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Anti-Worker “Nuclear Option” Is a Bomb for Wisconsin’s Economy

By Don Taylor, University of Wisconsin School for Workers

I stood outside the capitol building in Madison, Wisconsin, on the evening of March 9, as Republicans in the state senate performed a “nuclear option” legislative maneuver to ram through an evisceration of workers’ rights. After three weeks of public outcry against a “budget repair bill” that also crushed public sector collective bargaining, they separated the anti-labor parts from the fiscal parts, and then passed the anti-labor portion, 18-1, with no Democrats present.



The next day, the state Assembly passed the bill 53-42.

Among its provisions:

- Abolish public sector collective bargaining on all topics except wages. Negotiated wage increases will be capped at CPI; in other words, no real negotiation can occur.

- Prohibit public employers from deducting union dues via payroll deduction. This measure is one of several that demonstrate the bill’s true intent, because it represents no savings whatsoever for the taxpayer.

As thousands converged on the capitol, the vast majority were barred from entering the public building. The crowd swelled, chanting “Shame!” and “Our House!” as fire trucks arrived in support, sirens blaring to respond to the burning of democracy.

- Require all unionized units to hold annual decertification elections. Again, this relates to the budget in no way whatsoever and is the most blatant example of the ideological agenda behind this bill.

- Institute open shop/“right to work” for all public employees. multinational institutions, including the IMF, which repeatedly praised Tunisia and Egypt’s economic performance.³ Even after the uprisings, a columnist in the *New York Times* argued that economic success was behind the revolution in Egypt since it unleashed the forces of an “entrepreneurial middle class.”⁴

Arab Uprisings

By Omar S. Dahi, Center for Popular Economics

The current revolts sweeping through the Arab Middle East and North Africa (AMENA) have been characterized as uprisings against both authoritarianism as well as neoliberalism.¹ However while there is widespread agreement that there is serious political deprivation within AMENA, there has been some confusion regarding the role played by economic grievances in the revolts. This confusion is not merely due to the proximity of these events — analysis in the midst of ongoing upheavals is always difficult — but also because the actual economic record within AMENA is somewhat contested. On the critical end, the annual Arab Human Development Reports, launched in 2002 by the UNDP have accurately painted a picture of stagnation, rapidly increasing poverty and inequality, as well as gender and other disparities.² On the other hand, several countries in AMENA were also described as success stories by



The reality is that neither of those two narratives paints an accurate picture of economic development in AMENA. Rauch and Kostyshak⁵ have argued that even when excluding the oil and natural gas rich countries, AMENA has not performed poorly in terms of human development. In terms of the two “developmental” components of the human development index: education and health,

AMENA countries have on the whole, increased both life expectancy as well as education by a greater percentage since 1970 than other developing regions, or even the world as a whole. They show that life expectancy and average years of education (in parentheses) in 1970 was 52 (1.4) years in the middle income AMENA countries and 71.4 (5.5) in 2007, an increase of 19.4 (4.1), while the comparable numbers in Latin America were 60.4

(cont’d page 6)

CPE Happenings

- November 4, "New Movements to Build Another World: US Social Forum and the Solidarity Economy," Drew University, NJ. Maliha Safri, Bilge Erten, and Emily Kawano discussed the potential to use trade, local solidarity economy organizing, and the U.S. Social Forum to build a more just and sustainable economy.

- March 9, "Thinking About Race" series, Smith College. Lisa Saunders spoke about "Discrimination or Poor Choices: Debating Racial Economic Inequality" to a lively and engaged group of students.

- March 9, "What's At Stake," Pacifica Radio with host Verna Avery-Brown – Emily Kawano joined Dean Baker to talk about the neoliberalism, the roots of the economic crisis, and ways forward.

- March 18-20, *Left Forum*, NYC. Many CPEers presented at the Left Forum on a wide range of issues including solidarity economy, socialism, labor, China, the Great Recession, mainstream economics,

and unemployment.

