nation’s History*, Volume II, Third Edition (New York: Bedford/St. Martins, 2008) p.766.

¹¹⁸ *Ibid.*

Specifically related to California, over the past four decades the Democratic Party and private and public sector unions have followed the same pattern as the national leadership, with some variations specific to California. The political center in California has been moved to the Right as it has on the national level, even while it appears California is prominently a “Liberal”-Democratic state. The unions have contributed to Democratic candidates for national and statewide offices and the state legislature. Moreover, Democratic elected officials have selectively supported pro-union initiatives. For example, Democrat Gray Davis, who was Governor between 1998 and 2003, provided wage and benefit increases to the prison guard union and increased the multiplier for calculating public teacher pensions. However, those fiscal policies have been framed by Neo-Liberalism. Thus, Governors Jerry Brown (1974-1982) and Davis were fiscally conservative, while most Democrats in the state legislature, have been forced to act, at best, to minimize the cuts to social welfare spending and education and challenges to labor. This political conundrum has intensified since the 2008 financial collapse. This partly explains why recently Democratic elected officials have so readily endorsed the privatization of public education and joined the attack on public worker pensions. (See below) Further, unions have also mobilized resources and manpower to support, or defeat, specific statewide ballot propositions. This was the case in 1998 when unions defeated the state-wide anti-union “card check” proposition, and in 2005, when teacher, public safety, and nurses’ unions organized to defeat Governor Arnold Schwarzenegger’s four anti-union propositions. But, as stated above, that is not surprising in a supposed “pluralist-democracy.” However, those efforts by unions have also been defensive in nature in the wake of the Right-ward thrust of the Neo-Liberal offensive.

4.) Cater to the racial prejudices and economic fears of susceptible working class whites that are the targeted population.

The overall intent of the Greenhut book is to mobilize Conservative, Right-wing, and Libertarian forces to challenge the alleged political power of public worker unions. The book also aims to divide an already fragmented working class by provoking anger among private sector non-union workers and the unemployed against employed, or retired, unionized public workers.¹¹⁹ Greenhut’s tactic is integral to what the dominant economic interests, the Republican Party, the Right-wing, and the Democratic Party leadership are carrying out to disorient and distract the working class while they implement the massive transfer of wealth to the dominant economic interests. Owing to the current level of unemployment—whether it is the official figure, approximately ten percent, or the actual figure, something over 20 percent—and economic insecurity there is a tremendous amount of understandable anxiety and anger among the working class and the unemployed. Furthermore, in the context of a so-called “recovery” which is not generating jobs, high rates of

¹¹⁹ See: “Labor’s Coming Class War: Private-Sector Union Workers begin to notice that their job prospects are at risk from Public Employee Union contracts,” *The Wall Street Journal* (January 4, 2011). Internet Source.

permanent structural unemployment have become obvious. Certainly, this condition creates a situation where private sector workers and the unemployed are vulnerable to the demonization of fellow public workers, as well as undocumented Mexican immigrants, or people of Middle Eastern descent, or whomever the dominant interests choose to target next. Journalist Matthew Rothschild, summarizes, “Those who rig the system and reward themselves would rather that workers fought among themselves than focus their anger upwards.”¹²⁰

Private sector workers and the unemployed are susceptible to this strategy because of the code language Greenhut’s uses in *Plunder!* That language stresses that unionized public workers are privileged owing to their salaries and retirement benefits and their comfortable jobs. The book constantly draws a distinction between public workers and the targeted population. For example, the author calls public workers “government-elites,” implying that they are in not workers, *which they are*, but privileged individuals living off of the labor of others. He also constantly separates public workers from “tax-payers,” as if public workers don’t pay taxes. Greenhut also consistently distorts, or exaggerate, salaries and benefits that public workers earn. To amplify Greenhut’s ploy, the author quotes a *Reason* magazine article, which declared, “Why do we work 12 to 14 hour days, while government employees work 9 to 5? Why should we slave away at work until the day we die, so we can pay for the early retirements at age 50 or younger of public employees who get to play golf for the rest of their lives?”¹²¹ In fact, a recent Pew Center for the People and the People and the Press poll determined that since the 2007-2008 financial-economic crisis public opinion has shifted away from supporting unions.¹²² The poll states that public opinion generally view unions favorably at around 60 percent, however, since 2008 that rating has dropped to 41 percent. The poll also states that that position falls among “virtually every demographic and political group.”¹²³ The poll does state that that figure generally does drop during a recession. However, whether the anti-union “consensus building” campaign has helped to create this current opinion, that figure does indicate that the public is susceptible to the assault on public worker pensions.

