



May/June 2008 Issue 9
Academic Year 2007-2008

Retirees Newsletter

Professional Staff Congress

CHAIRMAN'S REPORT: JACK JUDD

I. CONTRACT NEGOTIATIONS

ENTER A NEW PHASE: The following message has been distributed by e-Mail summarizing the movement in contract negotiations as of May 19. "CUNY management came to the bargaining table last Monday with an economic offer. The offer comes 15 months into negotiations in this round of bargaining, eight months after the expiration of the last contract, and just two weeks after the union's demonstration at the University's Board of Trustees meeting. The initial offer is for a 37-month contract with increases of 3.15%, 3% and 3%, plus an additional 2% to address what CUNY defined as "other economic needs," and a \$50 per capita increase to Welfare Fund contributions. At Monday's bargaining session, the union responded that CUNY's offer was not sufficient to address the need for real progress on salaries. Unless CUNY responds to the salary crisis now, in this round of bargaining, faculty and staff will continue to leave the University, and new candidates will not accept CUNY jobs. PSC negotiators made it clear they are willing to work



The union is airing a hard-hitting 30-second ad that brings the crisis of uncompetitive salaries to the public's attention. Go to www.psc-cuny.org to see the ad.

around the clock to hammer out an agreement that meets the needs of PSC members. Informal meetings with CUNY representatives took place throughout the week following the May 12 session. President Barbara Bowen has written a fuller update on the outcome of Monday's session, which you can read on the website. "

President Bowen's letter added details regarding the PSC's positions in response to this initial economic offer. I urge you to click on the PSC website, www.psc-cuny.org, and to read the letter.

At the June 11 meeting, we will collect names and telephone numbers of retirees who will be willing to make telephone calls to the chancellor's office, if called upon, during the summer.

II. MONDAY, MAY 5TH CHAPTER MEETING. *I thank Jim Perlstein, Vice-Chairman of the Retirees Chapter, for the following summary of Professor Marie Gottschalk's remarks.*

THE POLITICS OF HEALTH CARE REFORM: Health care reform is not simply an economic question, but a moral one as well. So argued political science Professor Marie Gottschalk of the University of Pennsylvania in her talk to the Retirees Chapter at its May meeting.

In the first place, the notion that health care costs devour business profits and destroy our ability to compete in the global marketplace is a myth, Gottschalk asserted. This is the "Golden Age of Profitability" and employer spending on compensation has been going down, as has the rate of inflation for health care. The problem is neither the cost of covering the uninsured nor the failure of the young and healthy to buy into the system. It is the system itself, which fails the tests of efficiency and effectiveness. Ours is the most inefficient in the world, with 25% of every health care dollar going to insurance companies.

Among developed countries, it rates 14th in patient satisfaction and is ranked dead last among health care professionals



Second, the health care crisis hits individuals, not business. Sixteen percent of household earnings now go to cover healthcare. There are more bankruptcies that result from the cost of healthcare than from the home mortgage debacle.

We cannot correct the system by mandating that individuals buy health insurance. "That is akin to trying to solve world hunger by requiring everyone to buy food", she said.

Gottschalk argued that there is no bloodless, win-win solution possible; somebody's got to give something up. A labor-business partnership, SEIU's efforts notwithstanding, hasn't worked. What we need is a movement with a moral thrust, akin to the anti-slavery movement or the New Deal. And we need a strong left if we are to attain even a compromise solution, which, if it falls short, is at least reasonable.

Finally, Gottschalk urged her audience to recognize that, despite the title of her talk, there is no such thing as “The Politics of Health Care”. Rather, the health care crisis is enmeshed in a whole complex of other social issues like globalization, war, energy costs and racism. And it will not be solved apart from them .

