

**DEVELOPING
AND
UNDERDEVELOPING
NEW YORK**

**The "Fiscal Crisis"
and a Strategy
for Fighting Austerity**

by Philip Mattera and Donna Demac

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The "Fiscal Crisis" and A Strategy for Fighting Austerity

by Philip Mattera and Donna Demac

What has been happening in New York? Since December of 1974, the city has been in a state of constant turmoil. Hundreds of millions of dollars worth of public services have been eliminated, tens of thousands of city workers have been laid off, and local elected officials have been replaced with several groups of ruthless planners from the corporate elite. Throughout this, we have been subjected to a bewildering assortment of explanations for what has been going on; yet whether the statements have come from public officials, opposition politicians, businessmen, union leaders or professors, they have all tried to explain things in terms of either the obscure workings of high finance or the ineptitude of local officials. The problem with such accounts, besides their ambiguity, is that they portray us, the people of the city, as helpless victims, and portray those now in power as selfless public servants who are trying to conquer this mysterious crisis so we can all live a better life.

We, the writers of this pamphlet, say that both of these images are entirely false. The crisis in New York is the result of a long struggle between working people of the city — including factory workers, office workers, students, housewives, the unemployed, etc. — and those who run the city, namely big business and government. Our struggle has been to increase our standard of living and make our lives less dominated by work, while business and government have sought to limit these gains and continually reinforce the discipline of work. Many groups in the city — especially skilled workers, city employees, and welfare recipients (who are mainly

housewives doing the work of raising children) — have made fantastic gains in the past 15 years, and we have all increased our power to get more of the things we need and want in this society: to spend less time making a living and more time living.

This is not to say that things are now so rosy. Because capitalism can only function when our income is strictly limited and we can be forced to work long and hard, there has been in the past few years a deliberate attempt by those in power to push back the gains made since World War II (and especially in the past 15 years) — gains which were never enough. The disintegration of the “work ethic” and the demand for higher income were not limited to New York — in fact it has been an international phenomenon — so the responses by those in power have been national and international. Unemployment and inflation have been used as tools to undercut our gains by trying to transform the struggle *against* work into a struggle *for* work, that is, for jobs. The limitations of these tactics, due to our accumulated power, have been most marked in New York, so it is here that the “fiscal crisis” has been imposed as another dimension of the counterattack. In this way, New York is also serving as a *social laboratory* to test strategies for use elsewhere in the U. S. and around the world. This was candidly expressed by the publisher of the elite journal *New York Affairs* in an article published in the *New York Times* in early 1976: “Whether or not the promises of social and economic entitlements of the 1960s can be rolled back to a lower order of magnitude is what is being tested in New York City . . . If New York is able to reduce social services without civil disorder, it will prove that it can be done in the most difficult environment in the nation.”

What we can conclude is that the cutbacks and layoffs are not the crisis, but the *solution to the crisis* stemming from the power we in the city have gained to get more money for less work. This distinction between the crisis of business and government, and Capital’s *counter-offensive* is crucial if we are to develop a new and effective political strategy for resisting the artificially imposed austerity.

The term “Capital” is partly a substitute for the phrase “business and government” and is a recognition of how closely the two work together to limit our power. But more importantly, Capital refers to the social and economic system which imposes forced work as the central activity of everyone’s life. We say “forced” because work is no longer primarily a process in which we create necessary goods and services for everyone’s survival and well-being: it has become more and more a form of social control on a mass level. For some of us this means being compelled to take jobs

which involve essentially "busy work," so that work serves as a device for limiting our access to the social wealth to the meager check we receive from a corporation or the government. Some indeed do more necessary work, but more often than not this comes down to keeping control over others. In general, work is the system in which our income is strictly limited and our lives are controlled. Yet we continue to struggle against this system, and ironically enough, it is this very struggle which has forced Capital to invent obedient and efficient machines for doing the essential work (producing food, etc.). Thus, the material conditions now exist for everyone to live well with very little labor, but Capital uses busy work and "police" work to keep us in line. Whatever gains in income and reduced work we have achieved have not flowed automatically from automation and "affluence" — they have been the results of long and hard battles with those in power.

What this pamphlet tries to do is substantiate these claims about the crisis and the counter-offensive in New York. We begin with a survey of the struggles of the past in order to see how we built our power, as well as why Capital has responded so viciously. We concentrate on the period from the early 1960s to the early '70s; this is not because struggles did not exist in the city before this time, but because it was during this period that they reached an intensity that threatened the very foundations of capitalism. Yet a few words must be said about the roots of the crisis in previous decades.

The roots of the crisis of New York and other cities are to be found in the countryside. In the case of New York this includes the countryside of the U. S. South, Puerto Rico and Europe, but also countless other parts of the globe. The reason is that New York is the city of the displaced peasantry of the world. It is the gathering point for the people thrown off the land in the course of the capitalist transformation of global agriculture. So, during the last 150 years the city has been the point of arrival and often permanent home for successive waves of immigrants: Irish and Germans from 1840 to 1870; Italians and Jews from 1870 to 1930; and then Blacks and Hispanics from the 1930s to the present. As a result, "ethnicity" has been one of the foundations of working class power in New York.

For the earlier waves of immigrants, one of the main centers of this power came to be the city government. Irish cops, Italian sanitation workers, and Jewish clerks steadily improved their standard of living and their working conditions, first through political patronage and then through union strength. The later immigrants, however, took a different course: Blacks and Hispanics

were kept out of the positions which the white immigrants established for themselves — yet they found new ways to resist the misery of the ghetto, confronting Capital directly and posing the dangerous demand for increased income not tied to a waged job.

