How LaRouche Fought New York's Fascist Financial Dictatorship, 1975-82

by Richard Freeman

The paradigm for the genocide that is carried out today in such U.S. cities as Washington D.C., or Camden, New Jersey, is the Lazard Frères' plan that was deployed against New York City from 1975 through 1982. Under that plan, every vital service needed for human existence was imploded in large areas of the city. People living in those areas either died, or fled from the city.

Katharine Graham and her gang's policy to force the closing of Washington's public hospital by an unelected Financial Control Board—which set off a national battle led by LaRouche Democrats, over "general welfare vs. genocide"—is modelled on the 1975 New York Plan, and was drawn up by the same forces, with Lazard Frères investment bank directors at the center.

New York City black and Hispanic neighborhoods, which were targetted for extinction, either were left as abandoned urban wastelands, or, in selected neighborhoods, were taken over by urban renewal/gentrification real estate interests, and new apartment complexes and fancy restaurants were built for wealthy, mostly white, tenants. The rents were often three to ten times those that the displaced poorer families would have been able to pay.

The Lazard/New York Plan was aimed at shrinking a city, and leaving only enclaves of wealthy residents. It is the City of London-Wall Street financial oligarchy's paradigm for application under conditions of financial disintegration in the near future in the United States and other nations.

In 1974-75, the financier oligarchy precipitated a financial crisis in New York. They took the known, but soluble underlying economic-financial problems that beset the city, and made them worse. By April 1975, thanks to the bankers' operations, New York City had no money, and its credit rating was so destroyed that it could not borrow from the financial markets. Seizing on the crisis it had created, the Wall Street banking elite rammed through the New York State legislature, legislation which invoked "emergency police powers," and in June 1975, created the Municipal Assistance Corp. (Big MAC), and, in September 1975, the Emergency Financial Control Board (FCB—the "Emergency" was dropped three years later).

Under the direction of Lazard Frères banker Felix Rohatyn, who became the unelected Führer of New York for the next several years, the FCB and Big MAC ruled as a single, unified dictatorship. The power of the City Council and mayor, in all but name, was suspended. Lazard was especially equipped for this function, because it had long pursued the racist policies of Cecil Rhodes, and in 1933 helped install Hitler into power.

The oligarchy did not hide its policy, but arrogantly brandished it publicly, calling it the "planned shrinkage" of New York. On Nov. 14, 1976, Roger Starr, a member of the *New York Times* editorial board, and a spokesman for the banker and real estate interests, wrote a 4,000-word feature in the Sunday *New York Times Magazine,* advocating planned shrinkage. Starr declared, "Planned shrinkage is the recognition that the golden door to full participation in American life and the American economy is no longer to be found in New York." At that time, New York City had a population of 7.5 million. Starr decreed that, "New York would continue to be a world city [sic] even with fewer than 5 million people." This led to only one conclusion: forcibly killing or expelling one-third of the city's population.

Starr elaborated his account of how this genocide would be accomplished. After labelling sections of New York City as "virtually dead," Starr wrote that in the past, the New York government and various soft-headed people had tried to keep those "dead" sections alive. This was a mistake: "Yet the city must still supply services to the few survivors, send in the fire engines when there are fires, keep the subway station open, even continue a school. In some of these sections, under the pressure of a local official . . . the city is pressed to make new investments in housing."

So, new investment must be stopped: "If the city is to survive with a smaller population, the population must be encouraged to concentrate itself in the sections that remain alive," and leave the "dead sections" to die.

He described how undesirable districts of the city "can be cleared away" by tax policy, making it unprofitable to invest in buildings in these districts. He mentioned other means to shut a district down.

Once an area that Starr designated for closure, were cleared away, "The stretches of empty blocks may then be knocked down, services can be stopped, subway stations closed, and the land left to lay fallow." Starr realized, but did not say, that "stopping services," is a direct means to actually facilitate the clearing away of an area.

Felix Rohatyn in 1980 (right) with the admiring henchman of emergency Financial Control Board rule in New York, Mayor Ed Koch (at left). Rohatyn and the bankers he acted for, calculatingly set off a financial disaster by withdrawing credit from the city, in order to declare a state of emergency.

Rohatyn: 'The Pain Is Just Beginning'

At around the same time, Starr also insisted: "Stop the Puerto Ricans and the rural blacks from living in the city . . . reverse the role of the city . . . it can no longer be the place of opportunity.

"Our urban system is based on the theory of taking the peasant and turning him into an industrial worker. Now there are no industrial jobs. Why not keep him a peasant?"

Starr's "philosophy" was not original, but only a working-out of the outlook that came from the higher level of Lazard Frères investment bank and Felix Rohatyn. While the oligarchy was creating the Big MAC and FCB in 1975, Führer Felix looked straight into the television cameras, and summarized the plan which Starr would detail: "The pain is just beginning. New York will now have to undergo the most brutal kind of financial and fiscal exercise that any community in the country will ever have to face."

The Lazard Frères investment bank, and Felix Rohatyn, took the point in New York City in 1975, just as Lazard Frères has taken the point in Washington, D.C. today, in destroying D.C. General Hospital. Katharine Graham, the late owner of the *Washington Post,* who orchestrated the setting up of the D.C. Financial Control Board, which is dismantling D.C. General Hospital, is a wholly owned asset of Lazard Frères, through her father, her grandfather, and through Lazard's control over the *Washington Post*. In setting up Washington's Financial Control Board and the destruction of the nation's capital, Graham was assisted by Franklin Raines, now the chairman of the Federal National Mortgage Association (Fannie Mae), who had spent a decade at Lazard Frères.

Though little known outside of the financial community, Lazard is a 150-year-old investment bank, headquartered in Paris, London, and New York, which is at the top level of the British oligarchy, grouped around the House of Windsor. This gives Lazard much of the muscle that it exercises in the United States. Most importantly, Lazard's heritage and outlook is Nazi, making it, of course, the ideal instrument to implement Nazi policy. Lazard was deeply engaged, as an insider, in masterminding the project to install Adolf Hitler and the Nazi Party in power in Germany in 1933. Lord Robert H. Brand, a senior managing partner, during the early decades of the 20th Century, was crucial in this operation. Lord Brand was a member of the South African-centered "Milner's Kindergarten," who were the heirs and administrators of Lord Cecil Rhodes' Trust, and his global policy of exterminating blacks. In 1906-09, Lord Brand founded the British Roundtable as an elite policy arm for the British oligarchy. It is this Roundtable, through Lord Brand and Lord Lothian, as well as the Astor-controlled Cliveden Set, Averell Harriman, Prescott Bush, and Baron Kurt von Schröder, among others, which installed Hitler into power in early 1933, and used emergency decrees to run Germany.

