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AFL-CIO Descends On Wall St to Blame For Budget Shortfalls

By Ian Mckendry

WASHINGTON (MNI) - The AFL-CIO is holding a rally in New York city Thursday, -- the group will ask for more funding for public sector jobs as well as "Wall Street reform."

"Wall Street has gotten its bailouts. Now it's time for Main Street to get some immediate help," an AFL-CIO spokesman said.

Referring to state budget deficits, the AFL-CIO says, "States have responded by cutting expenditures, services and critical staff including nurses, teachers, firefighters and other first responders, actions that actually deepen the economic downturn by reducing economic activity."

Some experts disagree, saying exorbitant union salaries and pension funds may weigh heavily on state budget shortfalls.

Chris Edwards, Director of Tax Policy Studies at the CATO Institute said public-sector unions impose extra cost burdens and hardships on states, and argues that there is a correlation between the size of a union within a state and a state's debt.

"As the union share increases, a state tends to have a higher government debt load," Edwards said.

"The correlation is likely caused by the fact that unionized government workers are powerful lobby groups that push for higher government-worker compensation and higher government spending in general" he added.

The AFL-CIO defines its jobs agenda as follows:

1. Extend the lifeline for jobless workers.
2. Rebuild America's schools, roads and energy systems.
3. Increase aid to state and local governments to maintain vital services.
4. Put people to work doing work that needs to be done.
5. Put TARP funds to work for Main Street.

Each point of the agenda calls for increased spending.

Andrew Biggs, a resident scholar at the American Enterprise Institute, said overspending has led the U.S into fiscal trouble.

"A CBO projection on the future fiscal gap shows that spending, not tax cuts, is the real driver [to fiscal problems] ," Biggs said.

"It's hard to argue that our looming budget problems derive from 'too little taxes' when by any historical standard taxes will rise to record levels even before the fiscal gap is addressed," Biggs added.

According to Edwards, municipal bond debt was relatively flat in the 1990s and was at \$1.2 trillion in 2000 but has jumped to a current level of \$2.3 trillion -- nearly doubling in a 10-year span.

"There's a mad rush here to spend money now and get states further into debt," Edwards said, adding, "We're putting all these costs onto the next generation."

"I think the unions push states further into debt and make it harder for them to dig out and restructure in times like now," Edwards said.

The Center on Budget and Policy Priorities said in a report that 48 states have addressed or still face budget shortfalls in 2010.

"States' fiscal problems will continue into the next fiscal year and likely beyond. Fiscal year 2011 gaps -- both those still open and those already addressed -- total \$103 billion or 17 percent of budgets for the 42 states that have estimated the size of these gaps," the report said.

California may be the canary in the coal mine.

In a Stanford University report -- California's three largest pension funds were estimated to have over a half trillion dollar funding shortfall.

Villejo, California has drawn the attention of the nation (and unions) since it filed for bankruptcy in 2008 to get out from underneath bloated union salary's and retirement packages.

A Cato Institute report said police and firefighter salaries and pensions made up 74% of the city's \$80 million general fund.

Still, 10,000 union supporters are descending on Wall Street Thursday, and will continue the Goldman Sachs bashing that went on in the Senate Tuesday.

The AFL-CIO is expected to have a similar protest next month in Washington.

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