The Human Capital Strategy

This is the situation which faced those in power at the beginning of the 1960s in New York, and, in less intense forms, in cities across the country. A strategy was needed which would serve to subdue both waged workers (in the private and public sectors), who had been consistently rebellious during the 1950s, and the unwaged population, whose emerging civil rights movement threatened to turn into something dangerous for business and government. A solution was sought through the so-called human capital strategy, which was at the heart of the domestic programs of the Kennedy and Johnson administrations. Its purpose was twofold. With large federal investments in education, job training, health, and community development, this strategy was intended to create a new supply of (hopefully cooperative) labor in the ghettos by seeking to direct the frustration of the unwaged into vocational programs. At the same time, this would increase competition for jobs and undermine the power of the waged. Thus, countless millions of dollars were invested in programs such as the Manpower Development and Training Act of 1962, the Vocational Rehabilitation Act of 1963, and the crowning glory: the 1964 Economic Opportunity Act — Johnson's frontal assault in his "war on poverty." The ease with which ghetto residents and students obtained grants and funds for an unlimited array of programs during that time is in sore contrast to the equally deliberate austerities of today.

But from the very beginning there were signs that the intended participants would refuse to co-operate with the terms of the strategy. Just before the Economic Opportunity Act became law, the first of the major ghetto riots of the '60s erupted in New York, beginning in Harlem and spreading in the July heat to Bedford-Stuyvesant and elsewhere. There had been riots in Harlem before — notably in 1935 and 1943 — but it was widely acknowledged that there was something different about the 1964 uprising, something that was to characterize the rest of the urban riots of the decade. No longer were these outbursts simply expressions of anger and frustration — they were certainly that! — but they also took on an "economic character." As looting became the primary activity it became clear that the riots were acts of direct appropriation of social wealth, the wealth which was denied ghetto residents

most acutely because of their wagelessness. One of the clearest examples of these acts, which sociologists Nathan Glazer and Daniel Moynihan have appropriately labelled "commodity riots," was an incident that took place in New York in 1967, in which Black teenagers looted Fifth Avenue shops of more than \$26,000 worth of very expensive merchandise.

During this period, ghetto residents also organized to collectively reduce the prices of the things they needed, especially housing. During 1963 and '64 a wave of rent strikes swept through New York, especially in the ghettos.

Struggles between tenants and landlords in the city date back to the earliest waves of immigrants. Popular resistance to the miserable conditions of the tenements in the late 19th Century forced the New York state legislature to pass the first set of housing regulations in the country — the 1901 Tenement Housing Law. Yet much of the ghetto housing in the city remained in miserable condition, leading tenants to begin a mass movement against the landlords during and after the First World War. In May of 1919, thousands of people, led by the Tenants Defense Union, staged powerful rent strikes across New York, frightening the legislature into passing the nation's first rent control law in 1920. This upsurge was revived in the 1930s when the original law expired, and the state was compelled to continue the controls.

Tenant power kept rents relatively low, but building conditions continued to deteriorate: in 1963, about one-half of the tenements in the city, *condemned as unfit for human habitation at the beginning of the century*, were, with only slight modification, still standing. It was this which provided the impetus for the new round of tenant actions. The rent strike movement — led by independent activist Jesse Gray and the Congress of Racial Equality — reached its height in 1964, when tenants in more than 500 buildings in different parts of the city withheld payments to landlords. Out of this came many permanent reductions in rent, emergency repairs, a \$1 million rat-exterminating program, and some new legislation. Yet the greater impact of the campaign was due to the expressions of anger and power by the tenants, including symbolic actions such as the bringing of rats caught in their apartments to court during rent strike trials and the Rats to Rockefeller action, in which hundreds of rubber toy rodents were mailed to the Governor's office. The obvious power of the tenants alarmed the city government, which quickly "opened the lines of communication" with tenant leaders, including the establishment of "hot lines" to heads of city agencies, enabling tenants to get immediate rent reductions.

The uprising and rent strikes of the early '60s served as the

prelude for a much larger and more powerful struggle: the welfare rights movement. The welfare system — primarily the Aid to Dependent Children Program — was enacted in 1935 as part of the Social Security Laws, which grew out of social struggles during the Depression. Welfare rolls shot up after the Second World War, but remained relatively low in the '50s due to harsh restrictions in many states. As late as 1960, the average ADC payments were only \$35 per person a month in the Northeast, while rates in the South, for example, were much lower.

The welfare rights movement, which grew out of resistance to this miserable standard of living, led to a direct confrontation with the Federal government, which was seeking to channel the anger and frustration of the ghetto in directions which would serve Capital. The plan was to *unionize* the ghetto, to put the poor into organizations, dependent on Federal funding, which would seek concessions, but keep their members under control and not seriously challenge existing institutions. However, before long, this strategy failed. For not only did people resist unionization, but they used the very money of the programs to thwart development and dependency. For example, one of the roots of the welfare rights movement was the Federally-funded Mobilization for Youth, a counselling and job-training program that began operation in the Lower East Side in 1962. MFY workers and neighborhood people used the organization and its funds, not as Washington had intended, but to launch an attack on the welfare administration, forcing it to end the midnight raids and the forced deportation of many recent migrants from the South and Puerto Rico.

The national welfare rights movement grew out of the Poverty Rights Action Center, set up in Washington in 1966, which organized a series of demonstrations in more than 15 cities in the Summer of that year. The National Welfare Rights Organization, a federation of local groups, was founded that August and grew to a membership of 100,000 at its height in 1968 and 1969.

In New York, the welfare rights offensive was strongest, gaining much momentum in the successful winter clothing campaign of 1965-66. In '67, the city WRO group launched a drive to force the welfare administration to give all recipients hearings to determine whether they were receiving all they were entitled to, while simultaneously fighting for special clothing and furniture grants. By the time the groups staged a sit-in at a conference of business leaders, organized by Governor Rockefeller to discuss the "welfare problem," the movement had become a formidable political force in the city, capable of undertaking daily demonstrations throughout the five boroughs.