The Role of LaRouche

But Lazard faced an obstacle. Lyndon LaRouche built a powerful movement for a moratorium on the illegitimate debt, which would allow the city to rebuild. This nearly shattered the austerity-driven Lazard/New York Plan. This occurred within the climate of a 1973-75 worldwide financial-economic crisis. LaRouche linked that call for debt moratorium in New York to similar efforts in Boston, Buffalo, Seattle, and other U.S. cities, and to an international movement against the debt that was strangling the Third World. Simultaneously, LaRouche called for an International Development Bank, to channel inexpensive credit into great infrastructure projects that would generate tremendous economic growth in the Third World, and would serve as the basis for world economic reconstruction. In August 1976, Fred Wills, then Foreign and Justice Minister of Guyana, and an ally of Lyndon LaRouche, brought up a resolution for a debt moratorium at the Non-Aligned Movement summit in Colombo, Sri Lanka, reiterating his call before the UN General Assembly shortly thereafter. There was widespread support for this resolution. U.S. Secretary of State Henry Kissinger, on the other hand, made it a personal point to deploy worldwide to stop LaRouche's proposal.

Thus, in the fight in New York, LaRouche's and the oligarchy's world-views came head-to-head, embodying principles that had global implications. LaRouche's strategic fight nearly toppled the FCB/Big MAC dictatorship.

Below we detail the Nazi method by which the New York Plan was implemented, step-by-step, as a pilot project for cities across the nation.

New York's Financial Problems

In order to institute the planned shrinkage model, the financier oligarchy needed a crisis. In New York City, there existed deep underlying problems related to the policy of the "post-industrial society," which the oligarchy had instituted in the 1960s. There were also some budget-fiscal problems stemming, primarily, from those underlying problems. But the bankers had no intention of solving the underlying problems; instead, they made them worse, and provoked the crisis.

There were four major underlying problems, two of them national in origin.

The first was the decimation of New York's manufacturing base, which had eroded its tax revenue base. Up through the end of World War II, New York City had a large manufacturing sector, and the largest concentration of manufacturing workers of any city in the world. In 1947, New York City had 1,073,000 manufacturing jobs. There were no large steel or auto plants; its manufacturing was concentrated in printing, clothing production, some breweries, and hundreds of machine-tool shops and similar factories, employing between 10 and 200 workers. As late as 1965, New York City still employed 865,100 manufacturing workers.

But the unleashing of the oligarchy's anti-production, pro-speculation post-industrial society in the mid-1960s, withered New York's manufacturing base. As a prominent sub-feature, New York's garment industry jobs were dispersed to low-wage runaway shops in the South. By 1975, New York City's manufacturing workforce had plummetted to 536,900 workers, a loss of 328,000 jobs, or 42% of the 1965 total. (By January 2001, it was down to 227,400 workers.)

The decimation of New York's manufacturing base over 1965-75, created a sharp loss of tax revenue, which aggravated a brewing budget crisis. First, there was the loss of manufacturing plants, which paid corporate taxes; second, there was the loss of manufacturing jobs, most of them medium- to high-paid, which brought New York City income tax.

The second major underlying problem was also national in origin. In 1971, President Richard Nixon took the U.S. dollar off the gold-reserve standard. This divorced financial flows from physical goods production, and damaged the economy. Then, in the 1973-75 period, the London-Wall Street financier oligarchy carried out the first oil hoax, through the Seven Sisters oil companies, sending the price of oil from $3 per barrel to $12. This was part of a plan called "the controlled disintegration of the economy." The world economy buckled, and Third World debt went shooting upward; the U.S. economy collapsed, and the official U.S. unemployment rate went above 10% (in reality, it was much higher). Within this context, New York City's economy nose-dived: The official unemployment rate shot above 10%, and tax revenues of all kinds plunged. This national crisis, over which the elected officials of New York had no control, made the New York City budget a disaster, and New York had to increase its short-term borrowings to stay alive.

The third major underlying problem was the scandalously low tax assessment of commercial real estate property, such as office buildings, which at that time had the highest market valuation of any commercial real estate market of any city in the world. The real estate industry in New York, was heavily dependent on funds from the New York banks; the real estate forces and banks controlled New York. In the mid- to late-1970s, *EIR* estimated that the market value of Manhattan's commercial buildings south of 59th Street was conservatively judged to be $41.25 billion (and perhaps much more). However, under the influence of the real estate sector, the New York City authorities only assessed the property at $7.7 billion. Taking the difference between real estate assessments and revenues from real estate taxes, New York City was losing $1.25 billion in real estate taxes per year, just from the area of Lower Manhattan below 59th Street. This under-assessment built the New York City crisis, and the $1.25 billion in lost yearly taxes would have been enough to cover the entire New York City deficit by itself, during the crisis.

The fourth major underlying problem was New York City's enormous debt outstanding, which at the end of 1974 totalled $12.3 billion, and upon which New York paid yearly debt service (interest plus principal) of $1.896 billion. This debt service, which was 20% of New York's budget expenditures, was choking New York. Some of this debt represented transit system bonds, which New York had issued in the early 1900s, and upon which it had paid interest sufficient to pay off the bonds many times over, but on which it still was forced to pay debt service. Such policies by the financier oligarchy as the post-industrial society, and the under-assessment of commercial real estate, had swelled New York City's debt to dizzying heights.

In 1960, tax-exempt municipal bonds in general accounted for 21.6% of the portfolios of New York City's commercial banks; by the end of 1974, they had shot up to 50%! *EIR* estimates that by the end of 1974, New York's banks alone owned between $4 and $6 billion of New York City's $12.3 billion debt. The banks publicly criticized the high levels of New York City debt, but their policies had systematically created it, and they raked in a huge bonanza in interest payments from the debt they had manufactured.

Each of these four problems reinforced the other.

No band-aid solution would work, but a real solution was required. This would have entailed increasing the real estate assessment for commercial real estate interests, and enacting a moratorium on New York City's debt in order to stop the city from being strangled, while the debt was being sorted out, and the illegitimate debt was being written off. Most importantly, it would have entailed scrapping the insane post-industrial society policy, and replacing it with a policy of promoting the general welfare, and of building up manufacturing production and vital infrastructure. This was the policy of Lyndon LaRouche.

The banks were fanatically opposed to a solution to the underlying problems; *they deliberately exacerbated the underlying problems,* seeking a crisis in order to institute their dictatorship, and through Nazi-like "emergency ordinances," to carry out planned shrinkage.

