'Planned Shrinkage': Washington, D.C. Gets The New York Treatment

by Edward Spannaus

What is being done to Washington, D.C. today—the destruction of city services, the forced, brutal reduction of the city's impoverished minority population—was all done first to New York City by the same players, the same institutional networks, and the same methods. The only difference, is that it hit earlier in New York, because of the differing nature of the two cities: that New York was formerly a city based on manufacturing and commerce, whereas D.C. was, and is, a city whose primary "business" is the Federal government, not trade or manufacturing.

Just as the Control Board was created by Congress as a financial dictatorship over Washington, D.C. in 1995, the Municipal Assistance Corp. (known as "Big MAC") was established 20 years earlier, as a bankers' dictatorship over New York City. In both cases, the purpose was to impose brutal austerity and wholesale cuts in public services—fascistic measures which no democratically elected city government could possibly carry out, if its leaders expected to survive politically.

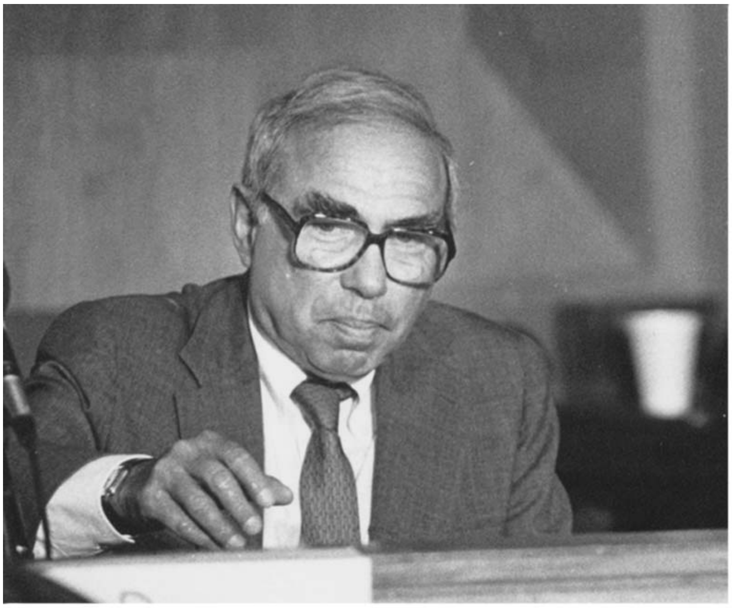
Door Closes on 'Full Participation in American Life'

The genocidal policy was formally spelled out in 1976 by New York City's private housing "czar," and *New York Times* editorial board member, Roger Starr—although it was already well under way by that time.

In a Nov. 14, 1976 feature in the *New York Times Sunday Magazine,* Starr set forth what he called a policy of "planned shrinkage": a drastic reduction of the city's population, to be accomplished by draconian cuts in public services, which would force people out of "deteriorated" neighborhoods.

Starr explained that "planned shrinkage is a recognition that the golden door to full participation in American life and the American economy is no longer to be found in New York."

"A New York with a population even considerably smaller than the present 7.5 million people could be a very good city," Starr proclaimed. "New York would continue to be a world city even with fewer than 5 million people." (It now has



Felix Rohatyn, the Lazard Frères general partner known later as "Felix the Fixer" for his leading role in the merger-mania of the 1980s and 1990s, ran "Big MAC"—the bankers' seizure of New York City's government in 1975. He and his bank are closely linked to the Washington Post'*s Katharine Graham, who is doing the same to Washington.*

fewer than 7 million.)

Starr argued that the same level of public services—sanitation, public transportation, health care, fire protection, and education—could not be maintained for a smaller population. But, rather than wait until the population in these areas moved out on its own, Starr advocated the *planned* cutting of services immediately, to accomplish this shrinkage of the population. "Better a thriving city of 5 million than a Calcutta of 7 million," Starr declared.

Earlier, in a January 1976 article in the New York *Real Estate Weekly,* Starr had gone even further, proposing that the South Bronx be turned into a national park. Lazard Frères' Felix Rohatyn—whom we will discuss below—proposed that the South Bronx should simply be paved over.

Another infamous expression of the same policy, was the "benign" neglect policy of Daniel Patrick Moynihan; the future Democratic Senator from New York wrote in 1969 that "the Negro lower class must be dissolved. . . . It is the existence of this lower class, with its high rates of crime, dependency, and general disorderliness, that causes nearby whites to fear Negroes and to seek by various ways to avoid and constrain them." Moynihan was one of the earliest critics of medical benefits to the poor, such as were established by the Medicare and Medicaid programs in 1965.