5.) Advocate implementation of relevant Neo-Liberal oriented approaches.

The proposals that Greenhut makes in the chapter entitled “It’s Time for more than Outrage” are strictly out of the Neo-Liberal playbook. The Neo-Liberal political agenda includes: 1) eliminating social programs; 2) cutting taxes; 3) privatizing the public sector; 4) deregulating the economy, and, 5) smashing unions. Among the

¹²⁰ Matthew Rothschild, “The Cynical War on Public Sector Workers,” *The Progressive* (January 3, 2011). Internet Source.

¹²¹ Greenhut (2010) p. 15.

¹²² “Why is the Public Suddenly down on Unions?, Center for American Progress (July 20, 2010). Internet Source.

¹²³ Ibid.

proposals Greenhut endorses include: 1) temporarily suspension of the earnings of service years for pension benefits or require employees to pay employer pension costs; 2) get ride of “airtime” credits that allow employees to “purchase risk-free annuities for five service years to tack on to their ‘years worked’ formula;” 3) a reduction in the compensation time off (sick days, holidays, vacation days); and, 4) creating a second retirement tier for new employees based on “defined-contribution plans; and, 5) end so-called “spiking” options.¹²⁴ He poses that public worker pensions are the cause of state and local government budget deficits, and that they should be eliminated. He also alleges that “unfunded liabilities” are a “tsunami” which will imploded those governments.

However, as this paper argues, the cause of the current state and local governments budget deficits is largely based on the same Neo-Liberal assumptions he proposes, and not public worker pensions. Specifically related to “unfunded liabilities,” while agreeing that there are some public worker pension programs that are “unfunded” because of the current financial-economic crisis, Political Observer James W. Russell explains, “Some public pension funds are fully funded, others overfunded—yes, over-funded—and others under-funded, the ones that selectively receive all the press attention and ire. I’m still waiting to see a newspaper article about the many public pension funds that are in very good shape despite the recession.”¹²⁵ Further, Russell proposes that “Reforms are only needed for those pension funds whose balances of unfunded liabilities are growing on a long term basis. In the worst of those cases, slight changes in contribution rates deliver dramatic revenue increases.”¹²⁶

Moreover, if the author and his anti-union political associates were serious about addressing the budget deficits they would first call for a progressive overhaul of the highly regressive tax structures at all government levels. On the national level, they would immediately call for a re-regulation of the financial system, which was the lynchpin for the 2007-2008 financial-economic crisis. Further, they would be opposed to the Bush/Obama bailouts of Wall Street; call for massive budget cuts for the military; and, advocate the termination of the Bush tax cuts for the wealthy. Also, explicit in Greenhut’s argument is calling for cutting public worker salaries. However, what is not acknowledged by Greenhut and his colleagues is that those salaries represents “purchasing power,” which, in turn, creates “demand” for an economic crisis that is starving for consumers.¹²⁷ On the surface, slashing “purchasing power” seems irrational in a capitalist society, however, what it exposes is that “profits” are more important to the dominant economic interests than “markets,” which are not nearly as profitable. Despite Greenhut’s alleged concern for “tax payers,” the real agenda of the assault on public worker pensions is to: 1)

¹²⁴ Greenhut (2010) pp. 224-225.

¹²⁵ James W. Russell, “Unfunded Liabilities: A Red Herring,” *Portside*, January 6, 2011. Internet Source.

