October 26, 2011

Fred and Kimberley Kagan are not fans of the Iraq withdrawal.
Today, President Obama declared the successful completion of his strategy to remove all American military forces from Iraq by the end of the year. He said: "[E]nsuring the success of this strategy has been one of my highest national security priorities" since taking office. "Over the next two months, our troops in Iraq, tens of thousands of them, will pack up their gear and board convoys for the journey home. The last American soldier will cross the border out of Iraq with their heads held high, proud of their success, and knowing that the American people stand united in our support for our troops. That is how America's military effort in Iraq will end." In other words, our efforts in Iraq end neither in victory nor defeat, success nor failure, but simply in retreat.

The humiliation of this retreat is compounded by the dishonesty of its presentation. Today, President Obama claimed that the withdrawal of American forces from Iraq was the centerpiece of the strategy he has been pursuing there since taking office. But that was not the sole or even primary objective of the strategy he announced five weeks after becoming president. At Camp Lejeune in February 2009, to an audience of Marines, he declared: ...

Dittos from **Jennifer Rubin**.
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Josh Rogin explains that the president simply lied when he explained that the withdrawal was the successful culmination of his Iraq policy. In fact it was borne of necessity as a result of the administration's inept negotiations:

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According to **Ed Morrissey** it looks like the NY Times takes a dim view also.
When Barack Obama announced yesterday that all US troops would return from Iraq, he framed it as a campaign promise kept, although Obama promised to pull the troops out in 16 months and ended up sticking with the timeline set by George Bush instead. He also neglected to mention that his administration had spent the last several months trying to avoid the outcome he proudly proclaimed. This morning, the New York Times makes clear that neither side wanted a full withdrawal from Iraq, and that the collapse in negotiations came as a result of bungling by the White House:

"President Obama's announcement on Friday that all American troops would leave Iraq by the end of the year was an occasion for celebration for many, but some top American military

officials were dismayed by the announcement, seeing it as the president's putting the best face on a breakdown in tortured negotiations with the Iraqis.

And for the negotiators who labored all year to avoid that outcome, it represented the triumph of politics over the reality of Iraq's fragile security's requiring some troops to stay, a fact everyone had assumed would prevail ... "

The European debt crisis is getting worse according to **James Pethokoukis**.

Do you think this month's stock market rebound means Americans can stop worrying about the EU debt crisis? (One big bank estimates a full-on financial crisis over there could send U.S. unemployment to 12 percent.)

If so, I have some terrible news for you. AEI's Desmond Lachman makes the case that the terrifying case that Euro Crisis is actually intensifying:

1. The Greek economy now appears to be in virtual freefall as indicated by a 12 percent contraction in real GDP over the past two years and an increase in the unemployment rate to over 15 percent. This makes a substantial write down of Greece's US$450 billion sovereign debt highly probable within the next few months. Such a default would constitute the largest sovereign debt default on record.

2. Contagion from the Greek debt crisis is affecting not simply the smaller economies of Ireland and Portugal, which too have solvency problems. It is now also impacting Italy and Spain, Europe's third and fourth largest economies, respectively. This poses a real threat to the Euro's survival in its present form. ...

Interesting piece in **Forbes** on the red state in your future.

Voters around the country are concluding it's better to be red than dead—applying a whole meaning to an old phrase. If you do not currently live in a red state, there's a good chance you will be in the near future. Either you will flee to a red state or a red state will come to you—because voters fed up with blue-state fiscal irresponsibility will elect candidates who promise to pass red-state policies.

According to the National Conference of State Legislatures (NCSL), 25 state legislatures are controlled by Republicans and 16 by Democrats, with eight split (i.e., each party controlling one house). There are 29 Republican governors and 20 Democrats, with one independent. And there are 20 states where Republicans control both the legislature and governor's mansion vs. 11 Democratic, with 18 split (one party controls the governor's office and the other the legislature).

And though we are a year away from the 2012 election, generic Republican vs. Democratic polls have given Republicans the edge for more than a year. If that pattern holds—and if blue-state leaders refuse to learn from their policy mistakes, just like their true-blue leader in the White House—it likely means there will be even more red states in 2013. ...

According to **Legal Insurrection** blog, Rhode Island may be the first state to tank. Follow the links to the NY Times article.

*You know about the RI pension mess, because I've been **pounding that issue** pretty much since the founding of this blog three years ago.*

*The New York Times takes a devastating look at Rhode Island, **The Little State With a Big Mess** (h/t **@amandacarpenter**):*

ON the night of Sept. 8, Gina M. Raimondo, a financier by trade, rolled up here with news no one wanted to hear: Rhode Island, she declared, was going broke.

Maybe not today, and maybe not tomorrow. But if current trends held, Ms. Raimondo warned, the Ocean State would soon look like Athens on the Narragansett: undersized and overextended. Its economy would wither. Jobs would vanish. The state would be hollowed out.

It is not the sort of message you might expect from Ms. Raimondo, a proud daughter of Providence, a successful venture capitalist and, not least, the current general treasurer of Rhode Island. But it is a message worth hearing. The smallest state in the union, it turns out, has a very big debt problem.

