Financial dictatorships spread over U.S. cities

by Graham Lowry and Steve Parsons

The current drive to impose financial dictatorships on bankrupt American cities and states underscores the crucial significance of the 1992 presidential election. Without a complete reversal of the economic and monetary policies of the past 25 years, there simply is no way to halt the downward spiral of collapse, most recently dramatized by the Connecticut city of Bridgeport's filing for bankruptcy June 6.

The handwriting on the wall has reached the dimensions of a giant billboard. During the span of one week, the city of Philadelphia was taken over by a financial control board; Chelsea, Massachusetts asked to be placed in receivership; and an austerity dictatorship overriding all legislative authority was proposed for the entire state of Massachusetts. In New York State, Gov. Mario Cuomo used his power of line-item veto June 10 to eliminate nearly $1 billion from the budget already approved by the legislature. And across the nation, 15% of our municipalities have already sunk to the fiscal depths Bridgeport had reached when it declared bankruptcy, according to Moody's Investors Services. Those teetering on the brink include St. Louis, Detroit, and Yonkers, N.Y.

Panic over Bridgeport's action

Once a thriving, modern industrial center, Bridgeport, population 142,000, is the largest municipality to file for bankruptcy since the Depression of the 1930s. The action set off a wave of panic in banking circles internationally, and even prompted a five-minute segment on the BBC's World News program June 8. Moody's quickly dropped the city's credit rating to the junk-bond level; major banks stopped cashing the city's payroll checks; and the state of Connecticut imposed its own budget on the city June 7, covering its $12 million deficit through an 18% increase in property taxes. One of the BBC's analysts declared, "What Bridgeport has done, has started a new and dicey ballgame. One can't feel easy about cities declaring bankruptcy."

The push by Wall Street bankers and bond raters for financial control boards has only worsened matters; for their intent is not to put cities or states on a working footing again, but simply to extract payment on ever growing mountains of debt. Bridgeport is a case in point. Since 1988, its budget and finances have been overseen by the Bridgeport Financial Review Board, run by state fiscal monitors, resulting in the elimination of 30% of its work force and the virtual dysfunction of city services. The city is convulsed with violent crime and one of the nation's worst infant mortality rates, amid skyrocketing unemployment and poverty.

At a press conference June 7, Mayor Mary Moran summed up the legacy of austerity. "Street cleaning is gone. Snow removal eliminated. The recreation department also gone. Libraries reduced by 50%, and parks closed across the city. Still, we are nowhere near finding the money we need." When Moran first mooted bankruptcy for Bridgeport in January, the city faced a $7.5 million deficit in its $279 million FY 90 budget. Since then the fiscal situation has deteriorated; now Bridgeport has a $12 million deficit in its $304 million FY 91 budget. The Financial Control Board's "solution" was to demand the 18% property tax hike, laying off police officers, and *eliminating* garbage collection. At that point, the mayor filed for bankruptcy protection in federal court, which the state has declared is illegal!

Massachusetts government to be abolished?

The trend toward outright dictatorship to impose brutal austerity is nowhere clearer than in Massachusetts, currently groaning under the governorship of William Weld, the blueblood bankers' boy who is shutting down or selling off as many state services and vital functions as he can.

Now Weld is on the verge of unilateral rule by decree, with powers to override the legislature and laws of Massachusetts in any way he sees fit, to maintain debt payments to the banks. Legislative passage is expected for a bill, S.1992, establishing an Emergency Control Board placing so-called "budget-buster" state programs "in temporary receivership." The bill declares that current levels of funding for Medicaid, state employee health insurance, pensions, workmen's compensation, mass transit, public safety, local aid, public education, and "programs for the elderly, the needy, and the disabled" are *too high,* and thus constitute "a public emergency"!

