



October 25, 2011 Tuesday

The hour of truth has arrived in Rhode Island

BYLINE: Edward Achorn

SECTION: NEWS; Commentary; Pg. 7

LENGTH: 779 words

One of the most encouraging signs yet that Governor Chafee has awoken to the terrible crisis confronting Rhode Island is that Robert Walsh is displeased with him.

Mr. Walsh, the controversial executive director of the National Education Association Rhode Island, has long advanced special-interest policies that have left the state mired in pension debt, with steep taxes, decaying public services and high unemployment. Given the public-employee unions role in helping elect Mr. Chafee with 36 percent of the vote last fall, Mr. Walsh apparently thought the new governor would blindly follow his lead this year, a not irrational assumption.

Instead, Governor Chafee joined Treasurer Gina Raimondo last week in unveiling a significant pension-reform bill that would cancel cost-of-living increases for retirees until the state can better afford them, raise the retirement age, and move employees onto a hybrid system involving a 401(k)-style plan.

While the reform would probably leave citizens facing sharp tax hikes and poorer services in the years ahead, Mr. Walsh protested that this measure was worse than the reform advanced last year by Democratic gubernatorial candidate Frank Caprio. The public-employee unions helped crush Mr. Caprio because of his too frequent warnings that Rhode Island could not afford the current level of pension benefits.

It is not clear what led to Governor Chafee's Road-to-Damascus conversion, but surely Ms. Raimondo had something to do with it. She has steadily, soberly, and unflinchingly presented stark and alarming numbers, and called for serious reform. Our pension debt has reached at least \$9.4 billion, and our extraordinarily generous public-employee retirements are set to cost taxpayers hundreds of millions of dollars more next year.

If we fail to reform this system now Rhode Island's sky-high state and local taxes will blast into the stratosphere, bankrupting distressed families and driving out those dwindling businesses that create jobs and fill tax coffers. At the same time, officials will have to cut public services even more, putting our most vulnerable citizens at terrible risk.

Though economists, pundits and a few brave politicians (such as former Treasurer Nancy Mayer) have been warning for decades that this moment would inevitably arrive, public-employee unions have had notable success in scaring legislators away from reform, mainly with credible threats that they will back primary opponents against those who fail to do the unions bidding.

They are pulling out their tattered playbook once again.

Politicians at the Rhode Island State House are at it again and your pension is in serious jeopardy, warned a campaign by eight of the state's public-employee unions, working together as the Rhode Island Retirement Security Coalition.

AFL-CIO President George Nee threatened last week to battle the people of Rhode Island in court should they, through their elected officials, manage to curtail the benefits flowing to union members.

We will see whether the unions money, clout and expertise in the arts of intimidation prevail one more time.

At some point, though, reality will have to intrude. Look at Greece.

While tens of thousands of furious protesters took to the streets last week, officials in that birthplace of Western Civilization had little choice but to approve tax hikes and austerity measures to make up for spending promises that simply could not be kept. The system there is collapsing, threatening to drag down Europe, and perhaps the world's economy.

Rhode Island, like Greece, has reached its hour of truth. It can no longer pretend that its terrible financial problems, brought on by politicians who colluded with union leaders and cared little or nothing about taxpayers, will magically disappear.

It's doubtful whether even the Raimondo-Chafee measure is enough. Jagadeesh Gokhale, a senior fellow at the Cato Institute, in Washington, contends that the accounting methods used by Rhode Island's actuaries amount to sugarcoating the situation. The true magnitude of the Rhode Island's pension and retiree health underfunding problem is larger by billions of dollars. The country is watching how Rhode Island deals with this.

Placating the likes of Messrs. Walsh and Nee will only topple Rhode Island faster. Legislators must reform the system now, if they don't want to wipe out taxpayers, crash the economy and significantly damage the state's ability to revive any time soon.

Voters should call their representatives and senators. Citizens can reach House Speaker Gordon Fox at (401) 222-2466; Senate President Teresa Paiva Weed at (401) 222-6655; and Governor Chafee at (401) 222-2080.