

# How We Can Solve the Budget Crisis in Illinois and Build a Full Employment Economy With Good Jobs for All Who Need Them

a working paper by Rich Whitney, Green Party Candidate for Governor of Illinois

*This is a work in progress. A political platform will always be subject to revision based on new information and constructive criticism. This is where my economic and budget platform stands as of 3/11/2010. Greater details on some sections are forthcoming. Critical feedback and suggestions consistent with the Green Party's Ten Key Values will be welcomed and periodically reviewed to improve this platform.*

*I do not contend that this platform is perfect. I do contend that it presents a far better alternative than anything offered by the candidates of the two corporate-sponsored parties.*

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### **Introduction**

It is a basic duty and obligation of government to ensure that every person who wants to work, and be a productive member of society, shall have the opportunity to do so. After all, the Preamble to the Illinois Constitution states that our government was formed to “eliminate poverty and inequality; assure . . . social and economic justice” and “provide opportunity for the fullest development of the individual.”

Yet considering the lack of living-wage jobs available today compared to the numbers looking for work, both the Democratic and Republican parties have failed miserably in this basic obligation. Most Democratic and Republican officeholders don’t even acknowledge this obligation. But the Green Party and its candidates take this obligation very seriously. As a party of, by and for the people, it is a top priority for us.

The following measures are the steps that I intend to take to move us toward the goal of creating a full employment economy, in which everyone who wants to work will have the opportunity to do so, and earn a living wage, or better. There is no one magic answer, and it may be the case that we cannot fully attain the goal unless more sweeping changes are adopted at the national or even international level. But we can surely get much closer to the goal than where we are now.

**Step 1. Fix the Structural Budget Deficit. Make our tax system more progressive and fair.**

Our State government can’t do much to solve the unemployment problem until we fix the structural budget deficit and raise the revenue needed to expand the public sector – and public employment. Public employment should be expanded in the key areas of modernizing our infrastructure, supplying affordable clean energy and affordable housing, and providing high quality education, health care and social services.

It may surprise some people to hear a candidate talk about expanding public employment at a time when the media keep pounding into people’s minds the notion that government is “too big” and “we can’t afford it.” However, we have to ask ourselves why we are continually being told this. We have to recognize that the corporate-dominated media have an agenda and that there is a reason why we have been hearing this propaganda steadily for over 30 years. We also have to realize that when the opinion leaders in the corporate media keep telling us that “we” can’t afford it, what they are really trying to tell us is that “they” – the wealthy owners of corporate America – don’t want to afford it. *They don’t want to pay their fair share of taxes needed to maintain the most basic functions of government.* And thus the *illusion* is created that in the richest, most

productive nation in the world, we as a society somehow can't "afford" quality public education, quality health care for all, quality employment opportunities for all and decent retirement security for all.

I reject the corporatist propaganda, echoed especially by Right-wing talking heads, that "shrinking government" (everything but the military and the national security state, that is), and privatizing public functions, are the keys to economic prosperity. Both Republican and Democratic administrations have tried that, for years. It hasn't made things better; it has made things worse. Cutting public sector employment and providing tax cuts, subsidies and other benefits to giant multinational corporations, in the hope that this will induce them to create more jobs, or attract business to this country or state, doesn't work – at least not in terms of creating quality jobs.

This strategy was never really intended to create more jobs, let alone reach full employment. The real aim of the strategy has always been to enrich the most favored corporations at public expense, even as these same corporations and their financial backers continue to close facilities, move jobs overseas and devastate communities – and at *that*, the strategy has been remarkably successful. Meanwhile, an ever-more depleted public sector – now paying more public funds directly to private profiteers – is left struggling to provide the most basic functions of government.

It's real easy for a candidate to say, "I will balance the budget by cutting spending." This always sounds appealing on the surface – until you realize that if we literally did that, it would be an even deeper catastrophe for education, social services, local governments, and more – and would cause the loss of over 128,000 jobs during an economic recession. Those who make this claim are promoting the same delusion that has already led to economic and social devastation. Our state government has already cut its workforce by 3.7 percent between 2003 and 2008, with more cuts since then and more on the way. The impact – on our economy, environment, schools, local governments, college students and struggling parents, and the most vulnerable members of society – has been devastating.

We must reject this corporate con game that has been played on the American people for 30 years. The idea that we need to "cut government spending" during a deep recession, in the hope that this will somehow lead to lower taxes, so that we can successfully beg corporations to move to Illinois, is just more of the same deception. This delusional strategy puts Illinois in a begging contest with most of the other 50 states and numerous countries, to see which can grovel the most and give away most of the store, in order to "attract business." It is the same losing strategy that has partly created our current desperate economic plight.

No, the way out of our current economic disaster is not to repeat the same mistakes over and over again – the definition of insanity. We need to reverse course. Instead of impoverishing the public sector and driving down wages in a vain hope of "attracting businesses" that will leave again as soon as they find a more an even more craven state or country, we need to focus on building a public sector that in turn can help us build businesses that are productive and loyal to

our communities. Such a strategy would also attract productive businesses, not by giving away the store, but by providing companies with a healthy, well-educated, productive workforce and an infrastructure that provides affordable energy and efficient public transportation.

We need to recognize the truth that most of the healthier economies in the world discovered some time ago: that a healthy economy, including a healthy private sector, must be built on a foundation of 1) a healthy public sector that can support socially useful production, and 2) public policies that aim to empower the working people who actually produce society's real wealth, and provide care for the elderly, the sick and those unable to fend for themselves.

