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Bankers Prepare Military Coup for New York City to Set Example for U.S.

March 26 (IPS) — Developments in the last 48 hours, blacked out in every bourgeois newspaper, establish as indisputable fact that the Wall Street banking community is making preparations for the establishment of an outright bank dictatorship over New York City, by legal means if possible and by military means if necessary. The short-term objective is to impose fascist financial reorganization over New York City, transform it into a Brazilian hell-hole, and make it an object lesson for every other American city and municipality on the brink of bankruptcy.

Congress passed the Municipal Bankruptcy Act March 25, a bill which puts bankrupt cities under Federal Court dictatorship with complete powers to tear up labor contracts, scrap services, and to decree whatever amounts of austerity required to salvage roughly \$220 billion of municipal debt. By the admission of a legislative aide to Congressman Don Edwards, (D-Cal), the bill's co-sponsor, its immediate purpose is to deal with the New York City financial and political crisis: the threat of default on over \$1 billion in Treasury debt by June 30, and union resistance to austerity conditions highlighted by the threatened strike of the Transit Workers Union.

Simultaneously, New York City officials with direct links to both Felix Rohatyn and the Department of Defense, disclosed to IPS contingency plans for a coordinated military-police rule over New York City with "war options" of National Guard occupation. On April 5 a team from the Department of Defense, and the Defense Civil Preparedness Administration will be in New York to review recommendation for a military command and control reorganization of the City's administrative function. According to this same source the chaos and confusion of a threatened transit strike will serve the pretext for such reorganization and war plans; "The strike will provide living proof of what we've said ... it will be a complete disaster because the city is completely unprepared."

Taken together these two developments lead to only one conclusion; that the New York banking community has determined that the level of austerity required to support the dollar debt structure is not possible without recourse to fascist police state rule.

No Butter

The current New York City fiscal and political crisis provides the backdrop to this determination. By New York City's own estimates it will be in default on over \$1 billion by June 30

at the latest. During the April-June period its revenues are projected at \$3.9 billion and of this over \$1 billion constitutes questionable state aid; meanwhile, its payroll and general operating expenses are projected at \$2.5 billion and debt service at \$2.2 billion. The city will default massively on either payroll or debt service.

This financial crisis comes after 40,000 layoffs and more than \$1 billion in service cutbacks: debt service in the second quarter is almost 90 per cent of locally raised revenues. This is the result of previous year's bloodletting austerity measures. Service cutbacks and layoffs have aggravated the city's current account deficit by roughly three times its original projection. Welfare costs have skyrocketed and the tax base along with general economic activity has collapsed. Meanwhile, \$12 billion in debt was financed and refinanced at loan shark rates of interest.

These debt service payments cannot be met without wholesale shutdown of services. As one city official indicated that this is precisely what the City plans to do: "We will pay back our loans to the Treasury on June 30 if it means not paying policemen, firemen, teachers, and everyone else on the payroll."

Big MAC Chairman Felix Rohatyn disagrees with this approach, but only because it does not go far enough to ensure ultimate collection of debt. What is required beyond layoffs and service cutbacks Rohatyn claims is the destruction of the trade-union structure and the driving down of wage levels of those still employed.

Bankers Rule

The Municipal Bankruptcy Act provides the legal mechanisms for a "Constitutional" fascist take over precisely along the same lines accomplished by Adolph Hitler. With the Federal Court system fully committed to the enforcement of police state rule, as the latest Supreme Court decisions leave little doubt, the Act itself provides Rohatyn and company with the veneer of legality to sidestep elected government and themselves dictate economic policy. Much like the Humphrey-Hawkins bill it is cast into a populist mold to sucker liberal congressmen and trade unionists.

The Act itself works in the following insidious way. A city like New York files a bankruptcy petition with a Federal District Court declaring that it cannot meet its debts as they mature. In return for a stay against creditor claims — a moratorium on debt payments — the city hands itself over lock, stock, and barrel to the Federal Court.

The bill should in no way be mistaken for debt moratoria

legislation as proposed by the U.S. Labor Party. While it supposedly provides cities with relief from creditors during a period of reorganization, its creditors extend to all holders of contracts, including unions!

First, the city can only raise money on court-approved terms. Since all cities and municipalities experience time lags between expenditures and income and therefore require credit simply to function on a day to day basis, the court has de facto control over all economic decisions. Secondly, the city must file a plan for financial reorganization which requires the consent of two-thirds of the creditors, and which therefore requires a balanced-budget and debt repayment schedule satisfactory to both the courts and the creditors. Third, the court has the authority to retain complete jurisdiction over the city for as long as it de-

termines is necessary to the "successful execution" of the financial plan.

The explicit purpose of such bankruptcy proceedings is to bring all the creditors together under one roof — bankers, unions, agree upon a satisfactory debt repayment schedule. For unions whose pension funds have already been invested in city debt, they will be told if they want to be repaid they will have to accept all the conditions of a balanced budget — layoffs, speed-up, and complete destruction of all union rights.

This is a direct replication of the financial reorganization schemes of Hitler's finance minister Hjalmar Schacht in 1934-37 period; a short-term moratorium on debt which was paid back out of the sweat and blood of a broken labor force.