New York On The Chopping Block: Model For International Austerity Drive

NEW YORK, May 28 (NSIPS) — Late last week, the enforcers for the New York banks unleashed a three-pronged drive against the New York City population. Far from being a local issue, the new political offensive has made New York the model for the Atlanticist drive to implement new levels of austerity in the U.S. and internationally.

In New York, as in the rest of the U.S., Europe, and the Third World, Wall Street forces are moving in a way that will provoke a major showdown with the working class and hoping to exploit the chaos and confusion which will be unleashed by their long-standing agents like "labor leader" Victor Gotbaum, AFSCME District Council 37 head, to push through the austerity program.

In the case of New York City, the drive has an explicitly defined goal as recently stated by Stephen Berger, the head of the banker-controlled directorate that runs the city, the Emergency Financial Control Board. New York cannot support its current population and payment on debt to the banks, so two million people, or one quarter of the population, must be eliminated.

In the course of 24 hours the HEW-created Health Systems Agency unexpectedly released to the New York Times its recommendations to close 30 of the city's private and voluntary hospitals, shocking everyone from the hospital administration to HEW officials in Washington; Chancellor Robert Kibbee shut down the City University system indefinitely because the system had "overspent" its monthly allowance, leaving 11,700 faculty members unpaid and 250,000 students in doubt about the future of their education; and the Human Resources Administration announced that, as per the fiscal 1977 budget, the city would terminate its financing of 49 daycare centers throughout the city, forcing the working mothers of 3,500 children onto welfare and putting 1,500 employees out of work.

Heightening the crisis atmosphere, on May 26, Moody's Investor Service lowered the rating on Big MAC bonds a full three notches from A to B — "undesirable investment" — the biggest drop in a bond rating since the 1930s. Felix Rohatyn and MAC counsel Judge Simon Rifkind quickly launched a suit against Moody's which they will exploit to enforce the austerity regimen and "prove" MAC bonds are good investments.

The victims of the cuts ordered this week and those to come are programmed to erupt into impotent protests over the assault on their own interests — "let the cuts fall on someone else." Right on cue, the top agents in the leadership of AFSCME DC 37, Victor Gotbaum and Lillian Roberts, are calling on the city to close down private hospitals and spare the municipal hospitals, kindling antagonisms between AFSCME local 420 and the 1199 workers at the private hospitals.

The only alternative to the genocidal cuts and agent-directed social chaos is the debt moratorium, first put forward by the U.S. Labor Party more than a year ago. At the instigation of the U.S. Labor Party, a New York City Committee is in the process of being formed. This City Committee will be the single authoritative institution in New York fighting the budget cuts on a broad basis and widely disseminating professional information on the genocidal impact of the cuts. Since last week's offensive against the city began, the City Committee has extended its penetration into health and hospital layers and is planning an organizing rally at Elmhurst Hospital next week.

End to Constitutional Democracy

At City Council hearings on the new budget over the last month — hearings which were conspicuously blacked out of all the "newspapers of record" — city department heads made graphic the murderous consequences of the upcoming round of budget cuts. Nevertheless, not one city councilman voted against the $12.5 billion budget for the coming fiscal year. To the delight of the New York Times and other Wall Street observers, the meeting of the Finance Committee degenerated into squabbles over what to cut; a few of the councilmen hoped to save face with their constituents by voting to restore some money to higher education and other triaged services. Eventually, the nervous Councilmen worked out a "face-saving" compromise with the Mayor — the members of the Finance Committee would vote not to report the budget out to the full council; this "gesture" would be totally meaningless, since under the City Charter, the legal power for the passage of the Mayor's budget then fell on the Board of Estimate which overwhelmingly passed it.

The Council manipulations only served to remind everyone that there is no functioning, elected city government. Orders emanating from the boardrooms of Lower Manhattan are being directly implemented by the new breed of political functionaries including Control Board chairman Berger, Big MAC chairman Felix Rohatyn of Lazard Freres, and various bureaucratic hatchetmen within the city administration. Mayor Beame and Gov. Carey are useful as long as they can be made spokesmen for additional cuts thereby taking the heat off the bankers.

The Council's posturing and failure to take decisive action is being used as a justification by banker spokesmen to call for restructuring the city government. Fascist proposals which call for the elimination of all fiscal power from the elected city government are known to be favored by Rohatyn, because as sources close to him have indicated, he is "worried that elected officials may not be able to carry out the level of austerity" that the banks are now demanding. The scrapping of the present municipal government would only be "a temporary experiment," Rohatyn has reportedly stated, "until after the fiscal crisis has passed." If it works in New York, such an experiment will quickly be "tried out" elsewhere.

The creation of this crisis management government, which would include trade union participation by such agents as Victor Gotbaum and local businessmen (possibly in the form of an expanded EFCB or Big MAC) could occur in the aftermath of June 30 — the point at which the city will enter into a major social crisis as union contracts and debt service payments come due.

