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The New New Left: The Politics of Ever-Expanding Government

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In a few weeks, California will be holding a special election to decide the fate of numerous reform initiatives that are now being hotly debated. Much of the discussion of that election by the political media is cast as the “Governator” vs. state Democrats.

But something else is going on in California. Governor Arnold Schwarzenegger, let’s not forget, is himself a product of the recall movement, which was well on its way before he signed on and which represented a revolt of epic proportions by California taxpayer groups and business groups against the free-spending political culture in the state. In the last two years, they’ve begun to wage a new, more direct battle against the growing power of the public sector in the state, and this is the most interesting confrontation going on in California.

A number of the most important initiatives headed for the ballot in California are the work of taxpayer groups, and their nature tells you what they are thinking. One initiative, for instance, is for a checkoff system that would require that public unions get the approval of their members to spend dues for political activities. This is not a surprising initiative when you consider that public unions have pledged to spend more than \$50 million of their members’ money to defeat many of the other taxpayer-sponsored initiatives on the ballot.

What is happening in California is an echo of what we are starting to see in other places. In New York State and New York City, the tab for the growing power of the public sector has also come due. The state

Talking Points

- For 50 years, those who benefit from ever-expanding government have been gathering political power, shaping and influencing municipal and state budgets in fundamental ways that impose steep costs on taxpayers that are not easily unraveled.
- Americans have been able to see firsthand the bitter fruits of the New Left’s ideas, such as endless welfare payments, a criminology that often favored the criminal over the victim, and social problems that placed little emphasis on personal responsibility
- Slowly, America has begun unraveling some of their work, but something was left behind: an enormous, publicly supported infrastructure and workforce whose livelihood depends on bigger and expanding government.
- The 2004 presidential elections demonstrate that this public-sector coalition has grown big enough and strong enough in these states to play a role nationally—and that is their aim.

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and the city are in almost perpetual financial crises these days, occasionally bailed out by the enormous tax-generating abilities of Wall Street.

These days in New York, you generally can tell when it's springtime by the ads that start running on the radio attacking the governor or anyone else who proposes reining in government spending or balking at negotiating ever more expensive contracts or fringe benefits. When we are not hearing these ads by New York unions or our local health care coalition, we're hearing them sponsored by New Jersey's powerful teacher's association—ads warning us to keep the spending heading ever upward so as not to shortchange our kids, or to be wary of taxpayer reform schemes.

Teachers in New Jersey have a lot to protect: They are among the highest paid in the nation. Yet, though New Jersey is one of the richest states on a per capita basis, and even though its state and local tax burden is now the highest in the nation, its government faces regular budget crises and its temporary governor recently confessed that politically motivated giveaways to public employees have drained the treasury.

If we stop for a moment and think about what's discussed and debated in Washington these days and on the national political scene, that debate seems far from what's hot in local and state legislatures. In Washington, the talk is still about Supreme Court nominations and the Katrina blame game. The 2004 presidential election, we are told, hinged on voters who voted their values. The Christian Right is an enormous political force nationally, we know.

The Rise of a New Political Force

But what's happening in American cities and many states is something far different: the rise of a political party that's neither right nor left, conservative or liberal in the traditional sense, but rather a party of those who benefit from an ever-expanding government. They've been gathering political power for 50 years now, quietly at first, and they have shaped and influenced municipal and state budgets in fundamental ways that impose steep costs on taxpayers that are not easily unraveled.

Blunted in Washington, these public-sector advocates have nonetheless successfully pursued an agenda of higher taxes, more spending, and social and regulatory legislation at the local level. National politics, as divisive and harsh as it's supposed to be, has nothing on the kind of brutal political war that is taking place in California or the kind of tactics often employed in places like New York.

What created this political reality? For that we have to go back to the War on Poverty and beyond. One crucial point in the evolution of this movement occurred in the mid-1950s when public-sector employee organizations were first allowed to form into unions with the right to bargain collectively. Previously, it was argued that because government was a monopoly, not subject to the discipline of the marketplace, and because most public employees were protected by civil service laws, unions and collective bargaining were not appropriate.

But in the 1950s, several public employee organizations began a strategy of targeting politicians friendly to private unions in order to gain the rights to organize and bargain, starting in New York City, where union-friendly Mayor Robert Wagner, seeing the potential political power of the public employee base, granted several employee groups the right to organize and bargain. These groups used New York City as their test case and quickly were able to spread their unionizing efforts to other union-friendly states and cities after success in Gotham.