- March 26, "Economic Mythbusting," WMass Jobs with Justice, MA. Ann Werboff and Thomas Herndon facilitated a session on busting myths such as public sector workers are paid too much; state budgets have to get rid of unions in order to bring down the cost of its workers.

- March 26, *Annual Single Payer Gala*, Cambridge, MA. Prof. Gerald Friedman was a keynote speaker at this event. He discussed the nitty-gritty of how single payer would look for MA residents.

- April 5, *Neoliberalism: What is it and Why Should I Care?*, Fight Back USA – A National Teach-in, UMass, Amherst. CPE staff economists David Kotz and Emily Kawano spoke on this panel on the economic crisis and taxes.

- April 12, *Smith Association of Class Activists*, Smith College, MA. Helen Scharber and Ying Chen will facilitate a workshop on class, inequality, and the economy. ❖

Welcome to Sue Holmberg – CPE's New Program Director

What is it that drew you to CPE?

The economic crisis we're facing has rendered CPE's mission — to demystify the economy — as important as ever. What has always impressed me about CPE is how it engages with the public to both make the economic issues we face digestible and devise better solutions. As partisan agendas drive our budget debates, public unions are further disabled, and politicians continue to submit to Wall Street, CPE has a clear role to play in clarifying the real issues and facts amidst the rhetorical smoke and mirrors.



What is your background in social justice work? Economics?

Before coming to UMass, I worked as a reproductive rights advocate, a rural organizer, and a trade activist. I wanted to study economics in order to better understand these issues, but did so in a mainstream department. The neoclassical framework never matched up with my experiences, which just left me disappointed and frustrated. While living in Vermont I heard about UMass's economics program and, well, the rest is history.

What programs are you working on now?

I'm developing CPE's new Economic Finds project, which will be an online resource of user-friendly economic data — similar in feel to the format of the *Field Guides*. I am collaborating with Catalyst Webworks in designing CPE's fetching new website. I am also developing the Summer Institute's curriculum on Media, Democracy, and the Economy.

What do you hope to be able to accomplish in your new role with CPE?

The way that the media frames economic issues is centered around corporate news. This is no surprise given that only a handful of companies own and operate U.S. media. I would love to see CPE, both as a collective and via individual members, work harder at permeating the media and public debate on economics. That could involve some communications training for CPE members on how to do radio and television interviews,

write op-eds, blog, etc. I would love to collaborate with "front-lines" organizations — like the Center for Media Justice and Free Press, our partners for this year's summer institute — to write some issue specific resources, for example a *Field Guide on Media Issues*. Finally, with the launch of our new website, I would like to see us use social media, Facebook especially, to better broadcast the work CPE is doing.

What have you found challenging and/or rewarding since coming on board?

Certainly the most challenging part of the job is working remotely (in New York). I wish I could be closer to the core CPE community. The most rewarding aspect of the job is building on CPE's impressive reputation. It feels like I am constantly meeting people who have heard of CPE and appreciate our work. For a small organization that functions on so much volunteer labor, we have certainly made an impact. ❖

CPE Is Growing and We Need Your Help!

The economic crisis has created unprecedented interest in and opportunities for building an economy that works for people and planet. CPE's work to promote real, viable economic alternatives as well as to help people understand why we need systemic change is critical in this transformative, teachable moment.

Please support CPE's work with a tax-deductible contribution. You can send a check or you can visit our website at www.populareconomics.org and give through Network for Good. Monthly pledges are a great way to give online, and they provide us with a steady stream of income to rely on as we work with you to build a better world.

Also, a gentle request to please remember us when you are doing your estate planning.

Please give as generously as you can. **A huge thank you for all you do to support our work!**

Are Americans Overtaxed? Or Are Some Undertaxed?