The blacklisting of the 30 private and voluntary hospitals by the Health Systems Agency, including some of the city's top smaller hospitals that have research facilities and teaching staffs, marks the second major federal intervention into New York City on behalf of genocide in the last two weeks. The renewed drive against the New York population was initiated two weeks ago when Senator Proxmire's Senate Banking Committee urged the Treasury to tie future loans to the city to strict adherence to the three-year wage freeze, slashing of public employee pensions and other benefits, and discontinuation of rent control. The next day, Treasury Secretary Simon threatened to withdraw the loans if the wage freeze was violated, and the EFCB ripped up the transit contract, strictly tying any cost of living increases in all **municipal union contracts** to productivity increases — Milton Friedman-authored "indexation" which has destroyed the Brazilian workforce and economy over the last decade.

Speaking on a television program today, Victor Gotbaum affirmed his willingness to walk hand in hand with the bankers — if only they recognize the "constructive character of the union's role" in the city crisis. "We are the biggest stockholder in the city," said Gotbaum commenting on the Gotbaum-engineered union's donation of more than $1.5 billion to the banks coffers through the purchase of worthless MAC and state securities with city unionists pension monies. "I agree that wages should be tied to productivity...." continued Gotbaum, "But our expertise and our contribution to the city gives us the right to determine how that productivity can best be achieved." He then went on to indicate that this would be a central bargaining point in the contract negotiations — the unions right to police austerity. Incredibly, Gotbaum then defended the men who are carving up the city for the bankers, the men he said he is "eager to cooperate with:" "Berger's no hatchetman...he's one of the sharpest guys you can ever meet. So is Zucotti (a bankers' ally and Deputy Mayor) and Rohatyn...."

The HSA which released to the New York Times a draft proposal recommending that 30 hospitals be closed on the grounds that they contained 5,000 "underutilized" beds seemed to appear out of nowhere. It is one of more than 200 such agencies created by the National Health Planning and Resources Development Act of 1974 and just now going into operation. Financed by HEW, these agencies have sweeping and unprecedented powers over the "review and planning" of the nation's health system, including the power to approve the cutoff of federal funds to hospitals under their jurisdiction.

Model For Confusion

The HSA "leak" marked a new stage in the use of Nadjari-style tactics. Even an official in the New York regional office of HEW admitted, "The propriety of the way they went about it, releasing the names of the hospitals on the list to the press, is certainly questionable." A spokesman for the Greater New York Hospital Association said the article sent a wave of anguish through health circles in New York. " Those hospitals are living on the kindness of their vendors. This article will be very disruptive," he said.

The pointed naming of the hospitals was clearly intended to do no less than set off a panic among vendors and other creditors, demoralize the staffs, drive patients away, and force the hospitals into closing. Hospital administrators rightly contested the charged of "unnecessary" beds. "How do you decide what are unnecessary beds?" said one. "We have to maintain a margin for epidemics." If these hospitals are shut, he added, the effect will be to force patients who go to small hospitals for routine operations to the large teaching hospitals, further overcrowding them."

The city's Health and Hospital Corporation meanwhile is now scheduled to send out pink slips to some 1,500 municipal hospital workers on Tuesday as part of its plan to lay off a total of 3,300 workers and close down four hospitals and health centers immediately, with more to follow. Gotbaum and Roberts are continuing to disorganize the local 420 membership, giving no clear directives on an anti-austerity strike plan and pitting their city hospital workers against 1199.

The same type of confusion operation is set to go at CUNY, where years of Rand Corporation and Ford Foundation organizing have set the stage for divisive faculty-student battles. A city plan to provide CUNY with $24 million with which to meet teaching and non-teaching payroll and reopen the colleges for the remainder of the year now hinges on the Democratic-controlled state legislature passing an austerity budget for the next school year and imposing tuition.

The third bombshell came when the New Human Resources Administrator, Henry Smith, announced on Thursday that the city will be cutting off funds for 49 daycare centers on July 1 as part of the department's new budget. A former chairman of the Equitable Life Assurance Company, Smith is known for his management expertise; he has never had any experience with welfare. Appearing at Smith's press conference, Rep. Bella Abzug (D-NY) made a great fuss about the 20-year leases the city is locked into the politically-connnected landlords on many of the buildings that house the triaged daycare facilities. One center director protested that it was unnecessary to shut down the 49 centers — the same amount of money could be saved by reducing every center by 5 children.

