

floating an additional \$10 billion new tax-free debt without any obligation to make improvements, extensions, or replacements of the world's largest, now-ruined, transit system.

The 1967 Metropolitan Transportation Authority was the creation of a classic holding company draining its subordinate operating companies, which now included the Long Island Rail Road, the suburban Conrail lines, and the Triborough Bridge and Tunnel Authority.

### The real-estate siphon

The Pan Am building, a large office tower that sits astride Grand Central Station on Manhattan's East Side, was sold in 1980 to the Metropolitan Life Insurance Company for \$400 million. It had been assessed for, and had paid real-estate taxes on, \$80 million. Embarrassed public officials were forced to revise the assessment after the sale to \$179 million.

The total office space in Manhattan south of 59th Street is 275 million square feet. At an average rental of \$30 per square foot and using a minimum standard multiplier of 5 times yearly rental income to arrive at an estimate of market value, the total value, conservatively judged, is \$41.25 billion. It is currently assessed at \$7.7 billion, a sum the city claims is 60 percent of full market value, which would make the properties worth, although not taxed for, a total of \$12.3 billion—easily less than a third of present speculative market worth.

When one realizes that the flagrant tax underpayment, so meagerly compensated for by overtaxation of individual incomes, sales, and homeowners, continues every year, it becomes clear that the sum lost to the city since World War II approaches \$15 to \$20 billion.

The city's loss in the current year is at least \$1.5 billion. That annual figure is large enough to restore all the basic services eviscerated during the 1975-77 "emergency" and its Koch sequels—to restore full transit service, replace the 10,000 teachers lost, reestablish health and sanitation services, and properly fund law enforcement, as *EIR* will elaborate in a future sequel to this report.

Figure 2  
Major expenditures as percentage of total budget

Fiscal year	Labor	Social welfare	Debt service
1970 .....	51.5%	22.3%	10.5%
1975 .....	46.1	22.8	14.5
1978 .....	41.5	22.8	15.1
% change 1970-78 .....	-19.5%	+ 0.2%	43.8%

## The Crime Record

# Behind New York's drug and arson wave

by Stephen Parsons

Crime in New York is neither random nor inherently uncontrollable. On the contrary, the vast bulk of crime is very tightly *organized*; it is an integral component of the planned shrinkage program and the simultaneous diversion of capital flows into the underground economy. The benefactors are the same bankers who bled the city's treasury in fomenting the fiscal crisis in 1975—a crisis which has been used to cut uniformed police officers 25 percent in six years.

The key is illicit drugs.

The major New York commercial banks launder hundreds of billions of dollars every year in "hot" money, funds that are then deposited and redeposited in unregulated foreign banks and their branches in the Caribbean, London, Switzerland, and Hong Kong, and eventually return to the United States as "venture capital" for real-estate, money-market, and similar investment. The source of the funds is organized crime: narcotics, prostitution, gambling, and the like. In New York City the drug market alone accounts for at least \$30 billion of this cash flow every year, with organized crime as a whole earning something in the order of magnitude of \$100 billion annually.

Estimates of the heroin addict population in New York City vary from 168,000 to 275,000. Studies conclude that 90 percent of heroin addicts' income is derived from crime, with an addict averaging 200-300 felonies per year, ranging from prostitution and drug retailing to muggings and murder. The total heroin addict income level is estimated at \$20 billion annually, or \$100 per day per addict.

All this has many implications. Even if heroin addicts commit only 25 felonies per year (about 10 percent of probable levels), their crimes alone would surpass the total U.S. felonies in the FBI's official crime index. One hundred and fifty thousand addicts in New York City committing only 25 crimes a year would surpass the 625,000 crimes reported in the city for 1980. This means that an enormous number of crimes go unreported and uncounted; most important, it indicates that most in one form or another relate to drugs and associated kinds of organized crime.

Street heroin payouts in New York City add up to \$5-

\$10 billion at a minimum. Other drug sales included, the amount is at least tripled. When other organized crime revenues are added in, the \$100 billion a year figure becomes very realistic.

This puts the wave of muggings and burglaries in a specific light. If only 10 percent or so of such crimes result in arrests, then does the \$846 million worth of stolen goods recovered represent one-tenth of what is actually stolen? One-fifth?

