



**HETTY ROSENSTEIN**  
New Jersey Area Director

## **Remarks by Hetty Rosenstein, New Jersey Area Director, Made to CWA State Worker Shop Stewards at the Trenton War Memorial, January 20, 2010**

Brothers and Sisters:

We are here today to accomplish a number of things:

1. Agree on what our priorities and goals are;
2. Unite as an organization and agree to speak with one voice
3. Take responsibility as the collective leadership of the organization to put the Union's program in place at the workplace
4. Understand the issues we are facing and LEAD on those issues.

The economic problems of the State are legitimate. There is no extra money.

If Corzine were reelected, we would be in this room talking about how we were going to conduct ourselves as a union and how we were going to deal with the serious economic problems.

I want you to take it as a given that there is a budgetary problem for the upcoming fiscal year and that there are no easy answers. We will not be able to look through the budget and discover enough waste and abuse and resolve the problem. There are no simple answers.

Because there are no simple answers, however, it is important, that we have a deeper understanding of what and why we are facing what we are facing.

Because even though there is a serious recession – and maybe a Depression – and even though 10% of the public is unemployed and another 10% are under employed, and even though there has been a loss of hundreds of millions of dollars in income tax revenue and sales tax revenue as a result, and even though thousands of people have lost their homes to foreclosure, and even though Chris Christie is saying things like we're all going to have to share the pain.

As it turns out, everyone *isn't* sharing the pain.

We are, without question, facing our greatest challenge as public workers in our history as a union here in New Jersey.

The attack against us is going to be great. It's going to come from many sides. For us to withstand, we will need to be smart, strong, brave and united and we are going to need to be angry.

This is the wealthiest country in the world. New Jersey is the wealthiest state in the wealthiest country in the world – we have the highest per capita income. And the wealthiest people in the wealthiest country in the world, the Wall St. Tycoons and financiers, just gave themselves \$150 Billion in bonuses – the greatest amount ever – apparently as a reward for wrecking the economy.

That money that already very rich people paid themselves is nearly sufficient to offset every state budget deficit in the country. The Center for Budget Priorities estimates that there is a \$158 billion state budget deficit throughout the country. In other words – what those incredibly already rich people are getting in order to make them extra extra rich, would pay for all the promised services in every state, all the promised pension payments, all the promised union wages, all the staff.

And let me just remind you – that the people who are getting this \$150 billion in bonuses, they get paid – all of them – millions of dollars a year before the bonuses. So if they didn't get this bonus – they would still be very rich.

So we are going to analyze the facts that we understand in this State and we are going to figure out how to address the challenges in the system that we are in – because you play the cards you were dealt.

But as we do, we need to allow our rage and our anger at our own situation to help us and to give us courage. And there is a great deal to be angry about because there is something horribly, horribly wrong with our economic system, our government and our democracy, when 10% of our people can be unemployed, and all of our elected leaders are proposing cuts in services, and we can't provide for retirement security in this country, but corporate tycoons and financial speculators have not merely not helped the situation, not shared some of what they have, but they have become considerably wealthier at our expense! There is something horribly wrong with our economic system, and our government and our democracy itself, when that particular group of people, that had so much money that they did not invest it in bricks and mortar and manufacturing and making things that people could use, but instead they invested in speculative financial chicanery like credit default swaps and sub-prime mortgage “instruments” and after wrecking the economy and putting millions of people out of work, and destroying our tax base, and pulverizing and distorting the housing market – instead of going to jail – they are being paid \$150 billion dollars while our cities and states starve.

So before I say anything else, I want you to remember when you are most fearful and worried and most unsure, that at the time when the whole country was hurting, and when we most need citizens to care for each other, that this group of people ruined the economy. And instead of being sorry for what they did, they ripped us all off some more. And then they rewarded themselves by ripping us off some more.

And as we go through what we are going to go through – just trying to save our middle class jobs, just trying to save jobs that put many of us just on the other side of poverty, just trying to save the gateway to the middle class, which is what the public sector is - for women and minorities in this state – as we put everything that we have on the line for that.