Welfare Struggles and Public Workers

The organized welfare rights movement also inspired other wageless people to take action. In May of 1968, for example, thousands of poor women stormed their local welfare offices demanding special payments, and after sit-ins lasting as long as a week, checks were distributed to the demonstrators. Actions like this one forced the welfare administration to disburse more than \$13 million in June of 1968 alone, while the annual rate of special payments catapulted to more than \$100 million. And when the special funds were eliminated through a "simplified" payments system," militant protests were held at City Hall, and welfare mothers attacked several offices around the city, disrupting operations, destroying property and confronting welfare administrators.

The most dramatic result of these struggles was the explosion in the number of caseloads in the city — a jump from 324,000 recipients in 1960 to 889,000 in 1968 to a high of nearly 1.3 million in 1972. At the same time, general payments for ADC recipients rose sharply, from about \$2100 a year for a family of four in 1960 to almost \$4000 in 1971, not to mention the growing number of other subsidies available.

During this period, "clients" asserted their rights to the payments — the women seeing them as a form of wages for their housework — and fought all attempts by the government to force recipients into (low-wage) jobs outside the home. A 1966 study found that of a sample of recipients placed in jobs during a 30-day period, 84% left the jobs within a month — 90% of those within two weeks! There was also a breakdown of the work inside the family — a dissolution of parental roles — as husbands and wives made arrangements ("fiscal abandonments") so that welfare payments could be maintained. This breakdown of family structure alarmed business and government, which were fearful of its effects on the labor market. The First National City Bank, for example, wrote in its Monthly Economic Letter that: "The fact that welfare is, in practice, such an accessible alternative to low-income work is troubling . . . The optimum solution lies in the direction of putting the major emphasis for employable males on developing stable job career ladders, so that husbands will be better able to support wives and children without going on welfare or resorting to abandonment." But not only did ghetto men refuse to climb those ladders, many other men and women left their waged jobs once the welfare struggles pushed payments up to a decent level. In general, in New York and elsewhere, the much-heralded "work-ethic" was rapidly disintegrating as more and more people sought more income that

did not require work.

The immediate effect of rebellion among the ghetto population was on city workers, who were usually the ones put in the position of dealing with poor communities as police, firefighters, teachers, and social workers. A surge in public worker militancy was first seen in the welfare workers' strike of 1965 — which coincided with the growth of the welfare client's movement. The four-week walkout was led by the independent Social Service Employees Union and was mainly concerned with the issue of workload — a matter which the Welfare Department was fond of describing as a managerial prerogative. The action was successful, not only in terms of winning large wage increases, sharp cuts in workload, and bargaining procedures in areas previously controlled by management; but also in ushering in a period of intense struggle by city workers that continued into the '70s. During this period, city workers in New York were at the forefront of a nationwide upsurge by public workers, whose numbers more than doubled in the course of the '60s, as strikes rose from 20 in 1960 to nearly 400 in 1970. As *Fortune* magazine put it, public workers "increasingly look upon unions as a lever to pry loose more money." As strikes became more than mere possibilities, the distribution of power at the bargaining table was radically altered.

After the strike by welfare workers largely destroyed *managerial* prerogatives concerning wages and workload, the transit workers' strike of 1966 began to establish what amounted to *workers'* prerogatives on these issues, growing out of rank and file pressure on Transit Workers Union head Mike Quill to adopt a tough stand against the new mayor, John Lindsay, who took office only hours before the strike began. The action succeeded in paralyzing the city, and especially business, which lost close to a billion dollars. By the time transit workers ended the 12-day strike, they had won a 15% wage increase over three years and a \$500 retirement bonus. More importantly, it was this strike which dealt the deathblow to the Condon-Wadlin Act — which was supposed to prevent strikes by public workers — since the law proved useless to the city administration in dealing with the transit workers.

This was recognized by both the city and the state governments, which proceeded separately to search for new mechanisms for controlling public employees. Governor Rockefeller assembled a panel, headed by labor expert George Taylor, that made recommendations which led to the Taylor Act — a law which still prohibited strikes, but established new mechanisms for collective bargaining. The city government, meanwhile, had created an Office of Collective Bargaining that was the more liberal of the two ap-

proaches, as it was comprised of representatives of the city administration, the unions, and "the public." The enthusiasm expressed for the OCB by most of the city union leaders indicated how concerned they too were to find new ways of controlling their memberships.

Nevertheless, this wish was not fulfilled. In February of 1968, thousands of sanitation workers staged a wildcat strike in defiance of both the city administration and union leader John De Lury. The nine-day action created a severe crisis for both city and state governments, prompting the Governor to threaten to take over control of the city's sanitation department. The wildcat was also all the more dramatic because it took place simultaneously with the strike by sanitation workers in Memphis, Tennessee. It was in this strike that Martin Luther King, Jr. tried to link civil rights struggles to workers' struggles — and it was then that King was assassinated.

Later in 1968 another group of city workers in New York was involved in one of the most explosive controversies of the decade — the conflict between teacher demands for control over their working conditions (specifically, due process in hiring and firing), and the demand by community groups for control over local school policy, i.e. control over the conditions of their children in school. This conflict, which resulted in a long teacher's strike that Fall, was like the struggles of welfare recipients and welfare clients, in that rebellion among the ghetto population fueled militancy among city workers; yet unlike the welfare situation, the anger of the two groups in the school controversy was directed, not at the city administration, but at each other. Nevertheless, each group did make significant gains vis-a-vis the administration.