Especially during a recession, we need to be expanding public jobs, not shrinking them. We need to be improving retirement security for all workers, not attacking that of public-sector workers. Therefore, we shouldn't try to fix our state's budget problem by cutting vital agency budgets, eliminating more state jobs and attacking workers' pensions. We also can't fix the budget deficit with gimmicks like fund sweeps, more cigarette, alcohol and candy taxes, or more legalized gambling – measures that actually impede a consumer-driven recovery. Nor should we try to solve the problem with more delayed payments to health-care providers and other institutions, or more short-term borrowing – short-term “fixes” that only create a bigger problem for each budget cycle.

This is a problem of titanic proportions, caused by years of irresponsible and improvident budgeting by both of the two corporate-sponsored parties and their representatives in Springfield – most recently under the control of the Democrats but with both prior and current participation by Republicans. Under current projections (as of March 2010), the “structural deficit” going into Fiscal Year 2011 will come to approximately \$13.5 billion. This means that, in the absence of any change in revenue collection or spending from the previous year, spending will exceed revenues by about \$13.5 billion.

To carry out a real strategy for achieving full employment at living wages or better, we first will need to not only eradicate this structural deficit, we will need to raise considerably more revenue for public programs. We also need to do it in a manner that does not impose a greater tax burden on lower-and-middle-income working people, and that actually lowers the tax burden on the working poor.

This is a great challenge but it can be done. I will fight to solve the State structural deficit problem and raise needed revenue in a fair and responsible manner, not push the problem off to future generations. We can accomplish this through the following steps:

A. Eliminate spending that exists only to reward political supporters of favored legislators and that does not serve a legitimate public purpose.

B. Enact a comprehensive reform of our existing tax structure, which relies far too heavily on local property taxes to fund our schools and places too much of the burden on lower-and-middle-income working people.

C. Impose a financial transactions tax on speculative trading, making the financial sector responsible for much of the current economic crisis pay its fair share to repair the damage and promote economic health.

D. Create a state bank, in which to deposit our tax revenues, supplemented by funds from private depositors, so that the State of Illinois can invest in productive ventures that benefit the people of Illinois, and keep the interest collected for the benefit of the people, rather than pay interest to enrich the same private financial institutions that have already preyed upon workers, homeowners and taxpayers.

E. Implement a “fee and dividend” system on producers of energy and products responsible for greenhouse gas emissions and nuclear power. Fees would be imposed on the producers while consumers would receive quarterly dividends from the proceeds, based on their income level, that would provide protection from energy price hikes and allow a shift in spending in favor of clean energy and energy efficiency.

F. Raise additional revenue by ending the socially destructive “war on drugs” and specifically by legalizing and taxing the sale of marijuana.

Taking these in order:

A. Eliminate spending that exists only to reward political supporters of favored legislators and that does not serve a legitimate public purpose.

Although I support an expansion in public-sector programs and employment, this does not mean that “anything goes.” Quite the contrary! There is still waste, inefficiency and payment of illicit political rewards in Illinois government, and we need to eliminate them if we are going to spend our resources more wisely on programs that genuinely improve economic opportunities. To this extent, I will make common cause with Republicans, Libertarians and independent conservatives who see elimination of waste and political patronage as a top priority. After all, we may disagree as to the appropriate role and scope of government but we all agree that it should be more efficient and aimed squarely at serving the public interest.

The idea that government is a kind of fatted calf, and that the main goal of each legislator is to get the biggest slice for his or her district, regardless of the effect on the rest of the state, is a sickness, destructive of the public good. Who better than a Green Party governor – with no stake in political patronage and no corporate largesse or PAC money to hand out to political supporters – to clean house and eliminate political hires, ghost jobs, inefficient administration and wasteful pork-barrel spending?

As governor, I pledge to:

- Convene an independent commission of citizens, drawn from both the private and

public sector to examine the budget with a fresh set of eyes and identify programs, positions and practices that can be cut without any detriment to the public. Borrowing a good idea from a former rival candidate, Republican Adam Andrzejewski, I propose to give this commission the authority to conduct a “forensic audit” of the budget for this purpose and the authority to subpoena state employees and documents.

- Better publicize, expand and utilize the State Government Suggestion Award Board program that provides rewards for meritorious ideas that save the state money. Although the basic idea behind this program is good, it is practically unknown and few Illinoisans even know about it or how to participate.

- Review the “piglet booklet” prepared periodically by the Illinois Policy Institute and Citizens Against Government Waste to identify additional programs, projects, grants and contracts that are wasteful and should be eliminated. Although I strongly disagree with many of the items that these organizations identify as “waste,” I commend them for their citizen initiative and work in scrutinizing the budget and do find agreement on some items. A Whitney administration will review their findings and act on those that have merit.

- Review and cut allocations from the recently passed Capital Bill that were clearly aimed at rewarding legislators and serve no legitimate or Senators serving on their boards. One grant was even awarded to a youth camp located in Wisconsin. Numerous handouts were awarded to religious organizations and/or serve no secular purpose. Numerous grants were for road expansion projects of dubious or no merit. If bonds for some of these projects have already been sold, the money should either be reallocated to the Operations Budget or to pay down some of our state’s huge unfunded pension liability.

It is difficult to state with certainty how much money we can save through such initiatives. However, I will set as my goal saving at least \$2 billion by these means.

