BODIES IN THE STREETS

Obama Debt Deal Pushes States, Localities into Fiscal Chaos

by Marcia Merry Baker and Carl Osgood

Aug. 7—Just five weeks into FY 2012 for states and localities, and their chaos condition has entered into new realms of life-or-death danger for millions: sweeping losses of medical treatment, fire and police services, sanitation, housing and food, and exposure to disasters. This is the catastrophe that Lyndon LaRouche warned in June, when he demanded that Congress immediately pass Glass-Steagall.

There is no means of reversing this, but enforcing a Glass-Steagall policy shift on the Federal level, to defeat the treasonous Obama Debt Dictatorship, the "Budget Control Act of 2011." Only in this way, can the credit regime be created, for the Federal government to intervene with programs and credit to restart economic production; and with emergency grants, loans, services, and programs to support state and local government functioning, which is now shutting down. Without this, it will be bodies in the street, as LaRouche warned, in a statement Aug. 1 on the implications of the Obama Debt Deal.

July 1 was the start date of a new fiscal year for 46 states and thousands of local entities. Despite all the budget-balancing acts they performed to get through FY 2011—a mixture of Dracula-cuts and accounting tricks—they can only show technical solvency at the expense of the welfare of their populations, and even that charade is being destroyed by falling revenues. The overall economic collapse process is too far gone.

Adding to this, June 30 saw the end of the Federal funding flow to states from the American Recovery and Reinvestment Act of 2009, the so-called stimulus act. Now the new "Budget Control Act of 2011" commits to vastly reducing every remaining Federal aid program to states, from FEMA and disaster relief, to energy assistance, Medicaid for the poor, and more.

The Intent To Kill

One example—LIHEAP (Low Income Heating and Energy Assistance Program)—reveals the intent to kill. So far this Summer, close to 100 Americans have died from excessive temperatures. But Obama wants the Federal energy aid for poor householders cut drastically. Earlier this year, he and the new Congress already cut the FY 2011 outlay from $5.1 billion down to $4.7 billion (for the budget year ending Sept. 30). Now Obama wants that cut further to $2.5 billion for the budget year beginning Oct. 1. The program is currently serving 8.9 million people, up from 5.3 million in 2008. Millions more would qualify, but the states, which administer the program, don't have the Federal money, and there is no state money to fall back on. In Michigan, Federal LIHEAP funding this year dropped from $238 million down to $38 million, the biggest state cut in the nation. The fatalities there are mounting each week.

The cuts to Medicaid funding—already authorized by Obamacare's Sir Donald Berwick, and soon to occur,

Feature Photo Service

As the Dracula cuts of the Obama debt deal take effect, Medicare and Medicaid programs will be slashed; seniors,like this Texas woman, will not be able to afford their medications. Their lives, and many others are on the line.

are so deep as to both kill people now, and to shut down huge parts of the U.S. health-delivery system (e.g., county skilled nursing facilities), so that death on a mass scale will be guaranteed in the near future.

Cities are in the throes of insolvency, no matter how much they had cut staff and programs up through June 30, and thereafter. Their two main funding sources for essential programs—state grants, and local tax revenues—are drying up, in line with the economic crash.

Add to the picture, the role of the rating agencies, such as Moody's Investors Service, Standard & Poor's, and the other carion-crows, to downgrade the credit status of states and localities, and the situation is clearly impossible for local government leaders to deal with, without Federal action on Glass-Steagall.

Chaotic Insolvency, Breakdown

Where are we now? A few headline examples:

- Washington State announced in July that their FY 2012 estimates for revenue are too high; far less will be coming in. Other states are in the same boat.
- Central Falls, R.I. on Aug. 1 declared Chapter 9 bankruptcy. Gov. Lincoln Chafee said on Aug. 4, that he hopes to merge the 19,000-resident town into nearby entities. But many other of the state's 39 towns are also in various degrees of fiscal crisis.
- Birmingham/Jefferson County, Ala., on Aug. 4, held a Commissioners meeting on whether to declare Chapter 9 bankruptcy—which would be the biggest-ever municipal bankruptcy ever in the nation. The county is the largest in the state. But at the request of Gov. Robert Bentley, the decision now has been delayed, by declaration of a "standstill" between the county and its creditors, until Aug. 12.

These examples are indicative of echelons of cities, counties, and states everywhere. Yes, a few particulars may stand out as apparently uniquely "local." For example, Birmingham/Jefferson County has debt associated with its sewer system; Harrisburg, Pa., with its incinerator; Central Falls, facing a common problem, cannot meet its upcoming pension payments to retired city workers.

Each place may have its particulars; it is the crisis of unpayability that is everywhere the same. These localities and their citizens are suffering under the prolongation of not replacing the already dead world monetarist system.