The duties of the Emergency Control Board, the legislation reads, "will include restructuring the management of the budget buster programs, capping their expenditures, reducing eligibility standards, eliminating or altering benefit levels, establishing co-payments and reducing payments to vendors providing services. Through the board, *the governor will be authorized to suspend temporarily all state laws relative to these accounts.*" The three-member board, to be appointed by the governor and to serve "at [his] pleasure," would assume its powers July 1, for a term of one year. But like Adolf Hitler's in the last depression, such temporary emergency powers have a way of becoming permanent.

Another section of the bill also declares that the existing system of county government is not "efficient or cost-effective," and orders "the immediate abolition of county government. . . and the establishment of new regional cooperatives . . . [to] prevent the waste of limited tax resources, eliminate patronage abuse, reduce debt, and contribute to efficiency and cost effectiveness at each level of government."

The coronation of 'King William'

The Emergency Control Board planned for Massachusetts is the most thorough financial dictatorship yet to emerge at the state level. Even the *Boston Globe,* the paper of choice among Bay State bluebloods, could not resist a sardonic attack on the legislature, in a June 10 editorial entitled "King William." Noting that House Democrats had refused to offer massive tax increases to offset the budget cuts, because Weld had threatened to veto them, the *Globe* accused the Senate Democrats of agreeing to the fiscal control board to avoid making "tough" decisions themselves. "If all this comes to pass," the editorial concludes, "the Democratic Legislature will have refused to consider taxes because the governor is too strong and ceded authority to the governor because it is too weak. In the state where the Revolutionary War began, it seems the Legislature would be happy to return to monarchy."

Weld is already acting in a post-coronation mode. The mayor of bankrupt Chelsea, unable to meet payrolls for the city's teachers, firemen, and policemen, asked Governor Weld June 10 to put the city under "state receivership." Within 24 hours, Weld advanced the city $960,000 from an emergency fund for "distressed cities," to cover two weeks' salary for the unpaid employees. There was no money left for the next biweekly checks due the teachers on June 21. Chelsea has been under limited state financial control since 1986, by a board with veto power over the mayor and aldermen on budgetary matters.

In granting the aid, Weld extracted in return Chelsea's agreement to allow "state financial experts" to "restructure" the city's finances. "We don't want to save the state and have the countryside dotted with municipal bankruptcies in the wake of saving the state," Weld said. "On the other hand, we don't want to give away the store anytime someone gets in difficulty, so we are trying to strike a proper balance there." That night, the Boston University management team which oversees Chelsea's school system unanimously voted to lay off *all* of the city's teachers, effective June 15, and hire some of them back before the fall term begins.

Philadelphia under bankers' rule

The city of Philadelphia, already reeling from massive budget cuts, fell under bankers' rule June 5, when a state bill was signed into law establishing the Pennsylvania Intergovernmental Cooperation Authority. While the legislation apparently does not include the outright union-busting and budget-slashing measures demanded by the Wharton School, the agency will still have effective dictatorial powers over the city's budget and finances. They include the issuance of bonds to raise funds for the city, to be guaranteed by city revenues dedicated solely to repayment of principal and interest on the debt.

The agency is also empowered to withhold bond revenues and some state funds from Philadelphia, if the city does not set up and adhere to a brutal five-year fiscal plan that balances the budget each year. Like New York's Financial Control Board, the authority will have five members appointed by the governor and legislative leaders. It will immediately float about $400 million in bonds to prevent a city default on its debt by July 1.

The legislation creating this debt-service machine, passed as House Bill No. 209, shows scant regard for the constitutional order of government. Though the agency's powers are to be exercised in a manner "consistent with the rights of citizens to home rule and self government," the clause following this in the original bill—"maintaining a system pursuant to which the principal responsibility for conducting the governmental affairs of a municipality remains with its local elected officials"—was *deleted* from the final version.

Language defining how the General Assembly is to exercise its powers was also amended, substituting "an appropriate" for "a cooperative" manner in dealing with local elected officials, and striking entirely "as contemplated by the Constitution of Pennsylvania." Though Philadelphia is the initial target, the legislation applies to any of the state's large municipalities defined as "cities of the first class."