III. SAFETY TIPS: Since we are approaching the vacation season, it is perhaps appropriate that we look at some safety suggestions. These have been prepared by Ezra Seltzer, a member of the Executive Committee of the Retirees Chapter. Home Security: Before leaving on vacation, make sure your home is secured. Unplug electrical appliances (except the refrigerator). Turn off gas pilots and water faucets. Notify newspaper service to stop delivery. Arrange for someone to pick up your mail, or have the post office withhold delivery when you are away. Lock all windows. Leave a key with informed relatives, friends, neighbors; and inform them of your itinerary and the telephone number(s) where you can be reached in case of an emergency. Set a timer to turn lights on and off, or ask someone to do it for you. Notify your local police or neighborhood security patrol. Tell them when you are leaving and when you will be back.

IV. THE MONTHLY KAPLAN REPORT: THE EASY CREDIT ERA IS OVER: *Lawrence J. Kaplan.*



“Neither a borrower
nor a lender be”
Wm. Shakespeare

For the last 30 years American consumers have been spending beyond their means. But binge spending is now coming to an end. With the number of jobs shrinking, housing prices falling and debt levels growing, Americans who contracted for no-money-down mortgages, are being forced to begin to live within their means.

Lower and middle-income wage earners took advantage of easy credit at the same time that higher earnings in the U.S. went mainly to the richest five percent. America’s median hourly wage, adjusted for inflation, is barely higher today than it was 35 years ago. The income of a man in his 30s is now 12 percent lower than that of a man his age three decades ago.

Consumer spending is the engine that drives the American economy. Ironically, wealthy Americans are not the big spenders. They invest their money to gain high returns. The spenders, however, are the lower- and middle-income Americans. With limited funds, they discovered ways to increase household income in order to spend more.

The first way was for women to enter the labor force to increase household income. In the 1970s about a third of mothers with school-age children worked. Since then, however, more than 70 percent work.

A second way to increase income was to work more hours. Average working Americans spend more time working than they did 30 years ago. There’s a limit to how much time could be spent in overtime work.

People soon discovered a third way of spending beyond their wages. They began to borrow. With a housing boom underway in the 1990s to 2006, and rising home prices, they refinanced home mortgages and acquired home-equity loans. This source of spending ended when the housing bubble burst.

It is estimated that 34 million households used their homes to generate income to finance their day-to-day spending. This group, representing about a third of U.S. consumers, were spending well beyond their income. Now, they have reached the limits of their lines of credit. Because of the current recession, tightened standards are making it more difficult to borrow. At the same time, lenders are demanding the more traditional 10 to 30 percent down payments to replace no-down-payment mortgages for home purchase.

Under present economic circumstances, returns from stocks and bonds will be lower. With gains from investment harder to find, households may decide the best way to earn a good return on cash is cutting debt. According to the Federal Reserve, if a household carries \$20,000 in credit card debt, they are paying an interest rate of about 14.4 percent (the current average rate for credit card debt). If they could pay off the debt, the 14.4 percent is money that could be used in other ways.

The credit crunch is also having an impact on student college loans. For more than 30 years, students and their parents have funded a tuition bubble

with borrowed money. Now, more of them will pay with savings and grants rather than loans. The student loan market, about \$78 billion, is retrenching because of rising defaults and concerns about student loan levels. One in five students with loans of \$15,000 or more defaulted during the 10 years after graduation.

For the long-run, financial planners are urging borrowers to cut debt and seek safe investments that avoid risk, such as 5-year Treasury notes that recently paid 3.15 percent. It will take longer to accumulate a nest egg, but the money is safe

Shakespeare had it right: “Neither a borrower nor a lender be...” The word “thrift” sounds old-fashioned these days, but current economic conditions are encouraging thrift to come back into fashion. The spendthrift era is now over.

V. THE JUNE 11 MEETING AND LUNCHEON will be followed with a Memorial Program for **ISRAEL KUGLER**, co-founder of the PSC. There is still time to make a reservation for this very special occasion. Call Ms. Linda Slifkin at the PSC office, 212-354-1252, for reservations.

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