The drug and crime wave began in the mid-1960s, as did the expansion of unregulated offshore banking and real-estate speculation, all centered in New York. Today, the city's major financial institutions are totally dependent on this cash flow, without which many would go bankrupt because of bad loans to underdeveloped nations and other insolvent entities.

The New York Police Department (NYPD) has been shredded in the past five years, with the Organized Crime Bureau, which has narcotics oversight, reduced from 1,600 men to 439. Beyond the manpower losses, law enforcement has been systematically rendered ineffective.

The process began in 1966, when crime (and drug use) doubled and tripled. Youth gangs nurtured by Ford Foundation-funded agencies began to "take on" the police. Mayor Lindsay used the crime and racial

tensions to charge "police corruption" and "police brutality" against the most dedicated officers and commanders. By 1970, the Knapp Commission and the federal Law Enforcement Assistance Administration (LEAA) had purged the NYPD's Intelligence Division on this basis. The LEAA's first director, Patrick Murphy, was next installed as police commissioner to oversee the further demolition of the department.

Previously, the heart of the department's crime-solving capability had been the ordinary cop on the beat, who knew everyone in his area and had access to crucial information to help detectives solve major crimes like murder or major burglaries. Murphy introduced rotating precinct assignments instead, with the rationale that cops on a regular beat are open to bribery and corruption. In 1972, Murphy ordered all police to stop making "harassment" arrests of suspected criminals on minor charges, and forbade anti-crime teams to make narcotics arrests; only the narcotics squad was permitted to do that.

Koch took the next step by actively promoting the marijuana decriminalization bill that became state law in 1977: now street-level drug pushers in New York City at most receive a summons, for which they pay by returning to the streets and selling more drugs. In effect, the city has begun to go into the dope business.

That is literally the case for prostitution. Arrests are limited to prostitutes making direct solicitation. Every day, the courts "clear the calendar" by 1:00 P.M., fining the prostitutes and letting them out for appointments to pay the fine. "The biggest pimp in the city of New York is the City of New York," said one NYPD source, who added that prostitutes commit about 50 percent of all midtown robberies.

Today one in every 11 New Yorkers is directly victimized by felonious crime. Yet for the first time in memory, felony arrests actually declined each year during Koch's tenure; they are now at only 70 percent of the 1977 arrest rate, while felonies have increased 21 percent.

In 1980, less than 16 percent of felonies resulted in arrests, compared with 33 percent in 1958. In 1980 less than two-thirds of all murders resulted in arrest; arrests were made in less than half of all assault cases, only two-fifths of rapes, one-fifth of robberies, and less than one-tenth of burglaries and larcenies (see Figure 3). Koch has removed 10 percent of beat policemen since his advent.

The crime wave has been fueled by a criminal justice system under which only one in 263 burglars ever goes to jail; the odds now are that a New Yorker has a far greater chance of being mugged than the perpetrator has of being arrested, and there is almost no chance that justice will be done.

Figure 3  
**Law enforcement trends, 1977-80**

	% change 1977-80		Arrests as % of felonies	
	Crimes reported*	Arrests made	1977	1980
Murder & manslaughter . . .	+17%	+15%	64.9%	64.0%
Forcible rape . . . . .	- 5	-17	44.5	39.0
Robbery . . . . .	+35	+ 7	24.7	19.6
Felonious assault	+ 1	-19	58.4	47.3
Burglary . . . . .	+19	-23	13.5	9.1
Grand larceny . . .	+40	-27	15.8	8.2
<b>Total felonies . . . . .</b>	<b>+21%</b>	<b>-14%</b>	<b>22.2%</b>	<b>15.8%</b>
Narcotics felonies	-21%	-21%		
Narcotics misdemeanors . . .	- 10	- 10		
<b>Total narcotics crimes . . . . .</b>	<b>-16%</b>	<b>-16%</b>		

**Organized Crime Bureau personnel: (1977) 1,600 (1980) 439**

\* Substantially less than actual crimes committed, especially in the case of narcotics crimes.