B. Enact a comprehensive reform of our existing tax structure. This is not just a matter of “raising the income tax,” with no conditions. Although the state does need more revenue to fund essential programs, raising taxes on working people and small business owners will not help the economy recover. The crux of the problem is that Illinois has one of the most regressive tax systems in the nation, meaning that we tax lower-income residents more heavily than the wealthiest. In fact, when all taxes are combined, Illinois taxes the lowest 20 percent of income recipients at more than double the rate of the top one percent! A related problem is that Illinois relies far too heavily on mildly regressive property taxes to fund its schools – which has given us among the poorest funded schools and the most unequally funded schools in the United States.

Therefore, we need to implement tax fairness, and reduce the burden on lower-and-middle-income working people, including overburdened homeowners. What is needed is a whole package, taking an approach similar to current Senate Bill 750. As summarized by the Center for Tax and Budget Accountability, SB 750 would:

- Reduce reliance on property taxes to fund schools by doubling the Illinois residential property tax credit;

- Create the invest in Illinois Capital Fund, which would dedicate \$1 billion each year, to underwrite debt service and fees on bonds for capital projects, such as roads and schools, throughout the State;

- Mandate a \$300 million annual appropriation (indexed for inflation) for grants to institutions of Higher Education;

- Increase Early Childhood education funding on a phased-in basis, from \$45 million in the first fiscal year after the bill passes to \$180 million four years later;

- Increase the state's per-student Foundation Level for K-12 education to the amount recommended by the Education Funding Advisory Board over four years (raising it to \$8,410 from \$5,959)—The Foundation Level and state Poverty Grants would also be automatically tied to increases to the Employment Cost Index to adjust for inflation;

- Double the special education personnel reimbursement rate;

- Maintain and expand grants for high-poverty schools;

- Fund teacher and principal mentoring programs;

- Provide additional funding for science, math and technology programs;

- Increase the personal income tax rate to 5% (from 3%), while the corporate income tax rate increases to 8% (from 4.8%);

- Expand the sales tax base to include consumer services that for the most part are already taxed by Illinois' neighbor states tax;

- A Family Tax Credit is created for low and middle income taxpayers to help offset the income tax increase and sales tax base expansion; and

- Triple the Earned Income Tax Credit to create tax fairness by offsetting tax burden of the working poor.

Implementation of SB 750 would yield an increase in revenue of \$7.352 billion, going a long way toward eliminating the structural deficit.

Although I support SB 750 and would sign such a bill, two important qualifications are in order. First I would want the Family Tax Credit and Earned Income Tax credit to be strong enough to ensure that the lowest quarter of wage earners actually pay lower taxes than they are

now, with the next highest 40 percent paying no more in income taxes than they are now.

Second, although expansion of the sales tax to cover consumer services may be a necessary evil now, the sales tax will be among the first things to go once we achieve fiscal health and can afford to get rid of it, beginning with food items and other essentials, and then abolishing it for everything except luxury items. The sales tax is notoriously regressive and it imposes an undue burden on many small businesses. Its abolition will be a high priority.

References: See the Center for Tax and Budget Accountability:  
<http://www.ctbaonline.org/>.

C. Impose a financial transactions tax on speculative trading. Our economy has become increasingly dominated by the “finance, insurance and real estate” (or FIRE) sectors of the economy, the social usefulness of which is far outweighed by its tendency to prey upon consumers, more genuinely productive businesses and taxpayers. After the predatory activities of this sector created a speculative “bubble” that triggered the current economic collapse, it bought off enough members of Congress to soak the taxpayers for a record bailout, with an ultimate price tag of \$14.4 trillion.

As corporate America has outsourced jobs and cut real wages and pensions, the FIRE sector has taken advantage of workers’ plight by promoting addiction to credit card debt and predatory lending practices. This same sector has financed corporate raiding that has ruined much of American industry, pushed corporate America to move workers’ pensions into less secure, riskier funds that in many cases have been recklessly gambled away. They have preyed on working people struggling to make ends meet -- and continue to do so. They used their ill-gotten gains to create an unsustainable real estate boom. Then when the boom collapsed, they got taxpayers to bail them out. And after achieving that, they turned around and paid themselves another round of obscene executive bonuses for their “performance.”

In short, the FIRE sector has cannibalized productive capital, preyed upon working people and soaked taxpayers to cover its losses.

This sector comprises a new class of “robber barons.” Congress is too bought and paid for to seriously challenge their power. But here in Illinois, through the Green Party and this campaign, we can start to make them pay their fair share of the wealth they have stolen and start to undo the tremendous damage they have caused.

The vehicle for doing so is a Financial Transactions Tax on speculative trading – trading that bears little relationship to the real productive activity of the economy. Specifically, I propose levying a tax on the trading of futures, options and interest rate products. The notional value of such securities traded on the Chicago Mercantile Exchange and the Chicago Board Options Exchange in 2008 exceeded \$1 quadrillion. An extremely miniscule tax on such transactions – measured in terms of 10-thousandths of one percent, far less than the commission and brokerage fees most have to pay to make a transaction – could potentially raise enough revenue to eliminate

the deficit in Illinois on its own.

However, considering the volatile nature of such trading, I propose a more modest beginning. I would propose that we levy a tax on such trading sufficient to raise \$4.5 billion in new revenues for our State government. The campaign is still working on a more detailed proposal regarding the rates to be applied to the trading of different kinds of securities.