Lindsay Initiates First Phase

In order to understand what the banks planned, it is necessary to understand how New York City operated politically. For decades, an urban political machine, consisting of trade unionists, minority and ethnic groups, teachers, and employees of small and medium-sized businesses, grouped broadly around the idea of protecting the general welfare, had run day-to-day politics in New York.

In 1965, the financiers installed John Vliet Lindsay as the city's mayor. While positioning himself as a political liberal, Lindsay's main qualification is that he had an aristocratic pedigree. Lindsay's father had been the chairman of the board of the American Swiss Corp., a subsidiary of the notoriously dirty Crédit Suisse Bank of Geneva. John Lindsay's brother, Robert, became a top officer at Morgan Guaranty Trust Bank, a bridgehead for British intelligence in America, which played a leading role in the New York City financial crisis. By 1975, Robert Lindsay was executive vice president at Morgan Guaranty; from 1980-86, critical years for the New York crisis, he was its president.

As mayor, Lindsay carried out a war to shatter the urban machine, including its policy of building infrastructure; he attacked the police, transit, and fire departments, and instituted tax breaks and other policies that benefitted the financiers and real estate interests. During his eight years in office, Lindsay presided over the first phase of the burning down of sections of New York, to drive minorities out, as we will see.

Lindsay's policy has today been transmitted to Washington, D.C. Lindsay selected Eleanor Holmes Norton to be his executive asssistant from 1971-74. Later, as D.C.'s Delegate to the U.S. Congress, Norton has operated with Lazard Frères to close down D.C. General Hospital. Norton trained Donna Brazile, who was her top assistant from 1990-99. In 1999, Brazile was then made top assistant to Al Gore, to help direct his Presidential bid. Brazile has acted as a henchman for the Gore wing of the Democratic Party in 2001 against the LaRouche-led mobilization to save D.C. General Hospital as a fully funded, public hospital and health-care system.

In 1973, Abraham Beame was elected New York City Mayor, taking office in 1974. Beame was part of the Democratic Party machine, and generally amenable to the interests of the banks. But from the banks' standpoint, Beame would not institute the full range and degree of austerity that they needed. The banks effectively carried out a coup against Beame, and he was allowed to speak only at such times as he would announce the bankers' policy.

Provoking the Crisis

The Lazard-led oligarchy's tactic was to attack the weak point of the city's finances. In July 1974, the banks demanded that New York City pay 7.92% interest if they were to lend it money. The city refused to pay that much, but shortly thereafter, desparate for cash, New York had to pay 8.59% interest to borrow money. In October, Fitch's rating agency—like all rating agencies, controlled from London and New York—lowered New York City's credit rating.

Since the early 1970s, some of New York City's debt had been issued in the form of short-term instruments called Revenue Anticipation Notes (sometimes called tax anticipation notes), which had a shaky basis. RANs had been issued against general, unspecified "future" income streams. In November 1974, New York sold a half-billion dollars' worth of RANs, through a private syndicate headed by J.P. Morgan, but the RANs offering was wobbly. By December, the banks were charging 9.5% interest on one of the city's debt offerings, which was a record interest rate for New York City.

By this time, the banks believed they had set New York City up for the kill, and took two decisive actions. Holding $4-6 billion in the city's debt, beginning in October 1974 and escalating through March 1975, they dumped a few billion worth of New York City bonds onto the open market.

Next, in February 1975, just as the U.S. economic depression was hitting with gale force, New York City attempted to sell a new issue of short-term RANs. Bankers Trust refused to underwrite the new issue of RANs, and so, the city turned to David Rockefeller and Chase Manhattan Bank to form a syndicate to underwrite the RANs. Rockefeller also refused. The banks were coordinating to shut New York City out of the credit market. By March, New York City was unable to sell any short-term security at any interest rate, no matter how high.

Between March 1975 and January 1979, just shy of four years, the banks blocked New York City from entering the *credit market*. New York was instructed that it would either have to borrow through new issues of Municipal Assistance Corp. bonds—a new institution that was about to be created—or it could not borrow at all. New York City was rendered financially prostrate.

The Establishment of the Dictatorship

On Jan. 9, 1975, a group of bankers arranged a meeting with Mayor Abe Beame. The group was led by Elmore Patterson, the chairman of the Morgan Bank, who was also chairman of the New York Clearinghouse Association, which represented the most powerful commercial banks in New York. Joining Patterson were representatives of Chase Manhattan, Citibank, Chemical Bank, Bankers Trust, and Manufacturers Hanover Bank. After the bankers declared that Beame's proposed level of austerity was unacceptable, they formed a group called the Financial Community Liaison Group (FCLG). In March 1975, the FCLG circulated a memo, asserting that "the municipal unions and other interest groups" were a problem, because the would not bow to the bankers' demands. The FCLG worked with Lazard Frères.

At this juncture, Felix Rohatyn and Lazard Frères emerged publicly to take command. They replicated what Lazard et al. had done in Germany in 1933 to install Hitler's rule: first, create a crisis (like the Reichstag fire); then, suspend elected government and establish a dictatorship; then, rule through emergency decrees (*Notverordnungen*) to loot the population and the economy.

In March, the banks, by shutting New York City out of the credit market, had created an enormous crisis: The U.S. economic depression had cut New York's revenues; New York had payments to make to workers and for services, and old debts to pay, while it was unable to either refinance its debts, or raise new funds to cover its revenue shortfalls. The bankers began circulating stories that New York City was about to default.

Next, Lazard and Rohatyn sprang their trap. According to *The Crisis Regime: New York City Financial Crisis,* Rohatyn personally "pulled together the financial package" for New York. This included a dictatorship institution, called the Municipal Assistance Corp., and a pulverizing new austerity regimen.

On June 10, 1975, under intense emergency pressure that "New York might default on its debts," the New York State legislature was railroaded into passing the Municipal Assistance Corp. Act. The new law created a "public benefit" state agency, run by a nine-member board, called the Municipal Assistance Corp., nicknamed "Big MAC." Rohatyn, who was on the board, would soon run it; other members included: Simon Rifkind of the Paul Weiss Rifkind law firm; Metropolitan Life Insurance chief executive Richard Shinn; and George Gould, chairman of Donaldson Lufkin Jenrette investment house.

The powers delegated to Big MAC were:

The model for the Lazard-bankers "financial fire," by which they seized New York City rule from its elected government in 1975, was the 1933 Nazi Notverordnungen *(emergency rule decrees), which Hitler justified by having a "terrorist" burn down the Reichstag.*

- It would monitor the city's financial position;
- It would protect new as well as old creditors;
- It could restructure the city's debt.

