segments of its budget, there is real danger that the quality of City life will deteriorate.

"...Accordingly, if the City is to achieve a balanced budget in fiscal year 1978, it will probably require major administrative actions and policy shifts at the Federal and State levels.... 1977-85 will be an extremely difficult period for the City.... (The fact is that) the fiscal and economic base of New York City continues to deteriorate, and this deterioration is at the root of the City's problems."

The report notes that even under the most optimistic conditions, a balanced budget in 1977 and 1978, and surpluses in 1979 and 1980, budget deficits of $150-600 million will occur in 1981, rising to $1.5-2 billion in 1985. This optimistic prediction, of course, does not account for the increasing deterioration of the economic base described in the report:

* Between 1960 and 1970, growth in private sector employment increased only 2 percent in New York City, while increasing 27 percent nationally.

* In the same ten-year period, employment in manufacturing declined by 19 percent in the city, as compared to 7 percent nationally.

* From 1970-1976, employment in New York City fell by 468,000, including an average yearly decline of 48,000 in manufacturing. This contrasts sharply with states like Arizona, Florida and Colorado, where total employment increased between 35-44 percent.

The GAO study emphasizes that "nonetheless, many more expenditure reductions will be necessary...," despite the difficulty presented by largely "uncontrollable" budget items like welfare and Medicaid, expenditures mandated by State and Federal law. It is also stressed that the exponentially-increasing debt service payments to the New York banks are not one of those uncontrollable areas to be attacked.

Offering numerous alternative scenarios for State and Federal funding of these "uncontrollable areas" in the budget, the report is predominantly biased toward further cutbacks, programs for labor-intensive productivity increases, and forced work schemes. For example, a complementary study of the northeast's economy by the Conference Board lists statistic after statistic on the northeast's decline from the nation's leader in advanced technology and personal income. The study's primary conclusion is that higher "productivity" is needed ... for the same amount of pay. No mention is made of increasing capital expenditure and industrial development, or of the failure of New York City under these measures.

Statewide Implementation

The recently passed New York State budget is the practical implementation of the GAO's proposed "alterations" in welfare and Medicaid. Large chunks are cut from already-designated social services like education, health and welfare. The Legislature, after last-minute maneuverings by Rockefeller State Senator Warren Anderson, also passed the first forced work-slave labor scheme in the northeast. As of April 1, welfare recipients in the Home Relief category will be required to work three full days per week regardless of the amount of their benefits. There are 12,000 CCC-type public works jobs already in New York State, largely through Federal CETA funds, and the Department of Social Services plans to increase that to 32,000 this year. One legislative

NE Governors Rep: 'Lifestyles Must Change'

The following is an interview with a member of the advisory panel of the Conference of Northeast Governors (CONEG) made available to NSIPS.

Q: Do you see any link between the mandatory work programs recently enacted in New York State for people on welfare and the need for large energy development projects?

A: Ah, this is an issue close to my heart. Both the energy and economic dilemmas are vitally intertwined. We need a program that can generate employment, is anti-inflationary, can give a lift to the investment area of the economy, and provide for our energy needs. The problem is that in the short run, people must be prepared to change their life-styles radically and to accept sharply higher prices for energy. Now energy is too cheap, the price of oil and gas are too low. As long as you have cheap oil, coal gasification and liquefaction are priced out of the market. We won't get investment into this area until the price of oil goes up.

Q: But oil prices have quadrupled or quintupled since 1973.

A: That's not enough. It must go up to $20 or so per barrel to make these processes economically feasible. Look, the price of oil will go up regardless. If we have an investment policy in non-energy development areas and get unemployment down, between inflation and the OPEC countries driving up oil prices, prices will rise to that level anyway. Why not take the price hikes now in a way that will help later — I mean invest in energy development projects which will put people to work and not be inflationary. The problem, though, is that it is very difficult in a democracy for people to accept this. Nobody seems to want unpleasantness, but we will have to have it at some point soon.

Q: The cost of these energy development projects, especially for coal gasification and liquefaction, may be very, very high. A major factor could well be the high union-level wages of workers. Has CONEG discussed this problem, the possibility of paying workers below the union wage scale?

A: We've not gone into this, although everyone agrees this is an area of concern. This of course won't be easy to change, but ultimately these things will have to happen.