Fires and Epidemics

A few years later, Starr confided to a reporter, while speaking about the urban poor: "I know what we did with them 100 years ago, we gave them tuberculosis, but we can't do that anymore."

But in fact, they *did* do that in New York City. They knowingly and deliberately caused the deaths of people to get their way. Here's how:

In 1969, the city commissioned the New York City RAND Institute to develop computer models of the city to "improve the efficiency" of fire services. The report recommended closing many fire stations. In 1970, the deputy Fire Chief, Charles Kirby, warned city officials of a coming fire epidemic in the Bronx if they went ahead with the program as planned.

Nevertheless, the program did go ahead in 1972, and fire stations were closed in the South Bronx, Harlem, Crown Heights, East New York, and the Lower East Side. The incidence of fires increased dramatically over the next few years.

The result was that people who were burned out of their apartments, or forced out as buildings were abandoned, doubled up with relatives in surrounding neighborhoods. The overcrowded, unsanitary conditions then increased the rate of fires in those neighborhoods. Moreover, devastating health consequences followed, with a TB epidemic, and the rates of drug addiction, AIDS, and other diseases rising dramatically in those overcrowded areas—and then further spreading throughout the metropolitan area.

The Decline and Fall of New York City

It was not always this way. New York City had generally worked, as a city, up to the beginning of the 1960s. The city

New York's banker-mayor of the 1970s, John Lindsay, who prepared the city for the "Big MAC" takeover and the "planned shrinkage" which followed.

was governed by an FDR-type alliance of Democratic political machines, some moderate Republicans, labor unions, and ethnic and civil rights leaders. But with the mid-1960s shift toward a "post-industrial" society, Wall Street put in one of their own as Mayor: John Lindsay, whose brother was a top officer of J.P. Morgan bank, and whose father was also a banker.

Using blueprints drawn up by the RAND Corporation's New York City branch, and by the Ford Foundation, Lindsay proceeded with assaults on the Police Department, and against the sanitation and transport unions. He attempted to break up the school system, and to pit black communities against the predominantly white and Jewish teachers' union, with the Ford Foundation's scheme of "local control" decentralization. He promoted real estate boondoggles such as tax breaks for businesses and developers, along with cutbacks in city services.

With the shutting down of much of New York City's manufacturing industry (one-third of the city's labor force was in manufacturing in the 1950s), and the breakout of a series of international monetary crises in the late 1960s culminating in the dumping of the Bretton Woods system in 1971-72, the city's revenues fell, and its debt—becoming increasingly short-term debt, the only kind that the banks would accept—skyrocketted.

By 1975, the city's debt was $14 billion, and there was a significant movement, led by political forces around Lyndon LaRouche, for a debt moratorium (coinciding with similar moves for an international debt moratorium spearheaded by leaders of the Non-Aligned Movement).

The 'Big MAC' Dictatorship

Mayor Abe Beame, who replaced John Lindsay as Mayor after the 1973 elections, resisted the blackmail of the bankers, to the point where he was threatened with jail (just as Washington, D.C. officials have been), if he allowed the city to default on its debt to Wall Street.

Wall Street appointed, as Beame's financial adviser, Felix Rohatyn, the general partner of the private investment bank Lazard Frères. Rohatyn is reported to have drafted the legislation for the creation of the Municipal Assistance Corp. When "Big MAC" was established, Rohatyn became its chairman, and he proceeded to implement ruthless austerity measures.

In the first five years of the Rohatyn dictatorship, spending on fire protection, police, sanitation, and education was reduced by an average of 30%. Dozens of fire and police stations were closed, and staffing reduced. A number of public hospitals were closed, and the number of beds drastically reduced.

Predictably, the service cuts were concentrated in the poorest areas, while services were maintained—and in some cases even improved—in economically better-off areas.

This was just as Roger Starr had urged, for his "planned shrinkage" program. And, from 1970 to 2000, the city's population did indeed shrink (although not as drastically as the genocidal Starr had proposed), from about 7.9 million, to 7.0 million.

As in many cities across the country, this coincided with urban renewal ("Negro Removal") programs and the "gentrification" of selected neighborhoods, with corresponding skyrocketting of housing prices.

What Happened to D.C.?

This is the model which was then applied to Washington, D.C., in recent years.