At a time when the Illinois legislature repeatedly hits low-income workers disproportionately with “sin taxes” on alcohol, tobacco and gambling, a Financial Transactions Tax would impose a tax on another form of gambling, one that is every bit as harmful as the other sin taxes, and far more voluminous. Such a tax would also provide these added benefits:

- It would discourage manipulative and monopolizing behavior within the financial markets.
- It involves a transaction tax so small as to not affect those genuinely engaging in legitimate financial activities.
- It will help stabilize the derivatives markets which serve as product price insurance so important to Illinois farmers.

References: See the Chicago Political Economy Group and its working paper on a Financial Transactions Tax nationally. <http://www.cpegonline.org/>. Also Mother Jones: <http://motherjones.com/special-reports/2010/01/accountability-deficit>

D. Create a state bank, in which to deposit our tax revenues, supplemented by funds from private depositors and the state pension funds. This will allow the State of Illinois to invest in productive ventures that benefit the people of Illinois, and keep the interest collected for the benefit of the people, rather than pay interest to enrich the same private financial institutions that have already preyed upon workers, homeowners and taxpayers.

While almost all states are struggling to balance their budgets like Illinois, one exception to the rule is North Dakota – the only state with its own bank. Instead of using state funds as a means to further enrich private banks, a state-owned bank could earn additional revenue for the state, while at the same time help spur economic development in Illinois. It could provide low-interest credit to Illinois-based businesses, farmers and college students. It could be used to finance capital projects such as those described in this paper, to modernize our infrastructure, promote green energy, energy efficiency and sustainable transportation, to insulate homes and businesses and provide more affordable housing. It could help the state pay its bills during times of fiscal emergency. It could help moderate the effects of economic downturns by making credit more widely available at reasonable rates of interest. As needed, it would have the power to borrow from the Federal Reserve at the same 0.25 percent rate of interest as commercial banks.

A “Community Bank of Illinois” (“CBI”) would be the depository for all incoming state

funds. The act authorizing the bank should require each of the state's five public pension plans to deposit 25 percent of their holdings in the CBI. Currently, three of the plans, the General Assembly Retirement System, the Judges' Retirement System of Illinois and the State Employees' Retirement System of Illinois, have assets of over \$10 billion. The Teachers Retirement System has assets of about \$28.5 billion and the State Universities Retirement System has assets of about \$11 billion. A pool of about \$12.375 billion, on top of tax revenues would ensure a sizable fund of start-up capital with which to begin operations relatively quickly. The CBI's earnings could be used to help alleviate our state's huge pension fund deficit. The CBI could also accept deposits from individuals and businesses that want to help invest in the future of Illinois.

State Rep. Mary Flowers has introduced a Community Bank of Illinois Act, HB 5476, which proposes to create a state bank apparently modeled after North Dakota's bank. This is a good start and should be applauded. However, there is room for improvement. HB 5476 places the bank under the aegis of the Department of Financial and Professional Regulation and limits the authority of an appointed board to an advisory role, which is probably not the best structure for the bank to serve as an instrument of economic policy. It also limits the CBI's lending authority more than is necessary or desirable. Nonetheless, it is subject to amendment and getting the bank established would be a worthy first step.

The fiscal impact of the CBI on the state budget would of course be limited at first. Even at its inception, however, it could be a useful instrument for lending money to the State to deal with immediate crises. After that, it would not take long for it to have a measurable positive impact on our economy.

References: See the articles of Ellen Brown on this subject, at <http://www.webofdebt.com/> and especially her blog, at <http://webofdebt.wordpress.com/>.

E. Implement a “fee and dividend” system on producers of energy and products responsible for greenhouse gas emissions and nuclear power. Fees would be imposed on the producers while consumers would receive quarterly dividends from the proceeds, based on their income level, that would provide protection from energy price hikes and allow a shift in spending in favor of clean energy and energy efficiency.

While the federal government is debating whether to implement an ineffective “cap and trade” system to reduce greenhouse gas emissions, Illinois can get ahead of the curve by implementing a simpler but more effective greenhouse gas fee and dividend system. Those who are imposing such terrible costs on society should start paying the price for it, while creating an incentive for energy producers, utilities and manufacturers to transition to renewable energy and zero-emissions processes. By imposing some of the true social costs of greenhouse gas emissions on producers, a more level playing field is created for producers of clean energy such as wind energy and solar power. As economies of scale are created for such production, the price of such energy will begin to fall.

The fee-and-dividend system I favor is a variation of the proposal favored by the nation's leading climate scientist, Dr. James Hansen. Under this proposal, a fee is imposed on each fossil fuel at the point of sale, in dollars per ton of carbon dioxide in the fuel. The public does not directly pay any fee or tax, but the price of the goods they buy increases in proportion to how much fossil fuel is used in their production. Fuels such as gasoline or heating oil, along with electricity made from coal, oil or gas, are affected directly by the carbon fee, which is set to gradually increase over time. This gives the public time to make changes in transportation, housing, insulation and other consumer decisions in order to avoid the higher costs. Under the dividend part of the proposal, the public is also given the means to do so. Hansen proposes that the fee-and-dividend system be revenue neutral, such that 100 percent of the money collected from the fossil fuel companies is distributed uniformly to the public. Those who do better at reducing their carbon footprint will receive more in the dividend than they will pay in the added costs of the products they buy as a result of the fees.

I would modify Hansen's proposal in several respects. First, instead of just imposing the fee on CO<sub>2</sub> emissions, I favor imposing fees on all greenhouse gases, including methane and nitrous oxide, which, pound for pound, contribute much more to global warming than CO<sub>2</sub>. I would also add nuclear power, which, although it does not contribute to global warming, also imposes costs on society, such as the terrible human costs involved in mining and processing uranium, and the cost of storing nuclear waste for thousands of years, that are not adequately reflected in the price of nuclear energy. I would propose to impose a fee on nuclear power equivalent to the fees imposed on greenhouse gas sources of electrical power. This would also ensure parity between Northern Illinois, where much of the population gets its power from nuclear sources, and Central and Southern Illinois, where more of the population gets its power from coal.