The corporation could issue MAC bonds, up to the sum of $3 billion. The June 10 law demanded that the following city income streams be "earmarked" to pay the interest and principal on the MAC bonds: the city's 4% sales tax revenues, the city's stock and transfer tax receipts, and per-capita aid paid by the state. *The law mandated that only after the city paid off its bondholders—MAC bondholders and others—could it use the remainder of its revenues to pay city workers or essential services.*

In early July, MAC issued a $1 billion bond issue, at a 9.5% interest rate. In mid-July, MAC issued its second billion-dollar bond issue—but this one had trouble selling. By mid-August, the value of existing MAC bonds started to fall. The money that MAC received for the bonds, it doled out drop by drop to the city, keeping the city on a tight leash.

The MAC board began instituting austerity programs against the city—shutting down city programs, laying off workers, cutting wages—in order to squeeze out wealth to transfer to the account of backing up the bonds. But this method reduced the functioning of the city's economy further, making it even more difficult to support the bonds. The conclusion that should have been drawn, is that the method of life-threatening austerity was a failure.

But Lazard and Rohatyn drew an opposite conclusion: that the level of austerity had to be increased. Rohatyn believed that a major limitation was that the MAC board still had to obey civilized standards, and did not have enough power to loot the population, institute fascist economics, and crush popular organizations. He sought a dictatorship that had all the power it needed, and would not flinch at inflicting pain.

Creating the Financial Control Board

Rohatyn then drafted a 111-page report that sought harsher austerity and a stronger institution that could enforce it. In September 1975, new legislation, arising from Rohatyn's report, was introduced into the New York State legislature. The legislation was called the Financial Emergency Act. In the early hours of Sept. 6, 1975, after the legislators had been kept up for hours, the legislation was rammed through by a close vote. The key feature of the act is contained the summary of it in the New York State Laws 1975 (chapter 868, Sec. 1): The situation in New York City "is a disaster and creates a state of emergency. To end this disaster, to bring the emergency under control and to respond to the overriding state concern . . . the state must undertake an extraordinary exercise of its police and emergency powers under the state constitution, and exercise controls and supervision over the financial affairs of the City of New York."

The Rohatyn-drafted act specifically announced a "state of disaster" and "emergency" to exist, which it said, required "undertak[ing] . . . extraordinary police and emergency powers." These sweeping powers, normally reserved for a state of insurrection, were to be used to issue diktats for an artificially created financial crisis. This was a reprise of what Hitler and the Nazis had done in Germany in March 1933, after the staged Reichstag fire.

To effect his coup, Rohatyn had the act instantly create an Emergency Financial Control Board (EFCB), and in 1978, the term "Emergency" was dropped. The way Rohatyn interpreted the act, and the way it was used, the FCB had "the extraordinary police and emergency powers." The powers of the New York City Council and the Mayor were overridden.

The EFCB was a dictatorship. According to one summary account, the "EFCB [was placed] as trustee over all city accounts in all banks," that is, it had control over the city bank accounts, and further, "the EFCB was granted powers . . . over investment and disbursement." Thus, the EFCB controlled all of New York City's money flows. Moreover, the payment of debt was enshrined in the act: "the act created a debt service account . . . to ensure that debt service would be given first priority." The EFCB had the power to draw on every one of New York City's revenue streams to pay the debt.

The act replayed the Nazis' practice of looting workers' pension funds to support worthless financial paper, in this case, giving quotas to the pension funds of New York State and City were for how much Big MAC bonds they had to buy—the state pension funds had to buy $225 million, the city Employees' Retirement System had to buy $225 million, the Teachers Retirement System had to buy $200 million; and so forth—all told, more than three-quarters of a billion dollars.

The EFCB could either "accept or reject any contract entered into by the city." It promptly ripped up most labor agreements.

Finally, the bankers made their dictatorship explicit, by writing, with matchless contempt for elected government, that they were the Supreme Power, to which all officials and citizens must bow down. "Violations of the emergency act or the EFCB's policies included misdemeanor charges and, upon vote, removal from office. The mayor was not excluded from these potential penalties." Whoever failed or refused to implement the EFCB's policies, including the Mayor, could be removed.

Whatever power the Big MAC had lacked, the EFCB now had. They acted together as a unified dictatorship.

Guiding Starr to Disintegration

The financiers had manufactured a financial crisis, and then exploited it to pass legislation, which created the FCB/Big MAC dictatorship. Now, they were positioned to carry out Lazard's planned shrinkage.

Roger Starr's recommendation guided what was done. "Stopping services," would clear away an area, Starr said. Once an area was cleared away, "The stretches of empty blocks may then be knocked down, services can be stopped, subway stations closed, and the land left to lay fallow."

(Nonetheless, before, during, and after the 1975 initiation of the crisis, the banks contrived to deal to themselves and major Fortune 500 corporations massive tax cuts, which aggravated the crisis. In the mid-1970s, tax cuts were granted to Morgan Guaranty Trust, Lehman Brothers, and other banks; the New York Stock Exchange; IBM, U.S. Steel, General Electric, Metropolitan Life Insurance, and Getty Oil. In 1979, the city's Industrial and Commercial Incentives Board extended nearly $30 million in real estate tax reductions to three proposed office towers for Philip Morris, AT&T, and the Fisher Brothers.)

The Lazard-run EFCB/Big MAC dictatorship used the opportunity of making cuts to slash fundamental services so deeply, that the services and human existence were driven far below the level of economic functioning. Just as the World War II Strategic Bombing Survey did for Dresden and other major German cities, dozens of the most densely-populated New York neighborhoods, especially black and Hispanic, were targetted for extermination. Already in New York City, by 1975, the official unemployment rate stood at 10%—but

TABLE 1
New York City Government Employees Get the Axe
(Selected Sectors)

	June 30, 1975	April 30, 1981	% Change
Police	35,447	27,697	–21.9%
Uniformed Officers	30,601	22,862	–25.2
Social Services	28,331	21,052	–25.2
Fire	13,885	12,429	–25.7
Education	81,970	69,847	–10.5
Sanitation	9,491	6,832	–28.0
Health and Hospitals	43,128	40,735	– 5.5
Total	296,805	231,903	–21.9%

TABLE 2
New York City Sanitation Services Gutted

	1975	1978	% Change
Tons of Refuse Disposed	7,534,988	6,468,221	–14.2
Miles of Street Swept	1,233,998	836,442	–31.7

in reality, 15-20%—and workers who did have jobs, suffered wage cuts of 5-10%. On top of those wage reductions, were one to live in a neighborhood whose subway station had been closed down, whose fire station had been shut while fires raged, and whose local hospital had either been great reduced or closed altogehter, this was not a matter of greater inconvenience or discomfort; it was the elimination of one's existence.