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*

raid public workers benefits to help pay the banks of the financial crash; 2) feed the banking industry with Neo-Liberal 401 (k) defined-contribution pension plans; and, 3) smashing the bargaining power of public workers, while systematically destroying those unions. ¹²⁸

V.) California, the Assault on Public Worker Union Pensions, and Politics.

The assault on public worker defined-benefit pensions has become front-and-center on the California political agenda since the 2007-2008 financial-economic crisis. ¹²⁹ This issue has emerged largely because state and local governments are facing large (and growing) budget deficits, and politicians have been looking for ways to reduce those deficits without raising taxes. As discussed above, the deficits are caused by the recently intensified structural economic crisis of capitalism abetted by 35 years of Neo-Liberal policies and combined with specific state and local political and economic factors. Furthermore, the Bush and Obama administrations have refused to provide direct bailouts to cover state budget deficits. ¹³⁰ The resulting budget deficits have led to layoffs of public workers, slashing social services, and increasing higher education tuition. Moreover, California has lost revenue because of private and public sector layoffs, structural unemployment, housing foreclosures, deflated housing prices, and a regressive tax base. Since state and local governments provide contributions for public worker defined-benefit pensions and many face “unfunded liabilities” into the foreseeable future, public worker pensions have been added to the list of items slated for cuts. Furthermore, the anti-public worker union pension “consensus building” campaign—spurred by Greenhut’s *Plunder!*—has also vigorously helped to push that issue to the forefront of California politics.

There were several legislative efforts to restructure public worker pension requirements carried out by the state government in the Spring and Summer, 2010. Taking up Republican Governor Arnold Schwarzenegger’s priority to dismantle public worker pension plans, State Senator Dennis Hollingsworth (R.-Murietta) submitted a bill (SB 919) calling for public worker pension restructuring. ¹³¹ The

¹²⁸ Ibid.

Russell states, that reform is not the real motive, “The real motive of the enemies of public pensions, though is not prudent stewardship of the funds. It is to eliminate them entirely and replace them

¹²⁹ Jennifer Baker and David Earl Carpenter, “Attack on defined-benefit retirement plans increasing,” *Education* (May 10, 2010). Internet Source.

¹³⁰ See: Barry Grey, “US Federal Reserve chief rules out loans to states,” *World Socialist Web Site* (January 13, 2011). Internet Source.

¹³¹ Republican Governor Arnold Schwarzenegger had pushed for public worker unions to switch from defined-benefit retirement plans to defined-contribution 401(k) plans since 2005. That year he placed a proposition on the state ballot to restructure pension plans for new public sector hires. However, the Governor dropped the proposition when he [supposedly] realized it would eliminate death

bill called for newly hired workers to be placed in defined-contribution (401)k plans, therefore, creating a two-tiered retirement system. The latter proposal would throw new hires into the volatile (and unreliable) stock market. Also, the bill called for new public worker hires working an additional ten years, to age 65, before they could retire, while new public safety worker hires would be required to work an addition seven years, to age 57, before they could retire. Hollingsworth alleged that, if passed, the bill would save \$110 billion over 30 years. ¹³²

The Hollingsworth bill received a great deal publicly in the corporate and Right-wing print media. ¹³³ For example, the San Diego *Union-Tribune* editorialized, “There is simply no reason that new state employees should be guaranteed retirement benefits that are far more generous than those typically provided to workers in the private sector.” ¹³⁴ Moreover, Schwarzenegger solicited a Stanford University Institute for Economic Policy Research analysis which reported in April that public worker pension state obligations for the three large retirement systems (CalPERS, CalSTRS, and the University of California Retirement System) had over \$400 billion in (future) “unfunded liabilities.” The report claimed that the estimated “unfunded liabilities” for public employee workers was \$240 billion, and the figure for teachers unions was \$157 billion. This information, which had an alarmist tenor, was used prominently in building the case for Hollingsworth’s bill. For example, David Crane, Schwarzenegger special assistant for Jobs and Economic Growth, wrote in an op-ed piece in *The Los Angeles Times* in early April, “Why should Californians care? Because this year’s unfunded pension liability is next year’s budget cut to important programs.” ¹³⁵ Crane added, “Simply put, the single most important step a legislator can take to protect programs and taxpayers is to embrace reform.” ¹³⁶

Moreover, while promoting SB 919 in June Schwarzenegger declared, “Every year we are diverting more and more money away from higher education, health and human services, public safety, parks and environmental protection to pay for

benefits to widows of police and firefighters who died in the line of duty.” A coalition of public worker unions were also prepared to challenge that proposition. See: California Special Election-2005,” *Wikipedia*. Internet Source.