Other Cities

This all-out austerity push has already surfaced in other key U.S. cities. The rationalization of Boston's school system is being presided over by Judge Garrity, the federal judge whose school desegregation rulings have been the basis for CIA-incited school busing riots there over the last two years. Most recently Garrity has ordered the Boston City Council to hand over their lawful control over the entire city budget to him. On May 21 the New York Times editorially singled out Philadelphia as another New York, stating that Mayor Rizzo's new austerity budget was nowhere near enough to solve the city's budget crisis, The acceleration of interest rates on the municipal bond market is adding to the pressure on U.S. cities to implement austerity. On May 26, for example, Cleveland was forced to postpone its $53 million bond issue because of the glut of unsold tax-exempt bond issues on the market, due to the incredibly heavy May calendar of more than $3 billion in state and local debt. Typical tax-exempt bonds have dropped $50 for every $1,000 since late April as a result.

The heavy calendar is due to the fact that the many cities and states who put off borrowing last year because of high interest rates can no longer postpone their borrowing needs. However, the Federal Reserve-instigated credit crunch now underway is already cutting off the flow of much-needed funds to states and municipalities — acting as an enforcer of austerity.

U.S. Credit Markets Buffeted By Rising Interest Rates- Speculative Spree Nearing End

NEW YORK, May 29 (NSIPS) — The speculative bubble otherwise known as the "U.S. recovery" threatened to burst this week as the stock, corporate bond, state and local tax-exempt and U.S. government securities markets all were buffeted by interest rates rising seemingly out of control. The threatened financial but evoked the most blood thirsty austerity calls and measures to date.

The paper-shufflers down on Wall St. were given no respite by the anxiously awaited weekly money supply statistics released Thursday, May 27, by the New York Federal Reserve Bank. Despite the fact that M1 dropped $1.5 billion and M2 declined $.8 billion (taken as an indication that the Fed will not feel any need to tighten credit), interest rates continued to climb on Friday May 28, with the key Federal funds rate reaching 5.75 per cent, .25 per cent over the Fed's assumed target of 5.5 per cent, despite two interventions by the Fed with repurchase agreements. Credit markets closed this week extremely quiet and demoralized, as the major New York banks announced they were raising the prime rate to 7 per cent on Friday. Most traders speculated whether the Federal Reserve would soon face reality and boost the politically important discount rate, which now stands .25 per cent below the Federal funds rate at 5.5 per cent.

Monday

The week opened as poorly as it closed for Wall Street. On Monday, May 24, a statement by Chemical Bank Chairman Donald Platten at a London press conference that he expected the prime rate to rise to about 8 per cent by year-end contributed to a 19.22 drop in the Dow Jones industrial average, the sharpest daily decline in more than a year. Continued disheartening news throughout the week brought the Dow down to a three-month low on Thursday.

The Money Manager, a leading Wall St. periodical, noted the confusion on Wall Street since the previous week the Federal funds rate "kept climbing even after the Federal Reserve trading desk intervened to provide reserves to the banking system." Aubrey Lanston, a major government securities dealer, made the same point in its weekly newsletter.

Tuesday

On Tuesday, May 25, the Morgan Guaranty monthly Survey noted the existence of "a vague sense of apprehension" on Wall St., citing the rubber strike, indicative of the fighting mood of the U.S. working class, at the head of its list of ills.

One medium-grade power company, after hearing that it would have to pay 9.76 per cent on a bond issue, up from 9 per cent available for similar issues three weeks earlier, criticized the "unrealistically high" interest rates and cancelled the entire issue, a good indication of the problem other triple-A companies will shortly find in trying to raise money. This, of course, aborts any hope of capital spending picking up significantly later in the year. Corporate bonds continued to fall in price, bringing their decline since mid-April to 4.25 points ($42.50 on every $1,000 face value).

A heavy slate of state, city and county tax-exempt bonds clogged up the market. New York's suburban Nassau County had to pay 1.5 per cent above the rate for an identically rated issue sold the same day, showing that anything remotely connected with the financial disaster known as Big MAC was again paying a heavy "New York penalty."

Wednesday

On Wednesday, May 26, the bad news continued to flow in for Wall Street. The world got a glimpse into the actual speculative fraud which is presently the total substance of economic activity when, in the most embarrassing case since the infamous D'Angelis "Salad Oil Swindle," short-sellers failed to meet obligations to deliver on 50 million pounds of Maine potatoes on the New York Mercantile Exchange.

The Treasury sold $2.9 billion in 52 week bills to feed the government's insatiable appetite for debt at an average return of 6.30 per cent, up from 5.64 per cent at the previous auction. The Money Manager had earlier noted that interest in next week's upcoming sale of 4 year notes was very low, and that the Fed had to pull some technical manipulations to help the sale of the Treasury's $2.25 billion in two year notes the week before. In line with rising interest rates, Richard Thomas, head of First National Bank of Chicago, outdid his New York counterpart at Chemical Bank by predicting that the prime rate would reach 8 and a half per cent by the end of the year.

Cleveland postponed its $53 million bond issue because of the glut of unsold tax-exempt bonds already on the market due to the incredibly heavy May sales calendar of slightly more than $3 billion in state and local debt. Typical tax-exempt bonds have dropped nearly $50 for every $1,000 of