

As budget crisis hits New York City

Bloomberg demands huge cutbacks, tax hikes and contract givebacks

Fred Mazelis
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With the city facing a massive \$4 billion budget gap for the fiscal year beginning July 1, New York Mayor Michael Bloomberg unveiled proposals in his annual budget address January 30 calling for spending cuts of \$1 billion, tax increases of \$900 million, and \$1 billion in contract concessions from city employees. These contract givebacks include 10 percent contributions from city workers toward the cost of their health care benefits and a new and drastically inferior pension system for newly hired workers.

Even these draconian measures would not close the projected \$4 billion gap, which has skyrocketed from an estimated \$1.3 billion since last November, as the Wall Street collapse leads to a devastating drop in city tax revenues. Bloomberg is also factoring in hopes for additional federal and state aid.

The triple whammy of job and service cutbacks, tax increases and employee benefit concessions, follows \$1 billion in cutbacks and \$1.5 billion in tax hikes that were recently imposed. Without these measures, enacted only a few months ago, the projected deficit would be \$6.4 billion. As the financial and real estate collapses work their way through the broader New York City economy, these attacks are not the last word. They also do not include the proposed 23 percent increases in city transit fares, along with service cutbacks proposed by the Metropolitan Transportation Authority.

With the city facing its biggest fiscal disaster since the mid-1970s, the billionaire mayor is demanding the elimination of 22,919 city jobs, with over 15,000 of them coming from layoffs as opposed to attrition. "When you talk about reducing city expenditures, you

are really talking about reducing headcount," Bloomberg bluntly announced. "You can only get so much blood out of a stone."

Among the jobs to go are those of 167 Parks Department workers, 549 child care workers and more than 14,000 teachers and classroom employees. The mayor also wants to cut 30 ambulance tours and one firefighter from each of 64 engine companies. Money for libraries would be cut by 7 percent, or \$20 million, and spending for senior centers would fall 5 percent, or \$5 million.

The bulk of the increased tax revenues would come from an increase in the city sales tax, already among the highest in the US, from 8.375 percent to 8.625 percent. Some major items that have been exempt from the sales tax, including clothing, haircuts, movies and cable television, would also now be included.

The sales tax is one of the most regressive means of increasing revenues, and would hit the poor and newly unemployed especially hard. Nobel Prize-winning economist Joseph Stiglitz warned, "If you are going to raise taxes in a recession, raising sales taxes is among the worst possible ideas." The fear is that slower spending will only deepen the already rapidly growing crisis and add to the unemployment rolls.

The attacks on city workers' benefits are in some ways the most significant of Bloomberg's proposals. Historically, city workers have been promised job security and decent benefits, including pensions, in exchange for measly wage increases. Now Bloomberg and the city's ruling elite see the opportunity to claw back benefits that have been in place for generations. The lowering of pension benefits would save \$200 million in the 2010 fiscal year, but it would cut

obligations by a cumulative \$7 billion over the next 20 years, permanently reducing the benefits of city employees.

In addition, the mayor plans for the first time ever, to demand that workers pay a portion of their own health insurance premiums. This comes in the form of an ultimatum, with the threat of more massive layoffs and service cutbacks if the unions do not oblige.

Union officials reacted cautiously and with the mildest of complaints to the concession demands. United Federation of Teachers president Randi Weingarten said the city was disproportionately targeting teachers. Uniformed Sanitationmen's Association chief Harry Nespoli, a co-chair of the municipal labor committee, said he was prepared to talk about health care concessions.

Bloomberg is preparing to run for a third term as mayor, after pushing through the City Council last fall the repeal of the city's term limits, which had been adopted by referendum votes in 1993 and 1996. He is counting on the full support of the city's business establishment, for whom he rules not as an indirect representative but as the plutocrat-in-chief.

Bloomberg also relies on the collaboration of the Democratic Party politicians and the union bureaucrats, who are indistinguishable from the Democrats as representatives of big business.

The role of the media and the entire political establishment is something that Bloomberg can pretty much take for granted. The *New York Daily News*, for instance, is owned by the mayor's pal and fellow billionaire Mortimer Zuckerman. The *News* editorialized February 1, in defense of Bloomberg's assault on city workers, warning that "union chiefs must rise to the occasion, as labor titans did in the 1970s fiscal crisis." "City workers' fringe benefits are more generous than those that are bankrupting the Big Three automakers," Zuckerman bellowed. "And they have put New York on the path toward similar ruin."

It is also noteworthy that Bloomberg and his media mouthpieces echo the inaugural address of Barack Obama in their demand for concessions. Just as the new president pointed to workers' alleged willingness to sacrifice hours and pay in order to save jobs, so the New York mayor insists that rank-and-file workers, already struggling to make ends meet, give up their pensions and health benefits in order to prevent further

layoffs. Meanwhile, the billions of dollars in Wall Street bonuses, handed out after the massive government bailout of the banks, will remain untouched.

When concessions and union-busting became the norm two decades ago, the argument was made that the top layers of workers in basic industry, the autoworkers in particular, would be immune from the onslaught on wages and benefits. Another argument—that government workers were the new bastion of trade unionism in the period of deindustrialization and the growth of the financial sector—is now also being exposed as a fraud. The measures demanded by New York Mayor Bloomberg show that a new period of struggle is facing every section of the working class.



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