After decades of drift, denial and inaction, Rhode Island's $14.8 billion pension system is in crisis. Ten cents of every state tax dollar now goes to retired public workers. Before long, Ms. Raimondo has been cautioning in whistle-stops here and across the state, that figure will climb perilously toward 20 cents….

In some ways, the central question is not only what the government owes to pensioners but what citizens owe to one another.

That last sentence hits the nail on the head. In Rhode Island, the citizenry is being asked to spend increasing percentages of its income and assets not for the general welfare, but for the welfare of a relatively small percentage of the population who have state and municipal pensions.

It's often joked that General Motors is a pension plan which makes automobiles. Rhode Island is in worse shape. Rhode Island is becoming a public sector pension plan which doesn't make anything.

CNBC says state debt may top $4 trillion.

The total of U.S. state debt, including pension liabilities, could surpass $4 trillion, with California owing the most and Vermont owing the least, a new analysis says.

The nonprofit State Budget Solutions combined states' major debt and future liabilities, primarily for pensions and employee healthcare, unemployment insurance loans, outstanding bonds and projected fiscal 2011 budget gaps. It found that in total, states are in debt for $4.2 trillion.

The group, which follows state fiscal conditions and advocates for limited spending and taxes, said the deficit calculations that states make "do not offer a full picture of the states' liabilities and can rely on budget gimmicks and accounting games to hide the extent of the deficit."

The housing bust, financial crisis and economic recession caused states' tax revenue to plunge, and huge holes have emerged in their budgets over the last few years. Because all states except Vermont must end their fiscal years with balanced budgets, states have scrambled to cut spending, hike taxes, borrow and turn to the federal government for help.

Taxpayers are worried the states' poor fiscal health will persist for a long time and some Republicans in Congress have questioned whether the situation is worse than the states say. ...

The **Chicago Tribune** has an example of how states got in this mess.
Two lobbyists with no prior teaching experience were allowed to count their years as union employees toward a state teacher pension once they served a single day of subbing in 2007, a Tribune/WGN-TV investigation has found.

Steven Preckwinkle, the political director for the Illinois Federation of Teachers, and fellow union lobbyist David Piccioli were the only people who took advantage of a small window opened by lawmakers a few months earlier.

The legislation enabled union officials to get into the state teachers pension fund and count their previous years as union employees after quickly obtaining teaching certificates and working in a classroom. They just had to do it before the bill was signed into law.

Preckwinkle's one day of subbing qualified him to become a participant in the state teachers pension fund, allowing him to pick up 16 years of previous union work and nearly five more years since he joined. He's 59, and at age 60 he'll be eligible for a state pension based on the four-highest consecutive years of his last 10 years of work.

His paycheck fluctuates as a union lobbyist, but pension records show his earnings in the last school year were at least $245,000. Based on his salary history so far, he could earn a pension of about $108,000 a year, more than double what the average teacher receives.

His pay for one day as a substitute was $93, according to records of the Illinois Teachers Retirement System. ...

Weekly Standard
Retreating With Our Heads Held High
Frederick W. Kagan and Kimberly Kagan

Today, President Obama declared the successful completion of his strategy to remove all American military forces from Iraq by the end of the year. He said: “[E]nsuring the success of this strategy has been one of my highest national security priorities” since taking office. “Over the next two months, our troops in Iraq, tens of thousands of them, will pack up their gear and board convoys for the journey home. The last American soldier will cross the border out of Iraq with their heads held high, proud of their success, and knowing that the American people stand united in our support for our troops. That is how America's military effort in Iraq will end." In other words, our efforts in Iraq end neither in victory nor defeat, success nor failure, but simply in retreat.

The humiliation of this retreat is compounded by the dishonesty of its presentation. Today, President Obama claimed that the withdrawal of American forces from Iraq was the centerpiece of the strategy he has been pursuing there since taking office. But that was not the sole or even primary objective of the strategy he announced five weeks after becoming president. At Camp Lejeune in February 2009, to an audience of Marines, he declared:

This strategy is grounded in a clear and achievable goal shared by the Iraqi people and the American people: an Iraq that is sovereign, stable, and self-reliant. To achieve that goal, we will work to promote an Iraqi government that is just, representative, and accountable, and that provides neither support nor safe-haven to terrorists. We will help Iraq build new ties of trade and commerce with the world. And we will forge a partnership with the people and government of Iraq that contributes to the peace and security of the region.

Have any of these conditions been met? Such sovereignty as Iraq has is gravely marred by the continuous efforts of Iran to direct the course of its internal politics through armed means and otherwise. Iraq is not stable. The Iraqi government has still not been completely formed, and the parties contesting the parliamentary election of early 2010 have not yet come to an agreement on how the state will be run or who will run it. Iraq is not self-reliant. In fact, it will not be able to protect its territory or its airspace. Its government is not "just, representative, and accountable," but rather heading toward a new authoritarian structure at a time when many Arab states are convulsed by resistance to authoritarianism. The U.S. has not helped Iraq build ties of trade or commerce. Above all, today's announcement is the definitive renunciation of any attempt to "forge a partnership with the people and government of Iraq." In other words, the president has failed to achieve any of the objectives that he established as his own policy in February 2009—apart, of course, from withdrawing U.S. military forces.

