

DEVELOPING AND UNDERDEVELOPING NEW YORK: The "Fiscal Crisis" and the Imposition of Austerity

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New York City—the capital of international capital—has been in a condition of constant turmoil for more than two years now. Hundreds of millions of dollars of public expenditures have been eliminated, tens of thousands of city workers have been laid off, and direct control of the city has been assumed by a set of ruthless planners from the corporate elite and the federal government. Martial law -- in a fiscal sense -- has been declared, and the order of the day is: work more and get less. The banks and the federal government, with the cooperation of the municipal union leaders and local elected officials, have used the outright manipulation of money -- the money used to pay for the wages of city workers, payments for welfare recipients, and all the functions of the social factory managed by the city administration -- to accomplish perhaps the most decisive defeat of working class power in the world today.

But what is almost invariably overlooked in analyses of this crisis is that the reason for the intensity of capital's assault was precisely the intensity of the working class offensive that preceded it. It was this offensive that undermined the social control of business and government in New York, and it has been in response to this offensive that those in power have succeeded in *making New York part of the "Third World,"* in the sense that the city has been subjected to capital's most effective weapon: underdevelopment. New York has been serving as one of the main laboratories for the testing of the "fiscal crisis" as a complement to the food and oil crises in the arsenal of weapons used to deal with the international class offensive against work. What had been tried quietly throughout Latin America, Asia, and Africa -- manipulation through debt dependency -- has now been presented with full force in the metropolis of the "metropolis."

To a great extent, the underdevelopment of the private sector in the city (in response to New York's acute "labor problems") had been in operation for many years: about half-a-million manufacturing jobs were relocated out of the city from 1950 to 1975, and more

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than 650,000 jobs of all kinds "disappeared" in the seven years following 1969.¹ What is unique about this current crisis is that it concerns the finances and functions of the State and that its leading actors have been, on the one side, the State's managers and creditors, and on the other, its employees and its "clients." It has been through the underdevelopment, the impoverishment of New York's public sector that those in power have sought to end the working class raid on the treasury.

Our aim in this article is to recount and analyze both of the processes -- the growth of wage struggles against the city administration in the 1960's and capital's imposition of austerity as a means of undermining that struggle -- not for the sake of history, but in order to see how we might once again regain the offensive and subvert the "fiscal crisis."

FIGHTING THE HUMAN CAPITAL STRATEGY

The situation which faced those in power at the beginning of the 1960's in New York and, in varying degrees of intensity, cities across the country was one of growing restlessness among all sectors of the working class: the earlier immigrants in the factories of the north were threatening the foundation of the Keynesian system through their increasing wage pressure and their struggle against the disciplinary function of the unions, while recent black and Latin arrivals from the south and the Caribbean were rejecting their designated role as reserve labor in the ghettos. Capital needed a strategy which would both undercut the waged workers' challenge to that delicate Keynesian arrangement and help to bring the unwaged population into that same system by transforming the emerging civil rights movement into something that would promote rather than thwart capitalist development. 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 appropriately twofold: with large federal investments in education, job training, health, and community development, the intention was to create a new supply of (hopefully cooperative) wage labor in the ghettos by seeking to channel the frustration of the unwaged in a vocational direction. This, in turn, would increase competition for jobs and undermine the wage offensive. Thus, countless of 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."

But from the very beginning, especially in New York, there were signs that the intended participants would refuse to cooperate with the terms of the strategy. Just before the Economic Opportunity Act became law, the first of the major ghetto riots of the 1960's 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 came to be 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 that was denied ghetto

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residents most acutely because of their wagelessness. One of the clearest examples of these acts, which Nathan Glazer and Daniel Moynihan have appropriately labelled "commodity riots," was a 1967 incident in New York 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 reduce collectively the prices of the things they needed, especially housing: in 1963 and 1964 a wave of rent strikes swept through New York. 2

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 House Law. Yet, since much of the ghetto housing in the city remained in miserable condition, and since Manhattan remained among the most dense areas in the world (surpassing, by some measures, even Calcutta), tenants launched a mass movement against landlords during and after the First World War. In May 1919, thousands of people, led by the Tenants Defense Union, staged powerful rent strikes across the city, frightening the legislature into passing the country's first rent control law in 1920. This upsurge was revived in the 1930's when the original law expired, so the state was compelled to continue the controls. In one decisive incident in 1932, 4000 people in the Bronx fought with police when they tried to evict 17 families on a rent strike.

In subsequent years 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 and being inhabited. It was this situation that prompted the new round of tenant actions, which came to be led by independent activist Jesse Gray and the Congress of Racial Equality. The rent strike movement, which at its height in 1964 involved more than 500

buildings in different parts of the city, resulted in many permanent reductions in rent, as well as new emergency repair funds, a \$1 million rat-extermination program, and new protective legislation for tenants. Yet perhaps the greater impact of the struggle resulted from the expression of anger and power on the part of ghetto tenants, including the bringing of rats caught in their apartments to court during rent strike trials and the Rats to Rockefeller action, in which hundreds of toy rodents were mailed to the governor's office.

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The message was not lost on city officials, who quickly "opened the lines of communication" with tenant leaders by establishing "hot lines" to heads of agencies -- an arrangement which allowed those leaders to get rent reductions for people simply by making a telephone call.

The uprisings and rent strikes of the early 1960's served as the prelude for a much larger and more powerful struggle: the welfare rights movement. ³

The welfare system -- primarily the Aid to Dependent Children (ADC) program -- was enacted in 1935 as part of the Social Security legislation, which grew out of the social struggles during the Depression. Welfare rolls shot up immediately after the Second World War but remained relatively low in the 1950's because of harsh restrictions in many states. As late as 1960, the average ADC payment was only \$35 per person a month in the northeast, while rates in the south, for example, were even 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 that 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 in the federally-funded Mobilization For Youth (MFY), a counselling and job-training program that began operation on New York's 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 (that were supposed to make sure ADC mothers were not actually living with men) and the forced return of many recent migrants from the south and Puerto Rico.

The national welfare rights movement evolved out of the Poverty Rights Action Center, set up in Washington in 1966, which organized a decisive 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 expanded to a membership of 100,000 at its height in 1968 and 1969.

The welfare rights offensive was strongest in New York, gaining such momentum in the successful winter clothing campaign of 1965-1966. In 1967 the city WRO group launched a drive to force the welfare administration to give all they were entitled to, while simultaneously fighting for special clothing and furniture grants. By the time the group staged a sit-in at a conference in 1967 of business leaders, convened 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.