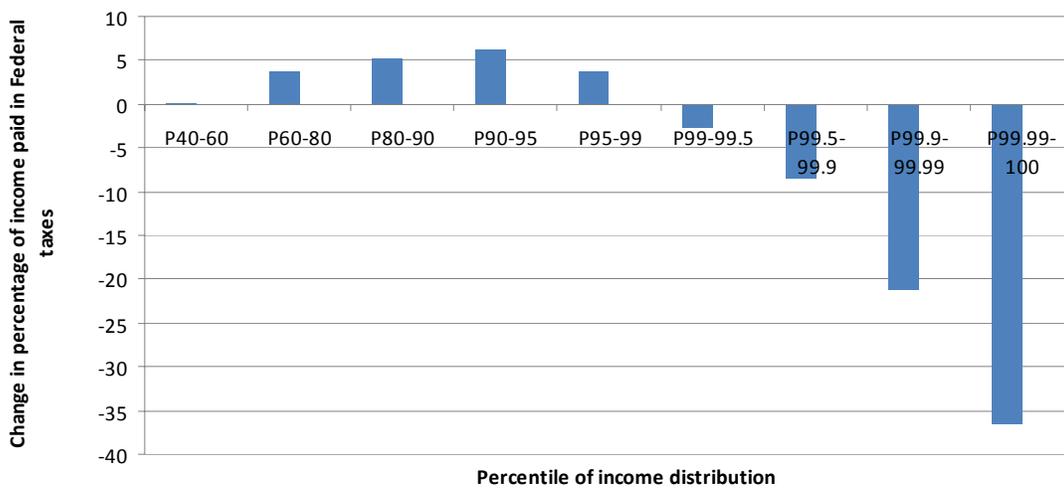
By Gerald Friedman, Department of Economics, UMass, Amherst

Once again this April 15, Tea-Party activists will conduct anti-tax protests timed to coincide with the due date on individual Federal income tax returns. Evoking the memory of our revolutionary forebears, they will complain that taxes have reached a level where honest, hard-working Americans are enslaved to a rapacious state. They object to taxes as impositions upon prosperity and violations of “a man’s (*sic*) right to earn, create and own property.”

fighter aircraft and an endless war on drugs?

Still, the Federal income tax is the wrong target for protest. While the largest single tax, it accounts for barely a third of total taxes and, because of its progressive structure, half of us pay no federal income tax. But while only the most affluent pay significant income taxes, working Americans pay social security taxes from the first dollar earned and we all pay sales taxes without regard for their income and ability to pay. Why then do we see protests against the only tax that is linked with the ability to pay? Perhaps *because* it is the tax that is borne most heavily by those most easily mobilized for political action: the idle rich.

Change in tax burden, 1960-2004



Graph Source: “How Progressive is the U.S. Federal tax system? A Historical and International Perspective” with Thomas Piketty, *Journal of Economic Perspectives*, 21(1), 3-24, Winter 2007

It would be easy to dismiss such protests as just another case of selfish know-nothingism. Compared with other countries, Americans pay relatively little in taxes. Nor has the tax burden been increasing. Even before the Obama Administration cut taxes to stimulate economic recovery, the tax burden had been falling for decades. Between 1979 and 2005, the share of income paid in local, state, and federal taxes fell from 32.6% to 30.1% including a 20% drop in the share paid in federal income taxes. Even before Obama cut taxes, they were significantly lower than under that closet New Dealer, Ronald Reagan.

To be sure, the tax protestors have a legitimate complaint that we get a poor return on our tax dollars. The British, for example, pay 33 percent more in taxes but receive national health insurance; Germans pay more but get good roads; the Finns and the French pay still more but get free public day care and excellent public schools. What do we get? The world’s best

Here we have the real problem with taxation in America: because those who can, pay too little, the wrong people pay too much. From 1979-2005, for example, we balanced *cuts* in federal income taxes with cuts in infrastructure and social programs and with increases in social security taxes, shifting the burden down the economic ladder from those with the wherewithal to pay income taxes to regular wage earners and the needy. Because it is a progressive tax tied to ability to pay, reductions in income tax rates primarily benefit the affluent, especially the very rich. The social security tax, by contrast, is not paid on interest, dividends, or capital gains income, but is paid only on wages earned only up to \$106,800; increases in this tax are borne disproportionately by the working poor.