Consider the Nazi-like efficiency with which the FCB/Big MAC dictatorship cut life-sustaining services:

• Sanitation: The garbage that sat on the street and was not picked up, became a breeding ground for vermin and rodents which transmitted disease, creating a health emergency.

The FCB/Big MAC fired sanitation workers in waves; when they protested, and threatened to strike, the FCB/Big MAC cut their wages. **Table 1** shows that between June 30, 1975 and April 30, 1981 the Department of Sanitation workforce was reduced from 9,491 to 6,832, a fall of 28.0%.

Table 2 shows that between 1975 and 1978, the tons of refuse that were picked up plunged from 7.53 million to 6.47 million, a fall of 14.2%. This meant that an extra 1.06 million tons of refuse was being left out on streets and sidewalks, effectively for a year, becoming extremely unsightly and creating a health hazard.

• Transportation: New York City's mass transit system of subways and buses, which was the longest and most highly developed of any U.S. city, was turned into a nightmare. Starting in 1974, and with much greater force once the FCB/Big MAC dictatorship established its rule in 1975, New York City officially and publicly abandoned routine maintenance, whereby the operating efficiency of the transit system would be maintained before breakdown; in its place was put a policy of deferred maintenance, whereby an element of the system had to *break down first,* before money was appropriated to attend to it. All capital expenditures were halted. Further, between 1977 and 1980, total spending for transit service was reduced by 30%, and subway and bus maintenance staffs were cut by 35%.

By 1980, New York City subway trains were breaking down 71,700 times a year (nearly 200 times per day), more than double the level of 1977. Subway cars were running less than half as far in 1980, than they had in 1973. Between 1977 and 1980, subway track fires increased by 40%. By 1980, nearly a quarter of the city's bus fleet was out of service every day.

According to one report: "In 1980, routine maintenance was reinstituted because the cost of breakdowns had risen to such a point that the system was deteriorating at an accelerated pace. Transit officials estimated it would take four or five years to bring the system back to a 'basic minimum' of reliable service." Due to the destruction that the FCB/Big MAC inflicted, today, it would cost billions of dollars over several years, to bring the system into the 21st Century.

• Education: Many primary school buildings, which already were fairly old, incurred damage, but no or only minimal repairs were made. Wings of schools remained closed for months at a time. The size of average classes shot up.

A knife was applied to the City University of New York higher education system. Between FY1961 and FY1975, New York City had increased CUNY's budget from $45 million to $612 million, and during this time, student enrollment had increased from 93,000 to 271,000. The FCB/Big MAC axed the CUNY budget, and by 1980, its enrollment had been cut to 172,000 students, a fall of 43%. Tuition was imposed.

• Police: Between June 30, 1975 and April 30, 1981, some 25.2% of uniformed police officers were laid off. Police were told, off the record, not to arrest anyone unless it were for a serious crime, because, the costs of time spent for an arresting officer to book and make court appearances, as well as court and jail costs, were "too high." Street patrols were reduced; the Organized Crime Bureau, which had narcotics oversight, was reduced from 1,600 men to 439, a fall of 72.5%. Accordingly, drug-dealing exploded. The staff of units that worked with youth was cut by 52%.

Obliteration of Housing

But, as these and several other basic areas of infrastructure were decimated, lowering the city's economic functioning and ability to survive, there were two areas of infrastructure that the FCB/Mig MAC Nazi dictatorship affixed its attention for obliteration: housing, and hospital and medical service. These constitute the heart of a city's survival: Like a human heart, if its functioning is stopped, life ceases.

By the same principle, the Katharine Graham-orchestrated Washington, D.C. Financial Control Board today has zeroed in on the destruction of health and housing, reasoning that once that is accomplished, they can go after other areas of infrastructure in the way that Big MAC did.

The FCB/Big MAC dismantled health and housing with cold-blooded efficiency.

The bankers' mayor, John Lindsay, had already started the plan to effectively use arson during his 1965-73 administration. Lindsay reduced the number of Fire Department inspections from 1,420,000 per year in 1966, to 474,000 in 1976, a fall of 67%. Between 1966 and 1968, fires in New York City increased by 42%. At first, the urban political machine in New York City understood what Lindsay's design was, and moved to thwart him. In 1969-70, the Firefighters Union demanded the creation of 14 new fire companies, and the City's Public Employees Board granted the demand.

Lindsay counterattacked. He brought in the RAND Corp., based in Palo Alto, California, which had been set up by Air Force Intelligence immediately after World War II. The RAND Corp. used "systems analysis" to implement austerity, and knew how to deploy austerity as a sort of strategic bombing survey, on how and where to bomb critical targets needed by a population. Between 1968-71, RAND conducted more than a dozen studies on overhauling New York City, to "save money," slash services, and speed up the reduced workforce in several departments, including the Fire Department. RAND concluded that the Fire Department could be run with fewer units. Acting on RAND's recommendations, in five rounds between 1971 and 1976, Lindsay eliminated or relocated 35 fire companies. Twenty-seven of the targetted fire companies—four-fifths of the total—were in areas which had the highest incidence of fires, predominantly black and Hispanic neighborhoods. Meanwhile, 2,400 firefighters, representing 23% of the force, were fired.

The arson policy was one of the earliest and most "effective" forms of urban renewal, from the criminal standpoint of the oligarchy and real estate interests. The real estate moguls hired arsonists to do their dirty work, a fact that was known to everyone in the city, including the Fire Department. In a study, "Fire Service in New York City, 1972-86," researchers Rodrick and Deborah Wallace gave a graphic example of how the urban renewal through arson worked:

"The [New York] Planning Commission informed the Fire Department that certain sectors of the Rockaway Peninsula [in Brooklyn] were to undergo urban renewal and that fewer fire units would be needed. . . . After elimination of one of the [fire] engine companies, large areas of that sector were cleared by [arsonist's] fire for redevelopment without the city having to spend time and money for legal urban renewal work."

Starting 1975, the FCB/Big MAC vastly expanded the arson policy started by Lindsay, by making deeper cuts from an already-depleted Fire Department. As a result, in constant dollar terms, the 1980s budget for the Fire Department was slashed 35% below that of 1975. Many fire stations were shut down. Between 1976 and 1979, residential inspections had been cut by more than 30%, on top of the two-thirds cut in the number of inspections over 1966-76. Between June 30, 1975 and April 30, 1981, an additional 10% of the city's firefighters were laid off.