The organized welfare rights movement also inspired other wageless people to take action. In May 1968, for example, thousands of poor women stormed city welfare offices and demanded special payments, and after sit-ins lasting as long as a week, checks were distributed to them. Actions like this forced the welfare administration to disburse more than \$13 million in June 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 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 welfare cases 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 ADC payments were forced up sharply from about \$2100 a year for a family of four in 1960 to almost \$4000 (plus many additional subsidies) in 1971.

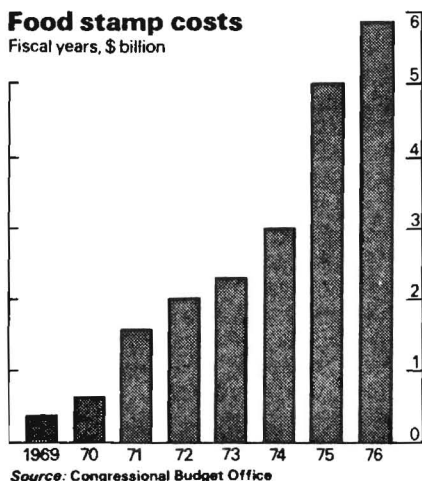
During this period, "clients" asserted their right to the payments -- the women seeing them as a form of wages for their housework -- and fought all attempts by the government to force them into (low-wage) jobs outside the home. A 1966 study found that of a sample of New York recipients placed in jobs during a 30-day period, 84 percent left the jobs within a month -- 90 percent of those within two weeks! 4 There was also a breakdown of the work inside the family -- a dissolution of "parental roles" -- as husbands and wives made arrangements (what were called "fiscal abandonments") so that welfare payments could be obtained by the woman. The breakdown of the family structure alarmed business and government, which were fearful of its effects not on general morality so much as on the availability of labor. A report by the First National City Bank declared: "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." 5 What was undoubtedly even more troubling to the bankers and their colleagues was that ghetto men had realized that those career ladders did not actually exist for them and thus began to seek money outside of the waged job.

"THE AGE OF THE PUBLIC EMPLOYEE"

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 the result, as seen first in the welfare workers' strike of 1965, which coincided with the emergence of the welfare "clients'" 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 administration was fond of describing as a managerial prerogative. The action was successful not only in terms of winning large wage increases, sharp cuts in workloads, and bargaining procedures in areas previously controlled unilaterally by management, but also in ushering in a period of intense struggle by city workers that continued into the 1970's. During this period, city employees in New York were at the forefront of a nationwide offensive by public workers, whose numbers more than doubled in the course of the decade, while strikes rose from 20 in 1960 to nearly 400 in 1970 -- a situation which prompted *Fortune* magazine to declare that public workers "increasingly look upon unions as a lever to pry loose more money." 6 As strikes became more than mere possibilities, the distribution of power between labor and management in the public sector 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, especially business, which lost close to a billion dollars. By the time the transit workers ended the 12-day action, they had won a 15 percent 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 New York's public workers. Governor Rockefeller assembled a panel, headed by labor expert George Taylor, that made recommendations which led to the Taylor Act -- a piece of legislation that still prohibited strikes but established new procedures for collective bargaining. The city government, meanwhile, created the Office of Collective Bargaining (OCB), which was the more liberal of the two approaches, 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 the extent to which they too were concerned with finding ways to restrain their memberships.

Nevertheless, this wish was not fulfilled. In February 1968, thousands of sanitation workers staged a wildcat strike in defiance of both the city administration and union leader John DeLury. The nine-day action created a severe crisis for both city and state officials, prompting the governor to threaten to take over control of the city's sanitation department. The wildcat was also all the more significant 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 the civil rights struggle with the wage struggle -- and it was then that he was assassinated.

This era of militancy on the part of public workers reached its highest expression in the gains made by the uniformed services: the police, firefighters, and sanitation workers. 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 administration -- agitation which prompted *Business Week* magazine 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 percent parity. But the ratio of the wages of fire lieutenants to those of firefighters grew to be higher than the ratio of the wage of police sergeants to those of patrolmen. Declaring their jobs equivalent to fire lieutenants, the sergeants in 1967 demanded that the newly-created Office of Collective Bargaining raise their wages so that 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 position that they affirmed with a six-day wildcat strike in January 1971. The city gave in to the patrolmen, thus putting itself in the situation of having made contradictory agreements to two groups of workers. The result was that the sergeants and the patrolmen could then drive up wages without limit by alternately demanding the fulfillment of the two agreements. To complicate things more, firefighters and sanitation workers came forth with further parity demands, so that after the dust cleared, the administration 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 in the vastly increased labor costs was the sharply rising contribution the city was compelled to make to the pension funds of its employees. Beginning in the 1950's, city workers began to push for better retirement benefits at less cost to themselves (originally, the city paid half the cost for all workers except police and firefighters, for whom the administration paid 75 percent). Workers won the right to get Social Security along with the pension; the inclusion of overtime in the computation of the pension base; and, in the 1960's, the Increased Take-Home Pay plan in which they obtained what amounted to tax-free wage increases as the city increased its share of pension costs. By 1972, no city worker's share of pension fund costs was more than 40 percent, while the transit workers had forced the administration to pay 100 percent of their retirement costs.

These pension gains -- gains which once again gave workers more money for 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, head of the union, was thus forced to call the "biggest, fattest, sloppiest strike" in the city's history. The walkout included city incinerator workers, thus compelling 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 CIRCULATION OF URBAN STRUGGLES

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 public 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 seriously deteriorating: the "community" had become helpless at the hands of city workers, welfare recipients, 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 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

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workers to avoid work and demand higher and higher wages and benefits. By the end of the 1960's, 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." 7 The steep decline in the work done by city employees necessitated large increases in payrolls: from 1960 to 1970, the number of welfare workers rose 225 percent, teachers 123 percent, and police 42 percent. At the same time, militancy drove up wages at an unprecedented rate during the decade: 112 percent for police and firefighters, 106 percent for sanitation workers, 97 percent for City University faculty, and 77 percent for public school teachers.

