Will New York City Be America's First Belfast?

New York City Mayor Ed Koch opened negotiations with representatives of all major municipal unions Feb. 27 with a historic first "offer"—that the unions drop over $400 million in existing benefits from current contract demands. The city representatives outlined a "framework of principles" which effectively asks the unions to agree to their own dissolution.

City spokesmen said any wage gains would be considered only if further cuts in benefits on top of the $400 million were made. "There shall be no general wage increases....All Current COLAs (Cost of living Adjustments) shall not be continued....There shall be no increases or improvements in fringe benefits for the period of the agreements."

To the New York City unions, which have relinquished over $300 million in pension funds to Felix Rohatyn's Big Mac and accepted productivity increases amounting toa 20 percent cut in jobs, Koch's present negotiating stance is a declaration of war.

If the unions bolt over Mayor Koch's proposals, they will be held to blame nationally for collapsing the city's credit—and creditors—and for reducing the city to total chaos. Union refusal to "go along" with the Mayor or even nominal gains in the present contract will provide a convenient pretext for no further federal funds. At that point, the courts can move in as the "crisis managers," dictating terms to unions and creditors alike.

Should the unions accept Koch's offer, the merchant bankers stage managing New York's municipal crisis will use it as a lesson in austerity and "union responsibility" for the rest of the U.S.

What Koch Wants

The provisions of the city's negotiating principles outline an increase in the workweek from 35 to 40 hours and no contractual restrictions on layoffs or suspension of all wage increments. The City has also insisted that overtime wages be cut to the rate of straight time; that health and welfare benefits for both employed and retired workers be curtailed; that personal leave days and certain paid holidays be eliminated, along with a cut in vacations; and that there be a cut in take home pay.

City union leaders have responded with predictable outrage. Barry Feinstein, head of the Teamsters, declared "The city seems intent on a provocation....Our pension system might be in a position of saying 'screw you.' " Teacher union boss Albert Shanker characterized the proposals rightly as "the city wanting to take away just about every benefit city employees have had since 1776, or maybe before that."

Paul Gallagher, U.S. Labor Party candidate for governor of New York, called Koch's present provocations "a blueprint for labor war in New York scripted in London." Gallagher outlined the basis for effective federal mediation into the New York municipal crisis as part of an overall policy commitment by the Carter Administration to increase federal financing for trade through the Export Import Bank. In the case of New York City, this would mean, for example, injections of federal funds to bring port facilities up to the level required to handle increased exports.

Failing that type of effective federal intervention, an antilabor environment has already been catalyzed in the city. On Feb. 26 Brooklyn residents dumped tons of garbage into the streets of residential Bay Ridge area to protest the decimated sanitation work force's slow removal of garbage. Another opportunity to whip up popular sentiment against the unions may come with the expiration of the transit workers contract at the end of March. Already an early settlement tied to a hike in transit fares is one of the possibilities being mooted.

Russell Sage: Bankruptcy Might Clear The Air

The following interview with a staffer at the Russell Sage Foundation was recently made available to the Executive Intelligence Review *by an independent journalist:*

Q: Last week, Senator William Proxmire said that bankruptcy for New York City may not be such a bad thing, and Rep. Reuss's Banking Committee is holding hearings on the ramifications of New York's default. Do you consider bankruptcy a viable option?

A: New York City *is* already in de facto default....The various heralded stretch-outs of Felix Rohatyn have merely postponed the day of reckoning and, in fact, have worsened the debt service in the not-so-long run. Koch's four-year budget plan is pure Alice-in-Wonderland...it relies on assumptions of federal monies and economic health that it has no business in making. Let's face it, the goddam budget is a pack of lies — this is the wonderful reform Mayor we've been waiting for.

Q: But is bankruptcy a viable option? What about the sheer chaos that would erupt if the bankruptcy courts were left to run the city?

A: The basis for this is already here. Look at the original bankruptcy legislation that Congress passed in 1975...That bill provided for the mandatory rewriting of the city pension funds plans. Right now, the plans are funded at far too high a rate. The retired worker now gets social security, which the city contributes to, plus the city's and workers contributed shares directly into the pension funds. (The city) should consider its Social Security payment as part of its contribution (to the pension funds—ed.), not something separate. And furthermore, it should cut down on its total contribution....This move alone would save $250 million a year.

That bill also provided for a real restructuring of the debt. Not a MAC stretch, where debt and debt service are increased. I mean slashing interest rates to bond holders, cut them from the eight or nine percent levels they are now to three to four percent. This would save $750 million a year, and cut debt service by 40 percent. Also, that bill provided for changing the ridiculous civil service procedures, which could greatly open up productivity increases in New York.

Q: Wouldn't the pension funds and banks, and the small investor, get burned badly by that debt restructuring proposal?

A: Sure they would, but we're talking about drastic steps here. As I've said, the pensions of workers are just too high, they've been milking the city for everything they can get. As for the banks, they're always the first to scream, but they're just greedy bastards.

Q: Would you advocate further austerity for the city, say, doing away with the municipal hospital system and city university structure, or have the state take them over?

A: What New York needs is growth, everyone knows that. But we have to get a real budget, not these lies. The city is now a national disgrace, bankruptcy can't drag its integrity any lower than it is now. What you're saying is not such a bad idea. But what we really have to do away with are the obscenities in the union contracts. That would be a real advantage of bankruptcy.

Q: What about the national and international consequences of a New York default. Won't the municipal bond market be wiped out, other markets badly shaken, and the international investors lose even more confidence in the dollar?

A: As for the bond market, I don't think it'll hurt it at all, in fact it may be a good thing for it....Bankruptcy could clear the air for everyone else.

As for the international question, no one can know for sure....those things might happen. But maybe default will force the federal government to face those international ramifications it hasn't wanted to face. The banks aren't in as bad shape as in the thirties, you know.