In Michigan, there are numerous local entities in the official category of "financially distressed," and dozens in the pre-stages. The same in New York and other Great Lakes states, and others of the formerly industrialized regions, whose economies have been drastically eroded under decades of globalization and production shutdown.

In Pennsylvania, there are also several towns officially under state financial receivership—called Act 47—and several about to follow. However, on July 19, the City Council of Harrisburg, the state capital, became the first city ever to turn down a state Act 47 receivership plan, for reasons of not wanting outside financial axeman-experts to come in and lay waste to the town. The problem now, is that city leaders are to come up with their own plan for financial reorganization by late August. Mayor Linda Thompson issued a Dracula-plan on Aug. 2, involving selling assets, leasing the city/capital parking garages, cutting wages and programs, etc. Council members want to protect city assets, functions, and prerogatives. A public hearing is set for Aug. 11 on Thompson's plan.

On July 12, the Harrisburg Council unanimously voted up a resolution backing the national reinstatement of Glass-Steagall, in the form of H.R. 1489, introduced by Rep. Marcy Kaptur (D-Ohio). In December 2007, the Council had voted up a resolution for Congress to pass the LaRouche policy initiative, the Homeowners and Bank Protection Act. But without Federal action, Harrisburg and thousands of other cities are in the barrel.

The Credit-Raping Agencies

Making the plight of local and state entities worse, are the actions, over decades, by the credit-rating agencies, better called *raping* agencies, conducted in tandem with international banking networks, especially the London Inter-Alpha crowd—JP Morgan Chase et al. Here's how it works.

Moody's Investor Services, Standard & Poor's, Fitch, or another agency comes in, and declares, or threatens to declare, a lower rating to the creditworthiness of the entity in question. This both affects the interest rate which the entity (town, county, university, water treatment district, school district, etc.) has to pay for bonds and loans, and also constrains how the local government or district runs their budget and operations—in order to "please" the raping agency.

Then, in cahoots with the rating agency, big-time financial sharks show up, to offer exotic "interest rate management" deals to local goverments, supposedly to protect them from the impact of steep interest rate increases on their borrowings. In fact, these fancy deals—credit default swaps, interest rates swaps, and others—are just ways to suck out more money. Leaders of the pack include JP Morgan Chase and Goldman Sachs. This characterizes the past 15 years of U.S. municipal financing.

In Pennsylvania, for example, between 2003 and 2009, 86 local governments in the state, and 21% of the school districts, had $14.9 billion in public debt tied to swaps. In 2003, the Harrisburg Authority (which deals with physical infrastructure, such as an incinerator project), started entering into swaps for its bonds with the Royal Bank of Canada, all of which backfired.

Out of $2.8 trillion of bonded indebtness of U.S. states and municipalities nationwide, as of early 2011, some $500 billion is related to the "interest rate management" game!

LaRouche said on Aug. 2, "Jail the bums!"

This flim-flam is now rightly getting international exposure and denunciation. In Italy, there are two investigations of S&P and Moody's. Their Milan offices were raided by Federal authorities on Aug. 2. The charges include, in part, that these agencies are acting against the "sovereign interest" of the nation.

In the U.S., local leaders are issuing denunciations of Moody's, because of its July 28 sweeping announcement that it might downtick 177 public finance entities, naming five states; over 170 localities throughout 31 states; 14 housing authorities, and 1 public university. The nominal reason offered, is that these locations might be negatively affected by Federal government downsizing. Virginia, which now is on the Moody's watch list (along with Maryland, New Mexico, South Carolina, and Tennessee), has 15 entities under review, the largest number of any state.

A group of eight northern Virginia mayors and county chairmen issued a statement of objection, soon after Moody's July 28 notice. They said, "Enough is enough!" Why should localities be threatened over their credit rating by Moody's, just because of what the Federal government is or isn't doing?

In Minnesota, on July 29, Hennepin County board chairman Mike Opat issued a strong objection to Moody's threats. Opat scored the raping agency for putting question marks over his county's rail authority and ballpark bonds, as well as over the city of Minneapolis, the County of Wayzata, and Edina School District. Opat also denounced as "unacceptable" that Moody's released its from-on-high findings to the media, before informing the jurisdictions.

The response from the raping agencies? On Aug. 5, Standard & Poor's downgraded the bonds of the United States!

Budget Cuts, Injury, and Death

A snapshot of the largest spending shares of state budgets (as of the last few years), and what is being cut, makes clear we have a breakdown in government function. Details were most recently summarized in a July 28 report by the Center for Budget and Policy Priorities ("State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful").

- 30% cuts to health care and Medicaid: Huge new

CC/Daquella Manera

The policy is to kill people: In Tallahassee, Fla., a nursing home deposited a 53-year-old, diabetic, disabled combat veteran, on Medicaid, on the steps of a homeless shelter. This disabled homeless person was photographed in Los Angeles.