Washington is of course a unique city, which by its very nature as the seat of the Federal government, cannot possibly be financially self-sufficient. Unlike other cities, it has no state and county government to back it up; over half of its property is Federal government property which is tax-exempt, and Congress has prohibited it from taxing income earned by non-residents—as many other cities do, either through state income taxes, or a "commuter" tax.

The District is usefully described as a plantation run by billionaire Katharine Graham, owner of the *Washington Post,* and a member of the extended family of the Lazard Frères investment bank.

To understand what is being done to Washington, it is necessary to understand the nature of Lazard Frères, and just how the Katie Graham and the Lazard crowd work with others of the old families and financial powers to control Washington, D.C.—all in the interests of the perpetuation of their own power, and therefore in fervid opposition to the principle of the General Welfare.

Lazard and the Bush League

In the late 19th Century, Lazard Frères rose to prominence with three branches or "houses": in Paris, London, and New York. Lazard has always represented the European-oligarchical interest, now London-centered, which despises the American System and the "American Intellectual Tradition," and which yearns to transform the United States from an industrial, sovereign nation-state into a globalist, rentier-financier imperialist power. Illustrative of Lazard's role, is its 1970s takeover of Assicurazioni Generali, the Venice-Trieste insurance giant at the heart of the Anglo-Venetian financial oligarchy.

Lazard is reportedly the world's largest private, family-owned investment bank.

As could be expected, in the United States, Lazard Frères is also an integral part of what *EIR* has identified as the "Southern Strategy" political/economic assault on the American Republic. (See *EIR,* Jan. 1, 2001.) Lazard was involved in the creation of the Bush League, in the restructuring of Wall Street in the 1970s, and in launching the mergers and acquisitions business. Lazard has long been interlocked with Schlumberger, and Lazard's Felix Rohatyn has sat on the board of Schlumberger since 1981. Nominally a major Texas-based oil-services company, Schlumberger is, in fact, an integral part of a Swiss-based intelligence network which has been operating against the United States since the time of the American Revolution (see *EIR,* Jan. 1, 2001, p. 26; Anton Chaitkin, *Treason in America* [Washington, D.C. Executive Intelligence Review, 1998]).

The Bush family dynasty owes its prominence to the power of the Harrimans, the Skull & Bones Society, Schlumberger, Lazard, and dirty money. To focus on Lazard's role in particular: It shows up either representing, investing in, or sitting on the boards of, the major Bush family corporations, including Zapata, Pennzoil, and Houston Natural Gas (now Enron). Lazard was one of the original investors in George the First's first company, Bush-Overbey; Bush-Overbey gave way to Zapata, which later became Pennzoil, which spun-off Zapata Offshore.

Lazard was also the investment banker for Houston Natural Gas, representing it in a series of mergers up to and including its acquisition by InterNorth of Omaha, in the deal which created what we know today as Enron.

Halliburton, which has surpassed Schlumberger as the world's largest oil-services firm, has ties to Lazard as well.

Reorganizing Wall Street

In 1970, with a number of Wall Street investment banks facing bankruptcy, the New York Stock Exchange created a Crisis Committee to deal with the problem, and the man chosen to head the committee was Lazard's Felix Rohatyn. Rohatyn would open the door for a new class of parasites, laying the ground-work for the go-go 1980s and the derivatives '90s.

One of Rohatyn's first operations was to find a way to deal with the bankrupt Hayden Stone investment house, the 78-year-old house where Joseph Kennedy had made much of his fortune, which had suffered losses for a couple of years, and was being kept afloat by loans from a consortium of its Oklahoma clients. Rohatyn arranged for the smaller Cogan, Berlind Weill & Levitt (CBWL) to take over Hayden Stone for $1, with the Stock Exchange giving CBWL several million in cash plus assuming Hayden Stone's liabilities. The firm was renamed CBWL-Hayden Stone, and the merger represented a major step upward in the career of Sandy Weill, the man who now heads the largest bank in the U.S.—Citigroup.[1]

Rohatyn—"Felix the Fixer" as he became known—was also involved in many other investment banking deals. He arranged for Ross Perot to bail out DuPont, Glore Forgan, and he helped broker Sumitomo's $500 million investment in Goldman Sachs. He also helped arrange the mergers between Philipp Brothers and Minerals & Chemicals, and the merger of the result with Engelhard Minerals, forming Engelhard Minerals & Chemicals.

By the time he was tabbed to head the Stock Exchange's Crisis Committee, Rohatyn was already working to transform the U.S. economy through mergers and acquisitions. In the Summer of 1968, ITT was on the merger prowl, led by CEO Harold Geneen and advised by Rohatyn. It was Rohatyn who advised ITT to go after the Hartford Fire Insurance Company, in an attempt to duplicate Saul Steinberg's takeover of Reliance—in which Rohatyn had also been involved.

