

In wake of Paterson “scandals”

# Unelected multi-millionaire takes charge in New York budget crisis

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With the release of a sweeping deficit reduction blueprint by New York State’s unelected lieutenant governor, Richard Ravitch, and the appointment of the state’s former top justice, Judith Kaye, to investigate charges against Governor David Paterson, the media uproar surrounding Paterson’s alleged transgressions has largely ceased.

For well over a month, the media in New York, led by the voice of the erstwhile liberal establishment, the *New York Times*, had waged a concerted campaign for Paterson’s resignation over a pair of scandals involving official corruption. The first concerned the governor’s alleged involvement in an effort to convince his aide’s girlfriend to drop a domestic violence case. The second concerned free tickets to New York Yankees games.

The *Times* published lengthy investigative articles as well as front-page leads on these matters, while using its editorial page to demand Paterson’s resignation over his “gross abuse of office.”

Leading state Democrats, including US Senator Kirsten Gillibrand, appointed by Paterson to fill Hillary Clinton’s seat, echoed the call for his ouster.

From the outset, it was clear that the substance of the charges—penny-ante even by the standards of Albany corruption—were secondary to unstated political motives driving the campaign against Paterson.

This, after all, is a country in which a president and vice president dragged the American people into illegal wars and directed torture from the White House. The *Times* could never summon similar moral outrage to demand the resignation of Bush and Cheney—much less their criminal prosecution—over “abuse of office” that cost the lives of millions. On the contrary, the paper served as a conduit and author of the lies used to justify war.

The precise interests underlying the campaign to oust Paterson were less clear-cut than those that drove the orchestrated scandal that elevated him to the office of governor. His predecessor, Eliot Spitzer, was forced to resign two years ago after a “sting” operation mounted by the Bush Justice Department exposed him as the client of a high-priced call girl ring. Then the lieutenant governor, Paterson succeeded Spitzer once the latter was compelled to resign.

In Spitzer’s case, the Bush administration clearly had an interest in humiliating a leading Democratic politician and invested extraordinary resources to do so. Moreover, as the former state

attorney general, Spitzer had earned himself powerful political enemies on Wall Street by pursuing stock and securities fraud cases against leading financial firms.

Paterson has no such record. As the son of “Harlem Clubhouse” leader Basil Paterson, he inherited various political sinecures in the Democratic Party and was elected to the State Senate seat formerly held by his father before being tapped as lieutenant governor.

Like Spitzer, Paterson was no friend of the working class, having imposed billions of dollars in budget cuts to education, health care and other vital services throughout the state. At the same time, he has been an unabashed champion of Wall Street, describing it as the “engine” of the state’s economy and urging New Yorkers to celebrate the billions of dollars in bonuses paid out to top bankers and financial traders.

Paterson’s tenure in Albany, however, has been overshadowed by the unprecedented financial crisis centered on Wall Street and its far-reaching economic and social implications for the state. He succeeded Spitzer in March 2008, just one week before the collapse of the global investment bank Bear Stearns, which was the prelude to Wall Street’s meltdown six months later.

As Paterson himself commented recently: “I think things started to go wrong the first day I was sworn in. Difficulty and disaster greeted me and have dictated most of the decision-making through my term.”

The state’s official unemployment rate has risen to over 10 percent, while falling Wall Street profits and real estate prices have devastated tax revenues for both the state and local governments. Despite unprecedented budget cuts, the state’s deficit has continued to soar, reaching over \$9 billion for the coming fiscal year, a figure that would rise to \$13 billion if temporary federal stimulus funds were stripped out.

The most likely explanation for the orchestrated uproar over the Paterson scandals is anxiety within layers of the ruling establishment over whether he was the man for the job of confronting such “difficulty and disaster” in the capital of world finance capital, or if a more politically experienced and reliable hand was required.

Enter Richard Ravitch. Installed as lieutenant governor in July 2009 (after the office had remained vacant for 16 months), Ravitch, 76, was confirmed by the state’s high court only last September in a narrowly decided and controversial ruling that such

an appointment could be made, despite the state constitution making no provision for filling the position without an election.

Heir to the multi-million-dollar fortune of one of New York City's major real estate developers, Ravitch has played a prominent role in state politics—as well as on Wall Street—for 35 years.