¹³² Don Thompson, “California Committee effects pension reform bill,” *Bloomsberg Businessweek* (June 15, 2010). Internet Source

¹³³ For example see: “California Pension Reform: A fair deal for tax payers and state workers in California,” *National Review Online* (April 23, 2010). Internet Source.

¹³⁴ “Level the playing field: Hollingsworth’s benefits reform plan not nearly sweeping enough,” *The San Diego Union-Tribune* (April 30, 2010). Internet Source.

¹³⁵ David Crane, “California’s \$500 billion pension time bomb,” *The Los Angeles Times* (April 6, 2010). Internet Source.

Also see: “Pension Bomb Ticks Louder,” *The Wall Street Journal* (April 27, 2010). Internet Source.; Ed Derman, “The Sky is Not Falling at CalSTRS,” *HuffPost* (April 15, 2010). Internet Source.

¹³⁶ *Ibid*.

unsustainable retirement costs, and without action, those costs will skyrocket.”¹³⁷ However, in late June, the bill did not get out of the Senate Public Employment and Retirement Committee, owing to a unanimous Democratic Party vote of 4-2. After that vote committee chair Louis Correa (D.-Anaheim) emphasized that “pension changes should be negotiated through collective bargaining agreement rather than by the lawmakers.”¹³⁸ He also stated, “These changes should already be negotiated with state and local employee unions.”¹³⁹

San Francisco Assemblyperson Democrat Fiona Ma introduced another bill aimed to address alleged public worker pension abuses in the State Assembly. The bill (SB 1987) was designed to abolish the use of sick leave and unused vacation time to factor into the final pension calculation.¹⁴⁰ The bill also curtailed so-called “double dipping,” where public workers who retired from a job in a public retirement system would have to wait six months before they could take a government job involved in the same retirement system. However, several union sponsored amendments were added to the bill to make the terms for retirement settlements “bargainable” during contract negotiations.¹⁴¹ Assemblywoman Ma agreed to the amendments. Reflecting an unusual Democratic-Republican consensus, it passed the State Senate 28-1 and the Assembly 70-0. In response to the successful vote, backers of the bill withdrew support, including State Controller John Chiang and the California State Counties Association. Marcia Fritz of the California Foundation for Fiscal Responsibility stated, “This bill would be one of the last important acts of the Schwarzenegger administration —and it appears the governor agrees.”¹⁴² On October 1, Schwarzenegger, who was opposed to the union sponsored amendments, vetoed the bill, stating, “While this bill purports to address this issue by segregating out some of the factors that have allowed pension spiking, in some instances it still allows local pension boards to determine what is ultimately counted in an employee’s pension calculator. This does not provide a consistent treatment to all employees.”¹⁴³ Assemblyperson Ma reacted by saying, “Sadly, contrary to his supposed commitment to pension reform, the Governor’s veto of AB 1987 sends a message that pension ‘spiking’ and ‘double dipping’ is acceptable.”¹⁴⁴

While the legislative efforts to restructure union pensions were going on, state and local government agencies were actively negotiating with union officials new

¹³⁷ Thompson (2010). Internet Source.

¹³⁸ Ibid.

¹³⁹ Ibid.

¹⁴⁰ A parallel bill was submitted in the California State Senate by Democrat Joe Simitian, who serves parts of San Mateo, Santa Clara, and Santa Cruz counties.

¹⁴¹ Derman (2010).

