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The Buckeye Union Lesson

Ohio shows the way in a pivotal fight on behalf of taxpayers

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Wisconsin's donnybrook pitting taxpayers against public-sector unions and their Democratic clients continues to unfold, but it looks as if Ohio may now pass an even more ambitious agenda. There are some lessons here for the GOP, namely about political resolve, which is the only way to modernize government amid opposition from the usual pro-spending constituencies.

Like Wisconsin's Scott Walker, Ohio's new Republican Governor John Kasich is being assailed as mean-spirited and cruel. Public workers are setting up tent cities in Columbus, as in Madison. Yet despite some defections, most Republicans hung together in a crucial vote Wednesday in the state senate, narrowly passing 17-16 a bill that will limit collective bargaining for government unions and move to merit from step pay, among other reforms. It now goes to the house, which Republicans control 59 to 40.

Mr. Kasich is persevering because the bill is one part of his larger plan to restore the Buckeye State's competitiveness and economic vitality. The former U.S. House Budget Chairman inherited what was once an industrial powerhouse, though one that grew merely a few basis points above 0% over the last decade. Ohio's business climate is 47th, according to the Tax Foundation. Its deficit for 2012 is 11% of the budget, or \$3 billion, and \$8 billion over two years.

The bill gives Ohio and its cities and counties new tools to manage the costs of some 360,000 state and local workers. They will earn pay increases on the basis of performance, rather than the automatic seniority and length-of-service increases that now apply beyond the annual increases negotiated by unions. It also allows collective bargaining for wages up to inflation, but not for benefits or pensions. Far from a "right" divinely etched into stone, Ohio only allowed government collective bargaining in 1983.

Workers will need to pay 20% of their health benefits, below the Ohio average of 23% in the private economy but above the 9% that now prevails in government. Mr. Kasich's budgeteers estimate that the bill would have saved Ohio at least \$216 million in 2010 and some \$1.1 billion for local governments, where most of the state's collective bargaining contracts are negotiated. Beyond the numbers, other details include prohibiting public employees from striking and giving local government more flexibility in contract disputes by revising a rigid binding arbitration process.

These reforms pose a threat to the economic and political clout of organized government labor, which explains the mayhem in state capitols across the upper Midwest.

Ohio Republicans were smart when they invited this hostility, avoiding the mistake of temporary budget bandages. Instead, they're shattering the inertia of the status quo by pursuing major structural changes that will control the drivers of ever-more spending and higher taxes. The GOP will take political blows either way, but history shows that the fiscal problems always return unless government incentives change.

As for the protests and political unrest, the model here is John Engler, the former Michigan Governor whose approval rating slipped as low as 18% in his first term in the early 1990s as he cut taxes, slashed the state payroll and ended cash welfare for the able-bodied. But he went on to roll up landslide re-election margins in 1994. Mr. Engler knew that real reforms pay a double dividend: credit for promises kept and then credit for providing tangible benefits to middle-income voters, such as lower tax bills.

As Mr. Kasich's public-union restructuring inches toward reality, the lesson for Mr. Walker and House Republicans in Washington is that the greatest political risk is a loss of nerve in the face of the predictable cold water of opinion polls. Traumatic as it can be trying to reform government, it is lethal to try and fail. If they fold or retreat now after committing themselves to changing Madison and Washington, voters will conclude that the party is feckless and that Democrats were right about GOP overreach and extremism. On Capitol Hill in particular, there is no point in talking about entitlements unless they go all out.

This is shaping up as a pivotal year for the balance of political power between taxpayers and government. Just as Mr. Engler's welfare ideas helped inspire Washington's national overhaul in 1996, now Governors like Messrs. Kasich and Walker are trying to establish reform beachheads that will build broader support over time. Unions and Democrats certainly understand the stakes, and Republicans will only succeed if they do too, and hold their ground against the backlash.

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