Just remember: these same people – the super rich – they own 95% of the wealth in the country. They own the developments, the banks, the major corporations, the media.

And here, in this State, in a State facing a multi-billion budget gap for the next fiscal year, where we passed a very modest surcharge on incomes of people earning over \$400,000 a year, this Governor asked that that surcharge be allowed to expire and that people earning over \$400,000 a year get a tax cut.

So watch: while our new Governor talks about making government smaller – don't you believe it. It's about making the public part of government smaller, not the private part of government.

And when we are told that everyone will have to feel some pain, you can be sure that some people won't feel any pain.

And apparently that is what is supposed to happen in the United States of America.

Okay – so what is going on in our economy and why does it matter?

In the most simplistic model of economics in the private sector – supply and demand – if people like what a producer of goods is making, the demand goes up, the available supply shrinks, the prices rise to fit the level people will pay for this item to such a point that the demand does not continue to increase.

Unlike that model, there is an almost ceaseless demand and need for public services and there is often no connection between what people will pay to fill the demand and the demand itself. The reason for this is obvious. Rich people don't demand the services that we provide to poor people and they don't want to pay for them. Poor people demand them, but they are poor. Children demand (and I really mean need here) very expensive services – schools, protective services, preventative healthcare services – and they can't pay for them or even complain if they don't get them.

That model of supply and demand doesn't work for public services. The model that does work for public services is the Social Contract. The agreement between members of a community that we care about this community together and for it to be a thriving and healthy community the community has to fulfill some basic common needs: protect its citizens, educate its citizens, treat people equally under the law, care for those who cannot care for themselves, respect and care for people who are aged, protect the future and the environment. The Social Contract says that we are all in this together and we all benefit when children are educated, we are protected by the police, we take care of people with disabilities. We all benefit and we all pay.

If you are the Governor of the State of New Jersey, and you do not believe in the Social Contract, then you are not going to see social services as a positive for everyone. You do not view social services, and the public sector, as a Common Good. So if you like the people who

are getting services, and if you think those people are deserving of them, then you are in favor of paying for them.

For example: If you think it would be a tragedy for either you or your neighbor to have a fire in your house and not have it put out, you don't mind paying for the fire department. You have 5 children, you want to send them to the clean and well built public school down the road, you don't mind paying for that school. You know people who have an adult child with a disability, you may think someone should pay for those costs. You read about a child who was killed by a parent, you might be willing to pay for that child to have been placed in foster care if you had known. Without question you like police who keep you and your friends safe and you like prisons that lock away the people you and your friends do not want to be exposed to. You will pay for that.

In addition, if you are part of the same group of people - or your brother is - who trade stocks and bonds, or who develop large tracts of property, or who own big companies, you don't want them regulated, and you only want them to have to pay for the things you think are worthy.

But you view these things on a case by case basis and you make judgments about what is worthy and what is not worthy. You don't *get* the Social Contract. You don't view OUR work – the work we do in this room - as a Common Good.

The most significant difference between Chris Christie and Jon Corzine was that Corzine believes in the Social Contract and Chris Christie does not.

By the way, I don't think this is just a difference between Democrats and Republicans. It is a question of one's world view. There are lots of Democrats that do not believe in the Social Contract and there are some Republicans who do.

**But we now have a Governor who seriously said over the Christmas Holidays that he didn't think the State could afford to give more money to food banks.**

It is very important that we understand this about Governor Christie, because we are going to have to negotiate with him and we are going to have to fight with him. And you have to know what the person you are fighting thinks if you want to fight effectively.

It is also important that we do not put this struggle in false terms. Chris Christie respects the police union and the evidence of that is that he doesn't go after police officers. He doesn't respect CWA and the evidence is that he wants to privatize DYFS. That is not what we will be facing. It will not be an issue of respect for the union. It will be an issue of there is no money, what do I think is worthy, who do I think deserves quality services and who do I care about and who will exact a political price against me if I cut their services. Abused and neglected kids do not vote. People in institutions do not vote. They don't live next door to me. I don't care about them.

