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PENSION BLUES

It's Not Just Puerto Rico

Puerto Rico's rolling bankruptcy crisis is just a taste of the fiscal storm that lies ahead if American state and local governments can't find a way to bring their own gaping pension shortfalls under control. For decades, rapacious public sector unions and craven politicians on the mainland have also been also been propping unsustainable state employee retirement systems, and—crucially—using accounting tricks to dupe the public and conceal the magnitude of their unfunded obligations. Congress's proposed relief package for Puerto Rico would require the island to be more forthright about its pension costs going forward, but it would allow state and local governments to continue downplaying the size of their debts.

As Andrew C. Biggs writes in *RealClearPolicy*, this is a serious mistake:

“You never want a serious crisis to go to waste,” said then-White House Chief of Staff Rahm Emanuel, who is now the mayor of Chicago, in 2008. Puerto Rico's current financial situation is just such a crisis, but congressional Republicans' legislation on the issue may put parochial political concerns above the national interest. The current draft would fail to ensure that *all* state and local governments — not just Puerto Rico's — accurately disclose the unfunded pension debts they have accumulated.

... Last year, nearly 60 percent of state and local governments failed to make their full pension contributions. With trillions of dollars in public-pension liabilities residing off the ledger books, and increasingly risky investments used to fund those liabilities, failing to address public-pension disclosure would be a huge lost opportunity.

Read the whole thing. The resistance to honest accounting is apparently coming not from Congressional Democrats, but from Republican state

legislators eager to keep their pension Ponzi schemes in place—a reminder that corrupt blue model practices are thoroughly bipartisan. Hopefully Congressional Republicans will have the good sense to reverse course and require state and local governments to come clean as well. If not, they shouldn't be surprised when they are asked to send billions not just to San Juan, but to Chicago, Trenton, and Frankfort as well.

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