This decline in professionalism was intimately related to the transformation of the wageless population of the city, the main "beneficiaries" of the services city workers were supposed to provide. Teachers could no longer function as professionals when pupils became totally undisciplined and often attacked them. Police officers could no longer function as professionals when they were increasingly 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 was a reaction to the system which blocked blacks and Hispanics from following the route to assimilation (and to waged jobs) that had been open to the previous white immigrants. The reason for this was that capital kept the non-white population on reserve as a source of cheap labor for periods of expansion -- a situation which created deep divisions in the working class based on the wage or lack of it. What was remarkable, however, was that the wageless population, despite its tenuous links with the factory or office, found ways to confront capital with demands for a higher standard of living. Throughout the 1960's, 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 public workers, but also 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 struggle 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 employment in the factories and offices, 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 a period 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 basic 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 week. But Kennedy's plea for labor moderation was not heeded in New York, as a strike wave began with walkouts by hospital, communications, and, most notably, newspaper workers, who closed down the city's dailies for four months. In the following years the militancy persisted, led by the newspaper workers and the dockworkers, who staged repeated wildcats from 1963 to 1969. By 1970 the annual rate of "mandays lost" due to strikes rose to nearly two million in the city, while wages were shooting up rapidly in virtually all sectors. This period 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 machinery 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 there 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.

We can now come to an overall generalization about the struggles in New York in this period: each was a cause of and response to struggles by other groups in the working class. We have

mentioned ways in which the struggles of the unwaged fueled struggles by 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 blacks 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 disappeared; on the contrary, what are called racism and sexism were rampant during these years. But it is important to see that what was at the root of these "isms" was not backward thinking, but very real divisions between blacks and whites and men and women based on the wage (or lack of it). What was unique was that while these divisions continued to exist, when groups of the waged and the unwaged confronted one another, they used the antagonisms as a basis for making greater demands on capital. This was even seen in the confrontation between different groups of waged workers in the parity dispute. The dispute was indeed a case of "chauvinist" rivalry among groups of city employees -- but more important was that the dispute resulted in quick, large wage increases for *all* the groups of workers involved. These dynamics were perhaps most dramatically revealed in the conflicts involving teachers and students -- both in the public schools and the City University (CUNY) -- during this period. The bitter 1968 teachers' strike involved both teacher demands for greater control over their working conditions (especially hiring and firing) and parent demands for greater control over the working conditions of their children in school (the decentralization controversy). While it is true that these demands were largely opposed to one another, in the end both groups gained more power vis-a-vis the city administration. There was a similar situation at the City University. Black and Hispanic students struggled to have their particular needs met by the administration, while the faculty sought better job security and greater control over their working conditions. The initiation of open admissions (following a series of student demonstrations that forced the closing of most of the CUNY system for several weeks in the spring of 1969) was a dubious victory for both sides; but the faculty members ended up with large wage increases (a rise from \$5600 in 1959 to more than \$11,000 in 1970) and the black and Hispanic students won greater control over the SEEK program (which, among other things, provided them with living stipends -- a form of wages for schoolwork).

In general, there was also widespread animosity between city workers and welfare recipients during these years. Yet, looking at the overall results of the period, we see that the workers gained enormously increased wages and benefits, and the recipients gained enormously increased payments and subsidies. *What is crucial to see is that these two phenomena could not have taken place without one another.* This is not to say that the struggles of the different sectors

were consciously coordinated and planned, but that the divisions were turned around and used against capital itself. There was nothing magical 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 jobs were predominantly involved with the wageless), leading them to make greater and greater demands on the city administration.

CAPITAL BEGINS TO FIGHT BACK

This brings us to the counter-offensive. Those in power were clearly alarmed by this state of affairs, for 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 labor supply to undermine the power of private sector waged workers. The first response took the form of official concern over the budget. Expenditures had been rising much more rapidly than revenues throughout the 1960's -- a clear reflection of the successful wage struggles by city workers and city "clients." The federal and state governments had thus been forced to supply higher and higher levels of aid, so that by 1973 these forms of revenue were paying for 46 percent of the city's expenses. The problem of stagnating local

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revenues and increasing expenditures was then transformed into a "budget crisis" when the external funds propping up the city administration began to decline. In the name of "money shortage," the state and federal governments stopped paying for the gains won by the working class in New York. In addition, the state began to take direct measures to undercut those gains. Besides the squelching of the 1971 pension strike, the Rockefeller administration and the legislature reduced welfare and Medicaid benefits; required welfare recipients to have photo-identification cards; tried to coerce recipients to accept low-wage jobs in the Incentives for Independence Program and the Work Relief Employment Project. At the same time, a three-year moratorium on pension fund improvements was imposed and retirement benefits were reduced for new public employees, while a drive was initiated to impose a stricter correlation between wages and productivity -- even though it was admitted to be difficult or even impossible to compute a meaningful measure of 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 thus 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." 8

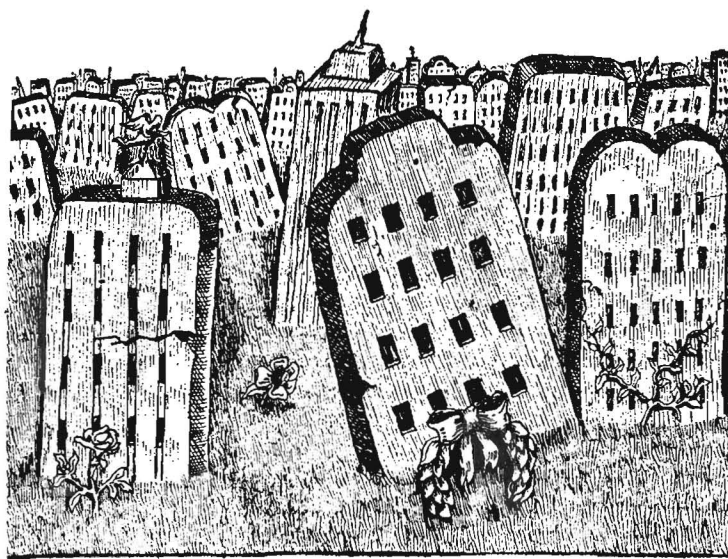
The problem with these first steps of the counter-offensive in New York was that despite the failure of the pension strike and other setbacks, the working class still possessed a great degree of accumulated power. Hence, while city workers agreed to some changes in work rules, they demanded in exchange wage increases that exceeded the savings the administration hoped to make by the changes -- thus blowing apart the entire intent of the scheme. Welfare recipients likewise resisted: when the state announced cutbacks in benefits in May 1971 thousands of people in different ghettos around the city set up barricades in the streets and fought police. And although the rate of growth of the rolls subsided, the benefit levies could not be significantly reduced and there was strong resistance to the imposition of low-wage jobs. 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 favorable. But, in a few cities, preeminently New York, short-term borrowing was made the crucial tool (along with state and federal aid) for dealing with operating deficits and cash-flow problems -- the results of urban class struggle. 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 encouraged by the major banks and the rest of the business community.* 9 It was precisely this growth of borrowing that established the formal dependency of the city on the financial institutions, a dependency which served as the foundation of the intensified counter-offensive.