Rohatyn also got Lazard to buy Avis; other investors included his close friends David Rockefeller and David Sarnoff. In 1979, Rohatyn represented American Express in its failed attempt to take over McGraw-Hill. Circa 1981, Rohatyn represented Seagram in the fight between DuPont and Mobil

1.In 1974, Hayden Stone, led by Sandy Weill, acquired Shearson Hammill, doubling in size and creating Shearson Hayden Stone. In 1981, Weill sold Shearson to American Express and became an AmEx executive, and then its president. Shearson bought Lehman Brothers, creating the firm known as Shearson Lehman Brothers. In June 1985, Weill resigned from AmEx. In 1986, working with Rohatyn, he took over Primerica, the company once known as American Can, which owned Smith Barney. Primerica later bought the Travelers insurance company, changing its name once again, and the new Travelers bought Salomon Brothers, merging it with Smith Barney to form Salomon Smith Barney. Then Weill made his biggest deal ever, with Travelers buying Citicorp, transforming itself into Citigroup.

over Conoco. Rohatyn also represented United Technologies in its takeover attempt of Bendix in 1982. The "Dean of Deals" was also involved in the continuing series of mergers and takeovers around Honeywell, RCA, and General Electric. And, Rohatyn was also in the middle of the biggest takeover of the 1980s: KKR's $25 billion leveraged buy-out of RJR Nabisco.

David Rockefeller, with Felix Rohatyn, ran the bankers' committee which planned, starting in 1970, to head off the growing movement for a debt moratorium by New York City, and to seize New York City's government for bond debts.

Katie Graham's power

Lazard is the key to the wealth and power of Katharine "KKK-Katie" Graham, the reigning monarch of Washington, D.C.

Katharine's grandfather, Marc Eugene Meyer, was a cousin by multiple intermarriage of the Lazard and Weill families of France who owned Lazard Frères; he became the managing partner of Lazard's New York branch in the late 19th Century. Her father, Eugene Meyer, declined a Lazard partnership, but he rose in power in Wall Street to become chairman of the Federal Reserve in 1930-33, under President Herbert Hoover. Eugene Meyer, along with Andrew Mellon, who had been Treasury Secretary under Hoover, was an avowed enemy of Franklin D. Roosevelt and of FDR's promotion of the principle of the General Welfare. Not surprisingly, he was also part of the Nazi-sympathizing right wing of the Republican Party.

Eugene Meyer bought the *Washington Post* at auction in June 1933. Philip Graham, his son-in-law through marriage to Katharine, took over ownership of the *Post* during the 1950s. After his suspicious "suicide" in 1963, his estranged widow regained control on behalf of the Meyer family, and she turned to Lazard for guidance and protection. Lazard was then led by Andre Meyer (no relation to Eugene), who had emigrated from France in 1940. It is reported that Katharine turned over half of her private funds to Andre Meyer, as well as all major decisions regarding the *Post*. She is now reported to be one of the richest women in America.

At the same time, Andre Meyer was David Rockefeller's investment strategist.

Austrian-born Felix Rohatyn, who replaced Andre Meyer as the general partner of Lazard in New York, is a protégé of Meyer, and is sometimes described as Meyer's virtual adopted son. In 1975, as noted above, Rohatyn became the financial overseer of New York City.

Where the Fed Was Born

Washington, D.C., like the financial centers of New York and Boston, is controlled by a treasonous nest of agents and sympathizers of a foreign power; this traitorous nest is centered around certain American aristocratic families, who see themselves as extensions of the old European oligarchy which is represented today by the British monarchy and the hangers-on of the Hapsburg Empire. These are the Mellons, the Harrimans, the Meyers, the duPonts, and so on. They tend to be concentrated in a network of investment banks, law firms, and private clubs, such as the most-exclusive private club in Washington, the secretive Metropolitan Club.

In Washington, this grouping controls both governmental and "private" institutions. Historically, it is the center of the "American Tory" faction. It is reported that the idea of the Federal Reserve was born at the Metropolitan Club, and it was the location of intrigue and plots against Franklin Delano Roosevelt, such as the Liberty League.

The key cultural and religious institutions through which this crowd operates, are the National Cathedral, the National Gallery of Art, the Smithsonian Institution, and the Kennedy Center for the Performing Arts.

