

## U.S. POLITICAL NEWSLETTER

# Dems Fracture as Debt Moratorium Gains Momentum

Last week, political forces in New York's Democratic Party launched a three-front assault around debt moratorium legislation. Under U.S. Labor Party guidance, debt moratorium legislation is on the verge of being introduced in the U.S. Congress, the New York State Legislature, and the New York City Council.

The most forceful debt moratorium call came from Rep. Herman Badillo (D-NY), a leading figure in New York City politics. Responding to heated opposition to austerity from his constituents and with a sense of moral outrage at the Auschwitz-like existence engulfing his South Bronx district, Badillo announced early last week that he was in favor of a three year moratorium on New York City debt, and that he would oppose any federal bailout of the city which included further cuts in the city's services. Under intense pressure from the Labor Party and Badillo's initiative, Rep. Bella Abzug (D-Manhattan) reported that she too would be in favor of a debt moratorium for the city. In Washington D.C., the office of Rep. Shirley Chisholm (D-Bkln) indicated that discussions on the Badillo call had commenced with Rep. Charles Rangel (D-Man).

Paralleling the debt moratorium activity in the New York City congressional delegation, open fights have broken out around the debt issue in the West Coast industrial areas of San Francisco and Washington State. In the Midwest, pressure is building towards the threshold point in Detroit and Illinois.

The case of Badillo typifies the dilemma confronting congressmen and state legislators throughout the country. Faced with the impending collapse of capitalist credit structures under the weight of the March 31 quarterly debt rollover deadline, Wall Street is demanding massive further gouging of already-rotted state and municipal services to divert government revenues into seeing their districts immediately transformed into what much of Badillo's gutted South Bronx district has already become: a bombed-out rubble which has been publicly compared to ruined German cities at the close of World War II. At the same time, their working class constituencies, heavily influenced by Labor Party debt moratorium propaganda and increasingly provided with immediate political direction from Labor Party cell networks in factories and neighborhoods, are in enraged rebellion against the cutbacks being demanded by the banks. Throughout the country, trade unions and ward structures have been polarized around the debt moratorium fight; in New York City, according to one pro-debt moratorium City Councilman, councilmen who have supported the "Big Mac" austerity rammed through over the past year are now unable to appear in person before meetings of their angry constituents.

With the imminent collapse of large portions of the United States municipal and state sectors as the March 30 deadline nears, neither the old line urban machines nor the "New Democratic Coalition"-type liberal organizations can avoid

this question: capitulate to bank-ordered terror and black-mail operations, enact morally repugnant and socially disastrous service cuts and "Big MAC" debt refinancing swindles and thus see the disintegration of their constituency-based machines; or follow the lead of the U.S. Labor Party's Emergency Employment Act and debt moratorium proposals.

### New York Emerges as a Focus of National Fight

In a March 7 WCBS interview, Badillo became the first New York Congressional figure to publicly support debt moratorium. The following day, Badillo at a hearing on proposed cuts in the City University budget in New York City, told a Labor Party representative that he backs "a complete moratorium on the entire city debt" in order to "maintain essential services." Badillo's statement was quickly followed up by State Assemblyman Seymour Posner (D-Bronx) who stated in Albany that "I'm for debt moratorium." Posner, chairman of the Assembly's Labor Committee, added that he would introduce a debt moratorium bill into the State Assembly. It was learned late last night that City Councilman Luis Olmedo, (D-Bkln) who last year introduced debt moratorium legislation into the Council in the midst of the fight over "Big MAC," would be introducing a similar proposal into the New York City Council.

Behind these initiatives, sections of the Democratic Party have moved into a position of resistance against Governor Carey's proposed zero-growth budget. In a closed session of the New York City Council last Tuesday, all of the city's five Borough Presidents resisted any further cuts in city services. The Black and Puerto Rican Caucus of the state legislature has indicated that they are reconsidering "debt moratorium," while a top leader of New York's New Democratic Coalition, an umbrella organization of the state's liberal democrats, stated that he "could not support default but welcomed Herman's debt moratorium proposal."

What is quickly emerging in New York is a cross section of old-line Democrats and NDC and minority caucuses, timidly announcing their preparations to launch a political fight around portions of the USLP program.