So as we discuss our fight back strategy, our ability to marshal our forces and present our struggle within the struggle for the Social Contract, is critically important.

We have to present ourselves as fighting for the Common Good.

Because, in New Jersey, more people believe in the Social Contract than don't. But it's not all one way. Our property taxes are too high and that is a true hardship for us and for our neighbors and so people look for answers and when someone offers them a simple answer, people will take it. When you ask New Jersey residents should we cut workers or raise taxes they will say cut workers. But when you ask them should we cut schools, should we cut child protective services, should we cut services to people with disabilities, should we close parks – they say no, no, no, no. So there are contradictions and we have to highlight the contradictions.

Our fight needs to be the right fight. It needs to be the fight that leads those folks to say, "Oh, I didn't mean lay off those people. I mean lay off a generic worker who doesn't do anything, not a real worker who produces the services I care about!"

Now, let's assume that we can successfully put the fight over layoffs and the fight over cuts in services into a struggle over whether or not the New Jersey society – and the United States of America – believes in the Social Contract, believes in the Common Good.

In that case, we will be in the best possible position to fight layoffs.

But our problem is that we are not only fighting to save the Social Contract. Steve Sweeney, in his very first speech before the Legislature upon becoming State Senate President said:

"A huge part of state spending goes to wages, benefits and pensions... Our employee policies must reflect the real world. Our current pension and benefit system simply is not sustainable and it will have to be re-tooled."

Here we have something different. This is a direct attack on us as if our standard of living is the problem. We have become "unaffordable." And that attack is very dangerous to us because the goal here is to lower our wages, cut our benefits and do away with the Defined Benefit Pension plan all together.

And here we have a real problem, because now our adversary will place *us* in opposition to the Social Contract. *We* are making the services that we all need unaffordable. The greedy public worker unions – CWA, The Teachers, and AFSCME – are making it impossible for you to pay for a quality education for your children, for young people to go to college, for us to maintain our roads and parks. The workers are breaking the Social Contract.

You see the problem here.

On the one side we will have, "We can't afford to pay for services to the unworthy (including hungry people) and so we should close down these services." And on the other side we will have, "We need the services so we should lower the costs for them by lowering the standard of living for public workers."

They got us a good corner.

When you are in a corner, there is only one way out. You can't retreat. You can't turn right or left. You have to fight your way out.

Before we talk about the first steps to fighting our way out, we have to do a little bit more boring economics and politics.

Because we have a different view of the Social Contract, it also leads us to have a different view and analysis of how we solve economic problems.

Chris Christie believes that if there is a problem with the economy and people can't afford to buy goods and services you cut their taxes so that they have more money to buy those things. And if some businesses go out of business because there still isn't enough money, then there wasn't a demand for their goods so the supply of those goods should be dried up anyway. Rich people have a lot of money to buy stuff, so you should let them have as much money as possible so they buy as much as possible. They will buy lots of TVs and cars, and washing machines, and they will go out to eat more often and that will make the economy better.

Not only that, but rich people have money to invest and when they invest it, they want to make a profit so they will invest in the businesses that people want. They won't invest in businesses that don't make money. That's what makes business efficient. The businesses that will be invested in will be ones that have innovative ideas. The capital will follow innovation.

In fairness, many economists believe this. People much smarter and better educated than me. This is the trickle down theory of economics. People at the top spend money to buy goods and services, that employs other people, and the money gets spread around the economy. If you increase the amount of money at the top, more money gets spread around the economy and the economy improves. Money at the top follows innovation and efficiency.

That makes sense right? Put more money into circulation and the economy improves.

We are going to call this 'Model A.'

By the way, before the economy went bust, what was the money that had been fed into the economy to make it do so well? When it was great and everyone was buying houses and flat screens and \$45,000 cars? Where did that money come from?

Right – debt.

What's the problem with the trickle down theory? Cut taxes and put money into circulation?