This failure was not inevitable. When President Obama took office, the U.S. had more than 100,000 troops in Iraq who had just completed, together with the Iraqi Security Forces, driving off Iranian militias and clearing the last bastions of al Qaeda in Iraq and Sunni resistance forces. As he noted in that February 2009 speech, Iraq had just completed provincial elections that were, in fact, "just, representative, and accountable," and that laid a solid foundation for the transition to a successful Iraqi parliamentary democracy. And, in fact, the parliamentary elections of early 2010 were also in many respects remarkably successful—they were peaceful, heavily-contested, with high participation, and produced the potential for a new political balance in which forces of secularism and cross-sectarianism might well have succeeded. Had the U.S. pursued a determined strategy, using all of the considerable leverage at our disposal, to support the formation of an Iraqi government harnessing that potential, then Iraq's path could have been very different.

But the Obama administration did not focus on helping Iraq move forward to seize this opportunity, but rather focused on prodding the Iraqis to form a coalition government as rapidly as possible—in order to negotiate a new agreement that would allow American forces to remain in Iraq after the end of this year. In other words, the administration threw away the chance of political progress in Iraq in pursuit of something it has now decided it never wanted to begin with.

Observers of U.S. policy could have been excused for finding all of this rather confusing, but today's speech resolves any lack of clarity. The president has enunciated the Obama Doctrine: American retreat.

Iraq is the exemplar of this doctrine, but he was at pains to demonstrate its applicability across the board. Indeed, the president boasted that NATO is closing out its Libya mission, success declared with the death of Muammar Qaddafi—the U.S. having abandoned that effort some time ago. He boasted of the reductions of U.S. forces already underway in Afghanistan. And he promised: "make no mistake, [U.S. force levels in Afghanistan] will continue to go down." Gone is any language about conditions, objectives, goals, American interests, or any of the fundamental principles that Americans have fought so hard to achieve in these wars and throughout our history. American strategy is simply to go home.

Right Turn

Obama: A dishonest withdrawal from Iraq

by Jennifer Rubin

It is hard to know which is worse: the irresponsibility of a complete withdrawal of U.S. forces in Iraq or the sheer dishonesty with which it was presented. For now I will focus on the latter.

Josh Rogin explains that the president simply lied when he explained that the withdrawal was the successful culmination of his Iraq policy. In fact it was borne of necessity as a result of the administration's inept negotiations:

The Obama administration is claiming it always intended to withdraw all U.S. troops from Iraq by the end of this year, in line with the president's announcement today, but in fact several parts of the administration appeared to try hard to negotiate a deal for thousands of troops to remain — and failed. . . .
Deputy National Security Advisers Denis McDonough and Tony Blinken said in a White House briefing that this was always the plan.
"What we were looking for was an Iraq that was secure, stable and self-reliant, and that's what we got here, so there's no question that was a success," said McDonough, who traveled to Iraq last week.
But what about the extensive negotiations the administration has been engaged in for months, regarding U.S. offers to leave thousands of uniformed soldiers in Iraq past the deadline? It has been well reported that those negotiations, led by U.S. Ambassador James Jeffrey, Army Gen. Lloyd Austin, the top U.S. commander in Iraq, and White House official Brett McGurk, had been stalled over the U.S. demand that the remaining troops receive immunity from Iraqi courts. . . .
For more evidence that the administration actually wanted to extend the troop presence in Iraq, despite today's words by Obama and McDonough, one only has to look at the statements of Defense Secretary Leon Panetta.

Marisa Cochrane Sullivan, managing director at the Institute for the Study of War, told Rogin:

“[I]t failed to take into account Iraqi politics, failed to reach out to a broad enough group of Iraqi political leaders and sent contradictory messages on the troop extension throughout the process.
“From the beginning, the talks unfolded in a way where they largely driven by domestic political concerns, both in Washington and Baghdad. Both sides let politics drive the process, rather than security concerns. . . .”

This is not, of course, the first time the president has constructed exit timetables without a military rationale. His initial surge in Afghanistan set an artificial deadline to begin troop draw-downs. This was followed by a farcical troop-reduction schedule that brought the remainder of the surge troops home just before the 2012 election. But his Iraq maneuver is even worse; he misrepresented that this was exactly how it had been planned, rather than the consequence of bungled diplomacy.

As I pointed out on Friday, Mitt Romney and Rep. Michele Bachmann (R-Minn.) issued strong statements condemning the president’s decision. Texas Gov. Rick Perry also added his voice. (It read in part: “America’s commitment to the future of Iraq is important to U.S. national security interests and should not be influenced by politics. Despite the great achievements of the U.S. military and the Iraqi people, there remain real threats to our shared interests, especially from Iran. The United States must remain a firm and steadfast ally for Iraq, maintaining an ongoing diplomatic, economic and military to military partnership with this emerging democratic ally in the Middle East.”) Rick Santorum’s spokesman e-mailed me a similar reaction, focusing on the Iranian threat. (“I have deep concerns about the conditions left behind. My longtime concern about Iran’s growing influence in Iraq is coming to fruition, and that ultimately hurts America and our allies. Iran’s influence and the potential creation of an Iranian puppet state in Iraq will have disastrous consequences in the Middle East and around the globe.”)