Pledging their lives and their fortunes, our forebears sacrificed to build a democracy and to create a commonwealth where all would contribute “to form a more perfect Union,” and to “promote the general Welfare.” Heading into another tax day, Americans have good reasons to protest a tax system that fails to raise enough revenue to fund our schools or to fix our roads. And we have reason to be angry that those with means are in the streets protesting rather than contributing their fair share like those who sacrificed at Boston Harbor, at Lexington and Concord, and at Valley Forge. ❖

CPE's 2011 Summer Institute

July 24-30, 2011 ❖ Smith College, Northampton, MA

Fast Approaching: Register Now!



Learn how the economy works and acquire invaluable tools to make your activism and organizing more effective.

CPE's Summer Institute is a week-long intensive training in economics for activists, educators, media makers, and anyone who wants a better understanding of how the economy works.

We focus on how economic systems impact our daily lives and work. Our trainings are highly participatory and build on the knowledge and experience of our participants. **No background in economics is necessary.**



Special Track: Media Democracy & the Economy

Each year, we choose an issue area that we focus on in the workshops and plenary sessions as well as in the core classrooms. This year we will explore *Media, Democracy and the Economy*. We will discuss questions such as: What does it mean that our media is becoming increasingly controlled by corporate interests? What does it mean for our country that 93 million Americans don't have Internet access at home? What does it mean for the press to be so dependent on advertisers to keep them afloat? What does it mean for our democracy that news and analysis critical to its functioning is often overshadowed by the battle for corporate profits?

**At the heart of the Summer Institute program are two core courses
which meet all morning each day.**

The U.S. Economy - Topics include:

Economy, race, class and gender
Personal to global economic histories
Labor and the workplace
Roots of the economic meltdown and solutions
Economic alternatives, environmental justice & the solidarity economy

The International Economy — Topics include

Brief history of the global economy
International trade
International production
International finance
Roots of the economic meltdown and solutions
Creating a new world economy

Participants have described these courses as *“inspiring, intense, stimulating, and comprehensive.”*

Edwin Baker Fellowships: We are pleased to offer twelve fellowships to media activists and media makers. The fellowships cover transportation (from within the U.S.) to the Summer Institute as well as room, board, and tuition. Fellows are expected to produce a media piece that draws on the content of the Summer Institute. **The deadline for applications is April 15.**

General Scholarships: General scholarships are available, based both on financial need and on the applicant's commitment to activism. **Our funds are limited, so please apply early.** Please note that **our scholarships do not cover transportation costs.**

Academic and professional credit available.

For more info, please visit our website: <http://www.populareconomics.org>

Net Neutrality – What’s at Stake?

By Sue Holmberg, CPE staff economist

Since its public inception in the 1990s, the Internet has been a fairly open and democratic means of communicating and conducting business (at least for those with broad-band access). This principle of equality, also called “net neutrality,” has enabled Internet users in myriad ways: to launch multi-national companies in their garages, expose police brutality, launch grassroots movements, make micro-loans, and produce and share videos no Hollywood studio would ever touch.

The principle of net neutrality holds that Internet service providers should treat “all sources of data equally” (*New York Times* 2010). In other words, no content provider can pay for faster transmission of their website and no content or application can be blocked or impeded for representing a controversial viewpoint. Whether Donald Trump or an average citizen, content users and providers experience the same quality of access and service.

According to Malkia Cyril, Executive Director of the Center for Media Justice (one of CPE’s main collaborators at this year’s Summer Institute on Media, Democracy and the Economy), “All of these rules are intended to create a level playing field, [to] ensure equal access. All of these rules are intended to make sure there is equal space for all of your voices and my voice.” This level playing field is the very reason why the Internet has fostered economic competition and innovation, free speech and grassroots democratic participation.