The Crisis at CUNY

Similar tensions arose in the sphere of higher education. Students fighting for greater control of conditions in the City University faced opposition from faculty members, who, in turn, pressed the administration in a battle to improve their working conditions and salaries. The wage fight was quite successful, as seen in the jump in starting pay for instructors from \$5600 in 1959 to \$11,005 in 1969 — a rise of 97%.

The students were engaged in a battle to thwart the ongoing transformation of CUNY, changes that were part of the expanding role of the university in postwar U. S. capitalism, and especially the human capital strategy of the '60s. From its inception in 1847, CUNY has functioned as a training center for the manpower needs of the major industries and businesses of the city. With the onset of the human capital era, CUNY placed great emphasis on com-

munity colleges, vocational training, and social work; in addition, the Board of Higher Education drew up a long-range plan for CUNY which included open admissions for all high school graduates in the late 1970s.

There are two sides to the relationship of students to CUNY in this context. On the one hand, free public higher education in the city has enabled children of the ghetto to break out of the trap of wagelessness; for them, as well as for young people of other sectors of the working class, going to CUNY was essentially a way of gaining access to higher paying jobs in the future. At the same time, CUNY students, like the participants in the poverty program, sought to shape the development being offered according to their own needs rather than those of business. This was most clearly expressed in the demands for Black and Hispanic Studies, to which were added demands for more "minority" faculty members and for a racial composition of CUNY that reflected the composition of the city as a whole. Such demands were involved in the battle by students to gain greater control over the SEEK Program, which not only served some of the specific needs of Black and Hispanic students, but also provided them with living stipends — a form of wages for students.

Student struggles reached their height in the Spring of 1969, as a series of demonstrations and occupations forced the Board of Higher Education to close most of the CUNY system for several weeks. And even after the schools re-opened, protests continued until the Board indicated it was ready to make some concessions. However, the main concession — the immediate introduction of open admissions — was an ambiguous victory for students, since it did not challenge the conditions or function of the CUNY system. Yet, the growth of student power turned the university into yet another arena of struggle, making largely impossible the implementation of the human capital strategy in CUNY or elsewhere.

The era of militancy on the part of public workers and students at public schools reached its highest expression in the gains by the uniformed services — the police, firefighters, and sanitation workers — in the late '60s. After staging separate wildcat actions in 1968, the three groups forced their union leaders to wring higher and higher pay and benefits out of the city administration. It was this agitation which prompted *Business Week* to proclaim this period "The Age of the Public Employee."

The main way in which the uniformed services pushed up wages was through the parity issue. Traditionally, police and firefighters had received equal pay and sanitation workers eventually won 90%

parity. But the ratio of the wages of fire lieutenants to those of firefighters grew to be higher than the ratio of the wages of police sergeants to those of patrolmen. Seeing their jobs as equivalent to fire lieutenants, the sergeants in 1967 asked the newly-created Office of Collective Bargaining to raise their wages, so their differential with patrolmen would be more in line with that between lieutenants and firefighters. The OCB agreed to narrow the gap, but the patrolmen objected and demanded a raise to restore the old ratio — a demand which they affirmed with a six-day wildcat strike in January of 1971. The city gave into the patrolmen's demand — thus putting itself in the position of having made contradictory promises to two groups of workers. The result was that the sergeants and the patrolmen could now drive up wages without limit by alternately demanding the fulfillment of the two agreements made by the administration. To complicate things more, firefighters and sanitation workers came forth with further parity demands, so that after the dust cleared, the city was forced to pay out *\$200 million in increased wages!* And subsequently, base pay for police and firefighters, which had been \$7806 in 1964, rose to \$14,300 in 1973, while total labor cost per worker rose from \$10,368 to \$21,786 in the same period.

The major component of the vastly increased labor costs was the sharply rising contribution the city was compelled to make to public workers' pensions. Beginning in the 1950s, city workers began to push for better benefits at less cost to themselves (originally, the city paid half the cost for all workers but police and firefighters, for whom the share was 75%). Workers won the right to have social security along with the pension, the inclusion of overtime in the computation of the pension base, and other enrichments. In the early '60s, they won a major battle with the introduction of the Increased Take-Home Pay plan; with this city employees obtained tax-free wage increases as the administration agreed to increase its share of pension contributions. By 1972, no worker's share of pension costs was more than 40%, while transit workers got the administration to pay 100% of their retirement benefits.

The pension gains — gains once again which gave workers more money and less work — soon alarmed the state legislature, which has ultimate jurisdiction over pension regulations. In 1971, the body rejected pension-enrichments agreed upon by the city and District Council 37, the largest of the unions. Victor Gotbaum, the leader of DC 37, responded by calling the "biggest, fattest, sloppiest strike" in the city's history. Bridge-tenders left spans in the up position and incinerator workers walked off the job, forcing

the Sanitation Department to dump 700 million gallons of raw sewage into the city's waterways. Nevertheless, this strike, unlike virtually all of those by city workers in the previous ten years, was a failure.

The Decline of Professionalism

The reasons for the failure were complicated, but what was clear was that the crushing of the strike was the turning point in the growth of city workers' power in New York — a development which coincided with setbacks for other sectors of the working class in the city. Those in power had apparently concluded that the social relations of the system were deteriorating seriously: the "community" had become helpless at the hands of city workers, welfare recipients, students, and others. Something had to be done, and before long Capital's counter-offensive was launched. At its center were the imposition of a climate of austerity, the creation of artificial scarcity, and the attempt to reimpose the discipline of work. Yet, before the counter-offensive can be understood, it is necessary to say more about the nature of the crisis faced by business and government.