Once again we see how critical a commander in chief is to the successful creation and implementation of national security policy. But that doesn’t mean Congress is powerless. It should immediately commence oversight hearings and call all of the appropriate witnesses, including former defense secretary Robert Gates, Panetta and the negotiating team that had been dispatched to Iraq. And one more figure, I think, would be required: Gen. David Petraeus.

It might be interesting to get his assessment of the Iraqi security situation from his current vantage point at the CIA. But the main reason for calling him would be to get a valuable assessment from the most knowledgable person on the planet about the security requirements in Iraq, the level of troops required and the expectation of the military that we would have an ongoing presence. His great achievement, and America’s victory, hang in the balance. And, if he should find himself just a wee bit disgusted with the conduct of the administration, he can always resign. I hear there is an election heating up. Petraeus-Ryan? Petraeus-Rubio?

Hot Air

NYT: Iraq withdrawal outcome of Obama negotiating failure

by Ed Morrissey

When Barack Obama announced yesterday that all US troops would return from Iraq, he framed it as a campaign promise kept, although Obama promised to pull the troops out in 16 months and ended up sticking with the timeline set by George Bush instead. He also neglected to mention that his administration had spent the last several months trying to avoid the outcome he proudly proclaimed. This morning, the New York Times makes clear that *neither* side wanted a full withdrawal from Iraq, and that the collapse in negotiations came as a result of bungling by the White House:

President Obama's announcement on Friday that all American troops would leave Iraq by the end of the year was an occasion for celebration for many, but some top American military officials were dismayed by the announcement, seeing it as the president's putting the best face on a breakdown in tortured negotiations with the Iraqis.

And for the negotiators who labored all year to avoid that outcome, it represented the triumph of politics over the reality of Iraq's fragile security's requiring some troops to stay, a fact everyone had assumed would prevail. …

This month, American officials pressed the Iraqi leadership to meet again at President Talabani's compound to discuss the issue. This time the Americans asked them to take a stand on the question of immunity for troops, hoping to remove what had always been the most difficult hurdle. But they misread Iraqi politics and the Iraqi public. Still burdened by the traumas of this and previous wars, and having watched the revolutions sweeping their region, the Iraqis were unwilling to accept anything that infringed on their sovereignty.

Acutely aware of that sentiment, the Iraqi leadership quickly said publicly that they would not support legal protections for any American troops. Some American officials have privately said that pushing for that meeting — in essence forcing the Iraqis to take a public stand on such a controversial matter before working out the politics of presenting it to their constituents and to Parliament — was a severe tactical mistake that ended any possibility of keeping American troops here past December.

In other words, Obama wants to make a little political hay on the Left thanks to what looks like incompetence. That may come back to bite Obama, however, as some of the same troops whose return Obama wants to hail may have to make a U-turn in the next few months:

On Friday evening, an American official in Iraq, who spoke on the condition of anonymity because the deliberations are confidential, said that negotiations would now center on arrangements that would begin next year, after all United States troops leave.

Possibilities being discussed are for some troops to return in 2012, an option preferred by some Iraqi politicians who want to claim credit for ending what many here still call an occupation, even though legally it ended years ago.

Really? As part of his "mission accomplished" speech yesterday, Obama insisted that we need to focus on rebuilding our own country. How exactly will he sell the return of thousands of American troops to Iraq? The only people he impressed with yesterday's announcement are the people who adamantly insist we don't belong in Iraq at all, not that we need to check off a box and then return to build some permanent bases.

We needed to keep a presence in Iraq, not just to provide a balance on Iranian ambitions in the region but also to assist Iraq in strengthening its own internal and external security. That's why we needed to negotiate a continuous presence, not pull a yo-yo act that reduces our credibility and costs us time and money for no good purpose at all. And after we pack up and leave, I find it difficult to believe that Obama will send troops *back* into Iraq in the middle of an election cycle.

Smart power, indeed.

American.com

9 reasons the scary EU debt crisis is—gasp!—intensifying

by James Pethokoukis

Do you think this month's stock market rebound means Americans can stop worrying about the EU debt crisis? (One big bank estimates a full-on financial crisis over there could send U.S. unemployment to 12 percent.)

If so, I have some terrible news for you. AEI's Desmond Lachman makes the case that the terrifying case that Euro Crisis is actually intensifying:

1. The Greek economy now appears to be in virtual freefall as indicated by a 12 percent contraction in real GDP over the past two years and an increase in the unemployment rate to over 15 percent. This makes a substantial write down of Greece's US$450 billion sovereign debt highly probable within the next few months. Such a default would constitute the largest sovereign debt default on record.

2. Contagion from the Greek debt crisis is affecting not simply the smaller economies of Ireland and Portugal, which too have solvency problems. It is now also impacting Italy and Spain, Europe's third and fourth largest economies, respectively. This poses a real threat to the Euro's survival in its present form.

3. The Euro-zone debt crisis is having a material impact on the European banking system. This is being reflected in an approximate halving in European bank share prices and an increase in European banks' funding costs. French banks in particular are having trouble funding themselves in the wholesale bank market.

4. There are very clear indications of an appreciable slowing in German and French economic growth. It is all too likely that the overall European economy could soon be tipped into a meaningful economic recession should there be a worsening in Europe's banking crisis. A worsening in the growth prospects of Europe's core countries reduces the chances that the countries in the European periphery can grow themselves out of their present debt crisis.