In the past few years, net neutrality has come under threat. Comcast, Verizon, AT&T, and Time Warner are spending millions of lobbying dollars to set up a “fast lane” for higher paying customers. Under this structure, all other websites would be loaded more slowly and some none at all. These companies also want to favor their own search engines and Internet phone service, while slowing those of their competitors (Save The Internet 2011).

According to Cyril, “The point is that, without the principle of network neutrality, companies get to decide whether (to give the same internet access to) . . . content . . . that won’t make them any money.” (Cyril 2010). Enjoy iTunes? Facebook? Political blogs? If the Internet we know and enjoy becomes compartmentalized by broadband providers, your access to these websites could become sluggish at best. Imagine, without net neutrality, how restricted our access to solid news information would be; the impacts on democratic participation would be devastating.

The net neutrality debate has intensified in the past few years, culminating in 2010 with deep disappointments for advocates of an open Internet. The Federal Communications Commission (FCC) supports net neutrality, but its authority to protect it was weakened by a federal appeals decision that restricted its power over broadband services. Furthermore, in December of 2010, the FCC made a compromise on net neutrality that distinguished two classes of Internet access: one for wireless and one for fixed-line providers. The rules of the compromise ban any explicit blocking and discrimination by fixed-line providers. Wireless providers, however, have more license to “manage their networks.” According to Free Press (also collaborating with CPE on the 2011 Summer Institute), “the rules pave the way for AT&T to block your access to third-party applications and to require you to use its own preferred applications” (Free Press 2010). In other words, mobile device users can no longer access the same Internet they can on their computers.

There will be much battling on net neutrality in the courts and in Congress in the coming months. The new Republican House is working to further weaken “the FCC’s ability to act as a watchdog against industry abuses and to take away the agency’s ability to enforce protections” (Save the Internet 2011). In the Senate, however, Al Franken and Maria Cantwell have introduced “The Internet Freedom, Broadband Promotion, and Consumer Protection Act of 2011,” designed to protect net neutrality under the 1934 Communications Act.

The Internet might be the closest that society has ever come to a commons — for both the democratic exchange of ideas and competitive economic enterprise. The future of net neutrality is uncertain, but it’s reassuring that people, organizations, and businesses are putting up a fierce fight to save this unique public space. Just as the Internet itself links people from all walks of life, so too does the movement to protect it. ❖

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Anti-Worker “Nuclear Option” (Cont’d from p. 1)

- Impose higher employee costs for health care and pensions for state employees.
- Completely abolish bargaining rights for child care workers, home health care workers, university faculty, and employees of the University of Wisconsin Hospitals and Clinics.

Republicans had claimed that the elimination of workers’ rights was necessary to fix public budgets. They claimed the state was broke, with the current budget short by \$137 million. Yet just one month before, they spent \$140 million on tax cuts for corporations and the establishment of Health Savings Accounts. In the end, by railroading through just the union-busting provisions, they demonstrated that it was never about money — it was about crippling unions.

This is a part of a coordinated frontal attack; the class war in action. With private sector union density squashed by technological change, globalization, and a rigged legal system, we’ve been warning for years that soon, they’d be coming after the public sector. The day of reckoning has come. Using the economic crisis as a pretext, they are seeking to eradicate the final barrier to the evisceration of the middle class.

The economic impact of passing this bill will be serious. Thousands of public employees across the state will see immediate reductions in their compensation (which, according to the Economic Policy Institute, is already 8.2% lower than in the private sector). Permanently eliminating employees’ ability to negotiate — even for a future time when the economy is doing well —

will permanently reduce the pay of hundreds of thousands of Wisconsin working families. These people will spend less money in their communities as a result — they won’t buy new cars at the local dealership, they won’t take their families out to local restaurants, and they won’t have work done on their homes by local handymen. The economic impact of this bill will be massive, and it will hurt businesses and communities statewide. More than just a “nuclear option” for public sector unions, this bill is a bomb for the Wisconsin economy. And when this bill is replicated elsewhere, the suppression of consumer demand will be catastrophic.