In response, the state's crazed Atlanticists — headed by Lazard Freres partner Felix Rohatyn and Governor Hugh Carey — have turned New York into a political war zone. The New York Daily News accused Badillo of 200 proof, special interest politics" in a raving lead editorial March 11, lying that the Congressman was threatening to bring down the city by calling for default. Carey called out the New York State police early the next morning to launch a search and seal operation against the State Legislature. The troopers, who compiled over one million political dossiers on New York citizens under the direction of former Governor Nelson Rockefeller, sealed off highway exits from Albany and dragged State Assemblymen back to the Capitol to ram

through a bill authorizing the State Insurance Fund to rollover \$30 million in obligations of the State Dormitory Authority, staving off a default that could have brought down the entire city and state financial house of cards. Assemblyman Joseph Ferris (D-Bkln) charged the next day that the Carey tactics were "reminiscent of Nazi Germany."

The terror atmosphere against sections of the Democratic machine was escalated throughout the week as State Assembly majority leader Albert Blumenthal (D-Man) was indicted on charges of accepting a bribe on charges brought after a nursing home operator, Bernard Bergman, pleaded guilty to issuing fraudulent medicaid billings, and turned state's evidence against Blumenthal on the promise of leniency.

State nursing home special prosecutor Charles Hynes, meanwhile was promising that Bergman would implicate other politicians, while the press carried reports that Blumenthal was being pressed to give testimony against Assembly Speaker Stanley Steingut (D-Bkln). Both Blumenthal and Steingut voted in favor of the latest financing swindle, and are attempting to quell a revolt by Democratic Assemblymen against Carey's "zero growth" austerity budget, which he is seeking to pass by the March 3 rollover deadline.

#### **Capitol Hill Reacts**

Congressional reaction to impending municipal and state debt disasters in New York and elsewhere was marked by moves on the part of two Congressmen to set up negotiations with the USLP on the introduction of debt moratorium legislation. Although the number of Congressmen capable of mustering the moral strength to buck FBI terror and blackmail and follow the pro-debt moratorium motion of constituents remains few, the intensification of the New York and other crises plus continuing pro-debt moratorium agitation in their home districts will decisively force the question in the immediate weeks ahead.

In a sign of the potential for rapid shifts on the issue among House Democrats following the announcement of the Badillo call, Rep. Don Frazier (D-Wisc), chairman of the Americans for Democratic Action (ADA) reacted by saying "I'm in favor of anything the New York group brings up, including debt moratoria." Echoing Frazier, Bernie Sorokin, chairman of the New Democratic Coalition stated: "On the face of it, would probably support debt moratorium. Herman Badillo is one of our respected co-chairmen."

In Connecticut, State Senator Wilbur Smith introduced debt moratorium legislation into the Connecticut State Legislature last Monday. Fearful of widespread support for

the proposal in the Democratic Party ranks where there is still opposition to Gov. Ella Grasso's austerity proposals, the Democratic Party immediately responded to Smith's moves by removing its endorsement of his re-election bid, forcing him into a primary if he wants to retain his seat.

#### **Debt Issue Fractures West Coast Dems**

Further fracturing of the Democrats around the debt issue occurred in San Francisco, where State Assemblyman Ken Meade, a former aide to Rep. Ron Dellums (D-Cal), announced his disaffiliation from the Democratic Party at a press conference last Tuesday. Meade attacked the "Era of Limits" economic program of Governor Edward "Jerry" Brown as an "abdication of responsibility" and reported that he is introducing the U.S. Labor Party's EEA into the State Legislature. The Washington offices of San Francisco Democratic Party ring-leader and liberal Congressman Phillip Burton (D-Cal) reported that they were following Meade's moves closely.

Dellums delivered his response to Meade's call in a speech before a large gathering of his constituents in Berkeley yesterday. Dellums interrupted his speech to state: "There are three members of the U.S. Labor Party here. I want to say that I fully agree with the U.S. Labor Party stand on debt moratorium. My friend, Ken Meade, introduced it into the California Assembly this week. I'm not an economist, but I'll be meeting with economists this week. If I can put it into the proper form I will introduce it to the House."

In Washington state, old-line Democrats and Republicans won a vote late Friday to keep the Emergency Employment Act alive in the Washington State Legislature after the bill was narrowly defeated in committee by a vote of 5 to 4.

While the debt moratorium has already openly splintered the Democrats and Republicans on the West Coast, pressure against austerity proposals is mounting in key Midwest states. In Detroit, the leadership of the powerful local 600 of the United Auto Workers has announced its complete opposition to any further service cuts, a major political blow to the city's pro-austerity mayor, Coleman Young. In a situation with similar explosive potential, the Democratic machine of Chicago Mayor Daley is backing its own candidate against Governor Walker in next week's Democratic primary, with the Daley forces explicitly attacking Walker's austerity budget.

The response of Atlanticist workhorse Sen. Hubert Humphrey (D-Minn) to these breakaway factions in the Democratic Party, when he was collared by Labor Party members in Washington, D.C. last week, was, "We have problems."