For city workers the crisis meant the end of the era of the "civil servant" — the elite corps of public employees whose work had an aura of high-status and professionalism. The merit system was effectively destroyed as wages and working conditions came to be determined by nothing other than the collective power of these employees. The result was an enormous growth in the ability of city employees to avoid work and demand higher and higher wages and benefits. By the end of the 1960s, labor analysts for the city administration admitted that there was little that could be done to prevent sleeping on the job ("cooping"), late arrivals, early departures, excessive lunch breaks, and other "inefficient work practices." The steep decline in the work done by city employees required large increases in payrolls: from 1960 to 1970, the number of welfare workers rose 225%, teachers 123%, and police 42%. At the same time, militancy drove up wages at an unprecedented rate during the decade: 112% for police and firefighters, 106% for sanitation workers, 97% for CUNY faculty, and 77% for public school teachers.

This decline in professionalism was intimately related to the transformation of the wageless population in the city, the main "beneficiaries" of the services city workers were supposed to provide. Teachers could no longer function as professionals when children became totally undisciplined and often attacked the teach-

ers. Police officers could no longer function as professionals when they were harassed by ghetto crowds and shot down in the street. Welfare workers could no longer function as professionals when they too were attacked by their "clients."

This rebelliousness of the wageless population was a reaction to the system which blocked Blacks and Hispanics from following the route to assimilation (and to waged jobs) that was opened to the previous white immigrants. The reason was that Capital kept the non-white population on reserve as a source of cheap labor for periods of expansion, a situation which also created deep divisions in the working class based on the wage. What is remarkable, however, is that the wageless population, despite their tenuous links with the factory or office, found ways to confront Capital with demands for a higher standard of living. Throughout the '60s, the unwaged in the ghetto found ways to win more money and less work in the context of the *social factory*.

The impact of the struggles of the wageless affected not only city workers, but waged workers in the private sector of New York. The rejection of miserable and low-paying jobs by Blacks and Hispanics made it more difficult for business to use them to undermine the power of waged workers, who were then better able to win further gains. This process reached a critical point when the welfare rights movement pushed the total of payments and subsidies above the amount equal to the pay received by workers at, or just above the minimum wage. As more and more people made themselves "unavailable for work," the percentage of the employable population in the city holding waged jobs sank steadily, thus dissolving the labor-supply of many low-wage industries.

This aided in the emergence of intense struggles by waged workers in the private sector. The upsurge began with the electrical workers' strike of 1962, which resulted in a 25-hour workweek and large wage boosts — gains which so disturbed President Kennedy that he called for all future raises to be tied to increases in productivity and declared that the "national security" required the 40-hour workweek. But Kennedy's pleas for labor moderation were not heeded in New York, as a strike wave began with walkouts by hospital, communications, and, most importantly, newspaper workers — who closed down all the city's dailies for four months. In the following years the militancy persisted, led by the newspaper workers and by dockworkers, who staged repeated wildcats from 1963 to 1969. By 1970, the annual rate of "man-days lost" due to strikes rose to nearly two million, and wages were shooting up rapidly in virtually all sectors. This period of militancy culminated in the Postal Strike of 1970, which, although it involved public

(Federal) workers, brought together all of the major issues in the private sector battles of that era, including the fight against speed-up, resistance to the use of sophisticated machines to discipline workers, and especially the demand for more money and less work. The illegal strike began, and remained strongest in New York, and it was also here that the postal workers emerged victorious after the national guard troops sent in by President Nixon were unable (and quite unwilling) to break the strike.

Divisions and Underdevelopment

We can now come to an overall generalization about the struggles in New York that we have looked at. What characterized them all was that each was a cause of and response to struggles in other sectors. We have mentioned ways in which the struggles of the unwaged fueled struggles of the waged, but the opposite was also the case. Disinterested clerks not bothering to check eligibility helped to expand the welfare rolls. Police corruption helped to foster the criminal life-style of the ghetto. And frequent walkouts by teachers stimulated the rebellion of students. In addition, the growing power of leading sectors of the waged, such as construction workers, in effect strengthened the welfare rights movement, since the barring of black men from the high-paying jobs made them all the more militant in their confrontations with the government to demand money outside of the waged job.

This is not to say that the divisions in the working class had dissolved; on the contrary, what are called racism and sexism were rampant during this period. But it is important to see that what is at the root of these "isms" is not backward thinking, but very real divisions between Blacks and whites and men and women, based on the wage (or the lack of it), for in this society the wage is the foundation of working class power.

What was unique was that while these divisions continued to exist, when groups of the waged and the wageless confronted one another they used the antagonism as a basis for making greater demands on Capital. This is even seen in confrontations of different groups of waged workers. The parity dispute, for example, was indeed a case of rivalry among groups of city employees — but more important was that the dispute resulted in quick, large wage increases for *all* the parties involved. Similarly, the animosity between many city workers and welfare recipients grew steadily during the '60s — and there were many bitter confrontations — yet in the end the employees gained enormously increased wages and benefits and the recipients gained enormously increased payments and subsidies. *What is clear is that these two phenomena could not*

have taken place without each other.

This is not to say that the struggles of the different sectors were consciously co-ordinated and planned, but that the divisions were turned around and used against Capital itself, a process largely unprecedented in the history of capitalism. There was nothing mystical about this; it was the consequence of the discovery by the wageless of effective ways to struggle against Capital in the social factory, which, in turn, "proletarianized" the working conditions of city workers (whose work was predominantly involved with the wageless), leading them to make greater and greater demands on the administration for more money and less work.