Despite the passing of the bill, resignation and despair are hard to find on the labor and progressive side of the fight. The people in the streets are more determined than before, and the next stage of escalation has begun. On-the-ground organizing is building toward recall elections for eight Republican senators.

On March 10, the day after the Senate’s “nuclear option” maneuver, people withdrew nearly \$200,000 from M&I Bank, a contributor to Governor Walker’s campaign — causing the branch near the capitol to close. These types of actions against Republican politicians and their campaign donors will multiply and spread statewide.

People on the ground in Madison are living through something transformative right now; this is a struggle and a fight-back unlike anything most folks have ever seen. Transformational learning takes place in lived experience, and workers in Wisconsin are re-learning that they have power. ❖

Arab Uprisings (cont’d from p. 1)

(3.4) and 73.1 (5.7), an increase of only 12.7 (2.3) years. The main conclusion is that AMENA countries had inherited abysmal conditions from colonial times that they have nevertheless improved dramatically.

However the explanation for the current uprisings is better found in the political economy of political consolidation of the AMENA countries and not in aggregate statistics or development indicators. Most of the larger AMENA countries had combined authoritarian rule with a welfare redistributive state characterized by a large government bureaucracy, state-owned enterprises incorporating an urban workforce, agricultural support for the peasantry, and subsidies on consumer goods. This “corporatist” inclusion model consolidated power by trading development for political loyalty with those key social forces (workers, peasants, educated-professional middle class). Not everyone accepted this tradeoff — many resisted, and were repressed. However in the early post-independence years, as with other post-colonial states, these regimes built their legitimacy on aspirations for a developmental state. Over the years, however, this “social contract” began to unravel. New social forces, particularly an emerging business class, found this “contract” a burden on its interests. In many cases these groups had enriched themselves merely through proximity to the ruling political-military-security apparatus. Economic liberalization, privatization, and deregulation were means of providing further avenues for enrichment. Second, this message of economic liberalization was reinforced by multinational institutions, particularly the IMF and World Bank, when some of these regimes ran into macroeconomic problems. Third,

most of these regimes learned that by allying themselves to the U.S., they had wide latitude to deal with their internal problems through increased repression rather than political reform. Particularly after September 11 and the Global War on Terror, by declaring themselves as partners in the fight against “Islamic terror” the regimes attracted and dedicated more resources to internal repression. While structural adjustment in the 1980s and 1990s had seen the state largely abandon government support for workers and peasants (between 2004 and 2008, over 1.7 million workers in Egypt took part in over 1,900 strikes), the increased extravagance and conspicuous consumption of the ruling elite coupled with the vicious nature of authoritarian repression, torture, and general intrusion of security forces into the daily lives of ordinary people had also alienated the educated middle class. By the mid-2000s the states had become virtual oligarchies with isolated and hated ruling elites.

The spark that set these revolutions in motion was the sacrifice of Muhammad Bouazizi, the young Tunisian street vendor who set himself on fire out of feelings of desperation and humiliation. This historic symbolic act has resonated with millions of people throughout the Arab world — and perhaps beyond — who find themselves increasingly marginalized and excluded from the economic and the democratic process. ❖

¹ <http://www.jadaliyya.com/pages/index/717/the-revolution-against-neoliberalism>

² <http://www.arab-hdr.org>

³ <http://www.english.globalarabnetwork.com/201009017095/Economics/imf-praises-tunisi-as-economic-policies-and-reforms.html>

⁴ <http://www.freakonomicsmedia.com/2011/02/22/memo-to-syria>

⁵ James E. Rauch and Scott Kostyshak, 2009. “The Three Arab Worlds,” *Journal of Economic Perspectives*, 23(3) 165–188.

The Attack on Public Sector Workers - No Case!