The financier-real estate elites in New York got two bonuses with the arson. First, they were fully compensated for burnt properties through their insurance policies (that they were not indicted, bespeaks something about how this operation worked). Further, they also could deduct losses on their tax filings. Second, they could either leave the ground fallow—as per Roger Starr's recommendations—or they could retain the land or sell it to a new landlord for development. This meant urban renewal/gentrification. An entire area could be designated to become an apartment area for high-income, predominantly white tenants. Not only could the landlords collect rents as much as ten times what they had collected from the previous poor tenants, but from New York City they got special tax abatements and exemptions. Thus, the landlord/real estate interests made profits several times over.

But as a result of this process, if a family could manage to continue live in the same area of the city, its rent shot up relative to its income. A study conducted by Columbia University found that in 1975, there were approximately 225,000 housing units in the South Bronx area, one of the nation's poorest neighborhoods, which charged $150 or less per month. Already, as a result of economic decline, the white population had begun leaving the South Bronx in the early 1970s. After the FCB/Big MAC-supervised real estate transformation, by 1978, the study found that there were only approximately 115,000 units that rented for $150 per month or less, a loss of half of the 1975 level. In the intervening three years, 46,000 were "upgraded" into more expensive units, and another 60,000 had been abandoned outright.

Roger Starr had the South Bronx as one of the areas in mind when he stated in his Nov. 14, 1976 *New York Times* pieces that the place should be left to die, and "services cut off."

Though the FCB/Big MAC was dissolved in the mid-1980s, it left behind a legacy in housing that still dominates a permanently scarred New York City.

Housing was built for those in the "high-tech" or financial sectors. The number of apartment units that rent for $5,000 or more per month is at an all-time high.

But, consider the availability of housing for poor and low-income families. In 1970, New York City had a surplus of 270,000 low-cost apartments relative to the number of extremely low-income renter households, who would need to rent them. An extremely low-income renter could find a place to live. That is no more. Today, in New York City, there is an extreme shortage: The number of extremely low-income renter households exceeds the number of available low-cost apartments by 500,000. If a household is poor or low-income, it often lives in squalid housing, and in many cases has to share it with another household.

Health and Hospitals

The other high-profile target was New York City's superb hospital system, which it had developed from its own efforts beginning in the 19th Century onward, and which was abetted by the passage of the Hill-Burton Act of 1946, under which the Federal government provided funds and assistance nationally for building hospitals. Lazard and the bankers carried out policies which, combined with the genocidal policy of the health maintenance organizations (HMOs) beginning in the early 1970s, had a domino effect, closing down public and not-for-profit hospitals.

Felix Rohatyn took direct aim at the public hospital system, which particularly served the poor, and over which New York City had budget authority, which the FCB/Big MAC usurped.

New York City's public hospital system—the largest in the United States—consisted of 17 separate hospitals, which provided, each year, over 3 million days of inpatient care, 1.5 million emergency room visits, and 4.5 million ambulatory care visits.

During 1975, on the bankers' orders, the Health and Hospitals Corp., which ran the city's public hospitals, fired nearly 8,000 employees, gutting critical services. In March 1976, the bankers demanded the layoff of an additional 3,200 employees, and the shutdown of four public hospitals.

There is a direct parallel between the Lazard-Katharine Graham shutdown of D.C. General Hospital in June 2001, and Lazard's cleaving of the New York City public hospital system. More specifically, one gets an eerie sense, in viewing the attack on D.C. General, of having seen it all before, in the way that Lazard's Rohatyn went after Sydenham Hospital in West Harlem, Manhattan.

Sydenham Hospital served a population that was black, and largely poor. As with D.C. General, many of the patients were uninsured. In the lobby of Sydenham was a verse from Psalms 9:18, inlaid in black marble: "For the needy shall not always be forgotten, nor the expectation of the poor perish forever."

In its design to shut down Sydenham, the FCB/Big MAC faced a great obstacle from West Harlem's residents, who knew they needed a hospital, and a leader, who gave voice to their opposition: Dr. John Holloman, president of the Health and Hospitals Corp (HHC). Dr. Holloman held the highest post of any black person in the U.S. medical profession. He was also a civil rights activist, who had marched with Dr. Martin Luther King during the Selma, Alabama voting rights demonstrations in 1965. On his desk, he had a plaque with the simple, but powerful motto: "Health Care Is a Right."

Increasingly, the bankers found Holloman foiling their plot. Holloman often either slowed down or sabotaged the bankers' plans to for cuts at HHC as a whole, and at Sydenham. This made him a marked man. The more Holloman threw sand in the gears of the Big MAC austerity machine, the more Lazard's "Führer Felix" set out personally to destroy Holloman and have him removed as head of the HHC.

On Oct. 16, 1976, the Financial Control Board held a meeting to discuss the HHC budget. The minutes summarized what Rohatyn had to say: "Mr. Rohatyn stated that the management of the Health and Hospitals Corp. was generally recognized as inept, and therefore it would be insufficient to put HHC on a monthly allocation [of funds, as with other New York City services] based on uncertain [HHC financial] numbers. He observed that the problem of dealing with the HHC was of special concern because of the important and difficult social function [sic] of the hospitals system."

The Control Board's minutes further revealed that it planned to change the HHC board: "The HHC board of directors should be put on notice immediately of the need to reorganize its management to adequately deal with the fiscal crisis."

In other words, Holloman's head had to roll.

On Oct. 17, the day after the FCB meeting, the *New York Times* rolled out the bankers' propaganda machine: Holloman had to go. The *Times'* sleazy City Hall bureau chief, Steve Weisman, quoted an unnamed member of the Financial Control Board, pontificating: "A consensus was reached [at the Oct. 16 FCB meeting] that Holloman is a disaster, that there is no way costs can remotely be controlled if he and others continue to run the corporation."

But Holloman refused to leave, or to relent in his opposition to the cuts. In November, Mayor Abe Beame, by then little more than a marionette for the Control Board, created a special committee of the HHC to run many of its functions, in order to bypass Holloman.

Still Holloman would not give in.

