Fascist economics returns to New York

by Steve Parsons

New York City Mayor David Dinkins announced on Nov. 8 the second in what is to become a series of huge budget cuts, expressly to placate the Wall Street-controlled State Financial Control Board and Municipal Assistance Corp., which are threatening to run the city's budget directly if Dinkins doesn't do what they say. The latest cuts, after slashing $92 million earlier, are designed to close a projected $388 million budget gap this fiscal year. They include the attrition of 5,000 city jobs and an indeterminate number of layoffs. Particularly targeted are the teachers' union and education generally.

Dinkins, who has dedicated his administration to children, plans to lay off 117 teachers and 1,072 non-instructional employees, with another 1,060 jobs terminated through attrition. And that's just for starters. There is little doubt that, under orders from the Financial Control Board, he is trying to make the teachers' union give back most of the meager 5.5% wage increase they recently won, under the threat of more layoffs.

In addition, the city's first black mayor cynically said he would close all 33 of the city's minipools, which are the only places where inner-city children can escape the summer's heat.

And, following in the footsteps of banker Mayor John Lindsay 25 years ago, who shut down firehouses precisely in those ghetto areas with the highest incidence of fires, Dinkins will close two fire engine companies, both located in black and Hispanic areas.

Budget cuts, tax hikes can't work

Dinkins termed this only "a downpayment," because the city is facing a budget gap for fiscal year 1992 of $1.6 billion. But even this is a rosy estimate that doesn't take account of plummeting city revenue, caused by the cascading collapse of Wall Street business and the bursting of the enormous real estate bubble.

Just one month ago, on Oct. 4, Dinkins estimated the budget shortfall at $150 million this year and $1.4 billion in fiscal year 1992. He announced then that he was considering laying off 15,000 city workers, the largest number since the 27,000 cut during the famous 1975 budget crisis. In less than one month, the projected gaps have risen $200 million, to $388 million this year, and $1.6 billion next. And he has now pegged the work force cuts at 20,000—10,000 more layoffs and 10,000 more attrited.

But even this is grossly understated. Last month, the city comptroller projected deficits nearly *twice* the size: $700 million and $2.6 billion, respectively, with revenue falling at an ever-faster pace. And cutting 20,000 jobs—nearly 10% of the approximately 225,000 work force financed entirely by city money—will "save" only about $500 million annually. This means that many more meat-axe cuts are in the offing.

As for tax hikes? Even the experts surveyed by the *New York Times* conclude that raising taxes will only make things worse, by further contracting business activity and retail sales, and driving companies and residents out. Already this year, the state has raised taxes by $1.3 billion and the city by a record $817 million. This is on top of federal government's tax increases.

'Cut, cut, cut'

Nevertheless, the Financial Control Board and Muncipal Assistance Corp. chaired by Lazard Frères' Felix Rohatyn—which took over the city finances for years after the city's near-bankruptcy in 1975—have told Dinkins "to take decisive action," in the words of the *New York Times,* to cut the burgeoning budget deficit.

The city, say the *Times*'s experts, has no choice but to raise taxes. Dick Netzer of New York University, recommends that the property tax is the best one to raise if it specifically targets homeowners rather than business. Netzer also proposes an absurd "congestion tax": a tax on vehicles driving into midtown and downtown Manhattan.

Rohatyn is demanding that Dinkins bash the unions; either they accept virtually no wage and benefit increases in the coming contract negotiations, or they get hit with huge layoffs. Obviously, Rohatyn intends to lay off thousands anyway. In the Sept. 11 *Times,* he proclaims that "the city will have to make fundamental changes in the way it goes about its business" by developing "an economic and management philosophy in setting wage and personnel policies." For Rohatyn, the "solution" is a freeze on total labor costs, attrition, and layoffs, which, he insists, "need not mean fewer services."

The Financial Control Board is virtually running the city budget already. With Rohatyn as his "adviser," Wall Street awarded Dinkins the mayor's job, undoubtedly with the stipulation that Rohatyn control key financial appointments. Rohatyn and his cronies immediately installed Philip Michael, the executive director of the Financial Control Board in 1989, as the director of New York City's Office of Management and Budget. Michael is a career specialist in dismantling city agencies and government by targeting city workers and patronage. After all, he says, "When you are in a terrible budget crisis all you can do is say 'cut, cut, cut.' "