

New York's new mayor demands austerity

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7 January 2002

As new mayor Michael Bloomberg was sworn into office in New York on January 1, the city was facing its deepest social and economic crisis in more than a quarter of a century.

The combined impact of the nationwide recession and the events of September 11 has produced rapid increases in unemployment and poverty. The city faces a budget deficit of as much as \$5 billion out of a total budget of \$43 billion. The official jobless rate has already hit 6.9 percent, up from 5.6 percent a year ago, and with more sharp increases to come. The city's homeless shelters reported a record census for the month of November, and soup kitchens and food pantries say that jumps in demand for assistance in recent months have forced them to turn away thousands.

The new mayor, with the eager assistance of the mass media, has presented himself as the model of caring, openness and good will. The billionaire founder of the Bloomberg financial media network has paid tribute to his predecessor Rudolph Giuliani while hinting at certain changes in style at City Hall. The press made much of the fact that Bloomberg has set up his City Hall office in the former Board of Estimate chamber on the second floor, in a large open space with no closed doors and only office cubicles separating him from about 30 staff members. Bloomberg, a Democrat who changed party affiliation to run for mayor, has also appointed a number of women and minorities to top posts, and paid courtesy calls on union officials and Democratic politicians.

Behind the public relations, however, an unmistakable message has gone out. The man who spent a record \$69 million, or more than \$92 a vote, to secure his election victory, is now the apostle of austerity. In his inaugural address he declared that the city would have to forgo many new programs, and would not be able to afford some existing ones. Just 24 hours after taking office, Bloomberg announced that he had sent letters to all city commissioners demanding that they come up with proposals to deal with budget cuts ranging up to 20 percent of their current spending. The mayor hinted strongly that, while he "hoped" to avoid layoffs of city workers, he would expect deferred pay raises and other concessions.

The very wealthy will be almost entirely unaffected by the savage budget cuts that are being planned. They have little or no need for the public schools, transit system and other public services. At most they will have to make do with smaller Wall Street bonuses.

For the poor, however, and the vast majority of the city's working population, it is another matter. Even during the peak years of the boom, its main benefit for most workers took the form of relatively plentiful jobs. The upper 5 percent income bracket reaped the lion's share of the wealth, while workers struggled to keep even amidst skyrocketing housing costs and other increases in the cost of living.

As is officially acknowledged, the September 11 attack on the World Trade Center did not create the current crisis. It did worsen it significantly, however, in the form of the sudden evaporation of tourism, the shock of the human losses and the overnight destruction of thousands of jobs, along with the destruction of about 13.5 million square feet of office space in the Twin Towers and adjoining buildings that were severely damaged or destroyed. Just as the poor and working class received only a few crumbs from the boom, they now share disproportionately and inversely in the economic dislocation that followed

the attacks.

Hotels, restaurants, theaters, museums, airlines and other industries whose fortunes are tied closely to the tens of millions of tourists who visit the city annually have suffered the most abrupt reverses. The hotel industry, for instance, laid off 3,400 employees, mostly low-paid and immigrant workers who have little to fall back on. The hotel occupancy rate is expected to be 73.3 percent for 2001, down 10 percentage points from the previous year and the lowest since 1993. There is little expectation of improvement for 2002. International travelers, whom surveys indicate spend six times what domestic tourists do in New York, have largely disappeared.

Tens of thousands of largely immigrant workers in the "luxury service class" now face underemployment. This includes approximately 75,000 workers who serve the rich and very rich in such jobs as limousine drivers, nannies, housekeepers, waiters and bellhops. Waiters have been reduced to three-day weeks, limousine drivers are reportedly earning as much as 40 percent less than before September 11, and reduced work weeks and tips for some hotel workers have meant a pay cut of almost 50 percent.

Counting the city's 50,000 taxi drivers and similar occupations, it would not be an exaggeration to say that nearly 10 percent of the city's jobs involve these kinds of personal services catering to a relatively small layer of the upper middle classes and the wealthy. In the current climate, all but the very wealthiest are cutting back on luxuries, but for tens of thousands of families this means they can no longer provide for the necessities of life.

Nearly four months after September 11, it is no surprise that Lower Manhattan remains severely depressed. Despite the fact that millions of square feet of office space was destroyed, the amount of vacant space has increased rather than dropped. Vacant space is now 13.2 million square feet, up 49 percent from before the attacks, because of layoffs and the relocations of many firms to other areas of the city and the New York metropolitan area. Major employers in the downtown area, including Lehman Brothers, Merrill Lynch, American Express and Goldman Sachs, which were not located in the World Trade Center but in nearby buildings, have relocated all or most of their operations to midtown or New Jersey. While they have not yet announced major layoffs, their relocation means there is less chance for the survival of many smaller businesses downtown, such as restaurants or other retailers.

Working class neighborhoods throughout the city are feeling the effects of September 11, and Chinatown, only half a mile from the World Trade Center site, is one of the hardest hit. This area just north of downtown is home to about 100,000 people, including many recent immigrants who do not speak English or who are here without legal documents. The neighborhood was the site of 200 garment factories employing about 10,000 workers, most earning less than \$250 a week. Many of the factories have been forced to close in the face of restrictions on traffic and other obstacles, including the overall economic decline. Fruit and vegetable stands dependent on the trade of Chinatown's workers have seen their sales plummet. The collapse of tourism has hit the area's restaurants and other establishments. One survey indicated that the

neighborhood's businesses were averaging revenue losses of 50 percent, and that 60 percent had already laid off workers.