¹⁴² “Schwarzenegger on key pension bell: Taxpayers deserve better,” *Sacramento Bee: Capitol Alert* (October 1, 2010). Internet Source.

¹⁴³ Ibid.

¹⁴⁴ Ibid.

contracts which include pension restructuring. This process has led to unions making concessions allegedly to address the state budget crisis. For example, in June, the Governor's collective bargaining representative and the bargaining units for four public worker unions, including Highway Patrol, fire-fighters, health and social service professionals, and psychiatric technicians reached tentative agreement on a contract which included pension "reform."¹⁴⁵ These groups represent twelve percent of the 170,000 unionized public workers in California. The agreement only effected new hires. The "givebacks" included increasing the retirement age for Highway Patrol and firefighters from 50 years to 55, and from 55 to 60 for the other units. Also, the definition of final compensation would replace the single highest year's average with the three highest years' average, which would reduce, or eliminate, the so-called practice of "spiking." Finally, the employee monthly retirement contributions would increase to ten percent of pay. *The Modesto Bee* reported on June 19, 2010, "The state estimates the savings from the ...deal at \$72 million in the next fiscal year—a drop in the bucket compared to the \$2.2 million that could be saved if all state public employee unions agree to similar reforms."¹⁴⁶

The public worker pension issue also became a central to the California's Governor's race leading up to the November 2, 2010 election. The Democratic and Republican candidates were former California Governor Jerry Brown and former E-Bay CEO and billionaire Meg Whitman. Both candidates latched on to the public worker pension issue as part of their campaign strategy. Whitman, who premised her campaign on the theme—"California has a government it can no longer afford"—introduced a plan similar to the Hollingsworth bill during the lead-up to the June primary election for the Republican nomination for Governor. Whitman, who spent an \$150 million of her personal wealth on her campaign, declared the "the next California governor must have the courage to confront the public-employee unions and reform the state pension system. Short of raising taxes or cutting education to the bone, there is no other way to dray up the red ink in the budget."¹⁴⁷ Furthermore, to address the pension issue, she proposed that, "We have an obligation to both taxpayers and government workers to find a solution that will guarantee the solvency of the state's pension fund without requiring higher taxes. We must rise the retirement age for non-public safety workers from 55 to 65. We must require state employees to contribute a larger portion of their salary to help pay for their retirement benefits. We must extend the vesting period, and we must bring new government workers in under a different deal where they receive a defined-contribution retirement plan

¹⁴⁵ "Democrats block pension reform," *The Modesto Bee*, (June 20, 2010). Internet Source.

¹⁴⁶ Ibid.

¹⁴⁷ Meg Whitman, "California Pension Reform: A fair deal for taxpayers and state workers in California," *National Review Online* (April 23, 2010). Internet Source.

similar to the 401(k) plans that most tax-payers have.”¹⁴⁸

During the lead-up to the election Whitman’s campaign faced several controversies. One of the controversies related to the pension issue. Early in her campaign Whitman had stated, “New government employees, not public safety employees beyond the public safety realm, are going to have to come on under a different deal.”¹⁴⁹ What she was declaring was that in any state negotiated contract with public safety workers the defined-benefit pension plan would be acceptable, rather than the defined-contribution (401)k plan. In October, in light of Whitman’s position, the California State-wide Law Enforcement Association, which represents Highway Patrol members, firefighters, and other public safety workers, endorsed her candidacy. Whitman claims she had made her initial statement because “they [public safety workers] fill dangerous jobs.”¹⁵⁰ CSLEA President Alan Barcelona, explained his associations endorsement,

Her early embrace of the anti-public-employee rhetoric and proposal for 401(k)s as a panacea for ails the state’s retirement obligations concerned us deeply. But her famous talent for being a quick study has tempered that to where she now understands that public employees are not one lumpen mass, but some, like our members, pin on badges, put out fires, answer 911 calls, and investigate and inspect the worst crimes. She informed the CSLEA Board that she now sees the value in keeping defined-benefits retirement for public employees.¹⁵¹

