



# CommonSense

with Paul Jacob

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## Bankrupted by Cushy Pension Contracts

Central Falls, Rhode Island, is not a large city. It is a town of under 20,000 people. And its government is broke, facing likely bankruptcy.

Municipal bankruptcies are not common. But they might become so. Why? The blame is easy to place: the proverbial [gun-under-the-table](#) contracting foisted on small localities by state governments.

That's what happened in Central Falls, anyway.

Even the *New York Times* has [an idea of the underlying problem](#):

The city, just north of Providence, is small and poor, but over the years it has promised police officers and firefighters retirement benefits like those offered in big, rich states like California and New York. These uniformed workers can retire after just 20 years of service, receive free health care in retirement, and qualify for full disability pensions when only partly disabled.

Walter Olson, of the Cato Institute, [elaborates on this account](#): “‘Promised’ is a word of art here, because the city wasn’t really making all of these concessions on a voluntary basis. . . .” The concessions to unions were, instead, forced on the town by “public-sector arbitration” (which has almost nothing to do with private arbitration) that has led to a widespread “crisis in municipal finance,” which, the *Times* states, has brought one in four Rhode Island municipalities to the brink.

Olson makes the reasonable case that public-sector employee unions are a very bad idea to begin with. The end comes either with serious reform or bankruptcy.

This is Common Sense. I'm Paul Jacob.