First, it turns out that where you spend your money matters. For money to circulate throughout the economy, it needs to be in the economy. So if I spend my extra tax cut money on more stocks and bonds, or on imported wine, or an imported car for that matter (buy an American Union Car people!) or on a trip to Europe I've been looking forward to, that is not money that circulates throughout the economy.

If I spend my extra money on credit default swaps, or esoteric financial products that don't actually create anything – they are just paper – and my only goal in investing in them is to break them into smaller pieces of paper and sell them to someone else at a profit, then it isn't true that the money follows innovation, or what people need, or efficiency. The money follows the quickest possible profit.

Secondly, to the extent that the money does trickle down, it doesn't trickle down to those outside of the economy to people who are unemployed, or retired, or people outside of the active economy.

So a dollar isn't a dollar in the economy. If you give a rich person a tax cut, and that person took that dollar and went to Europe on a vacation, or took that dollar and added to his or her stock portfolio, you did not add a dollar to the economy. You took a dollar *out* of the economy. And if give that dollar to someone who took that dollar and invested in a company that used to make TVs here in the United States and at one time paid workers \$14 an hour, and that company used to charge \$600 for a TV, but now that company has its TVs made in China for 70 cents an hour, and now they charge \$595 for a TV, you didn't add a dollar to the economy. You took many dollars out of the economy.

Now, as I said, I'm not an economist. I'm just a worker and a union member. But I believe that there is another model for how to get the economy moving. And that is to pour money in not at the top, but at the bottom, and then all boats will rise.

Let's look at this model, 'Model B.'

If someone who earns \$500 a week gets a raise and now make \$520 a week, that person does not increase his or her stock portfolio. They don't go to Europe or China with the money. They go to the grocery store with the extra \$20. They go and buy a pair of jeans that actually fit for their 10 year old who has been wearing those high water ones for the past 3 months and who is beginning to look ridiculous. The money circulates.

In Model B, a dollar is a dollar.

Actually, in Model B a dollar can be more than a dollar.

It turns out, under Plan B, a dollar spent in the public sector is worth more than a dollar. It is a dollar plus. It is a super charged dollar. Here is why:

If you spend a dollar in the public sector these things happen:

1. You employ someone who is going to spend almost all of their money in the economy. Public Workers are not buying stock with their 3.5% raise. They aren't buying imported luxury items. They aren't buying Credit Default Swaps. They aren't investing in companies that pay workers 70 cents instead of \$14 an hour. They are staying here and taking their dollar to a store. The store employs people who take their money to another store. It used to be that we could say that the store sells things made by other people who then are paid and buy more things in the store, but because we now don't make anything in this country that is not true. (Buy a Union made American Car people!)
2. And if you spend money in the public sector, you improve the Social Contract and it turns out if you educate kids, they don't go to prison which drains the society, and if you make companies clean up their pollution, they employ people to do it, and if you collect delinquent taxes from corporations and rich people that puts money into the economy too, and if you get people healthcare and take care of people with disabilities, more people can work and it all benefits the economy.

It turns out, that under Plan B, economists tell us that a public sector dollar is worth \$1.30 in the economy under what is called "the multiplier effect." So...every dollar that the Federal

Government spends putting people to work during a recession turns into \$1.3 dollars in the economy.

And that's true of State workers and County workers too.

And here's the thing: if you lay someone off in the public sector – if you lay off a State Worker – you get a reverse multiplier effect.

First, if you lay off a State worker, there is a good chance that some of his or her wage is paid for through federal funds or fees that you don't get if you don't pay their wages. So you can't really lay off many people who are 100% state funded. You could close all the State Parks but to do large scale layoffs you have to cut some jobs that are federally funded, so in those cases, you are only going to save ½ the money from the state portion of the budget.

Besides that, the State self-insures unemployment, so you have to take off what the state is going to have to pay out in unemployment funds.

So whenever the State lays someone off, the State doesn't have a net savings of the amount that person earns. If the person earns \$50,000 and is half funded by federal money, the State only nets \$25,000 in the first cut. And then you have to pay unemployment, so it's even less than that.