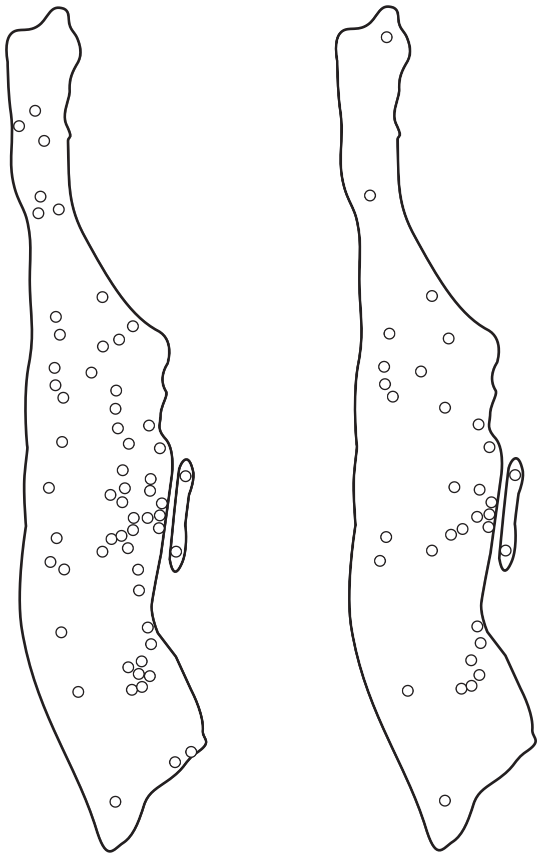
On Jan. 26, 1977, the FCB's henchman on the HHC board pushed for Holloman's firing at an executive session of the HHC. Demonstrators outside the HHC's offices protested the dismantling of the HHC hospitals, in support of Holloman. By meeting's end, Holloman had been forced off the board. He denounced "financial interests" for his dismissal.

Sydenham managed to remain open only a few more years. Over the next two decades, five out of the 17 public hospitals in New York City were shut down, and now other public hospitals are threatened with closure. The attack on the public hospitals was the wedge-end to shut down New York's hospital system, private, non-profit, and public. In 1960, New York City had 154 hospitals; by 1990, that was slashed to 79,

FIGURE 1
The Big MAC-Era Shutdown of New York's Hospitals

Hospitals in Manhattan, 1960

Hospitals in Manhattan, 1990



a reduction of 49%.

Figure 1 shows the hospital closures in Manhattan, one of New York City's five boroughs, with a population of 1.5 million. In 1960, Manhattan had 78 public, private and not-for-profit hospitals; by 1990, that was down to 33, and still falling. Notice in the map, that the area of the upper gooseneck of Manhattan, the area above 125th Street: There had been six major hospitals of all kinds in 1960; by 1990, there were only two. But if a New Yorker is seriously injured or ill, and needs to get to a hospital, a cab or ambulance to get to the hospital that replaced the nearby one in the neighborhood, must negotiate New York City's congested streets, taking an extra 20 to 30 minutes. This could be, and sometimes is, the difference between life and death.

The destruction of New York's superb hospital system is another part of the permanent, still corrosive legacy of FCB/Big MAC.

The LaRouche Alternative

But while there were local pockets of opposition to the FCB/Big MAC dictatorship, there also coalesced a city-wide opposition, led by Lyndon LaRouche.

In 1975, LaRouche knew that New York City's $12.3 billion debt was a strategic issue: not only in its increasing strangulation of the city, but in the way it had, for decades, connected the world's biggest banks to huge cash flows of virtually tax-free real estate, financial, and banking income. Over the decades, the city had already paid enough principal and interest to pay off its debt several times over, but, because the interest was compounded, the debt had swelled. From the 1960s, especially under the Lindsay administration, the bankers had used every scheme possible, and ultimately the debt had more than doubled. The bankers, who held the largest share of the debt, were the largest beneficiaries of the city's payments.

Therefore, LaRouche built a campaign for debt moratorium, which struck at the bankers' key vulnerability, and educated Americans in the most efficient way possible about the true nature of how New York City's crisis had been created, and how the city had been ravaged for a century. LaRouche stated that there would be a debt payment suspension for a period of time, accompanied by an orderly accounting to determine which part of the $12.3 billion debt was still legitimate, and would be paid in the future, though at a restructured, lower interest rate; and which part, being the larger, was illegitimate, and would be written off. New York City would be freed of this debt strangulation.

This was a key element in LaRouche's global strategy: He understood that the world economy, especially the Third World, was overburdened with accumulations of unpayable, illegitimate debt. Simultaneously, LaRouche activists were organizing for debt moratoria in Ibero-America and Asia. This struck at the oligarchy's world financial system, and thus at their strategic power.

At the same time, in April 1975, at a well-attended press conference in Bonn, Germany, LaRouche advanced his proposal for an International Development Bank (IDB), to channel inexpensive credit into great infrastructure projects that would generate tremendous economic growth in the Third World, and serve as the basis for world economic reconstruction.

In late 1974, and continuing into 1975, the LaRouche movement raised the demand for debt moratoria in several of America's major cities, which, like New York, had major financial crises. In Boston, the organizing struck fertile soil, as LaRouche organizers met with some of the City Council members there. City Councilman Albert "Dapper" O'Neill introduced draft legislation for an 18-month moratorium on all municipal debt. On May 19, 1975, in a special address to the Boston City Council, which eight of the city's councilmen attended, LaRouche presented the debt moratorium for Boston. Afterwards, he told the City Hall press corps, "There is

Lyndon LaRouche speaks before the Boston City Council in May 1975, when his proposals for debt moratoria were introduced in New York, Boston, and other cities, and adopted by the Non-Aligned Movement the next year.

absolutely no way out of the worst economic collapse in human history" except by declaring "orderly moratoria on major categories of paper worldwide."

On June 2, Councilman O'Neill presented formal legislation for an 18-month debt moratorium. On July 3, Boston Mayor Kevin White, a tool of the Vault (as Boston's Brahmin bankers were known), mailed out a special brochure Bostonians to counter LaRouche, claiming that the city did not need a debt moratorium.

In Philadelphia, Buffalo, Chicago, Seattle, and several cities in New Jersey's industrial corridor, the idea of debt moratoria was discussed with city councilmen and began to take hold.

In New York City, on June 11, 1975, City Councilman Luis Olmedo, of Brooklyn, introduced a resolution into the City Council for an 18-month moratorium on all city debt. Olmedo formed a group with like-minded individuals, called the Ad Hoc Committee for Social Justice, to push for this idea. On June 30, Olmedo got a co-sponsor for his resolution, from City Councilman Pasquale Mele. On July 22, Olmedo, who was working with the LaRouche movement, held a press conference, joined by one other city councilman, and 12 members of the New York State legislature, led by Frank Barbaro from Brooklyn. Together they called for a one-year suspension on the city's debt. Olmedo stated, "We're not paying any debt, including the Big MAC bonds." This group called for an eight-point program, that included the demand for a substantial increase in real estate, stock transfer, and other bank-related taxes.