The exploitation of this dependency 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 a chain of events, now known as the Crisis of New York, which has consisted of never-ending cash-flow and budget deficit problems, and such

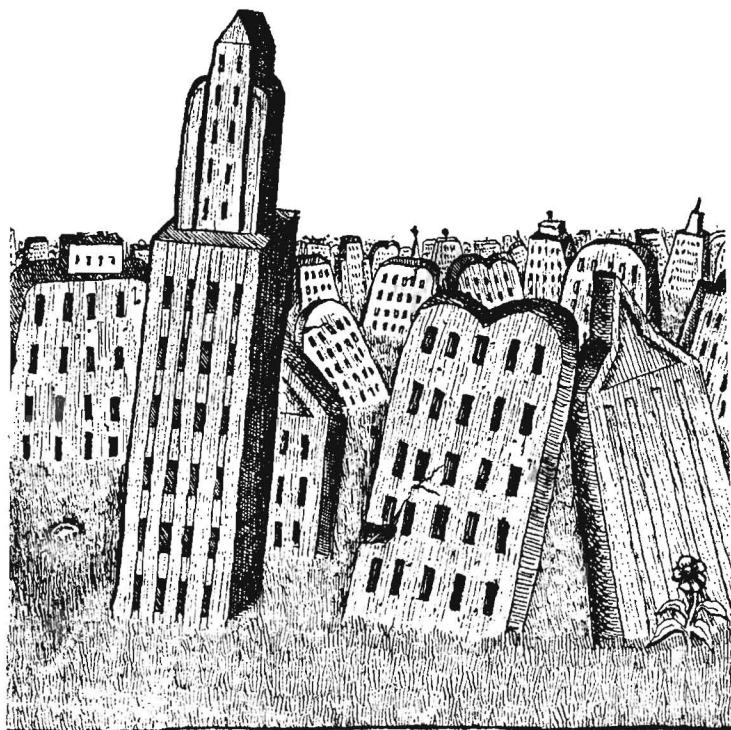
“solutions” as huge layoffs of city workers and cutbacks of city expenditures, de facto bankruptcy, and the taking of direct control of the city by the federal government and representatives of the corporate elite.

This last item, the transformation of control in the city, has been depicted as a necessary consequence of the failure of local elected officials to exercise effective fiscal control over the budget; but what we can clearly see from the struggles in the city over the previous 15 years is that this was actually a question of failing to exercise effective *social control* over the working class of New York. The first major step by capital in the intensified counter-offensive to remedy this situation came in June 1975 with the creation of the Municipal Assistance Corporation. MAC, which ended up being effectively controlled by Felix Rohatyn, one of capital's most talented “repairmen,” was empowered to supervise the repayment of the city's debt for ten years, doing so through control of New York's revenues from sales and stock-transfer taxes, the limiting of short-term borrowing, and the issuing of its own long-term bonds backed by the state. But it soon became clear that MAC was to be involved with more than the city's cash flow: in the summer of 1975 Rohatyn and his associates forced upon the administration an austerity plan that included a three-year wage freeze for city workers; a 43 percent increase in bus and subway fares, as well as sharp rises



in bridge and tunnel tolls and commuter railroad fares; a \$32 million cut in the CUNY budget; and a \$375 million reduction in the city's capital budget. The attack on jobs and services was also pushed forward with the assembling of the Management Advisory Board and the Temporary Commission on City Finances, both of which were authorized to do research in order to advise those now in power on the most effective ways of imposing austerity. Yet, by the end of that summer, the corporate planners apparently decided they needed an even more powerful body to carry out their grand schemes for disciplining the city. The result came in September with the creation of the Emergency Financial Control Board (EFCB), which assumed virtually complete control over New York's finances and established the framework for possible bankruptcy. The original members of the EFCB, besides the governor, the mayor, and the state and city controllers, were Albert Casey, chairman and president of American Airlines; David Margolis, president of Colt Industries (a major weapons producer); and William Ellinghaus, president of New York Telephone (who was also a member of MAC). Later, Rohatyn also joined the EFCB, replacing Casey.

As it turned out, the EFCB abandoned the idea of formal bankruptcy and instead won agreement from the federal government for a \$2.3 billion direct-loan plan—an arrangement which put the feds, specifically the Treasury Department and the Senate Banking



Committee, in a position of being able to impose conditions of austerity directly on the people of New York, as seen later in the moves to ensure the enforcement of the wage freeze.

THE ATTACK ON WAGES, PENSIONS, AND SERVICES

The imposition of austerity by the Beame administration, the state government, the banks, MAC, the EFCB, and the federal government has included two lines of attack: on city workers and on those people, primarily unwaged groups such as welfare recipients and students, who are most involved with city institutions. This is not to say that the rest of the working class in the city has been immune: the intensified counter-offensive has also included higher taxes, increased unemployment in the private sector, more expensive transit fares, and reduction in general services such as fire protection and libraries. But because the crisis of social control was primarily a result of the struggles of the city's employees, its "clients," and the students at its public schools, these groups have been the primary targets.

It is extremely difficult to determine with any accuracy the amount of expenditures the city has cut back and the number of employees it has actually eliminated since the beginning of the "get tough" moves in December 1974. A rough estimate is that in the course of the three-year plan ending in 1978, the administration will have eliminated more than a billion dollars in expenditures (not including interest payments). As far as layoffs are concerned, as of early 1977 the city had reduced its workforce by about 50,000 (through attrition as well as dismissals) from the 1974 total of about 300,000. This included approximately 13,000 public school teachers, 6000 hospital workers, 6000 police officers, 5000 CUNY faculty and staff members, 5000 welfare workers, 3000 sanitation workers, and 2500 firefighters. And there have been warnings of many more layoffs and eliminations of positions.

