

SPECIAL REPORT

Bankers Rule in New York City

NEW YORK, June 11 (IPS) — After two weeks of intensive brainwashing operations against legislative bodies in New York state and city, a bankers' dictatorship is now in effect in New York City.

Through a committee composed mainly of key Rockefeller-allied bankers and corporate officials known as the Big MAC (Municipal Assistance Corporation), the bankers have gained immediate access to the city's sales tax and stock transfer tax revenues — a sum totalling more than \$1 billion. They will use this money to guarantee the debt service on interest on bonds they will float to banks at enormous interest charges. More significantly, Big MAC has the authority to review the city's budget and set levels of austerity severe enough to make it creditworthy. If the bankers disapprove of the actions of the city government, they have, as yet unspecified, legal recourse.

On Monday, New York City Councilman Luis A. Olmedo (D-Brooklyn) filed a resolution in the City Council calling for an 18-month moratorium on the payment of all debt service to the banks. He has called a press conference for tomorrow morning to begin the drive for its implementation. Olmedo's action intersects growing support for the debt moratorium both in the city and nationwide, and follows the introduction of similar resolutions in Boston, Buffalo and Seattle. Hearings on the resolution are scheduled for June 17 in Buffalo and June 24 in Boston.

Big MAC is the model for bankers rule for debt strapped municipalities. If it can be successfully implemented in New York City, then Big MAC becomes a critical foot-in-the-door for total fascist political and economic rule both in this country and in Europe.

If Olmedo's resolution is passed, with mass support around the country, and a debt moratorium implemented here, the final underpinnings will be

knocked from under Rockefeller's collapsing dollar empire.

New York's Governor Carey, the Rockefeller agent who authored the MAC plan and who rammed it through the state legislature two days ago, has stated that MAC is "only a beginning step towards the solution of the city's debt crisis." While MAC will roll over only one-half the city's short term debt or some \$3 billion over the next three months, the city is still faced with an enlarging budget gap which will cause more than 51,000 layoffs and drastic cutbacks in all city services. If the MAC has trouble marketing its bonds, as bond traders have indicated it will, it will demand even greater cutbacks — and the enforcement powers needed to secure the loot.

The Labor Party legal staffs, with sympathetic members of the state legislature and City Council are investigating ways to have big MAC declared unconstitutional. An injunction against the unlawful deprivation of New York citizens of their rights to sanitation, housing, health services, decent transit, etc. is also being prepared.

The Bankers Rule

Given its powers by an enabling act passed at an all-night legislative session Monday and signed into law by Governor Carey only yesterday, Big MAC has already assumed defacto control of the city. To meet the near \$800 million in short term debt which came due this morning, the city mortgaged its future. It took \$151 million in cash out of operating revenues; \$100 million was borrowed from the banks in short term notes due in 90 days. Discussions with the controllers office revealed that Big MAC will not assume this debt, necessitating a triage of services and jobs by that amount. \$51.5 million was looted from already depleted municipal workers pension funds; \$26 million from pre-paid real estate taxes; \$200 million in state advances for welfare and

education. To show their confidence in the looting possibilities of the Big MAC, the banks contributed a mere \$280 million by purchasing revenue anticipation notes.

With its debt requirements expanding exponentially and city revenues being diverted to the Big MAC's accounts, the city may soon meet its payroll with the payment of worthless script.

Both the state government and the banks had previously denied additional credit to the city, and used the point to force hesitant city officials, including Mayor Beame, to accept the bankers' rule. As a leading banker from Morgan Guaranty Trust described the situation: "We never really told the city that it could not have any additional credit. We merely demanded that they go along with certain of our recommendations... Now they seem to want to play ball."

Calls today to the offices of the Mayor, Controller and Budget today about the effect of Big MAC on city fiscal policy produced a similar response: "How do we know? Talk to Mr. Smiley of Macy's or Mr. Rohatyn of Lazard Freres" — the latter is a member of the Big MAC's executive board. One city official said, "The MAC Board will meet Friday... they'll tell us what is going on, maybe."

According to Beame, who spoke at a press conference yesterday, Big MAC will not do anything to lessen the city's already existing \$641 million dollar budget gap. "No way," Beame replied, "My 'crisis budget' is still in effect." The so-called crisis budget calls for the elimination of \$641 million worth of services and jobs making the city into an uninhabitable breeding ground for disease. Big MAC will in fact widen the budget gap. The funneling of \$880 million in city revenues directly into the banks' coffers will result in a net loss of income, estimated today by leading financial sources, of at least \$200 million. At least one source indi-

cated that Big MAC could increase the deficit by more than \$900 million.

Authority to Triage

The bankers have already determined how that budget gap will be reduced. One banker described the 50,000 layoffs and cutbacks in Beame's crisis budget as "a drop-in-the-bucket" compared to the budget cuts the Big MAC will demand and attempt to carry out.

Bond traders described the MAC bonds as "worthless pieces of paper." One bond trader from a large New York brokerage house said that there would not be a market for MAC bonds unless further cutbacks are enforced.

"The problem is Beame," he ranted, "Beame and his god damn ties to the unions. The MAC bonds will be saleable only if we can force things down Beame's throat like more layoffs, a transit fare hike, tuitions at the city university, take the unions' pension fund and get it invested..." Another banker told IPS that the current holders of city bonds "won't accept MAC bonds as payment for their interest: "These guys (the bond holders) are chewing their fingernails and are adamant about receiving immediate payment in cash...they will have to find the money somewhere." If at any point the city refuses to go along with the bankers' recommendations, several

bankers announced that they will force compliance — but withholding additional funds — or any other means necessary.

Two weeks ago, IPS learned that the Federal Office of Preparedness (OP) was "closely monitoring" the New York budget crisis for the point at which a "military intervention" might become necessary.

At the press conference yesterday, an emotionally exhausted Beame became irritated at reporters who asked questions about how the city plans to roll over the additional \$3 billion debt that comes due this year. "Give this thing (Big MAC) a chance to work...we haven't sacrificed anything."