Coinciding with the economic downturn and the aftermath of September 11 is the impact of the notorious "welfare reform" legislation enacted in the last months of the first Clinton Administration. While the Wall Street boom together with the punitive policies of the Giuliani administration produced a drop in the New York welfare caseload of nearly 60 percent in the last half of the 90s, about 30,000 families still on public assistance in the city saw their benefits cancelled in December under the five-year lifetime limit enacted in 1996. Another 13,700 families face a similar fate in the next three months.

The state has established a Safety Net program for these families in order to comply with a New York State constitutional mandate for aid to the poor, but thousands have already faced interruptions in their benefits because of bureaucratic hostility and indifference. Starting in October, the city's Human Resources Administration sent notices to households affected by the lifetime limit, requiring them to reapply for the Safety Net program. According to a spokesman for the Welfare Law Center, an advocacy group based in New York, the authorities "are closing cases in error, and clients are being denied the right to transfer to Safety Net assistance in cases where the client has done absolutely nothing wrong."

The combination of growing unemployment and cuts in public services and public assistance to the poor is creating the conditions for the growth of social and political struggles. It was one thing for workers to accept growing social polarization under conditions where the boom created illusions of permanent and genuine improvement in living standards. It is another matter when the collapse of the speculative bubble and the dot-com frenzy punctures some of these illusions and shows that millions now share a bleaker future.

The fear of a social explosion goes a long way to explain the crass media manipulation of the current changing of the guard at New York's City Hall. Of course there is the effort in New York, as throughout the country, to argue that workers should submit to austerity in the name of the "war against terrorism." In addition, however, there is an attempt to give Bloomberg a kind of extended "honeymoon," depicting him as just what the city needs today, a brilliant businessman and compassionate leader all rolled into one. Finally, there is the biggest and most cynical fraud of all—the campaign to deify Giuliani as the greatest mayor in the history of the city.

The outgoing mayor was named "Person of the Year" by *Time* Magazine. The tributes were unending. Before September 11, he single-handedly led the phoenix-like revival of the city, with special emphasis being placed on reduction of crime and the welfare rolls. After September 11, he bestrode the city like a colossus, miraculously raising the spirits of its citizens. All of this was repeated *ad nauseam* everywhere—in Rupert Murdoch's ultra-right wing *New York Post*, the "liberal" *New York Times*, the television networks, and so on.

In actual fact, on September 10 Giuliani had just about worn out his welcome after using his particular brand of right-wing law-and-order demagoguery to win two consecutive terms as mayor. The fact is that, fortunately for him, his years in office coincided with the 1990s Wall Street boom that produced billions in budget surpluses and relatively low unemployment, enabling him to take credit for pushing the poor off the welfare rolls and into low-wage jobs, while saving hundreds of millions in welfare costs. Even during the peak of the boom years, however, Giuliani's brazen endorsement of police brutality and his contempt for the poor had provoked enormous anger in the working class, and there were many neighborhoods in the city where he was distinctly unwelcome.

The events of September 11 set in motion a gigantic propaganda campaign in which it was useful for the ruling elite and its media spokesmen to rebuild the Giuliani image and make him an almost mythic figure. But September 11 and its aftermath changed absolutely nothing

about what he really represented and what he accomplished during his years at City Hall.

As mayor he presided over a gulf between rich and poor greater than during the Gilded Age of 100 years earlier. He incessantly and crudely defended a latter-day Social Darwinism worthy of the right-wing novelist Ayn Rand. Giuliani's achievements were not very complicated: he put the poor in their place, and worked tirelessly to ensure an unprecedented transfer of wealth from the working class to the super-rich. Crime and welfare were his signature slogans—force workers to take minimum wage jobs, force the homeless off the streets, and see that the wishes and the safety of the wealthy are looked after. So fanatical and obsessive was Giuliani that he consistently fell afoul of the judicial system, losing repeatedly in court cases involving everyone from the homeless to artists and other street vendors. It was fitting that in his very last days in office, in deference to wealthy merchants and tourists during the Christmas shopping season, Giuliani sent the police to roust the homeless from the steps of the Fifth Avenue Presbyterian Church, ignoring a plea from the church that they be allowed to stay.

The purpose of the welfare cutbacks, championed by Giuliani but also unanimously supported by the Democrats, was to create a pool of cheap labor that made it possible to prolong the boom for Wall Street. The use of immigrant labor was another ingredient in this policy. It is no accident that a new report based on official census data shows that median income levels dropped by huge amounts in New York and some of its suburban counties, and in similar areas around the country, between 1989 and 1998. Precisely during the years of the boom the median income, partly because of the exploitation of immigrants, went in a direction opposite to what would have been expected.

Sections of workers were able to make certain temporary gains during this period, and the above-mentioned illusions were also an ingredient in Giuliani's political successes. But none of this would have been possible without the complete vacuum of leadership and perspective that exists in the working class. The Democrats and the trade unions collaborated with Giuliani on all essentials. Typically, the outgoing City Council in New York, which has just witnessed an unprecedented turnover of personnel because of term limits, adopted \$766 million in cuts as one of its last actions. The incoming City Council, overwhelmingly Democratic, will take up where the old left off, collaborating with Bloomberg on new and deeper rounds of spending cuts.

By providing Giuliani with a halo as he leaves office, the ruling establishment hopes no doubt to gain some time and divert attention from the real issues facing the working class. None of these maneuvers, however, are likely to do more than postpone inevitable social struggles. Economic and social problems are mounting for millions, and posing far bigger challenges to the new mayor than he ever faced in building his financial media empire.



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