Shifting burden from Wall Street to the working class

New York City mayor announces budget cuts

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On Thursday, New York's billionaire Republican Mayor Michael Bloomberg announced a $58.5 billion 2008-2009 budget set to take effect in July. The plan includes cuts that will total nearly $1.5 billion over two years, including a loss to the Department of Education of $180 million this fiscal year and of another $325 million in FY 2009. The 2009 budget must be approved by the City Council by June 30.

In the across-the-board 5 percent cut for all city departments, the Sanitation Department will lose nearly $54 million, the Fire Department $23 million, the Administration of Children's Services, about $37 million. The Police Department will lose $96 million, but the cut will have no real impact as it merely reflects the fact that the number of cops employed by the city—36,800—is 1,000 less than previously had been projected.

Support to public libraries will be reduced, as will programs to care for the elderly, summer jobs programs for youth, and tutoring programs in the city colleges. Cultural programs will also be affected, and shelters for single homeless adults will be closed.

While Mayor Bloomberg has retained a property tax rebate of $400 for homeowners, he cautioned that the final budget might require an increase in property taxes.

The *New York Times* quoted City Councilman David I. Weprin, chairman of the Finance Committee, as saying, "We haven't seen the effect of the cuts on the agencies. We may be proposing alternative cuts, and we may be arguing for or against certain cuts."

Further cuts seem almost certain, however. The mayor's budget anticipates deficits of approximately $4.2 billion in fiscal year 2010, $5.6 billion in 2011 and $5.3 billion in 2012.

The budget cuts are directly related to the subprime mortgage crisis and the precipitous decline in the profits of Wall Street firms, which provide New York City with substantial revenue. Wall Street raked in $16.8 billion in profits in 2007, but now forecasts just $2.8 billion for the coming year.

The mayor's visual presentation—prepared by the Office of Budget Management—to the media on Thursday highlighted an "Economic Update—the Bad News" that was nearly three times as long as the "Economic Update—the Good news." It noted that "NYSE Exchange member firms reported their largest historical loss in the third quarter of 2007," a sum of $3.8 billion.

Bloomberg's presentation blamed these losses at on the "subprime turmoil/credit crunch", and pointed to an enormous drop in the profitability of the eight largest investment banks in New York City, including Goldman Sachs, Bear Sterns, Lehman Brothers and Citigroup, which fell from over $50 billion in 2006 to less than $5 billion in 2007. Losses to the city from tax revenue provided by the top 18 investment and commercial banks in New York are projected at approximately $660 million for the next fiscal year.

In addition to blowing a hole in city finances, the losses experienced by these corporations have resulted in a growing wave of layoffs for their employees. The financial industry, which accounts for one in every five dollars of income in the New York region, experienced losses of 42,404 jobs in 2007, according to the job-placement agency Challenger, Gray & Christmas.

Already in 2008, 1,000 employees from Morgan Stanley and JPMorgan Chase have lost their jobs, and Morgan Stanley announced last week that it will cut another 1,000 employees from its asset management division. Lehman Bothers has cut 3,750 jobs at home-loan subsidiaries and Citigroup is rumored to be preparing to lay off as many as 20,000 employees, nearly a third of them in its investment division.

Another feature of the world economy that directly affects the New York City budget is debt servicing, which, according to the mayor's budget report, is expected to grow from $32 million in FY 2008, to a projected $108 million in FY 2009 and $149 million in FY 2010. Similarly, energy expenses are expected to increase from $27 million in FY 2008 to $136 million in FY 2009 and an incredible $632 million in FY 2010. Much of this cost is tied to the heating

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of public housing units in the city, which accommodate nearly 800,000 of the poorest New Yorkers.

Adding to the gravity of the budget crisis is the fact that another major line of finance to the city from New York State will be cut. Last Tuesday, New York State Governor Eliot Spitzer proposed a $124.3 billion budget, which will include substantial cuts in aid and programs statewide in an attempt to close a $4.4 billion deficit.

The *New York Times* noted, "The governor called for an array of cuts in state aid to New York City, including $160 million in operating aid, $30 million in welfare grants and $20 million for juvenile detention." While state aid for education in New York City will increase to $8.1 billion, this amount is nearly $100 million less than what previously had been promised by Spitzer as part of the settlement of a lawsuit challenging unequal funding for city schools.

None of this stopped the Democratic governor, however, from including a substantial pay raise in his proposed budget for state legislators and judges.

Overall, the most drastic New York City budget cuts will fall on public schools. Schools Chancellor Joel I. Klein estimated that schools would each face a loss of more than $100,000. He indicated that principals might have to eliminate Saturday tutorials and after-school activities.

This is not a small matter in a school system—the largest in the Untied States—in which 68 percent of the students are classified as poor. Many have working parents who depend on after-school programs to substitute for childcare. Given the difficulty that poverty imposes on students for their education, basic remedial work takes place in Saturday academies for thousands of students.

Klein also announced that the Education Department would "cut the number of teachers of English as a Second Language, and let schools pay for computer repairs." This is a further blow to the poorer sections of the working class, whose beleaguered schools can barely provide Internet access to their students. According to a recent estimate, fully 48 percent of the school-age population in New York City speaks a language other than English at home, with immigrant families often depending on their children to translate essential transactions into English for them.

The budget cuts will also affect better-off sections of the working class and middle class whose children attend public schools. The city plans to raise $5 million by charging "students who consume food but are not eligible for a free or reduced lunch" according to a critic of the cuts quoted by the *New York Post*.

The corporate media have largely supported Bloomberg's cuts. The *New York Times* in an editorial on Saturday made no mention of the blow to education they will inflict upon hundreds of thousands of working-class children, aside from the quip that "it could hurt." The *Times* noted that the one initiative touted by the mayor to benefit the middle-class, the $400 homeowner tax rebate, may have to be revoked to replenish city coffers.

The response by ordinary New Yorkers to the budget cuts in the *Times* city room blog has been less sanguine. Many have asked why the wealthy are not paying for the economic crisis.

One reader, who sends her children to a Catholic school, wrote, "The teachers in NYC are not paid enough as it is and the classrooms are overcrowded. What are they to cut? There are little music programs as it is, not enough athletic programs to speak of and terrible math and reading levels." She asked, "Why not cancel that pet project for the wealthy also known as congestion pricing and put a luxury tax on renting in Manhattan (since only the rich can afford it anyway)."

Another reader wrote, "This plan is absurd. If we are indeed in such trying economic times, those who have benefited most from the previous decade of growth (both real and imagined) should be asked to sacrifice, and not the vulnerable children of our city.... Mayor Bloomberg should first consider the interests of the kids of NYC, rather than his wealthy base."

A tone of frustration on the part of ordinary New Yorkers could be heard in some readers' comments: "It is time that these billionaire corporations like MSG start paying their way to do business in NYC, and paying their back taxes as well. Why aren't the IRS and the State finance department going after them the way they go after the low level wage earners? Who is protecting us and the agencies which serve us?"

Along similar lines, another reader wrote: "I suppose that by continuing to destroy the schools in NYC, Bloomberg can ensure that there will be more and more unskilled workers to take all the low paying jobs in Times Square, the tourists can enjoy the 'clean and safe' city with surveillance cameras on every corner while the wealthy elite can move in from out of town and enjoy the tax cuts on their multimillion-dollar penthouses ..."

Mayor Bloomberg's proposed budget cuts are among the first effects that a systemic crisis of the capitalist system will have on New York City's working people. They are sure to be mild compared to what is coming and the terrible burden that it will place on the daily lives of millions.

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