The CSLEA spent over \$500,000 in support of Whitman. The Brown campaign formally responded to Whitman’s shift by stating, “It’s a political ploy to pander to law enforcement. Meg Whitman, from the beginning of this campaign, has walked into to every group and told them exactly what they wanted to hear, no matter which of her previous statements it conflicted with.”¹⁵² However, the situation took on crisis purport when a taped private phone message from the Brown camp was released, where Whitman was called “a whore,” for her capitulation to the CSLEA. The Whitman camp tried to use the tape against Brown, while Brown apologized and attempted to move on. Nonetheless, Whitman’s action showed that political opportunism could still trump ideological purity with a Republican political

¹⁴⁸ Ibid.

¹⁴⁹ Among several see: Ryan Gabrielson, “Public Safety pension shortfalls vex candidates, taxpayers,” *California Watch* (September 21, 2010). Internet Source.

¹⁵⁰ PoliticCal, “Whitman says pension-reform plans don’t apply to police, firefighters,” *The Los Angeles Times* (September 15, 2010). Internet Source.

¹⁵¹ Ibid.

¹⁵² Ibid.

candidate.¹⁵³

Democratic-nominee Jerry Brown, who was Governor between 1974 and 1982 and was concluding four years as Attorney General, also proposed changes to public worker pensions.¹⁵⁴ The outline of his proposal was similar to Schwarzenegger and Whitman's. They included demanding that public workers contribute more to their retirement plans, and raising the retirement age for new public worker hires. Brown also proposed ending so-called "spiking." Michael J. Mishak, writing in *The Los Angeles Times*, reported that the benefits in Brown's plan, "would be based on the average of the employee's last three years instead of the final year."¹⁵⁵ Brown also proposed that he would establish an independent oversight of pension funds, require special training for board members, and prohibit the use of placement agents—middlemen who advise funds on investments and receive commission as payment. Brown's plan also would bar retroactive payments if benefits are ever enhanced and ban pension "holidays." Where he differed from Whitman was that he did not propose switching new hires to defined-contribution 401(k) plans. He also would raise the retirement age to 60, rather than 65. Brown elaborated, "I'm not going to blame public servants for problems that have been created by Wall Street hedge funds and mortgage sellers, but at the time, as I did as governor, I know when it's time to tighten our belt."¹⁵⁶ Brown also proposed his administration would pursue these reforms through a combination of legislation, regulation, and collective bargaining. Reacting to Brown's proposals, Marcia Fritz, the President of the California Foundation for Fiscal Responsibility, stated, "He's right on. He's bullet proof. I'm very happy he's embracing pension reform. It remains to be seen if he can handle the pressure to give the status quo what it wants."¹⁵⁷

Democrat Jerry Brown won the California governor's race. However, within days after that election the California State Legislative Analysts' office announced that it had underestimated the pending budget deficit by \$6 billion dollars. This established a climate of urgency, leading Brown to stress that his administration

¹⁵³ See: Brian Leubitz, "What of the union that backed the wrong Horse?" *California Progress Report* (November 29, 2010). Internet Source.

Leubitz speculated, "Of course, the 'whore' episode only comes out because: a) Jerry Brown didn't properly hang up the phone, and, b) CSLEA handed the tape recording over to the media. This had to be a very calculated and considered move. You just don't do something that creates that kind of personal attack without considering what you're doing. In other words, CSLEA moved all in by releasing that tape...for the wrong side."

¹⁵⁴ See: "Pension Reform, Jerry Brown/Governor/2010," *jerrybrown.org*. Internet Source.

¹⁵⁵ Michael J. Mishak, "Brown details plan for California state worker pension reforms," *The Los Angeles Times* (July 23, 2010). Internet Source.