Those in power were clearly alarmed by this state of affairs: waged city workers could no longer be counted on to control the wageless, who themselves, could no longer be counted on to function as a reserve army of labor to undermine the power of the waged. The initial response to this phenomenon by business was to direct large flows of money and investment out of the city and to rearrange the flows remaining. There is nothing mysterious about these flows, which continue to the present day; they are clear responses to the initiatives of waged and unwaged workers, and so are part of the general process in which Capital tries to control labor on a world scale. This tactic has been used repeatedly in the "Third World," but it was only relatively recently that it was applied to the developed world — especially New York, but also much of the rest of the U. S., Britain, and Italy. This use of underdevelopment as a weapon — the cutting back of investment in places where workers become too strong — in the "First World" indicates that there are no longer any fixed loci of development. No longer is there simply a developed U. S., Western Europe, and Japan, and an underdeveloped "Third World" in Africa, Asia, and Latin America. The high degree of the mobility of capital and labor allows the flows to occur in many directions, and right now the flow is *out* of New York and much of the northeastern U. S. and into the southwestern U. S. and the Middle East. *New York has been underdeveloped, it has been made into a "Third World country."*

What it means for the people of the city to be underdeveloped is to be thrown out of their jobs, to be deprived of the wage. This condition of wagelessness has always afflicted women and non-whites, but underdevelopment extends it to the entire community. It is a condition of being kept on reserve, of being forced to eke out a marginal existence until Capital feels it can again use our labor profitably. We see this clearly in the extent to which New York has become Unemployment, as well as Welfare City. Total

employment in the city stagnated during most of the '60s, followed by a sharp drop beginning in 1969. The sector which experienced the most marked decline was manufacturing, in which employment fell about 20% in the decade, especially in the garment, electrical machinery, and fabricated metals industries. At the same time, investment and employment grew sharply but then fell in the fields of education, health services, finance, and business services. Overall, the sectors which have been underdeveloped have been those with high wages and low productivity, or with low wages but a dwindling labor supply.

The flow of capital out of New York (and other "old cities" of the northeast) has been directed to more profitable areas for investment, as is dramatically seen in the spectacular development of the "sunbelt" — the states ranging from Florida across to southern California. The *New York Times* noted this phenomenon early in 1976 and described the amazing case of Huntsville, Alabama: "Huntsville, in 1950 a placid cotton and textile town of 16,000 is today an urban center of 143,000, saturated with the kind of corporate facilities most small-town industry hunters can only dream about — Chrysler, IBM, Rockwell International, General Electric, Lockheed, GAF, Burroughs, and scores of others." The *Times* went on to describe the dozens of government and military installations which have flocked to Huntsville and other cities like it. And another indication of the role of the Federal government in promoting the relocation of development is seen in tax and investment policy. In 1974, nine northeast states paid \$20 billion more in taxes than they got back in the form of Federal investment, revenue-sharing, aid, etc., while the "sunbelt" states received \$13 billion more in such investment and aid than they paid in taxes.

This massive transfer of development on the part of business and government has not been undertaken arbitrarily. One of the reasons frequently cited for the shift is the accumulated power of workers in the northeast to demand high wages and extensive benefits. Another factor was also illustrated in the *Times* series: "When Shell moved 2,500 jobs and Kellogg moved 1,200 jobs from New York to Houston, they found that worker efficiency rose 20 to 25 per cent. Commuting delays, long lunches, and "attitude problems" had reduced the effective employee workweek to little more than 32 hours in New York . . . (In Houston), employees put in a solid 40-hour week." In other words, the refusal of work, as well as the demand for high wages and benefits, was the basic reason for the underdevelopment of the northeast.

We will discuss below a strategy for dealing with this situation,

but now let us briefly turn to a discussion of what is customarily said to be the basis of the crisis in New York: the problem of the budget. The dramatic struggle we have described as taking place in the past 15 years has been reduced by many to a question of revenues and expenditures.

The Budget Crisis

The basic fact of what is called the budget crisis is that the rate of growth of expenditures in the city has far outstripped the rate of growth of revenues. Expenditures rose from \$3.3 billion in 1965 to \$8.5 billion in 1972, while locally-raised revenues during the same period started at only \$2.5 billion and merely increased to \$4.6 billion: a jump of more than 154% in expenditures and only 83% in local revenues. But this rapid rise in costs was neither an accident nor simply an organic process; it was a clear reflection of the gains made by city workers, welfare recipients, and other groups. Similarly, the decline in revenues emerged out of the struggles in the city. The large majority of local revenues are supposed to come from property taxes, and despite the steady rise in real estate values, these revenues have been stagnating for the past 20 years, falling from 49% of local revenues in 1956 to less than 26% in 1972. The cause of this has been the battle over rent control. The power of tenants to force some degree of stabilization of rents has led many landlords, especially in the ghettos, to abandon buildings or hire someone to burn them down, which in either case means that real estate taxes are not paid.

The insufficiency of these and other taxes on business is seen in the fact that local revenues have been comprising a smaller and smaller part of available revenues, falling to less than 55% in 1971. Thus the talk of achieving a balanced budget through local taxation is totally unrealistic; the city administration has had to "live beyond its means" or not live at all. Its continued existence has been made possible through increasing levels of external aid from the state and Federal governments (and also from borrowing, but more on that later). By 1973, these forms of revenue were paying for 46% of city costs.

The significance of all this is that there are no immediate limitations on what can be gained from struggle against the city administration. The issue is no longer one of scarce resources but of having adequate power to force the three levels of government to make concessions. The cry that "there is no money" is far from absolute. Money can be made available in the form of higher corporate taxes or more external aid or whatever, once Capital is put in the position of having to meet demands. Therefore, what is called the

fiscal crisis of New York is not a fiscal crisis at all. The problem of stagnating revenues and increasing expenditures became *the crisis* only when the funds that were propping up the city administration were taken away. And the reason these funds were withdrawn was not simply that the administration had lost control over its accounting, but that it had lost control over the people of the city.