By Jeffrey Thompson, Political Economy Research Institute

In recent months the Republican Governors of Wisconsin, Michigan, Ohio, and a growing number of other states have taken aggressive steps to eliminate the right of public sector workers to bargain collectively. The arguments that have been made to justify these moves have typically claimed that pay in the public sector is overly-generous, that eliminating collective bargaining and cutting pay is necessary for states to balance their budgets, and that these steps are important to generate economic growth in a time of high joblessness. All of these arguments, however, are false.

After accounting for the fact that state and local government workers are more highly educated and experienced, on average, the supposed pay boost for working in the public sector becomes a penalty relative to similarly skilled workers in the private sector. With these adjustments, workers in the public sector make between 4 and 11 percent less than comparable workers in the private sector. What is more, the penalty faced by state and local public-sector workers persists even when considering total compensation, including health care and retirement benefits. Estimates of the size of this total compensation penalty range from 1.7 percent (Thompson and Schmitt, 2010) to nearly 4 percent (Keefe, 2010), and it is present on the West Coast, the Midwest, New England, and in all the states that have been studied recently.

In an era of tight budgets, the notion of needing to “tighten the belt” and reduce spending to balance the state budget has some intuitive appeal. In reality, though, the Governors of each of these states have simultaneously pushed large tax cuts for businesses alongside cuts to public services and the drive to eliminate collective bargaining. These tax cuts range from \$200 million for businesses and high-income families in New Jersey to nearly \$2 billion for businesses in Michigan. What is more, eliminating the ability of state workers to bargain collectively has no obvious short-term budget impact, something Wisconsin Governor Scott Walker was forced to admit when those provisions were stripped from a budget bill and passed as a stand-alone measure. In some cases, such as programs which receive federal matching dollars, state spending cuts will worsen budget problems.

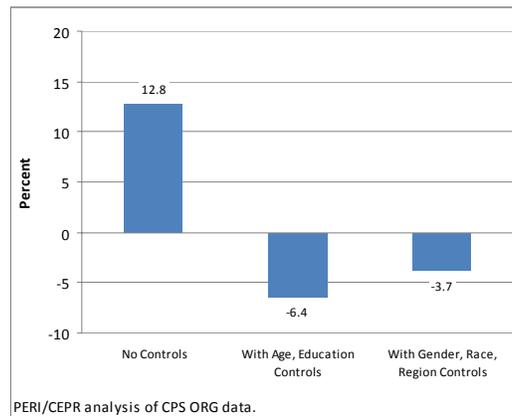
There are other ways to balance state budgets, including an approach of “shared sacrifice” combining some revenue increases along with some budget cuts. States can also eliminate some of the billions of dollars in “tax expenditures” that benefit busi-

nesses, but have been shown to produce no meaningful economic development. The Governors that have set their sights on public-sector workers, though, continue to insist, despite the evidence, that budget-cutting and union-smashing are the only way.

Finally, claims that these moves will generate economic growth benefiting states are misguided at best. The economic problems we face are not high taxes or anything related to government, but insufficient demand for goods and services. The most important problem facing small firms – according to the monthly NFIB survey of small businesses – is weak demand for goods and services, with the number of firms citing weak demand hovering at record highs the last couple of years.

No less an institution than the International Monetary Fund has acknowledged that “a recovery in aggregate demand is the single best cure for unemployment,” but the budget-cutting actions of state governments are further reducing demand. According to several recent NBER papers, reduced spending by state and local governments in the US have nearly fully offset the expansionary fiscal policy pursued at the federal level.

The truth is that states do have options that can actually put people to work and improve their economies over the longer-term. They can use bonds to finance infrastructure projects that put people to work now and make regional firms more competitive over the long-term. They can tax high-income households to sustain schools and public safety services that keep people in jobs and spending in their local economies, without risking significant economic side-effects. Instead, these states are pursuing strategies that will harm workers and prolong the impacts of the Great Recession. ❖



State & Local Public Employees, Average Wage Differential Compared to Private Sector, 2005-2009

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Recent Publications by CPEers

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