FY 2012 cuts are being made in at least 20 states, coming on top of two years of cuts in all 50. Arizona and Washington have both frozen enrollment in parts of their Medicaid program, denying, in the case of Arizona, 100,000 persons from coverage.

• 30% from public education: Both pre-K and K-12 education funding, and also higher education funding, are being cut deeply by states. Thousands of teachers' jobs are gone. Florida's cuts led to 15% tuition hikes to colleges, for a total hike of 52% since 2009. California's new budget reduces support for the state's two university systems by $1 billion.

• 40% to all other functions: Major state allocations are cut to such basics as firefighting, public-health measures, police; and in Virginia, paying for burial of the indigent. For many localities, state funding normally constitutes over 30% of their revenue. Now it's not there.

Overall, 577,000 jobs have been eliminated from the public-sector workforces of states and localities together, since August 2008. The public is paying the price for those cuts, in terms of higher risk of injury and death.

Camden, N.J. stands as an extreme example. In January of this year, Mayor Dana Redd fired one-third of the fire department and nearly one-half of the police department in a futile effort to balance the city's budget. Camden had been in state receivership for several years, but Gov. Chris Christie (R) decreed that the city, with 79,000 residents, would get no more state help.

Already one of the most dangerous cities in America when the cops were let go (although 70 of the more than 160 laid off have subsequently been re-hired), Camden has become far more dangerous. The incidence of violent crimes was up 13% in June, year on year; the rate of non-violent crimes up 21%; and the rate of assaults using a gun were up 60%, as reported July 12 by the Cherry Hill *Courier Post*.

The Body Count

Apart from violent crime, there is an immediate mortal threat to American families, because of the withdrawal of medical treatment, due to the impact of current and pending cuts in Medicare and Medicaid. In Arizona, there are individuals enrolled in Medicaid who are dying because medical procedures they need have been cancelled, under the state program to "save" money by having designated categories of the poor die off.

Arizona and other states have been granted waivers from the Obama Administration to make such lethal Medicaid cuts.

Now, the entire national health-care delivery infrastructure is itself being dismantled by the deadly budget-cutting mania. There are currently over 50 million poor Americans—one in seven—enrolled in Medicaid, which originated as just a stop-gap safety net; these people today receive their health care administered by the states, through local hospitals, doctors. and skilled nursing homes. The Obama regime and allied budget-cutters are cutting payment to all these institutions.

The bodies are piling up. Nursing homes are expel-

LPAC-TV

City and county councils across the country are voting up resolutions in support of restoring the FDR-era Glass-Steagall law, in response to a nationwide mobilization of LaRouchePAC. Here, LPAC organizers at the Austin, Texas Capitol in Feburary 2011.

ling the under-reimbursed Medicaid patients, while trying to get full-pay patients; or just shutting down altogether. In Hancock County, Ill., the skilled nursing home, in operation since 1970, has announced it is closing down as of Oct. 1, in large part because of the increase in residents coming under Medicaid, which underpays.

In Tallahassee, Fla., in early August, a nursing home deposited a 53-year-old, diabetic, disabled combat veteran, on Medicaid, on the steps of a homeless shelter. After all the publicity, state authorities said that they will look into what dismissal regulations were breached. But *the policy is to kill people.*

In Montana, an assisted living center publicized in advance that under the new 10% cut in Medicaid coming from the state, they would be forced to expel (while observing all the regulations) such people as a resident Korean War veteran. The nursing home has been carrying a certain number of such Medicaid residents at a loss, but the new cuts make this impossible. On Aug. 1, Gov. Brian Schweitzer (D) wrote to this particular home, and all of Montana's 200 facilities of this type, saying that he would rescind the state's 10% cut in Medicaid, and impose only a 2% reduction.

But massive Medicaid cuts are the order of the day in Washington. On July 9, a bipartisan group of governors, representing the National Governors Association, wrote to Obama, Vice President Biden, and Congressional leaders: "Make no mistake: these reductions are significant and cannot be absorbed into state budgets or simply passed on to providers of health services."

On Aug. 4, a delegation of 20 California medical treatment representatives met with Sir Donald Berwick of the CMS (Centers for Medicare and Medicaid Services), telling him to reject California Gov. Jerry Brown's (D) request for a waiver to cut $1.4 billion from state Medicaid spending. Brown seeks permission for a 10% across-the-board cut in Medicaid payments to doctors, hospitals, and nursing homes; and to impose other measures, including limiting a Medicaid enrollee's doctor visits to seven times a year, and such.

This will be "tearing down the infrastructure" on which health care is dependent, said Dustin Corcoran, the CEO of the California Medical System, in demanding Berwick reject Brown's waiver request.

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