5. The IMF now acknowledges that Greece's economic and budget performance has been very much worse than anticipated and that the Greek economy is basically insolvent. The IMF estimates that Greece's public debt to GDP ratio will rise to at least 180 percent or to a level that is clearly unsustainable. The IMF is proposing that the European banks accept a 50-60 cent on the dollar write-down on their Greek sovereign debt holding. This would have a material impact on the European banks' capital reserve positions.

6. The European Central Bank (ECB) is correctly warning that a hard Greek default would have a devastating effect on the Greek banking system, which has very large holdings of Greek sovereign debt. This could necessitate the imposition of capital controls or the nationalization of the Greek banking system. The ECB is also rightly fearful that a Greek default will soon trigger

similar debt defaults in Portugal and Ireland since depositors in those countries might take fright following a Greek default. This has to be a matter of major concern since the combined sovereign debt of Greece, Portugal, and Ireland is around US$1 trillion.

7. Since July 2011, the Italian and Spanish bond markets have been under substantial market pressure. This has necessitated more than EUR 75 billion in ECB purchases of these countries' bonds in the secondary market. An intensification of contagion to Italy and Spain would pose an existential threat to the Euro in its present form given that the combined public debt of these two countries currently around US$4 trillion.

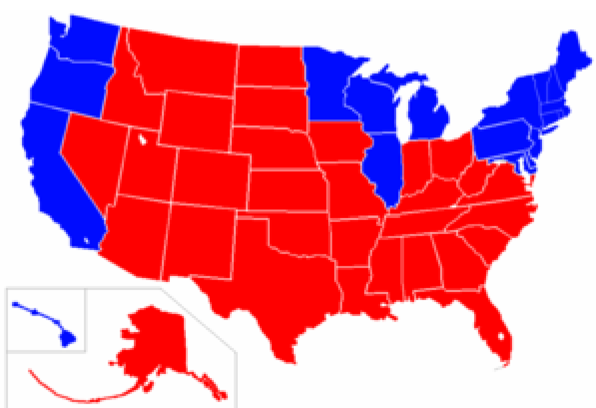
8. While to a large degree European policymakers are right in portraying Italy and Spain as innocent bystanders to the Greek debt crisis, Italy and Spain both have pronounced economic vulnerabilities. Italy's public debt to GDP is presently at an uncomfortably high 120 percent, while it suffers from both very sclerotic economic growth and a dysfunctional political system. For its part, Spain is presently saddled with a net external debt of around 100 percent of GDP, it still has a sizeable external current account deficit, and it is still in the process of adjusting to the bursting of a housing market bubble that was a multiple the size of that in the United States.

9. Sovereign debt defaults in the European periphery would have a major impact on the balance sheet position of the European banking system. The IMF estimates that the European banks are presently undercapitalized by around EUR200 billion, while some private estimates consider that the banks are undercapitalized by more than EUR300 billion. It is of concern to the European economic outlook that there are already signs of the European banks selling assets and constraining their lending to improve their capital ratios.

Forbes

The Red State in Your Future

by Merrill Matthews



Voters around the country are concluding it's better to be red than dead—applying a whole meaning to an old phrase. If you do not currently live in a red state, there's a good chance you will be in the near future. Either you will flee to a red state or a red state will come to you—because voters fed up with blue-state fiscal irresponsibility will elect candidates who promise to pass red-state policies.

According to the National Conference of State Legislatures (NCSL), 25 state legislatures are controlled by Republicans and 16 by Democrats, with eight split (i.e., each party controlling one house). There are 29 Republican governors and 20 Democrats, with one independent. And there are 20 states where Republicans control both the legislature and governor's mansion vs. 11 Democratic, with 18 split (one party controls the governor's office and the other the legislature).

And though we are a year away from the 2012 election, generic Republican vs. Democratic polls have given Republicans the edge for more than a year. If that pattern holds—and if blue-state leaders refuse to learn from their policy mistakes, just like their true-blue leader in the White House—it likely means there will be even more red states in 2013.

One reason for that shift is that red states are taking fiscal responsibility while many blue states aren't—and it shows. The American Legislative Exchange Council (ALEC), a bipartisan association of conservative state legislators, recently released its fourth edition of "Rich States, Poor States," by the well-known Reagan economist Arthur B. Laffer, the Wall Street Journal's Steve Moore, and Jonathan Williams of ALEC.

The study looks at factors that affect state prosperity and economic outlook, such as tax burdens and population change. What's clear is that red or red-leaning states dominate the top positions while blue states have the dubious distinction of dragging in last. In the economic outlook section, for example, the top 20 states are bright red or lean red, while eight out of the bottom 10 are very blue: New York, Vermont, California, Hawaii, New Jersey, Illinois, Oregon and Rhode Island.

Most of the "poor states" states, as ALEC calls them, have the highest personal income tax rates and the largest unfunded state pension liabilities. But instead of taking the red-state approach by lowering taxes and/or cutting spending, the blue states tend to want to raise taxes even higher, just like their White House mentor.