The first major act of opposition to the layoffs came on July 1, 1975 after Mayor Beame ordered the implementation of thousands of scheduled dismissals. The city's 10,000 sanitation workers staged a 100 percent effective wildcat strike, while hundreds of laid-off cops blockaded the Brooklyn Bridge and fought with on-duty cops, hundreds of firefighters called in "sick," and traffic controllers staged job actions during the rush hours. This overwhelming display of militancy turned out to be short-lived, however, as the police and firefighters decided not to strike and the sanitation wildcat ended with an agreement that amounted to the first in what would be a long series of city worker defeats. Nearly 3000 laid-off sanitation workers were rehired, along with 2000 cops and 750 firefighters; but the conditions for the rehiring were that the sanitation workers be paid with *\$1.6 million in union funds* and the others with the revenues resulting from tax increases approved by the state legislature. And these workers were soon laid off again anyway.

Following the imposition of the wage freeze, the next struggle of public workers involved public school teachers, who struck for a week in September 1975. Despite a great deal of defiance demonstrated

during the walkout, the teachers ended up with a contract that included no wage increase; only a single \$300 cost of living adjustment (COLA) for most union members; and the loss of 9C minutes a week in preparation time for some teachers. The Board of Education agreed to rehire 2400 teachers, but their salaries would be paid with the wages lost and the Taylor Law penalties to be paid by the rest of the union members (and the state supreme court later ruled that the teachers had to pay taxes on the lost wages!). Despite the meagerness of the contract gains, the pact was rejected outright by the EFCB because it was said to "gravely violate" the city's financial plan with its insufficient stipulations for higher teacher productivity. In addition, only ten days later, in the midst of the big October 1975 default scare, the trustees of the teachers union pension fund were pressured into purchasing \$150 million in MAC bonds "to help save the city."

The investment of pension funds has been one of the key elements in the offensive against city workers. In the course of the series of default and bankruptcy scares, the funds were made into the primary source of money to pay off the city's debts. The total investment by the five major funds of more than \$3.8 billion (of their \$10.7 billion total assets) has demonstrated how willing the union leadership has been to "help solve the crisis." This has turned city workers into involuntary partners with the banks and administration in taking responsibility for city finances, thus putting them in a position in which any further serious struggles could threaten their retirement money. And this has taken place while the financial junta has been working vigorously to reduce pension benefits. In February 1976 the EFCB eliminated the Increased Take-Home Pay plan, then Beame announced that steps were being taken so that the city could end its participation in the Social Security system (thus depriving city workers of federal retirement benefits), and at the end of June the state legislature voted to reduce pension benefits for new public workers and increase their required contribution into the funds. Furthermore, it was revealed that the city was neglecting to fulfill its full obligations for pension fund payments. A state commission headed by Otto Kinzel estimated in a March 1976 report that the city had underfunded the five major pension systems by \$6 billion.¹⁰

The first confrontation following the federal "bail-out" of the city involved the transit workers. Even before negotiations for a new contract began in 1976, the federal government indicated its intention of preventing the transit workers from making any advances by limiting the use of federal transportation funds for operating expenses (and thus for paying for wage gains). And after the Transit Workers Union (TWU) and the Transit Authority reached a last-minute agreement that included no basic wage increase but a 25 percent rise in the COLA, the Treasury Department pressured the EFCB to reject the pact and impose another which reduced the COLA increase and made it depend on increases in worker productivity. (The Treasury Department was obviously well aware of the fact that

in recent years more than a dozen audits of the Transit Authority by the state controller had found "gross examples of overtime abuses, absenteeism, loafing and poor productivity." 11) Acting in what had become the typical manner of city union leaders, TWU head Matthew Guinan decided there was no need to submit the revised contract to a new membership vote.

The EFCB and the Transit Authority also used the situation to play off the demands of transit workers against those of transit users. While the original contract was being negotiated, transit chief David Yunch repeatedly warned that any wage gain would necessitate further increases in the fare. At the same time, officials suggested that one of the reasons wage increases could not be given was the widespread use of slugs and jumping of turnstiles by riders. In 1975 the TA admitted that about *140,000 people a day* were avoiding the fare, and early in 1976 the head of the transit police proudly

EFCB officials kindly recommended that 1199 accept a productivity agreement, adding that wherever public money was involved, worker sacrifices would now be necessary.

announced that the figure had been reduced to 28,000 as a result of a terror campaign in which people arrested for fare-beating (close to 20,000 in 1975) were stripped and searched after being caught. There were even reports that a black man was shot to death by a transit cop when he tried to enter the subway through an exit gate. 12

The federal role in imposing austerity was intensified after the transit "settlement" as negotiations were beginning on new contracts for most of the other city unions. Senate Banking Committee chairman William Proxmire urged the Treasury Department to end the federal loan program if the wage freeze were not strictly enforced and called for \$24 million in further reductions of worker benefits and the elimination of what remained of rent control. Treasury Secretary William Simon himself warned of dire consequences for violating the freeze (even with COLAs) and demanded a revision of the three-year plan and the extension of it through 1979. Thus the principle inserted in the transit contract -- that any wage gain be limited to COLAs and that these depend strictly on real increases in productivity -- became the federal government's requirement for the continuation of its "rescue" program. The leadership of the city unions accepted this policy with only a few half-hearted charges of "fiscal blackmail" and proceeded to join with the EFCB to implement the \$24 million reduction in labor costs through their participation on a newly-formed labor-management committee on productivity. Even the labor editor of the usually reactionary *New York Daily News*, Michael Patterson, indicated in a

news analysis that he was surprised at the extent to which the unions had "joined the mayor's management team." 13

The productivity policy even played a role when a group of private sector workers in the city went on strike to demand wage improvements in a new contract. During the 11-day walkout of District 1199 workers at 34 non-municipal hospitals in July 1976, the hospital administrators insisted that wage increases were impossible because the city government had indicated "it could not afford" to increase Medicaid payments to the hospitals. (The city at that time was paying about \$260 million in Medicaid subsidies.) EFCB officials kindly recommended that 1199 accept a productivity agreement, adding that wherever public money was involved, worker sacrifices would now be necessary. The union, which was seeking a ten percent wage increase, declined the offer and finally forced the hospitals to agree to binding arbitration; but the arbitrator's ruling, handed down two months later, provided only a 4.5 percent wage increase for the second half of a year-long contract and made some reductions in management's pension costs. Even so, the hospital administrators were disappointed and warned of the need for layoffs and closings of facilities.