¹⁵⁶ *Ibid.*

¹⁵⁷ *Ibid.*

would pursue a policy of painful cuts. In the wake of this development, the Service Employee International Union Local 1000 announced that its membership had ratified the new contract, after year-long negotiations with the Schwarzenegger administration.¹⁵⁸ That union had been without a contract since 2008. That agreement made concessions, similar to the contracts agreed to in the past six months. The contract included the rank-and-file increasing monthly contributions to three percent of their salaries and establishing a two-tiered pension program, where new hires would be on a defined-contribution 401(k) plan. Also, the retirement age for new hires was moved up from age 55 to 60. The contract also included twelve unpaid days off over the next year. The latter agreement was in exchange for avoiding state mandated furloughs. The contract, which will last until July 1, 2013, avoided being subjected to a minimum wage if there was a delay in passing the budget. The contract was ratified by 66 percent of the 95,000 dues paying members. The contract was advertised as saving the state \$400 million annually. SEIU Local 1000 President Yvonne Walker, who participated in the negotiations, stated “We’ve done our part to get the state through this unprecedented budget crisis.”¹⁵⁹ Walker also declared “This gives our members stability and security, especially after 20 months of furloughs.”¹⁶⁰ Nonetheless, Jack Cody, writing on the World Socialist Web Site, observed, “The contract, which was approved just one week after the elections, is an indication of the type of austerity measures that will be imposed—with the complicity of the unions—throughout the state and across the United States.”¹⁶¹ How successful Governor Brown will be in addressing California’s budget deficit is speculation at this time.¹⁶² Nevertheless, because of national, state and local economic, political, and ideological realities, California’s state and local budget deficit crises will only persist, and the assault on

¹⁵⁸ The State Worker, “SEIU Local 1000 Contract Ratified,” *The Sacramento Bee* (November 9, 2010). Internet Source. Also see: Jon Ortiz, “SEIU, Schwarzenegger agree to labor pact with pension concessions,” *The Sacramento Bee* (October 7, 2010).

¹⁵⁹ Ibid.

¹⁶⁰ Ibid.

¹⁶¹ Jack Cody, “California State Workers Union Pushes through cuts in pay and pensions,” *World Socialist Web Site* (November 9, 2010). Internet Source.

¹⁶² Among many see: Wyatt Buchanan, “Brown seeks drastic cuts, tax extensions,” *The San Francisco Chronicle* (January 11, 2011). Internet Source.; Wyatt Buchanan, “Brown seeks long-term fixes,” *The San Francisco Chronicle* (January 12, 2011). Internet Source.; Wyatt Buchanan, “Gov. Jerry Brown's budget may hit legal roadblock,” *The San Francisco Chronicle* (January 13, 2011). Internet Source.; Dan Conway, “California governor begins term proposing massive austerity budget,” *World Socialist Web Site* (January 13, 2011). Internet Source.; Dan Walters, “California budget fix would take three steps,” *The Sacramento Bee* (January 13, 2011). Internet Source.; Dan Walters, Brown puts on big show on state budget,” *The San Luis Obispo Tribune* (December 9, 2010). Internet Source.; “Governor-elect Jerry Brown Already Tackling budget,” *About.com Sacramento* (December 18, 2010). Internet Source.

public worker pensions will intensify.

Conclusion

The assault on public worker unions and public worker pensions is integral to the response by the capitalist class in every Western country to the 2007-2008 financial-economic crisis. The options this class had to address the financial-economic crisis included: 1) restructuring the economy to institutionalize sustainability and the general well-being of the society; 2) nationalize the financial sector for public need, reinstall redistributive-Keynesian policies, and carry out massive government job creation; 3) reinstate a progressive tax structure, where the wealthy would provide adequate tax revenues; 4) promote “stimulus” spending to jump-start the respective economies; 4) implement bailouts to Wall Street banks interjecting liquidity to insure bank profits; and/or, 5) carry out “austerity” (budget cutting) based on an intensification of Neo-Liberal policies. The capitalist countries initially promoted “bailouts” and “stimulus,” but in the past year shifted to an emphasis on “austerity.” The latter approach is being carried out by every Western capitalist government, as well as by state and local governments in the United States. The outline of “austerity” includes: 1) brutal cuts in social welfare and public transportation; 2) privatization of public education; and, 3) assault on public worker union pensions. The objective has been: 1) to force the working class to pay for the public debt owned to the banks; 2) to completely privatize the public sector to generate profits for corporations; and, 3) to smash organized labor and to force workers into low-wage employment. So far, despite the deepening integration of the world capitalist system during the Age of Globalization (1990-2008), the crisis has provoked economic nationalism. This is true in Europe, where the crisis has severely disrupted the foundations of the European Union-Eurozone. Moreover, the United States has pursued a unilateral protectionist policy related to inter-national monetary and trade policy. The United States has also intensified global military aggression (Iraq, Afghanistan, Somalia, Yemen, North Korea, China, etc.), which has amplified global political and economic contradictions, creating a specter of global conflagration.¹⁶³