He rose to prominence as one of the principal architects of the draconian measures used to pull New York City back from the brink of bankruptcy in 1975-76. This so-called bailout was accomplished by means of drastic budget cuts, the imposition of tuition for the first time in the city's university system, the destruction of some 50,000 city workers' jobs and the slashing of wages for those who remained. Moreover, the city's finances were placed under the effective control of the banks, with the creation of a Financial Control Board empowered to veto municipal spending as well as labor contracts.

This deal, achieved with the close collaboration of the union bureaucracy, set the precedent for the decades of nationwide social service cuts, wage-cutting, mass layoffs and concessions that were to follow.

Ravitch went on to play a direct role in imposing such concessions, becoming chairman of the Metropolitan Transportation Authority, and provoking an 11-day bus and subway strike in 1980.

Last week, Ravitch unveiled a sweeping proposal for confronting the state's deficit crisis, designed to slash tens of billions of dollars from state spending over the next five years.

The plan would create a similar financial review board, curtailing the power of elected state legislators, and empower the governor to make across-the-board cuts by executive fiat if the budget were found to be unbalanced.

Ravitch's plan has drawn fire from some right-wing opponents because it calls for limited borrowing (\$6 billion over the first three years) to make the transition to a smaller government and drastically reduced public services. Ravitch has countered that introducing \$9 billion in cuts immediately would drive up unemployment and create an untenable social crisis. The concern clearly is that such measures would provoke upheavals in the working class.

In one of the most significant elements of the deficit plan, any failure to balance the budget would trigger immediate default provisions requiring repayment to bondholders. In short, the state's finances would be held directly hostage to Wall Street.

It can hardly be a coincidence that, in the aftermath of Ravitch's budget proposal, the hue and cry over Paterson's alleged misconduct has suddenly ceased. The *New York Times* published a March 12 editorial welcoming the Ravitch plan as a "solid response to the crisis," while warning against being "distracted by Albany's scandals" and calling on Paterson to "deal with the deficit" by swiftly approving the plan.

Meanwhile, the state's attorney general, Andrew Cuomo, a probable Democratic candidate to succeed Paterson, has passed the investigation of the charges against Paterson to an independent counsel, Judith Kaye, the former top judge in the state's court system. This assures that they will be buried for months and will likely let Paterson complete his term.

"Albany's scandals" were promoted as part of a deliberate distraction, with the *Times* playing an indispensable role. The public was told that the most burning issues in New York state politics were Paterson's alleged attempt to persuade a woman not to seek an order of protection against his aide and whether or not he got free tickets to see Yankees games. Meanwhile, budget plans are being crafted that will force the shutdown of schools, hospitals and daycare centers, deprive the elderly and ill of care, turn homeless people into the streets and destroy the jobs of tens if not hundreds of thousands—all to ensure the continued profitability of Wall Street.

The episode provides a damning exposure of bourgeois politics not only in New York, but throughout the US, and the way in which the formal institutions of democracy have been completely hollowed out.

Scandals involving alleged sexual misconduct or corruption are orchestrated and utilized as a means of effecting changes in political policy or exacting retribution against political opponents, with no public discussion or debate over the real issues. The corporate-controlled media obliges by focusing on the most lurid details of these supposed scandals, all the better to distract and disorient the public.

These methods contribute to a fetid political environment in which the broad mass of the population is effectively disenfranchised by a system of two political parties—Democrat and Republican—that are both controlled by and serve the interests of a narrow financial elite.

In New York state, these methods have contributed to a situation in which even the formal pretense that governments are composed of the elected representatives of the people is becoming increasingly untenable.

The elected governor of the state was unseated in 2008 in a prostitution sting organized by the US Justice Department. Joseph Bruno, the Republican leader of the State Senate—and the acting lieutenant governor before Ravitch's appointment—was forced to resign over corruption charges in 2008, as was the state comptroller, Alan Hevesi, a year and a half earlier. One of the two US Senators from the state, Kirsten Gillibrand, is an unelected appointee, while the mayor of its largest city, New York's Michael Bloomberg, bought his way into office with a personal fortune now estimated at \$18 billion.

In such a political system, reflective of an increasingly criminal financial elite, the interests of working people can find no expression; while behind the scenes the Wall Street money men and their political operatives dictate all key decisions.



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