The result of their overpromising and overspending, and their knee-jerk response to solving their fiscal problems by raising taxes, is that people are increasingly fleeing the blue states. As commentator Michael Medved points out: "Between 2009 and 2010 the five biggest losers in terms of 'residents lost to other states' were all prominent redoubts of progressivism: California, New York, Illinois, Michigan, and New Jersey. Meanwhile, the five biggest winners in the relocation sweepstakes are all commonly identified as red states in which Republicans generally dominate local politics: Florida, Texas, North Carolina, Arizona, and Georgia."

The good news is that some blue states [at least five in the nearby map] have seen the light and are turning red, embracing the limited government/low taxes red-state vision and are coming back from the brink. Maine, for example, is one of ALEC's bottom 10 states. But as of the last election, Maine now has a Republican state house and governor. And the new governor has been pushing for the red-state approach, cutting both taxes and state spending.

The Washington Times recently pointed out that "at least a dozen [mostly red] states ended fiscal 2011 with surpluses." Maine was one of them.

And Maine is not alone. Blue-leaning Michigan and Wisconsin both have elected Republican legislatures and governors, as has swing-state Pennsylvania. And blue Minnesota now has a Republican legislature.

By contrast, some blue states appear determined to spend themselves into bankruptcy. The AP reported on Oct. 16, "Drowning in deficits, Illinois has turned to a deliberate policy of not paying billions of dollars in bills for months at a time…." So that big tax increase passed by Obama's home state, which likes to do things the Obama way, didn't fix the revenue problem. Someone needs to call the president and explain that to him.

And California, another of the bluest states, faces similar problems. Just last year it was handing out IOUs because it couldn't pay its bills. High taxes and chronic fiscal problems have Golden Staters leaving in droves.

Why won't some of these blue-state fiscal basket cases learn the lesson that a state can't tax and spend its way to prosperity? Well, for one thing, many of them have been hoping for a federal bailout—and President Obama tried. A Wall Street Journal article points out that about $200 billion of the president's misnamed "jobs bill" was little more than a state bailout for teachers and construction workers.

But Republicans are refusing to be complicit in state fiscal irresponsibility. Call it tough love, but blue states will sink or swim on their own.

Many fed-up citizens in those blue states are leaving. But others have decided that if anyone is going to leave, it's those big-spending politicians who brought on the fiscal disaster. It's a lesson blue-state politicians better learn: It's better to be red than dead.

Merrill Matthews is a resident scholar with the Institute for Policy Innovation in Dallas, Texas.

Legal Insurrection

Rhode Island – A public sector pension plan which doesn't make anything

Posted by William A. Jacobson

You know about the RI pension mess, because I've been **pounding that issue** pretty much since the founding of this blog three years ago.

The New York Times takes a devastating look at Rhode Island, **The Little State With a Big Mess** (h/t **@amandacarpenter**):

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Maybe not today, and maybe not tomorrow. But if current trends held, Ms. Raimondo warned, the Ocean State would soon look like Athens on the Narragansett: undersized and overextended. Its economy would wither. Jobs would vanish. The state would be hollowed out.

It is not the sort of message you might expect from Ms. Raimondo, a proud daughter of Providence, a successful venture capitalist and, not least, the current general treasurer of

Rhode Island. But it is a message worth hearing. The smallest state in the union, it turns out, has a very big debt problem.

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That last sentence hits the nail on the head. In Rhode Island, the citizenry is being asked to spend increasing percentages of its income and assets not for the general welfare, but for the welfare of a relatively small percentage of the population who have state and municipal pensions.

It's often joked that General Motors is a pension plan which makes automobiles. Rhode Island is in worse shape. Rhode Island is becoming a public sector pension plan which doesn't make anything.

CNBC

[US States Are Facing Total Debt of Over $4 Trillion]

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The nonprofit State Budget Solutions combined states' major debt and future liabilities, primarily for pensions and employee healthcare, unemployment insurance loans, outstanding bonds and projected fiscal 2011 budget gaps. It found that in total, states are in debt for $4.2 trillion.

The group, which follows state fiscal conditions and advocates for limited spending and taxes, said the deficit calculations that states make "do not offer a full picture of the states' liabilities and can rely on budget gimmicks and accounting games to hide the extent of the deficit."

The housing bust, financial crisis and economic recession caused states' tax revenue to plunge, and huge holes have emerged in their budgets over the last few years. Because all states except Vermont must end their fiscal years with balanced budgets, states have scrambled to cut spending, hike taxes, borrow and turn to the federal government for help.

Taxpayers are worried the states' poor fiscal health will persist for a long time and some Republicans in Congress have questioned whether the situation is worse than the states say.

State Budget Solutions relied on financial reports and income tax rates provided by the Federation of Tax Administrators in determining its rankings.

The true debt totals may be lower, though, because the group also used the highest estimates of pension gaps. The conservative think tank American Enterprise Institute says public pensions are short $2.8 trillion.

Others, including the nonpartisan research group Pew Center on the States, put total unfunded pension liabilities at around $700 billion.

The wide range is based on different assumptions of the returns of pension fund investments, which provide the bulk of money for benefit payments. Conservative economists say the investments will have annual returns of around 4 percent, while many funds expect returns in line with the average of the last 20 years — closer to 8 percent.