But here's the thing: when we do the analysis under Plan B, we realize that if the State lays off someone who earns \$50,000 a year, the economy loses the entire \$50,000 even though the State only saves a portion of the money.

Moreover – when you consider that you are taking the \$50,000 out of the economy, and there is a multiplier effect, in the end, and all of the money public workers spend are spent on goods and services that are taxed, you understand that you are taking even more money out of the economy than the \$50,000. We had a study done and at that time, for every 1000 State workers who were laid off, so much money was lost from the reverse multiplier effect of taking their wages out of the economy, that New Jersey would lose the equivalent of 371 additional jobs.

And in addition to all those jobs lost because there aren't 1000 state workers paying for groceries, and heat and clothing and transportation, there are no taxes being paid on the money that isn't being spent and these economists estimated that every State Worker layoff – in the end – cost the State over \$19,000 in taxes not collected.

That was in 2002. We are having that study updated and we will make it available to you as soon as it is done.

If you analyze the economy under Plan B, you realize that by the public sector putting dollars into the economy by putting people to work, you build the economy. And if the public sector lays people off, you harm the economy.

Layoffs cost money and potentially will destroy the very fragile beginnings of the recovery. In fact, the Center on Budget and Policy Priorities, a Washington Based think tank, has issued a warning about the billions of dollars in State Deficit and they are arguing that the Stimulus must include the States because otherwise public sector layoffs will offset the additional jobs being created by the stimulus and will hold back the recovery.

I believe that Plan B is the way you get out of a recession. You work your way out of a recession. You don't lay off your way out of a recession.

Why does it matter if we understand this? Why take the time to have a theory – a Plan A or a Plan B? Who cares?

Because if you have a theory, you can govern from that theory.

FDR believed in Plan B. So he poured money into the economy by deficit spending at the federal level. And he used the money for the Common Good. He used the money for the Social Contract.

He put people to work, not by giving money to banks and financial institutions, but by building parks, and roads, and schools, and by setting up health clinics, and promoting the right of workers to organize so that they would have unions, and have a right to strike, and to negotiate contracts and raise wages.

He governed from his belief in Plan B. And he governed from his belief in the Common Good and the Social Contract.

Chris Christie is going to govern from his belief in Plan A. And he is going to govern from his belief that public services are not a Common Good and there is not a broad Social Contract that includes a safety net for those who cannot care for themselves.

Now he won the election. And he claims that there is a mandate for his set of beliefs. That 55% of the people voted for him because they agree with him.

Do you think that is true?

Do you think that 55% of New Jersey voted for Chris Christie because they believe in trickle down economics and they don't think we can afford to feed the hungry during the Christmas holidays?

No! People didn't like Jon Corzine! They either stayed home or they voted for Christie because they didn't like Corzine. Of course some people agree with Christie, but he does not have a mandate to dismantle the Social Contract in New Jersey and he does not have a mandate to layoff 10,000 to 20,000 state workers, or to dismantle public education in New Jersey.

We are going to have the greatest fight we have ever had. A bigger fight than when we stopped the closing of Graystone. A bigger fight than when we tore the state up over the privatization of the motor vehicle agencies and later again the inspection system. A bigger fight than when Florio tried to rip up our contract. A bigger fight when we stopped the privatization of DYFS.

Chris Christie believes that he has a mandate to lay us off, to lower our standard of living, to not be obligated by our contract, and to shut down our pension plan.

And it is likely that he is going to get help from some Democrats when he tries to do this.

Now – what are we going to do?

First, we need to define our goals:

