

Tax Cuts Are To Blame for Cities' Bankruptcy Risks

by Stephen Elliott-Buckley - Thursday, December 23, 2010

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Just days before Christmas, there are warnings that dozens of large cities and states in the industrialized world may be going broke next year. But it's not just a ripple from the Great Recession. It comes from three decades of neoliberal tax cuts that have defunded public services and institutions.

Three days ago, the Guardian ran a short but damning piece about the civic vulnerabilities in North America and Europe: [\\$2tn debt crisis threatens to bring down 100 US cities | Business | The Guardian](#).

Below are a number of descriptions of the conditions our public bodies are in. I would argue that the neoliberal motivations of the rich since the socio-economic purges beginning with Reagan/Thatcher/Mulroney have caused or largely contributed to each of these. We're not talking complex logarithmic supply-demand curves here; we're talking the basic arithmetic of collecting enough income to match expenses, something households do every day...or don't, since so many of us are addicted to consumer debt to keep our unsustainable economy afloat.

But as you read what 2011 will look like for many sub-national governments, beware the neoliberal solution from the Citigroup zombie below: austerity and more spending cuts, not increasing taxes for necessary services; this will all pad the privatization agenda:

1. New Jersey governor Chris Christie summarised the problem succinctly: "We spent too much on everything. We spent money we didn't have. We borrowed money just crazily. The credit card's maxed out, and it's over. We now have to get to the business of climbing out of the hole. We've been digging it for a decade or more. We've got to climb now, and a climb is harder."
2. American cities and states have debts in total of as much as \$2tn. In Europe, local and regional government borrowing is expected to reach a historical peak of nearly €1.3tn (£1.1tn) this year.
3. [Detroit is cutting police, lighting, road repairs and cleaning services](#) affecting as much as 20% of the population.
4. Illinois has spent twice as much money as it has collected and is about six months behind on creditor payments.
5. California has raised state university tuition fees by 32%.
6. Arizona has sold its state capitol and supreme court buildings to investors, and leases them back.
7. Public sector indebtedness needs to be cut, it needs a lot of austerity, and it hit the central governments first, and now is hitting local bodies," said Philip Brown, managing director at Citigroup in London.