Second, because the State of Illinois is in dire financial straits, I would not make the fee-and-dividend system entirely revenue neutral. However, the fee-and-dividend system would provide an opportunity to address some of the regressive impact of our current system of taxation and provide more of the burden on those most able to pay, instead of putting it on those least able to pay. Although precise figures are not available, we estimate that a fee on CO<sub>2</sub> emissions amounting to \$8.80 per metric ton (the equivalent of imposing a 10 cent fee on a gallon of gas), with proportionately higher fees imposed on sources of methane and nitrous oxide, would yield gross revenue of about \$5.5 billion. I would propose remitting dividends to consumers in the amount of \$3.5 billion, yielding a net gain of \$2 billion. In order to counter the regressive impact of the current Illinois tax system, I propose that the lowest income Illinois taxpayers (as measured by their most recent annual filing) be paid a quarterly dividend that would actually be higher than the estimated impact of fees on the prices they pay for energy, that middle-income taxpayers receive a dividend about the same as the impact of the fees, and that higher-income Illinoisans receive dividends proportionately less than what they pay for higher energy costs.

It should be noted that, dollar for dollar, any program that puts more money into the hands of the lowest-income workers tends to have a greater stimulative impact than a tax cut or any other type of expenditure. That's because low-income workers spend a higher percentage of

their income, creating a greater multiplier effect than money expended anywhere else.

The creation of a statewide public utility, and/or changes in state law allowing energy co-ops to compete with Ameren and Com Ed statewide, could also provide a means by which to mitigate any adverse pricing impact of the greenhouse gas/nuclear power fees.

References: (Study of proposed carbon tax in New Mexico: [http://www.emnrd.state.nm.us/ecmd/Multimedia/documents/carbontax8\\_14.pdf](http://www.emnrd.state.nm.us/ecmd/Multimedia/documents/carbontax8_14.pdf)); James Hansen, *How to Solve the Climate Problem*, The Nation, 13/30/2009, <http://www.thenation.com/doc/20100111/hansen>.

F. Raise additional revenue by ending the socially destructive “war on drugs” and specifically by legalizing and taxing the sale of marijuana.

The so-called “war on drugs” has been a colossal failure, imposing huge social and financial costs on our criminal justice system and society at large. It has resulted in the United States having the higher incarceration rates in the world and made “criminals” out of people who sought only to experience the pleasure of an altered state of consciousness. The criminalization of marijuana is especially irrational, when the hazards of marijuana consumption are compared those of alcohol, tobacco and any number of legal pharmaceutical drugs. Most sensible people know this to be true. A growing number of law enforcement officers agree that arresting and prosecuting people for cannabis possession and consumption is a waste of resources. Yet, somehow, conventional political thinking requires most legislators to ignore fact and common sense and pretend that voters won’t support a more enlightened view of marijuana and drug use.

Against this, I say that we can no longer afford to ignore fact and common sense. I support the full legalization of the production, sale and consumption of marijuana, and propose that it be taxed at rates comparable to current taxes on alcohol and tobacco. We should decriminalize other drugs, by degree, maintaining criminal penalties for truly dangerous substances such as methamphetamine. We should treat most drug abuse as a public health problem more than a criminal problem.

The overall case for taking such steps is a separate subject, to be treated at greater length in my platform on criminal justice issues. With respect to the economy, ending the war on drugs and legalizing marijuana will allow us both to raise additional revenue, channel funds to more productive areas of the economy than the prison-industrial complex and focus law enforcement resources on real crimes.

It is almost impossible to determine how much revenue could be realized by taxing the sale of marijuana in Illinois. Illinois obtained about \$615.9 million in tobacco and cigarette taxes in FY 2008. Guesstimating that roughly 1/3 that sum could be collected on marijuana taxes would yield a figure of about \$200 million, although this would not be available until after legalization and startup of commercial production and sale.

References:

<http://www.mpp.org/assets/pdfs/downloadmaterials/TandRARGUMENTS092008.pdf>

<http://www.slate.com/id/2220221/pagenum/all/#p2>

### **Total additional revenue to be realized by the Whitney plan for tax and budget reform:**

Savings from targeted cuts of pork and reallocation of bad Capital Bill expenditures: \$2 billion

SB 750: \$7.352 billion (not counting added revenue for education)

Financial Transactions Tax: \$4.5 billion

State Bank: Unknown; long-term potential is tremendous

Greenhouse gas fee and dividend: \$2 billion

Legalization and taxation of marijuana: Not applicable during start-up (est. \$0.2 billion afterwards)

Total: \$15.852 billion

Less structural deficit of \$13.5 billion = \$2.352 billion net increase

### **Step 2. Modernize our Energy Infrastructure**

Armed with the additional fiscal tools of a balanced budget and a State bank, one of the next priorities must be to modernize our energy infrastructure in a manner that both lowers greenhouse gas emissions and lowers the cost of electrical power, heating and cooling, to consumers and businesses. This will both create jobs in the short term and stimulate the economy in the long term. This can be accomplished by:

A. Create alternatives to the profiteering utilities. Some communities in Illinois have well-functioning, publicly accountable public utilities providing their power and gas, and others are served by electrical co-ops in which the customers have an ownership stake and voice in how the company is run. However, much of the State is held hostage by the utility monopolies, Ameren and Com Ed. Co-ops are legally barred from competing in these areas. This bar should be lifted, and the State should create a public utility to provide a broader, publicly accountable alternative. By eliminating the need to ensure profit-making by the utility monopolies, power, heating and cooling can be provided at lower cost.