Almost immediately, the direst warnings of critics of this movement came to pass. Teachers began striking regularly around the country, led by a high-profile teachers' walkout in New York in 1960, so that by 1966 the school year started with three dozen teachers' walkouts in places as different as Baltimore, Newark, and Youngstown, Ohio. New York City, especially, paid the price for leading the way, with a series of crippling strikes by sanitation workers and transit workers in the late 1960s.

The movement also witnessed the rise of a new kind of labor leader: union heads like Victor Gotbaum of District Council 37 in New York or Mike Quill of the Transit Workers Union. In words and deeds, these leaders often resembled industrial

unionists of the 1930s—ready to take down the system and shut down a city at a moment's notice. The only problem was that the workers they represented hardly resembled industrial workers of the Depression.

The War on Poverty: Publicly Financed Social Advocacy

At the same time, we began to see the formulation of the War on Poverty. One of the fundamental attitudes of those who began our anti-poverty programs was not only that America needed to funnel billions to help the poor, but also that the federal government should “empower” communities by sending the money to local governments to decide how to spend it. They, in turn, handed out the money to a wide array of newly emerging groups, from community development organizations to nonprofit housing groups to government-supported drug rehabilitation centers.

In a short time, the federal government created a whole panoply of publicly financed social advocacy groups who gradually learned that their survival lay in keeping the government funding faucet open regardless of whether the programs they ran were effective or not. In the process, government also transformed many traditional charitable groups that formerly financed their programs through donations into government contractors living increasingly off public money.

These groups, not surprisingly, quickly figured out that they had to become politically active. Fortunately for them, politics was starting to change in many American cities as the old political clubhouse that typically represented the interests of neighborhoods began to disappear. Into the vacuum stepped many of these groups. They began mobilizing their clients to demand greater services and oppose cutbacks.

These groups spawned activists who began running for office and getting elected on a big-government agenda. As their numbers grew, they became a powerful voting bloc—and did their numbers grow! In New York City, for instance, social services jobs in the mid-1970s totaled about 50,000 positions. Today, there are more than 180,000 social services jobs in the city, largely government-

funded and constituting a bigger workforce than Wall Street.

Changing Health Care: Medicare and Medicaid

At about the same time as the War on Poverty got underway, the Johnson Administration changed the nature of health care in this country with its two massive government programs, Medicaid and Medicare. If you want to understand the impact of these programs and the way they changed medicine, try this little experiment. Go to the library and get an index to a major newspaper like *The New York Times* or *The Washington Post* and look up health care as a topic before 1965—though back then it was actually called medicine. What you will find is that most of the articles are actually about medical issues.

Now look up the subject from 1966 onward. Suddenly, you will find the headlines dominated by financing issues. This is not surprising, considering what happened: The Johnson programs immediately grew far beyond what anyone thought they would cost as fraud, mismanagement, and overuse of the health care system became endemic.

But something else happened, too. As soon as the federal government and states began talking about reforming the programs, they discovered that Medicaid and Medicare had begun turning doctors, hospital administrators, and health care employees—as well as local politicians, whom these folks quickly learned to support—into advocates for maintaining and even increasing government intervention. In cities, in particular, where governments spent heavily on health care, hospitals claimed that efforts at turning off the gushing flow of public spending would kill some of them and destroy jobs, in effect arguing that government support of health care was a kind of jobs program.

Today, with the growth of Medicaid and Medicare, as well as related programs like Family Health Plus and Child Health Plus, government pays more than half of all health care bills in the U.S. We are, in effect, slowly getting “Hillary Care.” That’s turned large portions of health care’s huge workforce, which has grown from about 4 percent of the private sector in 1965 to 10 percent today, into

advocates for more spending and government-financed health care at taxpayers' expense.

Advancing the Public-Sector Agenda

All three of these sectors began growing at about the same time and having a profound effect on public policy, especially in many American cities, where they became the new political power brokers. In New York by the early 1990s, one-quarter of city council members hailed from the public-sector economy. They helped elect David Dinkins mayor and signaled the transformation of the Democratic Party in the city to a newer party in which social activists, public-sector unions, and their allies were more powerful. They had gotten strongly behind Dinkins and helped to elect him. They assumed positions of responsibility within the new administration, in the city council, and on local governing bodies. The web of associations among this group was impressive: They sat on each other's boards, served together on community boards, and farmed out government contracts among one another.

Around the country, we saw the emergence of politicians like Antonio Villaraigosa, the first Latino speaker of the California State Assembly and now Los Angeles' mayor, a former organizer for the Los Angeles teachers' union. Even in middle-American cities, major political figures arose and won power and influence coming out of social advocacy work, with a distinctive big-government bent to their policies.