The Counter-Offensive

This brings us to the counter-offensive. Since the early '70s, the phoney concern with balancing the budget has been one of the key elements in the effort launched by business and government to reverse the gains made by the working people of New York. In the name of the "money shortage," external aid to the city began to decline, and steps were taken to crush the power of public workers and welfare recipients. In addition to the undermining of the 1971 pension strike, the Rockefeller administration required welfare recipients to have photo identification cards; an inspector-general for welfare was appointed to fight fraud; Rockefeller tried to impose a residency requirement for eligibility; and recipients were pressured to take low-wage jobs in the Incentives for Independence Program. At the same time, there was a drive to impose a stricter correlation between wages and productivity of city workers — even though it was admitted to be difficult or even impossible to measure productivity in many public services. Mayor Lindsay brought in the Rand Corporation for this purpose, and in 1972 the city spent \$20 million for the country's first comprehensive productivity program in government. New York became the vanguard of a national attempt by those in power to use this time-honored method for controlling workers. At about the same time as the Rand project, the newly-formed National Commission on Productivity began to fund extensive studies concerned with measuring public worker output, while *Fortune* magazine published an influential article entitled "City Hall Discovers Productivity" — which included the warning that "one of the principal concepts that city officials need to adopt from business is the essential link between productivity and wages."

The problem with these first steps of the counter-offensive in New York was that despite the failure of the pension strike and other setbacks, the working class still possessed an enormous degree of accumulated power. Hence, while city workers agreed to some changes in work rules, they demanded in exchange wage increases that exceeded the savings the administration hoped to make by the changes — thus blowing apart the intent of the

scheme. Welfare recipients likewise resisted. Although the rate of growth of the rolls subsided, the benefit levels continued to rise and there was growing rejection of the low-wage work that was being imposed. In general, then, those in power soon needed to intensify the simple money shortage strategy, to push it beyond mere moves to shake up a few "lazy" city workers and "welfare chiselers." The result was the crisis of debt dependency and the corporate coup d'etat.

Nearly all state and local governments in the U. S. regularly borrow money by selling tax-free long-term bonds and, less frequently, short-term notes. The notes are usually a way for governments to delay issuing bonds for capital projects until the market is most favorable. But in a few cities, pre-eminently New York, short-term borrowing was made the crucial tool for dealing with operating deficits and cash-flow problems. The level of such borrowing by New York's administration exploded beginning in 1969, rising from about \$750 million that year to more than \$2.5 billion only three years later: *a situation that was vigorously promoted by the major banks and the rest of the business community.* It was precisely this growth of borrowing which established a formal dependency on financial institutions for the city, a dependency which served as the foundation of the intensified counter-offensive.

This tactic was initiated in the Spring of 1974 through the demand by the major banks for higher and higher interest rates on short-term notes — supposedly because of "eroding investor confidence in the city." This pressure set in motion, beginning that December, a series of administration actions with which we are only too familiar. Tens of thousands of layoffs of city workers and the intensification of the work of those who remain. A wage freeze, reduction in benefits, and forced investment of billions of dollars of pension funds in city notes and bonds. Hundreds of millions of dollars worth of cutbacks in public services and sharp increases in transportation costs. Higher taxes for the waged, reduced payments for the unwaged, and the imposition of tuition at the City University. And finally, the replacement of local elected officials with the corporate planners — accountable to no one — of the Municipal Assistance Corporation, the Management Advisory Board, and the Emergency Financial Control Board. (This last development indicates once again the severity of the crisis which we generated for Capital. To carry out the counter-offensive, those in power were forced to take the bold step of replacing elected officials, who proved too weak in dealing with us, with a group of men who do not even offer the illusion of having been freely chosen by the people.)

The responses to these measures are also familiar: powerful strikes and job actions by city workers, frequent demonstrations and occupations, resistance to the transit fare increase, agitation in the private sector, and the massive rent strike at Co-Op City.

The Future of Austerity

At this point it is difficult to assess the impact of Capital's intensified counter-offensive and the effectiveness of our resistance. To some extent, we have failed miserably: the businessmen now in immediate control of the city have been successful in bringing about many reductions in our standard of living (in terms of both money and services) and increases in our work on and off the waged job — all without major upheaval. At the same time, our accumulated power has quietly placed severe limitations on the ability of business and government to restructure our lives. Things are thus at a stalemate, which means that we must consider both the likely future of Capital's strategy and our strategy for not only resisting further austerity but for fighting for new demands involving more money and less work.

Among those in power, there is an **apparent ambivalence** regarding the future of the austerity strategy, that is, how much they can get away with. On the one hand, there have been many statements about the need for a prolonged period of underdevelopment. MAC mastermind Felix Rohatyn, for example, has warned that "the pain is just beginning" and that in coming years New York will have to undergo "the most brutal kind of financial and fiscal exercise any community will ever have to face." Yet there has already been talk of the re-development of the city. One official has mentioned the possibility of "planned shrinkage" of the ghettos, meaning that the administration would concentrate cutbacks in those areas to hasten their depopulation and lay the groundwork for their eventual reconstruction into industrial centers. Another official has envisioned New York's rebirth as the pre-eminent "knowledge city" of the world, the global center of communications, information services, etc. And Rohatyn has called for a new Reconstruction Finance Corporation, which would establish a new Marshall Plan for the "declining cities."

Such schemes begin to point out to us the status of underdevelopment in New York. Unlike their strategy in other parts of the world, those in power clearly cannot and do not want to abandon the city entirely. New York is extremely important to world business as a headquarters, financial and communications center, possessing enormous fixed investments in real estate and infra-

structure, along with the specialized (albeit often uncooperative) labor force — all of which could not be duplicated elsewhere without many years of upheaval in capitalism as a whole.