Using the higher pension gap number, State Budget Solutions said California is in the biggest financial hole — with total debt of more than $612 billion. New York follows with $305 billion of debt, and then Texas, with total debt of $283 billion. Vermont has the lowest amount of total debt at just over $6 billion.

The group also looked at the financial shape of states using the Pew pension projections. It came up with a total debt of $2 trillion for all states.

California still owes the most under the alternative computation, but the state's total debt drops significantly, to $307 billion. With the Pew numbers, New Jersey follows with $183 billion of debt and Illinois is next at $150 billion.

According to the analysis, California has also borrowed the most from the federal government to pay for unemployment benefits, $8.6 billion. Michigan was next, taking out $3.1 billion, and then New York, borrowing $2.9 billion.

As unemployment shot up, some states could not pay for the surge in demand for jobless benefits. The federal government loosened its lending rules to keep states from having to cut other areas of their budgets. But last month the U.S. government again began charging interest on the outstanding loans and may levy extra taxes on businesses in states with outstanding loans.

Looking at just state annual financial statements, the group found Connecticut has the highest debt per capita, at $5,402, and nine states have debt of more than $3,000 per capita.

Chicago Tribune

2 teachers union lobbyists teach for a day to qualify for hefty pensions

State legislature opened a small window that they climbed through in 2007

by Ray Long and Jason Grotto

SPRINGFIELD —— Two lobbyists with no prior teaching experience were allowed to count their years as union employees toward a state teacher pension once they served a single day of subbing in 2007, a Tribune/WGN-TV investigation has found.

Steven Preckwinkle, the political director for the Illinois Federation of Teachers, and fellow union lobbyist David Piccioli were the only people who took advantage of a small window opened by lawmakers a few months earlier.

The legislation enabled union officials to get into the state teachers pension fund and count their previous years as union employees after quickly obtaining teaching certificates and working in a classroom. They just had to do it before the bill was signed into law.

Preckwinkle's one day of subbing qualified him to become a participant in the state teachers pension fund, allowing him to pick up 16 years of previous union work and nearly five more years since he joined. He's 59, and at age 60 he'll be eligible for a state pension based on the four-highest consecutive years of his last 10 years of work.

His paycheck fluctuates as a union lobbyist, but pension records show his earnings in the last school year were at least $245,000. Based on his salary history so far, he could earn a pension of about $108,000 a year, more than double what the average teacher receives.

His pay for one day as a substitute was $93, according to records of the Illinois Teachers Retirement System.

Over the course of their lifetimes, both men stand to receive more than a million dollars each from a state pension fund that has less than half of the assets it needs to cover promises made to tens of thousands of public school teachers. With billions of dollars in unfunded liabilities, the Illinois Teachers' Retirement System, which serves public school teachers outside of Chicago, is one of several pension plans that are in debt as state government reels in a fiscal crisis.

A spokesman for the Illinois Federation of Teachers emphasized that the lobbyists' actions were legal and that they made "individual decisions."

Even so, union President Dan Montgomery said the deal Preckwinkle and Piccioli landed "should never be allowed again." But the union, which provides its employees with a private 401(k)-type plan, is standing by the lobbyists' right to have access to the public pension.

"They entered TRS under the law and are participating members of TRS. As a TRS employer, the IFT is required to make the payments to TRS," the union said in a statement.

How did Preckwinkle and Piccioli become the only ones to take advantage of the change in law? Neither one consented to an interview.

Records, however, show that Preckwinkle applied for his first substitute teaching certificate four weeks before the legislation passed, then subbed at a Springfield school six weeks before the window to become eligible closed.

Preckwinkle even signed a witness slip in support of the legislation during a House committee meeting, although the teachers union says he lobbied for a different provision in the same bill, not the perk for union officials such as himself.

The revelation that one day of substitute teaching allowed officials from a state teachers union to tap into an ailing public pension fund is yet another example of how the Illinois pension system has been manipulated for political purposes and personal gain. A series of reports by the Tribune and WGN-TV have documented these pension games and how insiders have benefited.