But what was most significant is that these groups that seemed merely like local political machines began seeing their common interests and acting on them nationally. I first began to understand this when I got call from a woman who worked for a small chamber of commerce in upstate New York, who told me how they had been surprised that these social advocacy groups that I was writing about in big cities and states like California had recently introduced a well-organized campaign to raise salaries through so-called living-wage legislation, a campaign coordinated not locally but nationally.

I wondered at first why these groups cared about living wage, which I associated with minimum-wage legislation—something affecting fast-food

restaurants and small retailers. I soon found out that the components of many living-wage bills introduced in cities and states around the country included anti-privatization initiatives to protect government jobs. Many of the bills specifically covered government contracting work, pushing up government spending and narrowing the savings from outsourcing. Some of the laws targeted workers in programs where someone else, usually the federal government, pays the bill, though cities get to administer the programs, such as Medicaid programs or Housing and Urban Development block grant programs.

What interested me even more was that the national living-wage movement had gotten started in the mid-1990s when these groups, watching the Republicans capture control of Congress, decided that they had little chance to achieve policy victories in Washington and so should turn their attention to cities and states where the political climate was more favorable. They rightly figured out that they could still achieve legislative victories that would bring tens of millions of Americans under laws that could never get passed in Washington in the current environment.

Just as, in New York, I had observed that the web of connections among these groups was greater than I'd anticipated, so I saw the same thing nationally, and it reminded me that what constitutes the public sector in America today is different, broader than we think. I found, for instance, that the so-called National Living Wage Center—the place that houses these campaigns—was located at the Labor Studies Center of Wayne State University, a publicly funded institution. Even as the center was helping to lead living-wage campaigns, its "scholars" were producing "research" which "proved" that these laws were a great idea.

Such departments, largely at publicly funded universities around the country, were carrying forth the larger public-sector agenda, regularly issuing reports—often quoted in newspapers as objective research—that attempted to undermine welfare reform, called for ever-greater government spending on health care, and attempted to derail the exodus of businesses and residents from cities through studies that purported to show the great social and

economic cost of suburban development. I guess this should not have been surprising when you realize that these centers were not studying anything, but rather were designed and funded by union-friendly state legislators with public money to advance the cause, sometimes even using classroom materials provided by the AFL-CIO.

Transformation of the AFL-CIO

Speaking of the AFL-CIO, the transformation of this organization is another part of this story. Once upon a time, the AFL-CIO, while representing worker rights, was a pro-growth organization that saw a strong American economy as central to their workers' future. Culturally, many AFL-CIO workers were also conservative: We all remember the extent to which hardhats supported the Vietnam War. But over the years, the AFL-CIO has been transformed into an organization representing and reflecting the public sector. Its president comes out of the service workers' unions, whose biggest gains have come organizing health care workers and public employees in places like New York and California. Its executive vice president is a former organizer for the American Federation of State, County and Municipal Employees.

The transformation of the leadership of this group has turned it from a pro-growth organization into one that supports environmental causes and so-called sustainable economics, a euphemism for severe restrictions on development. Culturally, the group has also moved way to the left, vigorously opposing the war in Iraq, for instance.

The recent split within the AFL-CIO has been portrayed as yet another sign of the waning of the union movement in America, but in truth the movement is merely moving in two separate directions. While membership declines in the private sector—only 9 percent of private workers are organized—it has risen in the public sector so that 37 percent of government employees are now organized. In some states, the percentage is even much higher: New York, where 70 percent of government workers belong to a union; New Jersey, with 62 percent; Massachusetts and California, with 52 percent. And not surprisingly, where unionization rates are growing in the private sector is in indus-

tries and worker classifications that are increasingly dominated by public-sector spending and contracts, like home health care.

The growing clout of the union movement in the public sector has changed the nature of organizing drives and union strategy. We see this in what I call the war against Wal-Mart.

Wal-Mart has long been a target of private-sector unions because it is the largest company in America that is not unionized, but they have not been very successful at organizing it. Gradually, however, the movement's tactics against Wal-Mart have shifted. Blocked at the union ballot box, now they go to legislatures in friendly states and cities like California and New York to block Wal-Mart through legislation that puts severe restrictions on the company's ability to operate and expand. It doesn't matter that in many American cities the shopping choices of residents are severely limited and many shoppers are routinely overcharged. It doesn't matter that Wal-Mart has been enthusiastically welcomed in minority communities where it is now opening like Baldwin Hills in Los Angeles.