Already, this movement had been joined by some of the city's unions. On June 19, 1975, Uniformed Firefighters Association President Richard Vizzini and Policemen's Benevolent Association head McFeeley held a press conference, officially endorsing the debt moratorium.

The mood was shifting: There was growing opposition by hundreds of thousands of trade unionists and citizens to FCB/Big MAC and to Rohatyn, by name. The financial package put together under Big MAC was coming apart, because it was seen that citizens might not tolerate this situation, and that they might demand the debt be cancelled. A critical development: the value of MAC bonds started to plummet. On July 28, MAC had to cancel a bond issue, because it had insufficient buyers.

Meanwhile, during 1975, the teachers unions launched strikes against the austerity. Citizens were rallying against the announced closing of Sydenham Hospital in West Harlem.

On July 21, 1975, Jack Devine, Chase Manhattan's chief municipal bond trader, stated that banks were purchasing increasingly illiquid MAC paper. "The situation is very bad and getting worse. We are already overloaded with obligations," he said.

A spokesman for First National City Bank (today, Citibank) became hysterical when asked to comment on a possible city default, as early as August: "Of course we're worried. We've got millions of dollars of bonds tied up in New York City. We're absolutely sick about the whole thing. . . . The entire state and municipal bond market would be shot. . . . Every state and local government would be shut out of the market. New York City could never borrow again. The question is whether [Mayor] Beame will get off his fat ass and do something. Clean out the City! Restore fiscal responsibility! Otherwise, it's the end."

In the early Fall, Congressional hearings were held. George Ball, then a senior partner at the powerful Lehman Brothers investment bank, and a former U.S. Undersecretary of State, told a Congressional committee that a New York City default, "particularly if the Federal government stood by and did not intervene," would be seen in Moscow as a "significant symptom of the weakness of American capitalism," which would strengthen the position of Moscow hardliners. An appeal to the threat of Communist resurgence may nor may not have been fully credible, or even to the point, but it did accurately reflect the intense panic in Ball's mind.

What Ball, Rohatyn, and a few others realized, was that a New York default, or—worse, from their standpoint—a LaRouche-directed debt moratorium, would set a precedent for nations to follow throughout the world. A series of moratoria, and a replacement of the speculative monetary system by one guided by the principles and purposes of LaRouche's International Development Bank, would mean the end of the system run by Ball, Rohatyn, et al.

Rohatyn's Counterattack

What Rohatyn and Lazard did then, is precisely what they are attempting to do today to defuse Washingtonians' resistance to the destruction of D.C. General Hospital. The plan was to attempt to divide the anti-genocide opposition forces from LaRouche's leadership, accompanied by threats of reprisal, etc.

In New York, the bankers used Victor "Bumgut" Gotbaum, head of District 37 of the American Federation of State, County, and Municipal Employees (ASFSCME), the largest union in New York City, representing over 90,000 workers, to play the same role that the bankers have given to D.C. Delegate Eleanor Holmes Norton today: to divide the forces from within, and spread rumors about LaRouche, while impotently striking a militant posture. Gotbaum was made virtually a member of the Big MAC board, and attended most of its meetings. Rohatyn made clear, in interviews and general discussions, that he could not have pulled off what he did without the assistance of Gotbaum.

At the same time, a terror campaign was brought down. Firefighters President Richard Vizzini, a debt moratorium proponent, was provoked into taking his union out for a five-hour strike, and he was then prosecuted under the state's union-busting Taylor Law outlawing strikes by municipal workers. In May 1974, State Supreme Court Justice Burton Roberts, a flunky of former New York Gov. Nelson Rockefeller's machine, was given jurisdiction over Vizzini's case. Starting in April 1975, according to reliable sources, representatives from Justice Roberts had started telephoning Vizzini, threatening him to stay away from political activity, or else. Vizzini did go ahead and endorse an 18-month debt moratorium in June 1975, but by late Fall, the Justice Robert's terror campaign was effective, and Vizzini dropped away from debt moratorium work.

Countless others were subjected to similar operations.

Lazard made a special point of taking over the Democratic Party, just as Albert Gore wing of the Democratic Party is leading the fight against D.C. General, and the general welfare of the nation. In 1976-77, Lazard Frères purged the old-line machine politicians from the New York Democratic Party, and took it over. According to the biography of the longtime head of the U.S. branch of Lazard Frères, André Meier, one of Meier's top protégés was Arthur Ross, the head Central National Corp. Ross and the Rupert Murdoch-run *New York Post,* took hold of the New York mayoral candidacy of U.S. Rep. Ed Koch in 1976. Koch was running fifth in the field of six candidates for the Democratic nomination, with only 4% of the vote. Ross and the *Post* propelled Koch to win the Democratic nomination. In this Democratic city, Koch handily won the mayoralty election in November 1977.

As mayor, Koch ruthlessly suppressed all opposition the FCB/Big MAC policy inside the New York City Democratic Party, just as Al Gore wing of the Democratic Party, through such creatures as Donna Brazile, is doing today in Washington, D.C. He often made budget cuts before the FCB/Big MAC asked him to.

Opportunity Lost

The fight against FCB/Big MAC policy was far from over, and during 1976, the LaRouche-led forces continued to build forces against Lazard-led fascism. An inflection point came in August 1976 at the summit of the Non-Aligned Movement in Colombo, Sri Lanka. There, the courageous Foreign Minister and Justice Minister of Guyana, Frederick Wills, a friend and ally of LaRouche's, introduced a resolution calling for a global debt moratorium, which was passed by the assembled delegates. Immediately, U.S. Secretary of State Henry Kissinger deployed internationally, to prevent governments from acting on the Colombo resolution.

By August 1976, the accumulated threats and buyoffs of crucial and potential debt moratorium allies, stopped New York, with its international importance, from adopting a debt moratorium. Mayor Ed ("Feel the Pain") Koch moved to crush those in the Democratic Party who had listened to Lyndon LaRouche, as did Victor Gotbaum in the labor movement. Many people in New York backed off, under the threats of Koch, Gotbaum, and Rohatyn.

A golden opportunity for profound change had been lost.

In Washington, and other cities, the lesson of New York City in 1977-82 shows that the financiers' plans can be broken, by following the economic principles and leadership of LaRouche.

If not, the spiral downward will be very deep.