The Federal City Council—the "private" grouping which operates as the actual government of Washington since 1954—was reportedly created at the Metropolitan Club, at the initiative of Philip Graham, then the owner of the *Washington Post*. It is also said that the establishment of the Financial Control Board and the installation of Andrew Brimmer as its first chairman, was cooked up on the same premises, and then implemented by Congress.

From the outset, the Federal City Council defined its purpose as combatting urban "blight" and promoting "renewal and development." It was explicitly modelled on Pittsburgh's "Allegheny Conference," financed by Richard Mellon, which had spearheaded "slum clearance" in Pittsburgh for the previous decade. Its first staff director had led the "slum clearance" program in Baltimore which had displaced thousands of black families.

The Federal City Council's first project was the infamous "urban renewal" of Southwest D.C.—which drove the black population of that area out in favor of the construction of office buildings and expensive apartment buildings. This includes the site of the misnamed L'Enfant Plaza, which was first a project of New York's Lazard- and Rockefeller-financed William Zeckendorf.

In 1958, four years after its founding, the Federal City Council added 50 "national" members, including the Rockefeller-related Winthrop Aldrich of Chase Manhattan Bank, Henry duPont, New York redeveloper Zeckendorf, and Baltimore redeveloper James Rouse. In 1959, it added a National Advisory Council, which included Eugene Meyer, Overta Culp Hobby of the *Houston Post,* Robert Kleberg of the King Ranch in Texas, and Gordon Gray of the North Carolina tobacco family, who had been President Eisenhower's National Security Adviser.[2]

A 'Big MAC' for Washington

While the Federal City Council has focussed on the physical "redevelopment" of Washington, with projects such as urban renewal, the Metro subway system, the freeway system, and sports arenas, Lazard Frères has played a critical role in Washington, as in New York, on the financial side of city affairs. In both cases, the objective is the same: to apply the New York model to the special circumstances of Washington, and to cleanse the District—to the extent possible—of its poor and black population, and "redevelop" it into a gentrified, commercial center which will attract tourists and upscale white residents, to replace the blacks who are being driven out.

With D.C.'s financial straits worsening in the late 1980s, then-Mayor Marion Barry was compelled to appoint an independent "Commission on Budget and Financial Priorities," headed by Alice Rivlin, formerly of the Congressional Budget Office. Lazard general partner Franklin Raines donated "time and resources" to the Rivlin Commission, which recommended sharp reductions in the city's workforce, an increased Federal payment, and new taxes.

In 1994, the Federal City Council commissioned a report on the District's financial future, which was prepared by McKinsey & Co. and the Urban Institute (a *Washington Post*-dominated think-tank). The FCC/McKinsey Report noted that the Rivlin Commission's demands for layoffs of city workers had not been fully implemented: Rivlin recommended reducing city workers from 48,000 to 42,000, but only half of this had been carried out.

The FCC/McKinsey Report also called for measures to reverse the middle-class flight to the suburbs, in order to bring middle-class taxpayers back into the city.

When Marion Barry returned as Mayor in 1995, he found that his immediate predecessor, Sharon Pratt Kelly (elected as the bankers' "good government" candidate in contrast to the street-wise Barry), had run up huge deficits, hidden by bookkeeping tricks.

Lazard Frères's Franklin Raines had been an official adviser to the District of Columbia throughout the 1980s and into the 1990s. In addition to his work with the Rivlin Commission, Raines was also financial management adviser during the mayoral transition in 1990 to Sharon Pratt Dixon; and when Barry came back in as Mayor at the beginning of 1995, Raines demanded that Barry carry out budget cuts.

But, shortly thereafter, D.C. terminated the contractual arrangement with Lazard, *due to the conviction of a Lazard partner for swindling the District government.*

Barry declared a fiscal crisis in February 1995, and called

FIGURE 1

Political Wards in the District of Columbia

Source: District of Columbia Government.

The 2000 Census shows that population declined in Wards 4-8, all of which are majority black. Ward 7 (97% black) and Ward 8 (92% black), both east of the Anacostia River, together lost almost 19,000 residents from 1990 to 2000.

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2. Gordon Gray, the father of George H.W. Bush's White House counsel, was well-qualified to oversee "Negro Removal" programs; he had organized a sterilization experiment in the late 1940s, of children considered to be of low intelligence, as part of an American Eugenics Society project. Gray was named president of the Federal City Council in 1963.

on Congress for assistance. The new Gingrichite Congress scoffed at Barry's request, and Wall Street made things worse by downgrading the District's bond rating to junk-bond status, precluding the city from borrowing on the markets.