The 50-Year Legacy of Paternalistic Government

In a way, the attitude toward Wal-Mart sums up the New Left's approach to governing: the worse, the better. Their agenda is not about finding broad solutions to problems, but about crafting government solutions to problems, regardless of whether those solutions actually work.

To understand what I mean, consider housing policy in many cities. We know, as even liberal economists who have studied the issue will tell us, that rent control and other regulation schemes distort the market and help dry up construction. Restrictive zoning, of the type that is typical in many cities, drives up the cost of construction. So do outdated building codes, which remain in place in some cities because unions favor the inefficiency and extra work they build into the system.

Taken together, these sorts of government-created problems help drive down the number of units produced, creating housing shortages even in places like New York and Los Angeles, where demand is

great. But that's just fine with the public-sector coalition. It allows them to lobby for ever more government funds for subsidized housing—that is, housing money that can be doled out to nonprofit groups, housing construction that can be dictated by government so that, for instance, all jobs must pay government-determined wages and projects must have a certain percentage of low-income units, even in high-income neighborhoods. It doesn't matter that government subsidies can't come close to solving these government-induced shortages.

We've come a long way, in other words, from the days of the old New Left, which idealistically, if somewhat naively, believed that a paternalistic government could solve many of our social and economic problems if we just spent enough money on them. For 50 years, Americans have been able to see firsthand the bitter fruits of their ideas, such as endless welfare payments, a criminology that often favored the criminal over the victim, and social problems that placed little emphasis on personal responsibility and redemption. Slowly, America has begun unraveling some of their work, but what we've found is that something was left behind, namely this enormous, publicly supported infrastructure and workforce whose livelihood depends on bigger and expanding government.

The Bill Comes Due

As I said earlier, the bill is coming due, and we're seeing the stress—and the political storm—in places like California, New York, and New Jersey, where high taxes on a relatively well-off population are still sufficient to pay the bills that the public-sector economy has layered onto state and local governments. And it's no wonder.

- A recent study by the Employee Benefit Research Institute found that the average state and local public-sector wage is now 46 percent higher than the average private-sector wage, especially when you include pension and health benefits.
- Whereas once public-sector employees were granted rich benefits on the argument that their salaries lagged behind the private sector, now they are far ahead on both salaries and benefits.

- The average public school teacher, according to the 2005 Bureau of Labor Statistics National Compensation Survey, now makes \$47 an hour in wages and benefits, which is more than the average per hour wage of private-sector professional workers like engineers, architects, and computer scientists, to say nothing of private school teachers.

America's 106 public-sector retirement plans have collectively about \$250 billion in unfunded liabilities, and it's no wonder why. For example:

- Many states like California allow public workers to retire at 55 with 60 percent of their pay.
- Cities like New York grant health benefits to public employees that require no contribution on the part of the workers, something that is now common in the private sector.
- The average public-sector employee gets more vacation days per year served than the average private worker.

There are those who, when I point this out, say, "Well, this is really mostly a blue state problem, not nearly as severe in the red states. They've done it to themselves, and now they have to deal with it." And in a big way, those people are right.

After all, a political map these days that shows what we now call the blue states would look a lot like the map of the states and cities with the biggest net out-migration of citizens, led by New York State and followed closely by California and New Jersey. The political map would also look a lot like a map of the states with the slowest economic growth rates. It's not surprising that these states have lost political power nationally—they've been losing voters and jobs for years.

However, all you have to do is look at the 2004 presidential elections to understand that this public-sector coalition has grown big enough and strong enough in these states to play a role nationally—and that is their aim. After all, the American Federation of State, County and Municipal Employees, the American Federation of Teachers, and the Service Employees International Union were among the biggest forces behind the creation of the media fund—a \$65 million advertising effort

aimed at defeating President George W. Bush. ACORN, the radical advocacy group that runs social programs in many places with government money, ran aggressive voter registration drives throughout the country aimed at signing up voters most likely to vote against the President.

Those whose livelihood is based on an ever-expanding government have seized control of the legislative machinery of many cities and states. Now they are trying to make the leap onto the national stage. It is a part of the political calculation

that we are only slowly coming to understand and deal with. Meanwhile, those of us who live in blue states will watch carefully what happens in California over the next several months, because the clash there, so out in the open, may portend the direction of battles elsewhere.

—*Steven Malanga is a Senior Fellow at the Manhattan Institute and a Contributing Editor of the Manhattan Institute's City Journal. His book The New New Left: How American Politics Works Today was published by Ivan R. Dee, Publisher in 2005.*