1. We must protect jobs. That is our first and primary responsibility. Whatever jobs we lose, we will never get them back. Whatever jobs are lost, that is \$1.30 out of the economy. Whatever jobs are lost, that is a loss to the Social Contract.
2. We must try to protect our standard of living. There will be an argument that we need the services so we have to have them cheaper. Where you can't just eliminate the services, Christie will say privatize them. Others will say cut our pay and our benefits. We need to keep the structure of our jobs and the way we get paid. Our wage rates. The increment system. Health benefits for full time workers and for intermittents. Pensions – and I'll come back to this. The *structure* of the jobs.
3. We must protect collective bargaining in New Jersey. Contracts matter. Agreements matter. It doesn't mean that you never re-open them. You have to play the cards you are dealt and you make choices. You do weigh layoffs against raises. You would rather negotiate an agreement on healthcare than have the legislature pass a law. But those things protect collective bargaining – they don't undermine it. Don't get confused about this. But a blanket claim of a state of emergency that allows Management to rip up contracts and implement unilateral furloughs or wage cuts is another story, and we must be prepared to defend against that almost with our very lives.
4. We must defend the Defined Benefit Pension Plan. There is going to be a move to turn this plan into a 401k for new workers and to cut the benefits for current workers. We cannot fall into the trap of trading new workers for current workers. Once you allow them to eliminate a guaranteed pension plan, you are guaranteeing the end of this plan for everyone. Because no new money will go in and you will be competing for money between new and old workers and retirees and finally it will all be ashes.

Let's go over the 4 again:

1. Protect jobs
2. Protect the standard of living by protecting the structure of these jobs
3. Protect collective bargaining
4. Save the defined benefit pension plan.

These are the goals that the elected Local Presidents of this Union agreed to at a Local Presidents meeting.

Now we need a point of view. We need something that governs our actions and that we are persuading others of. Chris Christie does not have a mandate to rip up the Social Contract and implement trickle down economics. People just don't remember what they believe in any more. They forgot that they believe in the Social Contract. They forgot that they believe in public works and the Common Good. They forgot that when you add at the bottom all boats rise. They are hurting and they need answers and relief. But they are being made a false promise.

There are legislators in the State House who know it. There are thousands of social service agencies who know that we are right. And we can make alliances with those groups and those people.

We are going to express and put our struggles into an integrated plan that promotes the Social Contract and we are going to wage this fight for the Common Good – not for ourselves – but for the Common Good.

We are not isolated. We are not the problem. We did not wreck the economy and laying us off and turning middle class jobs to bad jobs will not save the State. It won't work. It's a false promise. Not one dollar of property taxes goes to pay our wages. We can join with the Teachers, AFSCME, IFPTE, other public worker unions, the rest of the labor movement, all of the progressive groups – the Working Families Alliance, NJ Citizen Action, Garden State Equality, the Social Workers, the Anti Poverty alliances – and we can all reject Plan A.

Finally, we are going to fight our way out of the corner in a united fashion. We will have to move all of our members – not 25% of our members – *all* of our members.

And we are going to do it with Union discipline. The elected State Worker Local Presidents are going to lead us. They are going to make decisions democratically and lead this organization. Our elected District Vice President is going to lead us and speak for us. We are going to speak with one voice.

I have one last thing to say before turning this over to other speakers who are going to talk about the practical plan – the legal plan, the political plan, the mobilization plan.

We are facing a hurricane. This isn't just a rainy day for us.

When the levies are breaking and the wind is blowing and there is danger that the roof is blowing off, you don't worry that the newspaper was delivered late.

You worry about survival and that your government cares about you and fights together so that everyone lives. You care that everyone is protected – not just the favored few.

We are not in a rain storm getting a little wet. This is not about an inconvenience. This is freaking Katrina and the levies are breaking. We are fighting for survival and we are going to have to be the very best we can be to survive. Smart. Sophisticated. United. Kick Ass.

We cannot afford to have leaders who don't lead. We cannot afford to have stewards who don't participate. We cannot afford to have private arguments among ourselves become public.

We are going to have a disciplined union that is led by our elected District Vice President and our elected Local Presidents. We are going to fight very hard and we will make very difficult and adult decisions based upon our 4 goals, and upon our belief system in the Common Good, and based upon the reality of facing a hurricane and not a rainy day.

Brothers and Sisters – this will be our most difficult fight – and it will last not just this year but probably for several years. This is not a battle, this is a war for survival.

But if we understand our adversary, and we understand what we believe in, and if we face our fears and fight anyway, and if we are united – brothers and sisters, *only* if we are united – I believe we will come through this hurricane together.