B. Improve energy efficiency of homes and buildings. Substantial savings of energy use and cost can be achieved by improving the insulation and using more energy-efficient appliances, lighting and equipment in homes and businesses alike. Therefore, we as a society should make it a priority to help both homeowners and businesses accomplish these objectives. A stepped-up program of higher required efficiency standards for appliances sold in Illinois, higher construction standards, and grants, low-interest revolving loans and tax incentives to promote the rehabilitation of older buildings and low-income housing, will all help move us in the right direction.

C. Promote solar and wind power generation – with production based in Illinois. We have great untapped potential to meet much of our energy needs through a combination of solar and

wind power generation. A rapid expansion of solar and wind power generation can be accomplished by: 1) requiring lenders to extend loans to qualified property owners for solar power or wind generators at a minimal 1 percent interest rate (this could be readily accomplished with a State bank), and 2) requiring utilities to purchase power from solar and wind power producers at a premium rate. Under one variation, a portion of the premium would be payable directly to the lender, which would have a secured interest in the solar or wind generator until the loan is paid back.

This creates a win-win situation: The bank is paid back. The homeowner, farmer or business investing in solar or wind generation realizes immediate savings on energy costs and in many cases will go from being a net consumer to a net producer of energy. Their greater income will further stimulate the economy. The utilities will have to pay the cost of the premium rate but in the long run will realize the benefits of having a greater, stable, more diversified and decentralized energy grid, ultimately cheaper in the face of rising fossil fuel prices. As economies of scale are realized in wind and solar power generation, the costs will fall, as will the necessary premium rate. And we all benefit from the reduction in greenhouse gas emissions.

Despite growing demand for solar and wind generation in the U.S., the biggest producers of solar panels and wind generators are in China and Europe. A program like the one proposed here, combined with appropriate grants and loans for start-up businesses, could help jump-start solar and or wind generator manufacturing businesses here in Illinois, creating more quality manufacturing jobs.

#### D. Develop other creative means of generating energy that do not emit greenhouse gases.

One very promising option is the “Integrated and Advanced Renewable Energy System” developed by Equitech, International, LLC. This is a process that can take a variety of forms of toxic, radioactive, medical and other harmful wastes – something our society produces in abundance – and, by using super-heated steam, break it down chemically, extracting energy and reforming the remaining matter into non-toxic, usable products.

Equally important, the Equitech model focuses not only on the technology but on the question of who owns and benefits from the technology. In its pending demonstration project in East St. Louis, and generally, it proposes that the community where the System is sited be invested in the project – literally, as community stakeholders. Thus, the community benefits not only from an infusion of jobs and a new source of clean energy; it also benefits by virtue of being shareholder-owners of the facility and recipients of the eventual dividends realized. This same model could then be utilized to revive other depressed communities, from Southern Illinois to the South Side of Chicago.

### **Step 3: Modernize our transportation infrastructure.**

A commitment to renovating and properly maintaining our infrastructure – waterways, bridges, roads, rail lines, public buildings and facilities – would create thousands of good

engineering, construction and maintenance jobs. If spent wisely, on projects that will actually save commuters time and money, it can further promote economic health.

The recent capital bill was in some ways a start but in other ways it was badly misguided, especially by placing so much emphasis on road construction.

Our over-reliance on the automobile as a principal means of transportation is exacting a terrible toll on our environment and makes us overly dependent on foreign oil. Automobiles account for about one-half of all air pollution emissions in the United States and are the biggest producers of carbon dioxide, the main cause of global warming, emitting about one-quarter of the total. Over-reliance on the automobile also exacts terrible human costs, including its impact on human health, mortality, and the colossal waste of time imposed when U.S. drivers literally spend billions of hours per year stuck in traffic.

As the cost of oil inevitably rises, both the cost of road construction and the cost of auto transportation will do the same. This means that money spent on road construction will be increasingly less effective in creating construction jobs.

Under these circumstances, to spend more money on road expansion makes no sense. We need to focus on alternatives to the automobile, as well as smart urban planning and reconstruction policies that move homes, schools, stores and workplaces closer together, reducing commute times.

One part of the answer is improved rail transit, both inter-city high-speed rail and intra-city and regional light rail. One of the few good things coming out of the present administration in Washington is a somewhat improved commitment to rail. We need to take full advantage of this federal funding stream by applying for every available dollar and matching it with our own.

Building a new system of high-speed railways inter-connecting Chicago, Springfield, St. Louis, Carbondale-Marion and other key centers, supplemented by improved mass transit systems throughout the state, will be good for the environment, improve our quality of life and be good for our economy. Every billion dollars spent on rail transit creates 7,000 more jobs than the same amount spent on road construction.

By reducing our reliance on the automobile, we will not only improve the quality of life for ourselves and the quality of our environment; we will also save money. The average U.S. family today spends nearly 20 percent of its budget on transportation. By reducing this outlay, families will have more discretionary income available to spend on other goods and services.

