

Bankers pull plug on New York City

by H. Graham Lowry

The deranged financiers who dictate fiscal policy for New York City have decided to pull the plug on its surviving population. Physically ruined, with many of its structures literally crashing to the ground, the city has suffered hideous poverty, rampant unemployment, and epidemic disease. The latest massive cutbacks in city functions and services, described even in the New York press as a "doomsday" program, threaten it with virtual extinction.

Mayor David N. Dinkins presented a \$2 billion budget-cutting plan May 4 which he said would produce a "meaner" and less livable city. "There is no adjective sufficient to describe the consequences New Yorkers will have to bear," Dinkins said. "If new resources are not forthcoming and New York City is forced to go it alone, each and every day, each and every New Yorker will be forced to suffer and sacrifice in 101, even 1,001 different ways." City Finance Commissioner Carol O'Cleireacain said of the proposal, "This is an heroic effort; there is a lot of pain in this plan."

The economics of 'pain'

New York City is being squeezed between the threat of a takeover by the State Financial Control Board and the austerity demands of Felix Rohatyn of Lazard Frères, who still heads Big MAC, the so-called Municipal Assistance Corp. The city's deficit for fiscal 1992, projected in January at \$1.6 billion, now stands at \$3.5 billion—and is being pushed ever higher by the collapse of revenues across the board. Next month the city will have to sell \$600 million in bonds, just to creep through to the end of the current fiscal year June 30, but Rohatyn and the bond raters have made it clear that there will be no sale unless the city slashes enough spending to control the deficit. If the city fails to raise the money, it will not cover this year's deficit, and will then be placed under Financial Control Board dictatorship.

Rohatyn loves to talk about pain. During the takeover of the city's finances in the mid-1970s, his budget slogan was "pain and agony." At a Big MAC board meeting this February, his prescription was "extreme brutality." In a speech to the Municipal Forum of New York April 24, he described his life before Big MAC as "a state of total municipal virginity. That did not last long. Like most virgins, my education was rapid, exhilarating and sometimes painful. . . . One could make political virtue out of painful necessity."

Now he is demanding long-term "structural reforms" in city spending, especially in the form of permanent concessions on wages, benefits, and work rules from the municipal unions, to the tune of \$600 million for 1992 alone. Big MAC might then offer \$200-300 million in loans to the city, as "the caboose, not the engine" of a rescue plan, Rohatyn says.

Eliminate 35,755 jobs

Caught in this vise, and strongarmed as well by Gov. Mario Cuomo's threat of state takeover, Mayor Dinkins presented his latest list of budget cuts. Beginning July 1, if the unions don't agree to take it on the chin, the city will eliminate 35,755 full-time jobs, more than 23,000 through outright layoffs and the remainder by attrition over 12 months. Another 4,000 part-time positions will be axed. The parks department budget will be cut by 39%, sanitation by 22%, health services by 19%, and subsidies to city hospitals by 20%. The city's schools will lose 6,000 more teachers and aides. "Productivity initiatives," less politely known as worker speedups, will squeeze out another \$550 million in "savings."

Infant mortality programs will be eliminated; five health clinics set up specifically for children will be closed. The school health programs which administer 500,000 vision and hearing tests each year will be canceled. All outpatient pharmacies in city hospitals will be shut down, and weekend and evening hours at outpatient clinics will be eliminated. Social workers' caseloads will be increased. The city's dental clinics will also be closed, as will 10 shelters for the homeless, and drug treatment programs will be terminated.

Housing inspections will end; responses will be made only to heat and life-threatening complaints. Lead paint inspections will be cut by half, and pest control programs by 25%. Major staff reductions will be made in city libraries and cultural institutions. The Central Park Zoo and all 32 of the city's outdoor swimming pools will be closed. To ensure the proper pall over the scene, one of every four street lights will be turned off citywide.

Meanwhile, the city continues to scramble for funds to replace the state aid it has lost since April 1, the beginning of the new fiscal year in Albany. The money cannot be delivered because the legislature has not passed a budget, and is wrangling with a \$6.5 billion deficit of its own. On April 30, the city was forced to sell \$1.2 billion in one-month revenue anticipation bonds, at interest rates more than 2% higher than anywhere else in the nation. The usurious rates were dictated by Standard & Poor's, which the day before downgraded the new issue to its lowest investment grade.

The main takers were investment bank dealers in search of a quick killing at the city's expense. The Cuomo administration, which forced the issue in the first place, apparently couldn't resist getting in on the deal. New York State picked up \$50 million of the bonds, expressly because of the high interest rate the city was paying!