What this means is that, as powerful as we are, Capital cannot completely leave the city. We are thus in a much stronger position than people in less crucial areas, who, when Capital moves out, are left with nothing but power over their own poverty. Yet, though New York will not be abandoned, it is clearly being restructured. Most dramatically, as we have mentioned, this means that the large majority of the waged labor force is being taken out of steady active employment and kept in reserve for the future. This serves several purposes for those in power: first, it serves to discipline workers by depriving them of their traditional source of power in the wage and replacing it with the uncertainty of unemployment compensation and welfare; second, it keeps people on reserve in preparation for being forced to move elsewhere (such as the southwest, where accumulation is taking place) or, in the case of “aliens,” being deported; and third, it means the preparation of others for taking low-paying jobs in the “knowledge industries” that will apparently dominate New York in coming years.

This restructuring of the city coincides with, and has largely brought about the severe crisis which the traditional institutions of working class power now face. Those organizations, especially the unions for waged workers — which for many decades served as vehicles for winning higher standards of living and reduced work — can now be pushed no further. They have more and more come to be integrated into Capital, confronting us as simply more forms of oppressive management. This has been painfully clear in the course of the counter-offensive in New York in the past few years. The union bosses, previously depicted as having despotic rule over business and government (though it was actually always the membership which forced the militancy on the leadership), have generally accepted the terms of the counter-offensive and have become leading proponents of austerity. That great militant Victor Gotbaum has publicly declared that New York’s fiscal recovery is unworkable without increased productivity, adding that “we must set up an efficiency-productivity system in this city that is the envy of the rest of the nation.”

Positions such as this and the failure of the unions to block the imposition of austerity have contributed to the sense of helplessness and despair which we have been experiencing in the city. Yet it is essential to see that the defeats we have suffered have not been the result of “sell-out” leadership of the unions and other organizations — we’ve always had to fight against these leaders — but are

expressions of the fact that these institutions are no longer appropriate and effective in our struggles. The problem with the unions is that they are usually limited geographically to the city and socially to the factory or office, while the restructuring being attempted by Capital takes the struggle throughout society and around the world. Governments and international business now try to run the entire earth as one large social factory, meaning that everyone, regardless of where one lives or what one does, is drawn into these plans and thus into the international struggle.

The problem is that while Capital has been planning on a world scale, working people internationally have been unable, for the most part, to develop institutions and organizations which can respond to this initiative; and this is another factor in our sense of powerlessness. Bewildering and rapid developments have been taking place internationally in terms of money, energy, food, etc. — which all affect us acutely, but which we feel unable to deal with through our traditional sources of power.

New Strategies

Clearly, then, the task at this time is to begin to formulate new strategies that will be effective in the new terrains of struggle that have emerged. This is, of course, immensely difficult, but the current strategy of Capital provides us with a special opportunity. We can use the underdevelopment strategy against itself by asserting, in the face of massive unemployment, that what we want restored are not the lousy jobs, but the *wage* that went along with those jobs and served as the basis of our power. What this means is that we can demand to be paid well for the time we are being kept “on ice” while those in power decide what to do with us. At first, this involves improving and extending unemployment compensation and welfare, but we can extend the struggle to all the unwaged work which is forced upon people. Already, groups of women are organizing around the demand for Wages for Housework from the government and students are demanding wages for their schoolwork. And, most recently, white men are beginning to organize to demand a total wage — to be paid for all the work they do, on and off the waged job, and whether or not they hold a waged job.

What these various struggles by different sectors of the working class have in common is the beginning of new ways to confront those in power, ways which go beyond the outmoded local organizations and confront Capital and its flows nationally and even internationally; ways which go beyond the now-futile organization

of people on the basis of where they hold a job or where they live; and ways which go beyond the supposed unity of the working class and organize groups of people autonomously, on the basis of the power relations among them. These new forms of organization begin with the results of previous struggles — unemployment compensation, welfare, social security, student stipends, etc. — and extend them to wages for housework, wages for students, and wages for all of the work all of us do. This puts us back on the offensive again, demanding more from Capital, and at the same time challenging the very basis of capitalist control: forced work, especially unwaged work. In this way, these demands help to reduce the power divisions among us and point the way to a more direct confrontation with Capital.

The key, then, in dealing with the layoffs, cutbacks and general austerity in the city is not to demand the restoration of the jobs and services (for not only can we live without the jobs, providing we have the wage, but many of what have been called services are in fact functions aimed at controlling us and making us useful for Capital; for example, the schools which train us for jobs and the subways which get us to those jobs). The key is to demand the money we need to live. True, it may seem paradoxical in a time of “no money” to be demanding more of it and less work, but this is the only effective response to the engineered climate of austerity. For this is the strategy which attacks the very root of our oppression, in all its forms. By demanding to be paid for all the work we do, we expose the extent to which our entire lives have been made into work and help ourselves build the power necessary to get the time and wealth that would serve as the basis of our liberation.

June 1976

NOTE

This pamphlet was sponsored by *Struggle Against Work*, a group of men in New York organizing around the perspective of the refusal of work and the demand for a total wage. This perspective is discussed in great detail in another document: "*If We're So Powerful, Why Aren't We Free?*" by Larry Cox. There is also available an earlier and shorter introductory statement entitled *We Want Everything*. In addition, the group is planning to publish several other pamphlets in the near future, including an analysis of teaching during the crisis. For more information on the group and its literature see inside front cover.

Struggle Against Work has learned much from and strongly supports the campaign for Wages for Housework from the government. The New York Wages for Housework Committee has a storefront at 288-B 8th St., Brooklyn, New York 11215. The office is open from 11am to 4pm Wednesday and Saturday, and its phone number is (212) 965-4112.

The authors of *Developing and Underdeveloping New York* urge anyone with comments and questions to contact them in care of *Struggle Against Work*.

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