

Trickle-Down Misery in L.A.

Mayor Villaraigosa's nightmare numbers.

BY GEORGE F. WILL



LOS ANGELES—TO get from downtown to the residence of the man who, in 2005, became the first Hispanic elected mayor since 1870, you drive through a sliver of Korea. With

125,000 people packed into 2.7 of the city's 469 square miles, Koreatown is typical of this polyglot city where more than 100 languages are spoken and nothing is typical except recentness: 46 percent of the residents are foreign-born.

So when His Honor Antonio Villaraigosa was invited to appear at a recent rally protesting Arizona's law concerning illegal immigrants, he went. But he stipulated: "I want American flags." He knows that protesting immigrants should not carry the flags of Mexico and other nations where they have chosen not to live.

The city is chin-deep in California's trickle-down misery, and last week Richard Riordan, who was L.A. mayor from 1993 to 2001, coauthored with Alexander Rubalcava—an investment adviser—a *Wall Street Journal* column declaring the city's fiscal crisis "terminal."

They say Villaraigosa should "face the fact" that "between now and 2014 the city will likely declare bankruptcy." Villaraigosa says that will not happen. But look what *has* happened.

For 15 years Villaraigosa was an organizer for the Service Employees International Union and the city's teachers' union. Now he is trying to cope with, and partially undo, largesse for unionized public employees:

"I have to sign the checks on the front, not just the back."

Riordan and Rubalcava say two numbers—8 percent and 5,000—define the city's crisis. L.A. has conveniently but unrealistically assumed 8 percent annual growth of the assets of the city's pension funds. The two main funds' actual growth over the last decade have been 3.5 percent and 2.8 percent. And Villaraigosa added 5,000 people to the city's payroll in his first term.

Nationwide, government employees are most of what remains of "defined benefit" America. More than 80 percent of government workers have defined benefits—as opposed to defined-contribution—pension plans. Only about 20 percent of private-sector workers have defined-benefit plans. California's parlous condition owes much to burdensome health-care and pension promises negotiated with public employees' unions, promises that are suffocating the state's economic growth.

Riordan and Rubalcava suggest replacing defined-benefit pensions with 401(k) accounts for new public employees. But when another product of America's immigrant culture, Gov. Arnold Schwarzenegger, tried to do that, public employees' unions squashed the idea. Riordan and Rubalcava say the retirement age for public employees should be raised from 55 to 65, employees should pay more than the maximum of 9 percent of their salaries for pensions, and the

city should end subsidies of up to \$1,200 a month for health insurance for those who retire before becoming eligible for Medi-

care. But even his ideas for nibbling at the edges of the fiscal problem by privatizing the zoo, the convention center, and city parking lots are opposed by the unions.

They are government organized as an interest group to lobby itself for ever-larger portions of wealth extracted by the taxing power from the private sector. Increasingly, government workers are the electoral base of the party of government. So Villaraigosa must live with the arithmetic of interest-group liberalism. The federal government, he says, can run deficits and print money; the state government (supposedly) must balance the budget but can push burdens down onto cities. There, he says, "you have 10 cookies in the cookie jar and every interest wants all 10."

The nightmare numbers include the state's unemployment rate (12.6 percent)—it is higher than the nation's (9.9)—and the city's rate (13.5), which is higher than the state's. The city's long-term success depends on its schools, in many of which most of the children come from homes without fathers, and in some of which, Villaraigosa says, 40 percent of the children are in foster homes. He has little control over the school system and, anyway, unions oppose radical reforms. He would like to emulate the education reforms of former Florida governor Jeb Bush, a recent visitor to the mayor's residence, but, holding his fingers three inches apart to suggest the thickness of the standard contract with the teachers' union, Villaraigosa calls the union "the most powerful defender of the status quo."

The mayor's residence is near Wilshire Boulevard, which is named for a socialist who made and lost several fortunes before dying destitute. The life of Henry Wilshire is a cautionary tale for this city where the climate is usually Mediterranean and the fiscal climate is now Greek.

'You have,' he says, '10 cookies in the cookie jar and every interest wants all 10.' This is the arithmetic of interest-group liberalism.