In Case You Missed It - "The Shape of Things to Come"

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Fact and Comment - "With all thy getting get understanding."
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DEBT-PLAGUED GREECE DOMINATES THE HEADLINES, ALONG with such other troubled countries as Portugal, Italy and Spain. Here at home several states—led by profligate California—and numerous municipalities are also teetering on the edge of insolvency. In all of these cases the problem is excessive spending. True, revenues are down because of the recession, and markets are skittish about financing suspect debtors, in part because of the lack of transparency concerning these borrowers' using possibly explosive derivatives to paper over budget shortfalls. But ever more obese budgets have put many governments on the brink of bankruptcy.

Disaster, however, is not inevitable: A bracing and, indeed, inspiring example of what must be done is rising in New Jersey. Newly minted Republican Governor Chris Christie, facing a fiscal disaster, is doing the unthinkable: slashing spending and pushing for tax cuts as a way to revive New Jersey's moribund economy.

Last month Christie told the Democrat-dominated legislature that he was impounding more than $2 billion of this year's budget. The scythe is wide-sweeping. "I am cutting spending in 375 different state programs, from every corner of state government. I will use my executive authority to implement [these cuts] now. [They] will eliminate our $2 billion budget gap," Christie asserted to stunned lawmakers. His cuts are even bigger than they sound. "Upon arrival my administration had $6 billion of balances from which to find $2 billion of savings. We had to cut one-third of our available funds with only four and a half months to go in the fiscal year."

While the reductions are huge, Christie was careful to use the scalpel, not the meat axe. In education, for example, he does not take "one penny from an approved school instructional budget. Not one dime out of the classroom. Not one textbook left unbought. Not one teacher laid off. Not one child's education compromised for one minute. Not one dollar of new property taxes will be needed."

But the governor made it clear that ever more drastic surgery is needed in next year's budget, which he will submit this month. The howls will then be truly deafening.

School budgets will be hit hard as state aid is cut. But this dire situation will finally force school districts—under the ever more watchful eyes of tax-strapped parents—to cut bureaucratic bloat.

New Jersey's 566 cities and municipalities will also urgently do what they should have done years ago—consolidate services across municipal lines.

The biggest push will be on pensions. "Pensions and benefits are the major drivers of our spending increases at all levels of government—state, county, municipal and school board," the governor declared. "The special interests have already begun to scream their favorite word—which, coincidentally, is my 9-yearold son's favorite word when we are making him do something he knows is right but does not want to do—'unfair.' One state retiree, 49 years old, paid, over the course of his entire career, a total of $124,000 toward his retirement pension and health benefits. What will we pay him? $3.3 million in pension payments over his life and nearly $500,000 for health care benefits—a total of $3.8 million on a $120,000 investment. Is that fair?

"A retired teacher paid $62,000 toward her pension and nothing, yes nothing, for full family medical, dental and vision coverage over her entire career. What will we pay her? $1.4 million in pension benefits and another $215,000 in health care benefit premiums over her lifetime. Is it 'fair' for all of us and our children to have to pay for this excess?"

The governor is also sweeping away all make-believe assumptions on revenue projections. "In June of 2009, was there anyone in New Jersey, other than in the Department of Treasury, who actually believed any revenues would grow in 2009–10? With spiraling unemployment heading over 10%, with a financial system in crisis and with consumers petrified to spend, only Trenton treasury officials could certify that kind of growth. Today, the days of Alice in Wonderland budgeting in Trenton end."

Tax increases? Forget 'em. "We already have higher taxes than any other state in the union. What have they given us? 10.1% unemployment, a dormant economy and a failure of hope for growth in our future. Higher taxes are the road to ruin. We must, and we will, shrink our government."

In fact, Christie refused to extend New Jersey's sky-high 10.75% top income tax rate, letting it revert to 8.97%, which is still too high. Because that rate still drives people in high brackets out of the state, Christie will try to whack it down before he leaves office.

While the focus is on budgets, the governor will also be pushing for substantial educational reforms. Christie has noted, with relish, that there are no caps on the creation of charter schools in the Garden State. He will also advocate fundamental reforms in regulations governing New Jersey's health insurance. The state has just about the most expensive health insurance rates in the country.

As governor, Christie has powers that none of his peers in other states possess. Even so, he plans to aggressively promote his policies around the state. New Jersey citizens, along with growing numbers of Americans around the country, are beginning to understand that uncontrolled local government spending—particularly for pensions and Medicaid—has become utterly untenable. At the moment Christie is virtually alone in the boldness of his reform policies, but as the public sours on bailouts he will have more and more company.

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