

Special Report:

NY Legislature Passes New MAC to Bail Out Banks

by L. Wolfe

NEW YORK, Sept. 9 (IPS)—David Rockefeller's Big MAC II plan to save his New York banks from bankruptcy narrowly squeaked through the Special Session of the New York State Legislature today. The plan, under which billions of dollars in city and state revenues and union pension funds will pour into the banks' coffers in a jet stream when New York City eventually defaults, was signed into law tonight by Governor Carey, the Rockefeller lackey most immediately responsible for securing its passage.

Just prior to the final votes in the Assembly and State Senate, discussion of the alternative to bankers' looting schemes—a statewide debt moratorium—occurred on the floor for announced their intention to introduce moratorium legislation — legislation that would supercede the Rockefeller MAC plan — when the legislature resumes its session. Several others have nervously expressed support for the proposal.

Rockefeller has at best won a Pyrrhic victory. The new MAC plan cannot stop a default by the city, only delay it for a brief period of time. It is officially supposed to carry the city through December. Financial sources expect it to fall apart long before that. More significantly the Rockefeller banks, themselves already as bankrupt as the city, plan to suck whatever loot is turned over to MAC into their own day-to-day operations in order to stay afloat. The banks' ability to prevent a run on their deposits by hysterical investors is at this point dependent on Rockefeller's ability to convince them that he has the political muscle to continue to secure his loot in New York.

Arabs Call Bluff

Rockefeller's bluff is already being called. IPS learned today that the Arab sheikhs are in the process of pulling their billions from the vaults of the New York banks and depositing them in Chicago and elsewhere. One banking source said that the Arabs fear that the New York banks would not be able to secure their assets when New York City defaults.

The \$2.3 billion bail-out plan, like all the other schemes put forward previously by the Rockefeller schemers, has an unmistakable hodge-podge character—a little loot from here, a little loot from there—all to eventually find its way into Rockefeller vaults.

*\$750 million to be looted from state and city pension funds, with the blessing of Victor "Bumgut" Gotbaum of AFSCME District Council 37 and the universal displeasure of the rest of the state union movement.

*\$750 million to be borrowed by the state in tax anticipation notes at exorbitant interest rates and turned over to MAC.

*\$800 million from other "private financial sources" (the banks) and government sources. Sources close to the Governor's office refused to say from what hat this money would be pulled.

The critical financial feature of the plan is that it inexorably ties the state revenues to the payment of city debt. In the event of city default, state monies would be pumped into the Rockefeller banks to cover the bad city paper.

The Plan also sets up a seven-member financial control board whose mission it is to "put the city's house in order." This body, which effectively replaces the city government, will enforce new levels of austerity that will secure additional loot for the Rockefeller banks when the city defaults. "The board is like the one who gives out the chips in a casino," Governor Carey said yesterday. "You go to the window and get your chips and play the game." As most people realize, everyone who plays in a casino loses—and winds up paying the bank.

Debate in Legislature

Debate on the MAC plan on the floor of the legislature did not begin until Monday. With several other assemblymen already speaking about "voluntary default", Assemblyman Arthur Eve (D-Buffalo) broke the ice on the debt moratorium. Eve, who that morning was the target of a Labor Party leaflet for his capitulation to Carey's lies in the Friday Black and Puerto Rican Caucus meeting and his helping swing those votes to the MAC plan, told the Assembly that he supported the MAC bill "but personally I would favor a debt moratorium for all municipalities . . . but I understand it's not possible." Eve cited as his principal reason: the banks wouldn't like it.

The cat was now out of the bag. Assemblyman Peter Barbaro (D-Bklyn), who had previously raised the debt moratorium in the Democratic Study Group meeting with Carey, now raised it in the Assembly. Describing the extent of ecological holocaust

already hitting New York City. Barbaro said, "Garbage is piled in the streets, in some places 10 feet high . . . People are dying, waiting for emergency care in the hospitals . . . This bill (the MAC plan) would provide no answer, only more cutbacks, and no further cutbacks can be made . . ."

Barbaro then announced his plans to introduce legislation calling for a 1 per cent tax on bank assets, and a statewide moratorium on municipal debt when the legislature resumes its session. Reading from the USLP legal brief on debt moratorium, Barbaro cited the Hughes 1934 Supreme Court decision on the priority of state and municipal services over "contractual obligations (debt)" as sufficient precedent. As the words "debt moratorium" hit the floor, Assemblymen could be seen looking at copies of the USLP legal brief. Several began to pass copies around.

Rockefeller flunkey, Assembly Speaker Stanley Steingut (D-Bklyn), fearing that the moratorium would become the topic of the debate, moved rapidly to cut things off. "The debate is over, I adjourn the session until 8:30," he screamed pounding his gavel.

With the floor still buzzing about Barbaro's speech, Assembly Minority leader Perry Duryea (R-LI) declared that he waived the Republicans' right to debate and called for immediate vote on the MAC plan.

The plan squeaked through by a vote of 80-70, with several Democratic Assemblymen voicing their reservations as they cast their yes votes.

In the Senate Also

Later that evening, in the debate in the Senate, Sen. Karen Burstein (D-Queens) announced that she would co-sponsor legislation being drafted by another Senator "who was not present" calling for a debt moratorium. IPS has since learned that the Senator referred to is Sen. Vander Beatty (D-Bklyn).

At 4 a.m., the Senate passed the MAC plan 33-26.

In order to wrestle votes for the MAC package at the Friday caucus meetings, the Governor had promised to reconvene the legislature in the next two weeks to consider long-term plans for the reorganization of the city. Sources in Albany today doubted that Governor Carey was really serious about keeping his promise. At some point in the next several weeks, however, the crisis will again reach another critical inflection and Carey will be forced to summon the

legislature into session to deal with it. The subdued rebellion in Albany against the MAC looting proposal and the open expressions of support for the debt moratorium provide clear indication that the bankers' austerity drive has passed all acceptable political limits. Each call for additional sacrifice to save the New York banks through cutbacks in services will fuel that rebellion, bringing the debt moratorium closer to becoming law.