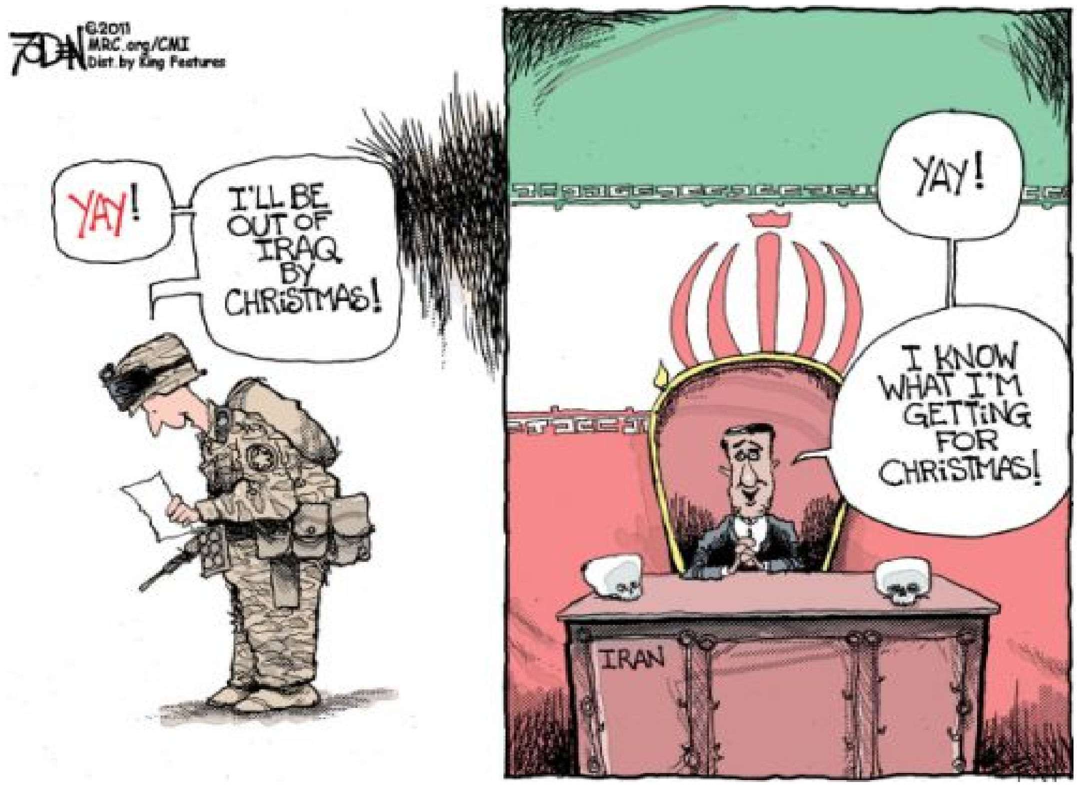
Although the bill received bipartisan support, the benefit to union officials was sponsored by Springfield Democrats showered by IFT campaign contributions during the 2006 elections.

"The people that are on the inside and understand the process are going to be able to make the system work for their advantage," said Kent Redfield, who teaches political science at the University of Illinois Springfield. "That this legislation got a hearing and got considered and passed is a reflection of that close relationship between the IFT and the Democratic leadership.

"It feeds into the cynicism about all the deals, that it's an insider's game and that the system is rigged."

J. Fred Giertz, a University of Illinois economics professor and a trustee of the State Universities Retirement System, said teachers pensions for Preckwinkle and Piccioli undermine already meager public confidence in the state's retirement systems.

"It's outrageous," Giertz said. "The pension system was designed for schoolteachers and not for union employees to piggyback on at the end of their years."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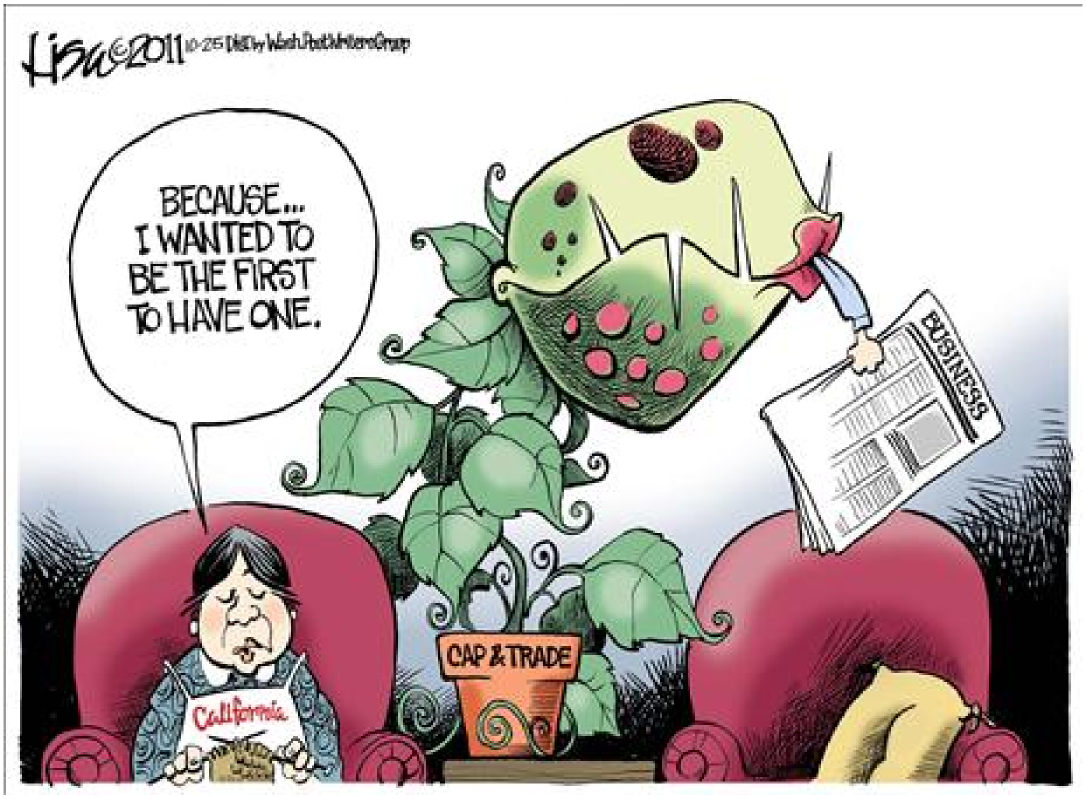
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