## Arson and the RAND project

Fires in New York City have increasingly become the work of arsonists. Arson has in fact become a very profitable business venture for the banking, insurance, and real-estate sector, with the overall strategic benefit of securing "urban removal" of minorities and blue-collar workers, whose burned-out neighborhoods can then be transformed into "green belts" or sweat-shop enterprise zones.

It was under Mayor Lindsay that New York's arson and fire epidemic began in earnest. While Lindsay's associates supervised urban riots across the country in the 1960s, what was unleashed in New York City was a wave of crimes and fires in ghetto areas like the South Bronx, Bedford-Stuyvesant, East New York, Harlem, and the Lower East Side. In 1966-68, total fires in New York increased 42 percent; in the Bronx, the increase was 60 percent.

Fires per uniformed firefighter increased 50 percent; the department was so overwhelmed that the Public Employees Board granted the Fire Officers Union demand for the creation of 14 new fire companies in 1969-70. Fires increased only moderately over the next several years.

In 1968, Lindsay countered by bringing in the RAND Corporation to perform an "efficiency study" of the Fire Department, which he charged was spending too much of the city's limited funds. RAND concluded that the department could be run with fewer units, and in five rounds of closings between 1972 and 1976, the city eliminated or relocated 35 fire companies. Twenty-seven of them—75 percent—were from areas with the highest incidence of fire.

At the same time, Lindsay systematically reduced building inspections from 1.42 million in 1966 to .47 million in 1976, a two-thirds decline. Fire marshals were cut to about 60, precluding serious investigations of arson.

At that point, fires began to increase dramatically again; in 1972-76, the number of fires per fireman rose another 50 percent, with 2,400 firefighters being cut from the department, nearly 23 percent of the force. Areas like the South Bronx simply burned down. RAND's strategic bombing had succeeded.

While available arson statistics are understated because the majority of questionable fires go uninvestigated, at least 20 percent of all structural fires in New York are officially termed arsons, and it is estimated that in actuality the figure is 50 percent. In 1979, only 6 percent of the officially designated "suspicious fires" resulted in arrests.

A common modus operandi for "clearing" a neighborhood is cited in the book *Studies in the Collapse of Fire Service in New York City, 1972-1976*, written by

Rodrick and Deborah Wallace:

The Planning Commission informed the Fire Department that certain sectors of the Rockaway Peninsula were to undergo urban renewal and that fewer fire units would be needed because new fireproof high rises would replace the flammable old wooden houses. What was not included in the note was the fact that only a couple of blocks of wooden houses would be displaced and that the rest of the area would remain the same. After elimination of one of the engine companies, large areas of that sector were cleared by fire for redevelopment without the City having to spend the time and money for the legal urban renewal.

The way arson characteristically works is that the value of a decrepit residential building is artificially jacked up through resales and buy-backs among a group of owners. A series of arsons eventually drives out the tenants, while the landlords collect insurance each step of the way. In many cases, the burned-out hulk and the land are sold or retained for new developments that receive a plethora of tax abatements and exemptions, and in some cases, federal rent-subsidy guarantees. In all cases, tax write-offs and credits make the undertaking worthwhile in itself.

The banks and insurance companies lose nothing, because they raise their premiums and actually increase cash flow and deployable investment funds, and the banks can deal in new mortgages at much higher interest rates.

Mayor Koch emphasizes that he has hired back several hundred laid-off firemen, reopened a few fire houses, and achieved a decrease in fires. Yet the stage is set for a new round of fire increases. Already, in the first half of 1981, arsons have increased by 78 percent over 1980 in areas contiguous to and overlapping the South Bronx.

Koch's appointee as fire commissioner, to replace career fireman Augustus Bekkman, is Charles J. Hynes, who has no department experience whatever, but is skilled at conducting "corruption" purges of austerity opponents. Hynes became special prosecutor for nursing-home scandals and deputy attorney general for Medicaid fraud control after supervising coverups in the Brooklyn District Attorney's narcotics and rackets investigations.

The Fire Department's budget continues to erode in constant-dollar terms; 1980's budget was 35 percent below 1975's. Violations issued have decreased 40 percent since 1975. In 1979, the latest year for which statistics are available, Koch had cut residential inspections by 39 percent, to only 67,381, in the space of two years. That is 16 percent of the level a decade ago.