The fiscal crisis atmosphere proved even more effective for those in power in August, when 18,000 workers at municipal hospitals went on strike to protest layoffs. As the walkout entered its second day, state officials announced an effective *reduction* in Medicaid reimbursements to city hospitals of about \$22 million a year. The strike ended after four days when the union agreed to give up \$10 million in COLAs for 1976. The 1350 laid off workers were reinstated, but two days later the Health and Hospitals Corporation (HHC) announced that as many as 3000 more workers would have to be laid off unless the \$22 million in Medicaid reimbursements were made up through productivity increases. The leadership of the union, Local 420 of District Council 37, agreed to join with the HHC on a productivity task force in order to save jobs.

This is where things stood for city workers in the fall of 1976. The EFCB, the federal government, and the rest of the financial junta had managed through outright money manipulation to bring to a virtual halt the wage gains of city employees and to reimpose the strict correlation between wages and productivity that had been smashed by the struggles of the 1960's. And even then, there was no guarantee given that increased productivity would lead to increased wages (actually, only COLAs). Through massive layoffs and attrition, the junta had also imposed a severe intensification of the work of city employees and used the huge investments of pension funds in city notes and bonds to make struggle by those employees a very risky endeavor. Throughout all of this, the role of the union leadership became one of helping to implement the austerity, indicating that those in power had succeeded in one of their major goals in the intensified counter-offensive: to transform the union leadership from a lever used by workers to pry loose more money, as *Fortune* magazine phrased it back in 1968, to a lever to be used by capital to pry loose and destroy the power accumulated by city workers.

There were some signs in September 1976 that this

transformation might be undermined by police officers, who held numerous militant demonstrations against deferred raises and changes in their schedules that required an additional ten days of work a year. There were some tense moments as large groups of off-duty cops (still carrying their guns) staged noisy protests outside Police Commissioner Michael Codd's home, encouraged bands of youths who were mugging people outside the Muhammed Ali-Ken Norton heavyweight championship fight at Yankee Stadium, and blocked traffic on Fifth Avenue outside Jimmy Carter's New York campaign headquarters. In the end, the cops won back their six percent wage increase for 1975 and got the city to modify the schedule change, but there was no momentum built up for a general offensive against the austerity.

THE ATTACK ON EDUCATION, HEALTH, AND WELFARE

The financial junta's assault on the City University has followed much the same pattern of seeking higher productivity -- in this case from students as well as faculty and staff. After the \$32 million cut ordered by the MAC in the summer of 1975, the Board of Higher Education (BHE) agreed in December to cut its budget for the upcoming spring term by \$55 million, a move that was said to require a month-long payless "furlough" for CUNY employees. At the same time, the BHE effectively ended the policy of open enrollment by instituting a "minimum academic standard" for admission, in addition to a high school diploma.¹⁴ (This standard later became one of being in the top three-quarters of one's graduating class.) In the spring of 1976 CUNY officials made various threats concerning the closing or merging of a number of colleges, but these plans were constantly modified and delayed because of militant student protests. Yet, the BHE did impose a qualifying examination for students to pass from the sophomore to the junior year, and, after closing down the entire CUNY system for 12 days, the board ended the 129-year-old tradition of free tuition for undergraduates, instituting annual charges of \$750 for freshmen and sophomores and \$900 for juniors and seniors. Meanwhile, the faculty was forced to forgo wage increases and to defer until 1978 two weeks' pay. Then, in order to implement a \$69 million retrenchment program mandated by CUNY chancellor Robert Kibbee to comply with EFCB demands, the various colleges began drawing up plans for laying off as much as one-fifth of their faculties, including, for the first time, tenured professors. All of this took place under the shadow of the announcement by the city government that it intended to end its \$92 million contribution to the senior colleges in 1977 and leave the financing to make up only \$40 million of this figure, thus setting the stage for further cutbacks and layoffs, as well as major structural changes in CUNY to make it serve more effectively the new labor requirements of business in New York.

It has been in the area of welfare and Medicaid that the financial junta has been most cautious about making wholesale cuts, since they obviously recognize the extreme volatility of this situation. Throughout 1975 and 1976 the main attention given to this area was in a series of studies by various government and business groups --

including the Temporary State Commission to Revise the Social Service Laws, the Citizens Budget Commission, and the Regional Planning Association -- which all reached the conclusion that welfare payments were too high and that there thus continued to exist "disincentives" to working at (low) waged jobs. The Temporary Commission even found that despite wage increases in the private sector, the total of welfare payments and subsidies was still higher than the average wage, while a RAND Corporation study discovered that the total value of payments and services received by welfare families was often as much as 20 percent higher than both annual pay at the minimum wage and the federal poverty level.¹⁵ This residue of power from the struggles of the 1960's clearly had to be attacked. There was an attempt in the state legislature in 1976 to reduce welfare payments by ten percent; but the junta decided to move forward in a manner that was less blunt.

One of the first steps involved the appointment of J. Henry Smith, retired chairman and chief executive officer of the Equitable Life Insurance Company, as head of the city's Human Resources

The clear intention of the campaign to track down "runaway" fathers was to undermine the "fiscal abandonments" and reimpose the discipline of the family on men and women alike.

Administration. Smith, who brought with him a reputation for being a ruthless administrator, proceeded to shake up the welfare bureaucracy itself, seeking to solve the problem of low productivity among social service workers.¹⁶ At the same time, the city and state were proceeding with two quiet but intensive federally sponsored campaigns: first, a drive to eliminate "ineligibles" from the welfare rolls, a drive which reportedly lowered "ineligibility" in the city to 10.5 percent in 1975, down from 18.3 percent in 1973. The second, and more crucial, campaign has consisted of an effort to track down absentee fathers and force them to assume financial responsibility for wives and children of welfare. The federal government threatened to withdraw about \$50 million in welfare reimbursements unless the city recovered that same amount through establishing paternity and imposing child-support payments on many of the estimated *300,000 runaway fathers in the city*.¹⁷ The clear intention was to undermine the "fiscal abandonments" that have worked to the advantage of both husbands and wives, while simultaneously reimposing the discipline of the family on men and women alike.