¹⁶³ British Sociologist Ankie Hoogvelt argues, “United States hegemony was supported by petro-backed dollars. But in the past ten years an increasing number of oil producing countries have decided to leave the dollar as the currency of denomination for oil payment in favour of either the euro or a basket of currencies. Notably Venezuela, Iran, and most recently a group of Gulf Arab states. Iraq’s decision, in 2000, to go the same way provoked, according to some observers, the United States led an invasion of Iraq. It would seem, therefore, as William Engdahl points out, that there is nothing now to back up this United States status except naked military power. In other words, the dollar’s only remaining role is that of a ‘safe haven’ currency. But this role invites a strategy of military posturing and the creation of permanent crisis.”

The dominant economic interest's class war against the working class has assumed specific forms in each country owing to that nation's political culture. What stands out in the United States is the brazen bi-partisan catering to the wealthy, particularly Wall Street, and the attack on the public sector. This is exhibited by numerous policies implemented by George W. Bush and Barack Obama, including the multi-trillion dollar bailouts to Wall Street; the corporate health reform boondoggle; the extension of the Bush tax cuts to the wealthy; and the looming threats to Medicare and Social Security. Also, what stands out is the complicity of the leadership of organized labor to the Democratic Party, while that party vigorously carries out the assault on the working class. An implication of that symbiotic relationship is the stunning complacency of the rank-and-file of organized labor to the attacks. This is in marked contrast to the working class and student response to similar assaults in Greece, France, England, and elsewhere.

The discussion about the assault on public worker pensions provides a case study as to how the dominant economic interests, the government, and the Democratic and Republican Parties have organized to respond to the 2007-2008 financial-economic crisis. It also exposes the predicament the working class finds itself in the face of this offensive. The options for the working class are stark: either rely of the Democratic Party while that party intensifies the implementation of Neo-Liberal policies, policies that will lead to ever deeper crises; or, revive its militant history by unifying and formulating a radical alternative. That alternative must include: 1) nationalizing the financial sector to serve the needs of the society, and not only the wealthy; 2) massive redistribution of income through public investment, government job creation, and a progressive income tax structure; 3) slash the massive military budget while giving up the illusion of absolute global hegemony, and, 4) resuscitate and promote public life based on social justice, tolerance, diversity, and international cooperation. Moreover, the working class should take heed to Political Theorist Samir Amin's warning: "These 'leftist' economist were not prepared to understand that the crisis which has erupted was inevitable. They are even less prepared to confront the challenges which are faced by the people as a result. Like the other vulgar economists, they will seek to repair the damage without understanding that it is necessary to pursue another route if this is to be successful—that is overcoming the fundamental logics of capitalism. Instead of looking for exits from capitalism in crisis, they think they can simply exit the crisis of capitalism." ¹⁶⁴

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See: Ankie Hoogvelt, "Globalisation, Crisis and the Political Economy of the International Monetary (Dis) order," *Globalisations*, 7(March-June, 2010) 12, p. 63. Also see: William Engdahl, "No, the Iranian oil bourse is not a casus belli..." *Global Research* (March 10, 2000). Internet Source.

¹⁶⁴ Samir Amin, "Exiting the Crisis of Capitalism or Capitalism in a Crisis," *Globalisations*, 7 (March-June, 2010)1-2, p. 268.

