



Fiscal future hangs on US state disputes

By Richard McGregor in Washington
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With Washington bogged down in glacial budget talks, America's fiscal future is being **played out in the states**, in a series of bitter and melodramatic clashes between Republican governors and public sector unions.

The struggles between the newly elected governors in **Wisconsin** and **Ohio** with unions are already feeding into calculations for the 2012 presidential poll, also likely to be fought over who best can handle swelling budget deficits.

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The stakes are highest in Wisconsin, where Scott Walker, governor, has faced weeks of huge demonstrations inside and outside the legislature over his plan to restrict collective bargaining for some public employees. Mr Walker's bill has only been stymied by the fight into neighbouring states by 14 Democratic senators, depriving him of a quorum needed to push the legislation through.

Wisconsin police are hunting the senators, giving the controversy the feeling of a crime show, and Mr Walker has threatened to sack public employees from Friday unless budgetary measures can be passed.

Mr Walker and John Kasich in Ohio have followed in the wake of two other Republican governors who have taken on government workers, Chris Christie and Mitch Daniels in New Jersey and Indiana. Mr Christie and Mr Daniels, who have used their fiscal credentials to promote themselves on the national stage, are both potential Republican nominees to run against **President Barack Obama** in 2012.

"Although the governors are different, they do have a unifying theme to make the state governments smaller and more fiscally sound and efficient," said Professor John Green, of the University of Akron.

The Democrats and unions, however, see the governors as attacking public sector pay and conditions for altogether more base political reasons.

"The Republicans see the unions as a major funding source and voting bloc for the Democrats," said Andy Stern, the former head of one of the country's largest unions. The political fallout of the states' fights is unclear, but all public polls record a strong backlash against Mr Walker in particular over efforts to curtail collective bargaining.

"Everyone realises you have to do something about deficits, but on this issue, the Republicans have over-interpreted their mandate, the same way that leaders from both parties have done in the past," said Joe Trippi, a Democratic strategist.

Chris Edwards, of the Cato Institute, a libertarian think-tank in Washington, said the polls were misleading because they were based on questions that presume collective bargaining was a "right".

"If you ask Americans if they favour rights, then of course they say 'yes'," he said. "I think collective bargaining gives a special kind of leg up to government employees and insiders."

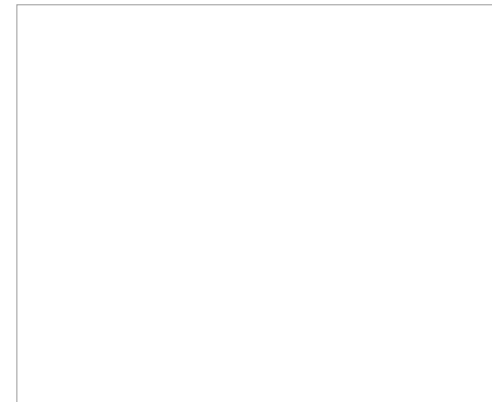
Still, the states' battles are being closely tracked in Washington, which is bunkered down for **protracted negotiations over not just the 2011 budget, but the 2010 one, which has still yet to be passed.**

This week, Mr Obama and Congress agreed on a deal that funds the government for another two weeks until March 18 but there is no clear path ahead. The Republican House leadership is

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being pushed to take a hard line by newly elected members of the **Tea Party**, who are militant on cutting government spending.

John Boehner, House Speaker, attempting to straddle a difficult political divide, says both that the Republican party will offer a budget that tackles big-spending pension and health programmes, and also that his plan will contain no details. Mr Obama and the Democrats, too, are under pressure not to cut programmes valued by its own base, even though any plan to cut the budget will have to touch social security and health. The cuts in Ohio and Wisconsin, although they may bear fruit for the local economies in the long term, are not likely to bring political benefits before the 2012 presidential poll.

"The short-term pain in Ohio is likely to be very big," said Mr Green. No Republican has ever won a presidential election without taking Ohio.

In the meantime, the cuts being forced on teachers and the like in the states have galvanised the Democratic base in a way that has not been seen since Mr Obama's campaign and election.

"The Democrats' problem in the 2010 elections was that the energy was all on the right," said Mr Trippi. "Now the pendulum is swinging clearly away from the Republicans because of the way they have handled this issue."

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