Then, in early 1977, those in power appeared to be moving forward with a more direct assault on benefits. Governor Carey's proposed state budget for the 1977-1978 fiscal year included a \$200 million reduction in welfare and Medicaid expenditures. The

Medicaid cut involved the elimination of a broad range of health services, while Carey threatened to carry out the slash in welfare appropriations through the imposition of a 45-day limit on home relief payments to "employable" people without children. (Home relief -- a form of welfare not supported by the federal government -- mainly covers people who have exhausted their unemployment benefits.) Several days after the presentation of the proposed budget, State Social Services Commissioner Philip Toia, apparently feeling pleased with the attack on "welfare parasites," suggested that the state return to the "soup-line concept" in dealing with the poor. 18 Nevertheless, the important development that the New York financial junta was awaiting was the emergence of the national welfare strategy of the Carter Administration, especially concerning the proposed creation of a standardized income maintenance system under the direct control of the federal government.

This completes an account of the more important aspects of capital's intensified counter-offensive in New York. This long string of defeats for the working class in the city has dramatized the determination with which business and government have sought to undermine the power accumulated in the struggles of the previous 15 years. What has been remarkable -- though perhaps not so surprising, given the extraordinary measures used -- has been the relative ease with which those in power have implemented the conditions of austerity. This is not to say there have been no resistance and no constraints on the actions of the financial junta; but the situation has been such that even the strongest cases of resistance have been transformed into additional instances of defeat. The two most notable examples of this phenomenon have been the massive rent strike at Co-Op City and the struggle over the "People's Firehouse."

THE LIMITS OF RESISTANCE

Co-Op City is a huge housing project (the largest in the U.S.) of about 60,000 people in the Bronx that was built as part of the Mitchell-Lama Program, an arrangement in which the state provided real estate tax subsidies to promote the construction of middle-income housing. The residences are not actually cooperatives, and the State Housing Division is essentially the landlord. In May 1975, in the midst of the early stages of the "debt crisis," the state announced a 33 percent rent increase, which was to be the first in a five-step hike totaling 100 percent -- said by officials to be necessary to compensate for sharply rising mortgage and bond-interest costs. The strike began the following month, and for the next 13 months nearly 90 percent of the families in the project handed over their monthly checks to a steering committee. The strike -- undertaken in the midst of capital's fiscal assault, including the continuation of the weakening of rent control -- drew a tough response from the financial junta: rent money deposited in a bank by the steering committee was impounded, an injunction and \$5 million in contempt-of-court fines were imposed against the committee, and the state threatened to foreclose on Co-Op City's \$436 million mortgage. And when the tenants wanted to

end the strike, the only option open to them was to agree to an arrangement in which they would be given effective control over the project for six months in order to determine for themselves whether the rent increases were "necessary." In other words, what the tenants had won was the right of *self-management of austerity*: the conditions of the intensified counter-offensive had been so effectively established that -- in this case at least -- the financial junta no longer needed to exercise direct coercion. The handing over of \$20 million (68 carton boxes full of checks) by the steering committee to the State Supreme Court after the settlement of the strike symbolized the new situation in the city: the flow of money (and power) was now from the working class back to capital, a direct reversal of the movement generated during the struggles of the 1960's. Perhaps the fullest impact of the dilemma of the Co-Op City tenants -- the dilemma of having to impose austerity on themselves -- came two months later, when the maintenance and security staff at the project went out on strike for higher wages. The walkout ended after several days, with the tenant managers agreeing to a moderate pay increase; but the situation indicated the extent to which the working class of the city had been reduced to a position in which it was capable of little more than the *redistribution of poverty*. 19

A related sort of defeat resulted from the struggle surrounding the "People's Firehouse." When the city administration -- in the midst of closings of numerous hospitals, libraries, and other facilities -- attempted in November 1975 to eliminate Fire Engine Company 210 in the Northside section of Brooklyn, community residents began a round-the-clock occupation of the building. After more than a year's occupation by the residents -- during which time they renamed the facility "People's Firehouse" (though the occupiers never went out to fight any fires and the engine itself never left the building) -- the city capitulated. But the terms of the agreement did not include the reinstatement of Company 210; instead, it involved the transfer of Rescue Company No. 4 from the Maspeth section of Queens to Northside. The occupiers declared it a victory nonetheless, while the residents of Maspeth obtained an injunction in State Supreme Court against the transfer. As of this writing, the issue had not been settled; yet what seems clear is that the Northside struggle, like that at Co-Op City, failed to subvert the conditions of austerity and was thus reduced to a matter of the allocation of scarcity.

Aside from the difficulties of resisting austerity demonstrated in these two cases, a major problem in the formulation of a strategy of resistance is the ambiguous character of many of the services being cut back. Most everyone is opposed to reductions in fire protection, public health care (such as it is), and garbage collection -- though firefighters, hospital employees, and sanitation workers usually are unwilling to do more work at lower pay to make up for the cutbacks. Yet, is *everyone* opposed to police cutbacks that mean reductions in political surveillance or harassment of prostitutes? Is *everyone* opposed to Welfare Department staff cutbacks that (in some cases)

result in a loosening of eligibility requirements? Is *everyone* opposed to CUNY cutbacks that necessitate the cancellation of required, non-credit "remedial" classes? The problem is that what are usually lumped together under the rubric of "services" are actually some very different sorts of functions, many of which serve business and government much more than they serve the working class. Most of the functions of police and social workers, for instance, are outright forms of social control. "Services" such as the public schools and

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colleges are engaged in the process of socialization as they try to mold young people to fit the labor requirements of business and government. Finally, there are mixed cases: the transit system, for example, is primarily designed to get people to their waged jobs (which was made quite clear in 1976 when transit officials investigated the possibility of shutting down the subways on the weekends), but millions of people depend on it in all of their activities.

Given these ambiguities, it is perhaps less surprising that there haven't been more violent reactions to cutbacks. Young people who have been tearing up the schools or not showing up at all are not about to protest when the city decides to shorten the schoolday by 30 minutes or shut down facilities altogether. Ghetto residents trying to survive by various hustles on the street are not about to protest when the city reduces police patrols. And, for that matter, it is likely that none of us is prepared to protest unequivocally when the city closes hospitals that have reputations for doing more harm than good to their patients. What all this indicates is that the nature of the intensified counter-offensive has caused the divisions in the working class to once again begin to work to the advantage of capital. No longer do the autonomous struggles of the different sectors of the class in the city result in more power for each vis-a-vis capital. In the place of the circulation of victory exhibited in the interaction of city workers and city "clients" in the 1960's we are faced with the *circulation of defeat*. No group has been unaffected by the austerity, so controversies over the "racist" or "sexist" nature of the layoffs and cutbacks miss the whole point of what is happening and only serve to accelerate that circulation.