#### **Step 4: Improve Education and Provide Free Higher Education for All In-State Residents Who Qualify Academically**

Once we solve our budget problem, a top priority must be to invest in people – and above all, in education. We not only need to improve the caliber of grade school education, from pre-k

through high school. We also need to make a massive investment in higher education, making either college education or vocational education tuition-free for all in-state residents who maintain the required academic standards.

To those who say we cannot afford it, my answer is that we cannot afford not to: Investing in free higher education is one of the smartest expenditures a government can make and it is one of the most effective ways of stimulating our economy. Making higher education tuition-free will:

- A. Reduce the oversupply of labor in the labor market;
- B. create more jobs in education directly, at State colleges and universities already well distributed throughout the state;
- C. create more construction and spillover jobs;
- D. eliminate all or most student debt, thereby putting more purchasing power in the hands of students and graduates, to spend on goods and services, not enriching banks;
- E. eliminate the impact of tuition on parents, thereby putting more purchasing power in their hands;
- F. eliminate the stress and time expended on struggling to finance higher education, and eliminate the bureaucratic waste expended on the cumbersome financial aid process, freeing up more resources for education itself;
- G. improve productivity for existing businesses and attract new business to Illinois for the right reasons; and
- H. increase new business generation in Illinois, thereby creating new job opportunities.

The original GI Bill of 1944, which provided our World War II veterans with free higher education, helped pave the way for the sustained economic boom of the 1950s and 60s. For every dollar spent the government was repaid seven times over. We can help create a renaissance here in Illinois if we learn and apply this valuable lesson from our recent history.

A number of countries around the world, including some lesser-developed nations, provide higher education to their citizens either free or at nominal cost. There is no reason why we can't do it here.

Of course, apart from its economic impact, higher education is a good in and of itself, leading to a society that is better equipped to deal with today's complex social and political problems.

The cost of free higher education in Illinois will be substantial but it is not unobtainable. In Fall 2008, 202,127 students attended public four-year colleges and universities and 357,157 attended community colleges. About 97 percent were in-state residents. The average tuition and fees at the four-year colleges was approximately \$10,000 and at community colleges approximately \$2,800. Another 300,000 students attended private colleges and universities, which would be largely unaffected by the new policy, except insofar as some would shift to the public system.

Assume that a more optimal number of academically qualified Illinois students desiring to attend four-year colleges was 275,000 and those desiring to attend community colleges was 400,000 (and further assume that the added capacity exists or could be constructed fairly quickly). The cost of replacing tuition and fees for that number of students would come to \$3.87 billion. The additional revenue realized during the first year of the Whitney budget plan, along with the revenue targeted to higher education under SB 750, would allow us to make a huge step toward achieving that goal in the first year alone. By the second or third year, the goal should be achievable.

A more detailed position statement on education policy per se will be available elsewhere on my website.

### **Step 5: Single-Payer Health Care**

The overall case for a single-payer, improved-Medicare-for-all health care system is presented in a separate position paper. The main rationale for adopting a single-payer health care system is that it is the only way to ensure that every Illinoisan will have access to the health-care that they need. But it will also be of economic benefit as well. It will:

A. Attract business to Illinois. One reason why auto and other manufacturing operations were moved from the United States to other countries, including Canada, is due to the high cost of health insurance under our privatized system. Although a single-payer system would require a payroll tax similar to that already levied for Medicare, this will be a lower and more stable and predictable cost than the skyrocketing costs imposed for private, for-profit health insurance. Most businesses will find single-payer to be a much more affordable option, and will have a good incentive to come to Illinois.

B. Save working families money, and eliminate many bankruptcies. Again, although no health-care system is free, a single-payer system would impose lower costs on working families overall than the soaring costs imposed by private insurers. The cost savings means more discretionary income for working families, creating economic stimulus. Meanwhile, health-care debts are a major cause of about 60 percent of all personal bankruptcies in the U.S. A single-payer system would dramatically reduce the rate of bankruptcies.

C. Improved workplace productivity. The lack of affordable health care means that workers without adequate insurance often forgo treatment – which in turn means more illnesses,

of longer duration, spread to more co-workers. This costs U.S. businesses the loss of 64.7 million avoidable sick days every year. Stated differently, healthier workers are more productive workers, which means improved personal as well as economic health as well as physical well-being.

### **Step 6: Support small businesses – for real.**

Although giant corporations make headlines when they employ – or lay off – workers by the thousands, it is the thousands of small businesses in the state that are actually the best job creators. Small businesses already get a tough break from the federal government, where they got socked, for example, by the Self-Employment tax, then have to pay again on the same income on their income taxes! The State of Illinois doesn't help matters, as it overloads small business owners with the so-called Replacement tax and unemployment insurance payments, on top of payroll taxes, sales taxes and numerous fees – all of which require hours of paperwork to process. While some of these taxes are essential, we can and should do better at reducing the burdens on small businesses, by eliminating some fees and better consolidating our tax structure. In addition, the State can and should do better at assisting small businesses and especially new startups by making low-interest revolving loans and grants more readily available.

### **Step 7: Other public works.**

In addition to our transportation and energy infrastructure, we need to renovate or build better parks and recreational facilities, libraries, hospitals, schools and low-income housing. During the Great Depression, millions of Americans worked under the Works Progress Administration to build such facilities, many of which still serve useful public purposes today, or under the Civilian Conservation Corps, to create and maintain trails and otherwise improve recreational areas. Others were employed in the arts, adding beauty and cultural depth to our public life. To some degree, Illinois can and should follow that model during our own period of depression. There is no reason why some Illinoisans cannot be employed in such endeavors to help our economic recovery and benefit society in the process. Certainly it would be beneficial to employ a small corp of Illinoisans to plant trees throughout the State, as another step in the struggle to combat global warming.