The *Washington Post,* as always, did its bit. On the day that Barry declared the emergency, the *Post* demanded that the overwhelming poverty of Washington's citizens be disregarded, and that immediate drastic measures be taken to cut services to the population. "If Mayor Barry doesn't or cannot make the necessary unpopular decisions to reshape the government from top to bottom, then Congress won't wait an extra minute to step in," the *Post* editorial declared. "Plans to do that are already being drafted on the Hill, and the forms that this action could take range from most welcome to intolerable.

"Can [Barry], or will he, do what it takes—layoffs by the hundreds, renegotiations of union contracts, closings of entire institutions, elimination of services that will be protested by every affected interest group, parents, children and faint-of-heart council members?

"This is where the assistance—and pressure—from the Federal government will be needed; *the city simply does not have the tax base to maintain services for an increasingly disproportionate number of poor people—* . . . 73% of the city's public schoolchildren come from poor families. Nonetheless, there is no way the city can make a lasting turnaround if it does not take up the challenge first on its own" (emphasis added).

The Control Board Rules

Claiming that she was preserving the remnants of "home rule," the District's non-voting delegate, Eleanor Holmes Norton, worked with the Republican Congress to fashion the legislation which resulted in the creation of the Control Board (the "District of Columbia Financial Responsibility and Management Assistance Authority") in April 1995. President Clinton appointed a former Federal Reserve Governor, Andrew Brimmer, as chairman of the Control Board.

The Control Board took over management of many vital city agencies, including fire and emergency services, health, human services, public works, and the school system. And, just as under Big MAC in New York, city services were drastically cut—including police and fire services.

In 1996, Lazard's Franklin Raines was appointed Director of the Federal Office of Management and Budget (OMB), and he became the point-man in the Clinton Administration responsible for policy toward the District. Incidentally, Raines was recruited for the OMB position by Vice President Al Gore. Republican Dick Armey characterized Raines as "a serious guy who understands what needs to be done and is going to do his level best to do it." In 1998, Raines became head of Fannie Mae, the government-sponsored mortgage finance agency, and a year later, Raines and Fannie Mae, together with Mayor Tony Williams, launched what was called a $1 billion housing and development initiative for Washington.

In September 1998, Alice Rivlin, who meanwhile had served as vice chair of the Board of Governors of the Federal Reserve System, was appointed to replace Brimmer as chair of the D.C. Control Board.

On Dec. 4, 2000, Control Board chairman Rivlin issued a statement declaring that D.C. General Hospital would run out of money by the middle of March and be forced to close. Rivlin demanded that a restructuring and privatization plan be submitted by city officials, as had been required by Congress in the 2001 D.C. Appropriations Act. Rivlin proceeded to issue an order mandating the elimination of 500 full-time positions at the hospital, and the elimination or reduction of various services provided by D.C. General. She also demanded that the D.C. Council repeal a law it had passed requiring that the Council approve any restructuring plan, i.e., giving up its power to review any plan.

Failure of the Mayor and the Council to quickly approve a restructuring and privatization plan would result in "imminent closure" of the hospital, Rivlin warned—although the hospital was to be effectively shut down anyway, by the plan demanded by Rivlin and the Congress.

'Planned Shrinkage' in Washington

The effect of decades of Federal City Council and Lazard Frères rule over D.C.—"urban renewal," demolition of public housing, and cutbacks in city services—has been, in fact, a steep reduction in the population of the District, from about 764,000 in 1960, to about 572,000 in 2000.

Recently released Census figures show that the District lost 5.7% of its population over the past ten years, even while the Washington metropolitan area grew at one of the most rapid rates in the country. The District's population losses occurred in the five majority-black wards in the eastern half of the city (Wards 4-8), with many being driven out into low-income areas in surrounding suburbs.

During the past decade, the size of D.C.'s black population has shrunk at an accelerating rate—even faster than in previous decades—falling by more than 56,000 between 1990 and 2000.

But, from the standpoint of KKK-Katie Graham and the Federal City Council, there was still more good news.

Not only were blacks fleeing the city at increasingly rapid rates, but—following the script of the New York model—the overall trend of population loss for the District itself was reversed in the mid-1990s. During the past two or three years, middle-income whites have begun moving back into remodeled, pricey neighborhoods—helping to create the sort of whitened and "gentrified" elite city, for which KKK-Katie Graham and her Invisible Empire strives.

Research assistance was provided by Anton Chaitkin, John Hoefle, and Lonnie Wolfe.