THE FUTURE OF AUSTERITY

The above has clearly done a lot more to illustrate what an effective response to austerity *is not* than it has done to show what

one is. The difficulty in doing the latter is that the initiative at this time is still with capital, so we must devote much of our energy to reassessing the likely plans of the junta for the future of austerity.

Yet, this too is no simple matter, for the direction of the plans has not been at all clear. On the one hand, there have been numerous indications that they may opt for a prolonged period of underdevelopment and austerity. 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."²⁰ Deputy Mayor John Zuccotti has declared that "the era of the politics of plenty is closed, replaced by the politics of scarcity."²¹ And as this is being written, the banks are pressuring the city to accept the creation of a permanent "watchdog" agency for municipal finances after the authorization for the EFCB expires in 1978. Moreover, there have been moves by the junta to push its assault on wages to the limit through the promotion of volunteerism (free work). The *New York Times*, in an article entitled "City Seen Entering A Retrenchment Era," noted that Rohatyn envisions "a city with a vast army of civilian part-time volunteers relieving clerical workers in the Police and Fire Departments, hospital workers, and all kinds of administrative workers. 'The Mayor has got to tell the people we're at war,' he said. 'In a war you have volunteers, you have rationing.'"²²

Yet, there have also been indications of plans to redevelop the city (though clearly on capital's terms). In 1976 Roger Starr, then the city's Housing and Development Administrator and now Henry Luce, Professor of Urban Values at New York University and a member of the editorial board of the *New York Times*, put forth the notion 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. Starr later also came out in favor of a revival of the Resettlement Administration of the New Deal era in order to move (poor) people out of the center-cities and into places where "job opportunities" are greater.²³ Rohatyn has essentially endorsed the same scheme (while avoiding the controversial phrase "planned shrinkage") in his prescription: "Take a 30-block area, clear it, blacktop it, and develop an industrial park with the whole package of tax, employment, financing incentives already in place." He also has looked back to the New Deal, as well as to postwar planning and Kennedy's New Frontier, in his calls for a new Reconstruction Finance Corporation to carry out a new Marshall Plan for the "declining cities" and for an "urban peace corps" of young business executives to help "save" the cities of the northeast.²⁴ Beyond this, other officials have envisioned the expansion of New York's role as the preeminent "knowledge city" of the world, while various government and private committees (including David Rockefeller's Business-Labor Working Group) have been hard at work drawing up plans for attracting investment back to the city -- plans that will undoubtedly include more measures like the

agreement of the New York construction unions to accept a 25 percent wage reduction for renovation work.

The ambiguity concerning development and underdevelopment is largely due to capital's uncertainty as to how successful it has been in permanently disciplining the working class in New York, and also to the tension between capital's desire to seek that discipline through

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underdevelopment and the extremely important role New York plays for world business. The city remains the global headquarters, financial, and communications center, and it contains enormous fixed investments in real estate and infrastructure, along with a 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 the New York working class may have become, capital cannot underdevelop the city much more. The people of the city are thus in a much stronger position than people in less crucial areas (for capital), who, when capital is forced to "move out," are left with nothing but *power over their own poverty*. The working class of the city thus has no choice but to build the struggle to gain power over the enormous wealth which is managed in New York. The publisher of the elite journal, *New York Affairs*, has candidly indicated the essence of the crisis by writing: "Whether or not the promises of social and economic entitlements of the 1960's can be rolled back to a lower order of magnitude without social upheaval is what is being tested in New York City..."²⁵ If nothing else is certain, it is clear that the final result of this test has not been determined yet.

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NOTES

1. For more on the underdevelopment of the northeast, see the six-part series in the **New York Times**, 8-13 February 1976; **Business Week** 17 May 1976; and **Empire State Report**, October-November 1976.

2. This discussion is largely based on Michael Lipsky, **Protest in City**

Politics, Rand McNally, 1970; and Mark Naison, **Rent Strikes in New York**, New England Free Press, reprinted from **Radical America**, November-December 1967.

3. This discussion is largely based on "Protest By the Poor: The Welfare Rights Movement in New York City," RAND Corporation study R-791-NYC, by Larry R. Jackson and William A. Johnson, August 1973; and Frances Fox Piven and Richard Cloward, **Regulating the Poor**, Vintage, 1972.

4. Cited in Elizabeth Durbin, **Welfare Income and Employment**, Praeger, 1969, p. 127.

5. First National City Bank, **Profile of a City**, McGraw-Hill, 1972, p. 41.

6. I. Ross, "Those Newly Militant Public Workers," **Fortune**, August 1968.

7. See Raymond Horton, **Municipal Labor Relations in New York City**, Praeger, 1973, especially pp. 105-106.

8. D. Cordtz, "City Hall Discovers Productivity," **Fortune**, October 1971.

9. See, for example, hearings before the House Ways and Means Committee, 11 March 1969, cited in **New York City in Crisis**, New York, 1975, p. 15-16.

10. For more on this issue, see Roland Delfausse, "The Pressing Need for Pension Reform," **New York Affairs**, 1.1, 1973; Charles Holcomb, "The Pension Balloon is About to Burst," **Empire State Report**, May 1975; and **New York Times**, 3 May 1976.

11. **New York Times**, 20 October 1975.

12. See the **Guardian** (New York), 8 October 1975.

13. **New York Daily News**, 2 July 1976; on the productivity policy, see also **New York Times** 23 May 1976 & 17 July 1976; **Business Week**, 14 June 1976.

14. For background on CUNY and the struggles over open enrollment, see **Crisis at CUNY**, produced by the Newt Davidson Collective, New York, 1975.

15. **New York Times**, 28 November 1975 & 29 September 1976.

16. For more on this "problem," see **New York Times**, 17 October 1975.

17. **New York Times**, 16 September 1976 & 24 January 1977.

18. **New York Times**, 21 January 1977.

19. For more on the Co-Op City struggle, see **New York Post**, 31 January 1976; the **Guardian** (New York), 4 February 1976; **New York City Star**, 15 February 1976.

20. **New York Times**, 10 December 1976.

21. **New York Daily News**, 3 January 1976.

22. **New York Times**, 2 February 1976.

23. See **New York Times**, 3 February 1976; and **New York Times Magazine**, 14 November 1976.

24. See **New York Daily News** 7 March 1976; and **New York Times** 16 March 1976 & 12 November 1976.

25. L.D. Solomon on "op-ed" page of **New York Times**, 21 February 1976.