

Notes on the US social crisis

By Naomi Spencer
26 July 2011

As state and local government budget crises deepen, working class living conditions are unraveling.

Ratings agency Moody's threatens five states with credit downgrade

Five states—Maryland, New Mexico, South Carolina, Tennessee, and Virginia—may have their credit ratings downgraded from AAA in the event the federal government does not raise the debt ceiling, ratings agency Moody's announced July 19. The states are more dependent upon federal spending for their public infrastructure than 10 other states with the highest rating.

As a result of the warning, Maryland may see an increase in interest rates on a scheduled sale of nearly half a billion dollars in municipal bonds for school construction and other public works projects. The *Washington Post* commented, "Technically, those bonds will retain a triple-A rating, but state fiscal experts said the outcome was unclear because at no time in recent memory has the state conducted a bond sale while under a credit watch."

Harrisburg, Pennsylvania rejects state austerity plan

The city council of Harrisburg voted July 19 to reject imposition of Pennsylvania's "distressed city program." By a 4-3 vote, officials rejected Republican Governor Tom Corbett's austerity plan. Under the proposal, the city would sell off public assets, including a valuable parking garage system and a large trash incinerator project for which the city is indebted by more than \$300 million. Public workers would see their contracts shredded and wages frozen.

The plan is overwhelmingly opposed by city residents, who recognize it as an attempt to shift the burden of economic losses in the incinerator project away from investors and onto the backs of the working

class.

The decision is a first in the program's 24-year history. The *New York Times* commented July 20 that with the vote "the city was briefly transformed into the Greece of Pennsylvania, with residents taking a stand against fiscal austerity despite the risk to their own economy." Mayor Linda Thompson has until August 3 to submit a "recovery plan," or state funds can be withheld.

One in three elderly Michiganders are destitute

One-third of Michigan residents aged 65 or older are "economically insecure," according to a study by Wayne State University's Institute of Gerontology. The study takes into account the cost of medical care, housing costs, and other living expenses not factored into federal poverty guidelines.

In particular, housing prices create hardship for retired workers. "You might have seniors who bought this big fancy house when they were working, but now they have to pay property taxes on it, and they're still struggling—especially now that the [housing] market has locked people in those houses," author Thomas Jankowski told the *Detroit Free Press* July 20.

Home maintenance costs present a greater burden to the elderly, who frequently live on small, fixed incomes and may have disabilities or frail health. Older homeowners may have to hire workers for repairs, lawn care or snow removal.

Compounding this difficulty are the collapse in home values, shrunken 401k retirement packages, and the spiraling cost of home heating and other necessities.

Central Falls, Rhode Island financial manager demands halving of public sector retiree costs

State-appointed financial manager Robert Flanders Jr. announced at a public meeting on July 19 a plan to halve benefits of retired police and firefighters. Calling

the proposal “the Big Ask,” he cynically insisted that no retirees would see their pensions cut by more than half, or to less than a paltry \$10,000 per year.

In the past year, Flanders has overseen the closure of the city library and community center. With the endorsement of the Obama administration, the city has also been subjected to a vicious attack on its public school system; last year the entire teaching staff at the high school was fired after the institution was declared to be a “failing school” under federal Race to the Top criteria.

Flanders threatened that if retirees do not vote to accept the benefit cuts over the next few weeks, the alternative would be municipal bankruptcy and “even more drastic” changes. Speaking to the press after the meeting, Flanders said, “I would advise you that a haircut still looks a lot better than a beheading... I hope upon reflection they will at least consider the idea that it’s better to get something than potentially nothing.”

“Where is the fairness?” a retired police sergeant asked at the meeting, and said he would rather the city file for bankruptcy. “We put our money in, and the city, through their callousness and everything else, just blew it,” another retired police officer stated. Media reports indicate such sentiments drew strong applause from the crowd.

Memphis, Tennessee public schools may not open in the fall due to funding shortfall

The city of Memphis owes its schools more than \$150 million, crippling operations in the already underfunded system. According to the school district’s superintendent, since 2009, schools have only received 52 percent of funding allocated to them.

The school system has slashed its operating expenses in the past four fiscal years. Since 2008, the district has cut more than 1,400 jobs and nearly \$200 million from its operating budget. The city schools serve 100,000 children, 87 percent of whom are low-income, dependent upon the schools for basic supplies and subsidized meals.

The city is attempting to starve out public schools to give way to private charter operations.

On March 9, Memphis residents voted to dissolve the city school board into the less populous but better-funded Shelby County board. Both the school board and the Memphis city council are waiting for the

federal district court ruling on whether the city charter rules, approved in 1961, are in force or outweighed by state law. The charter states that the city’s public school system can be disbanded by a vote of the school board and approval by the city council.

Tennessee has pursued the development of a statewide charter system for several years, with tens of millions of dollars in backing from the Obama administration’s Race to the Top program.

Hunger grows among Minnesota immigrant families

Mexican migrant workers in Minnesota are contending with dire food shortages as charity pantries run bare. The state’s food pantry supply program had been suspended during the weeks-long government shutdown.

An estimated 20,000 undocumented immigrants travel to the state to work in agriculture each summer, most in the vegetable processing plants in the southern part of the state. Many run through their meager earnings making the trip and arrive destitute, often with families in tow. They may work for weeks without seeing a paycheck, and must survive in tiny, overcrowded apartments or hotel rooms without adequate cooking facilities.

A recent Minnesota Public Radio report found many come to the Salvation Army Montgomery Food Shelf south of the Twin Cities metropolitan area. The pantry is so busy that families must wait in corners or outside.

“The first days, the first weeks, they’re just terrible,” Jesus Garza said, adding that the pantry is a lifeline for his family. “It’s not only us; we’ve got the kids. That’s what our worry is, because they’ve got to eat. We can be two to three days with water, maybe something just light. But they don’t wait.” He said that he and his wife both work 12-hour days, often seven days a week.

Need is growing statewide. According to the St. Paul-based organization Hunger Solutions, Minnesota’s food pantries have seen a 62 percent increase in visits over the past two years.

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