### **Step 8: More, better paying social service jobs.**

The Illinois Department of Human Services, the Department of Employment Security, Department of Children and Family Services and other state agencies could be used to gainfully employ people in the service of others who need help – drug and alcohol rehabilitation, prison rehabilitation programs, adult education, job placement, parenting education and prenatal care, child care, public health, elderly care and more. These agencies are understaffed and its workers underpaid. Yet investments in “human services” pay off in the long run, as they reduce the social costs of crime, poverty and disease.

### **Step 9: Raise the minimum wage until it is a genuine living wage.**

A full-time job should provide enough income to support a family but many jobs today don't pay nearly enough. The recent increase in the federal minimum wage to \$7.25/hour affected less than 4 percent of the workforce. The inflation-adjusted value of the minimum wage is 17% lower in 2009 than it was in 1968. When increases in productivity are accounted for, the fall in the value of the minimum wage is far more acute. We have the most productive workers in the world but they are the most overworked and underpaid in comparison to what they produce.

If elected, I will fight to raise the minimum wage so that it is at least 40 percent above the poverty line, to compensate for the outdated federal poverty benchmark. For a single parent with two children, this would come to somewhere between \$11.50 per hour in low-cost areas to \$14.40 per hour in higher-cost urban areas. Accordingly, I advocate raising the minimum wage to \$15 in the State of Illinois, phased in over a two-to-three year period, with future increases indexed to inflation and gains in productivity. Partial exemptions or tax credits could be permitted for start-up businesses, hardship cases and summer youth employment.

There are other ways to move us in the right direction, such as a "living wage" law to require every firm that receives a benefit from the State – such as a contract, subsidy or tax exemption – to pay its workers a living wage. I would sign such a bill but since the goal is to build a living-wage-or-better economy, the preferable course is to require all Illinois workers to be paid at least a living wage.

Critics often argue that raising the minimum wage will reduce employment, since businesses won't be able to afford the increase. However, studies of prior increases in federal and state minimum wage standards, and the impact of living wage laws adopted by a number of cities, demonstrates that this is not correct. Any temporary negative impact on businesses is soon compensated for by the stimulative effect of providing more discretionary income to the lowest-paid workers – who spend most of their income on goods and services. Indeed, experience shows that is one of the most effective ways to stimulate the economy. In addition, raises in the minimum wage tend to improve productivity. By phasing in the minimum wage increase over time, any adverse impacts are minimized. We can attain a living-wage society while at the same time reaching full employment.

References:

[http://www.peri.umass.edu/fileadmin/pdf/other\\_publication\\_types/Pollin\\_May\\_2007\\_NLF\\_Column--Making\\_Federal\\_Min\\_Wage\\_a\\_Living\\_Wage.pdf](http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/Pollin_May_2007_NLF_Column--Making_Federal_Min_Wage_a_Living_Wage.pdf)

[http://www.epi.org/publications/entry/issue\\_guide\\_on\\_minimum\\_wage/](http://www.epi.org/publications/entry/issue_guide_on_minimum_wage/)

**Step 10: Make corporations accountable and encourage other forms of business ownership. Use the power of eminent domain to reclaim and re-tool abandoned facilities under community or worker ownership.**

A corporation is a special form of business ownership that exempts owners from legal

liability for any misconduct. Originally, in exchange for this privilege, state governments would charter corporations under strict conditions, placing limits on their business activity and requiring socially responsible behavior. Today, however, corporations have become so powerful that they control state governments instead of the other way around. In Illinois, they have used their great power and influence over government to win hundreds of millions of dollars' worth of special tax exemptions and subsidies – causing much of the State's current budget crisis.

We must recapture our government from the power and influence of the giant corporations. That is why this campaign, like other Green Party campaigns, does not accept corporate campaign contributions. If elected, I will fight to restore corporate chartering laws and regulations needed to curb corporate misconduct and promote the social good. These same chartering laws can also be used to reverse the effects of the Supreme Court's recent decision allowing corporations to more heavily influence the political process: We can effectively prohibit corporate political speech by making it a pre-condition for corporate chartering or licensing.

I will also promote worker and/or community ownership and control of businesses, and workers' cooperatives, as alternatives to the corporate model. Instead of using tax breaks and subsidies to enrich giant corporations that behave irresponsibly, we can provide modest tax credits, grants and low-interest revolving loans to worker-owned or community-owned enterprises. Here again, the creation of a State bank can help facilitate such a policy.

When corporations behave irresponsibly by shutting down and/or relocating useful production facilities, both the state and local governments should be authorized to use the power of eminent domain to assume control over those facilities and turn them over, either to their workers, organized as a cooperative, to community associations or land trusts, or to homegrown small businesses. I would favor a special recovery program aimed at identifying closed factories, warehouses, shops and other facilities around the state that show the most potential for re-tooling, and provide state assistance to workers' cooperatives, community associations or land trusts interested in operating such facilities in the public interest. Such assistance could include start-up funds, low-interest loans, tax credits and technical assistance.

We can at once combat the forces of economic and political tyranny, unemployment and poverty – by promoting economic democracy and socially responsible businesses.

References: <http://www.corporatepolicy.org/index.htm> ; <http://www.poclad.org/>

[http://www.ncba.coop/abcoop\\_work.cfm](http://www.ncba.coop/abcoop_work.cfm) ; <http://www.usworker.coop/front>