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A Crisis in Urban Liberalism: The New York City Municipal Unions and the 1970s Fiscal Crisis

by

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A dissertation submitted to the Graduate Faculty in History in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York.

2005

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Abstract

A Crisis in Urban Liberalism: The New York City
Municipal Unions and the 1970s Fiscal Crisis

by
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Advisor: Judith Stein

This dissertation explores the important role that New York City's municipal unions played during the New York City fiscal crisis of the 1970s - critical moment in both New York City's and in the nation's history as the long postwar economic boom ended and as New Deal liberalism was rapidly replaced by a new fiscally and socially conservative politics.

Municipal unions had emerged in New York City and many other of the nation's city's as major political forces in the 1960s. As New York City teetered on the edge of bankruptcy in 1975, the city's and the nation's political and economic elites watched anxiously to see what the city's powerful municipal unions would do. In the end, these unions would play a complex and paradoxical role. On the one hand, they were forced to accept wage freezes and the firing of thousands of their members. On the other hand, they remained one of the city's most powerful interest groups due to their agile political maneuvering and their control of the pension fund assets, which the city desperately needed access to in order to avoid bankruptcy.

Throughout the fiscal crisis, the main goal of the city's municipal unions was to defend their institutional power. In order to insure that goal was reached during a period when

they were under serious attack, the municipal unions decided that they had no choice but to work within the constraints of fiscal austerity. At the same time, their decision not to directly oppose the newly emerging politics of fiscal austerity and instead negotiate with the business community and the state to protect their institutional power had an enormous and long-lasting impact on the city's politics. This dissertation examines how the municipal unions' actions during the fiscal crisis affected the city's electoral politics, race relations, and labor politics during the fiscal crisis and in the decades since.

Acknowledgments

I would like to thank several institutions and individuals that helped me finish (at long last) my dissertation.

First, I would like to thank all of the archivists and staffs of the various archives and libraries I consulted during my research, including: the New York City Archives, the Robert E. Wagner Labor Archives, the Gerald Ford Presidential Library, the LaGuardia-Wagner Archives, the New York State Archives, the Walter Reuther Archives, the Archive on Municipal Finance and Leadership, the United Federation of Teachers Archives, International of Electrical Workers, Local 3 Archives, Special Collections at St. John's University Library, the Columbia University Rare Book and Manuscript Collection, and the Jack Bigel Collection. In particular, I would like to thank the late Deborah Bernhardt, the former director of the Robert Wagner Labor Archives at New York University. Her commitment to the labor movement and her words of encouragement helped me in the early stages of my research.

I have received generous financial support from different sources: a dissertation fellowship from the CUNY Graduate Center, a CUNY writing fellowship, travel grants from the Gerald Ford Presidential Library and the Larry J. Hackman Research Residency Program at the New York State Archives, and an award from the Baruch College School of Public Affairs.

The one individual who has guided me the most during the research and writing of my dissertation has been Judith Stein, the chair of my dissertation committee. I first met Judith Stein when I took her course in African-American history at graduate school.

From the beginning, I was impressed by her sharp mind, her fantastic editorial skills, and her infectious enthusiasm for the study of history. Her scholarly work, with its grounding in strong archival research and its success in addressing critical questions historical and political questions, has been a model for me. Her constant, but friendly emails and phone calls to find out when she would be getting the next chapter and then her prompt return of each draft with several single-spaced pages of comments is one of the main reasons that I finished the dissertation and a major reason it is as good as it is. Along the way, Judith has become a good friend.

The other members of dissertation committee were extremely helpful. For someone who is writing a dissertation on the New York City labor movement, one could not hope to have a better reader than Josh Freeman. As the most knowledgeable historian on the subject and as a subtle thinker, Josh pointed out mistakes that I made, historical issues that I should include, and pushed me to try to think about how my history of municipal unions sheds light on postwar history. John Mollenkopf was wonderful addition to my committee. His comments on my dissertation as well as his work on New York City history and urban politics strengthened my dissertation. Thomas Kessner and Mike Wallace, my two outside readers, asked probing questions and offered important advice on how to improve the dissertation.

I would also like to thank other historians and scholars who helped me along the way. Kevin Boyle, Nelson Lichtenstein, and Adolph Reed commented on conference papers that would become part of the dissertation. Joe McCartin, whose work on public-sector workers I admire so much, has always encouraged me and took to time to read an early draft of the dissertation and offer insightful criticism.

Several other lovers of New York City history also shared their expertise with me. The first on this list is the late Jack Bigel. Jack, who is a central character in my dissertation as well as a crucial figure in New York City history, hired me to work on an oral history project on the 1970s fiscal crisis as well as to help him organize his fabulous collection of archival material on the fiscal crisis. I think that it is safe to say that he would not be particularly pleased with my interpretation of the fiscal crisis, but I think that, given his remarkable curiosity about history and his love for argument, he still would enjoy reading the dissertation. Through Jack, I got to know Bill Schleicher and Burt Lazarin. Bill, who is the editor of DC 37's *Public Employee Press*, allowed me to come down to the union to look at the union's bound copies of their newspaper and personally connected me with key union activists and union staff to interview. Burt knows New York City history as well as anyone and has been a constant source of support.

I would also like to thank John McMurria, Drew Kiriazides, Doug Cordell, Jacob Kramer, Todd Pilcher, and Yun Won Chow whose friendship and support has sustained me. I got to know John the first week of graduate school and he has remained a one of my closest friends. Our conversations about our work, our occasionally heated arguments about politics, and our frequent viewing of films have enriched my life since I came to New York City over a decade ago.

Lastly, I would like to thank my family. Their constant support and love as well as their occasional questions about when I was going to finish my dissertation have kept me going. My brothers Christopher and Matthew and my mother have offered their support. I would particularly like to thank my father and my sister. My father's deep and wide-

ranging intellectual curiosity is probably one of the main reasons I pursued an academic career in the first place. My sister Mary is one of the smartest and kindest people I know. As I was nearing the end of my writing, she was diagnosed with cancer. Her remarkable bravery in the face of over two years of chemotherapy and her love for her family has been a marvel to behold and an inspiration to me. I'm looking forward to celebrating finishing this dissertation with her. I dedicate this dissertation to her and my father.

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Introduction

On the warm summer afternoon of June 30, 1986, Governor Mario Cuomo, former Governor Hugh Carey, Mayor Edward Koch, and other prominent New Yorkers gathered on the steps of City Hall to celebrate an important moment in the city's history. The momentous occasion was that, after a long eleven years, the city had finally regained its fiscal independence from the Financial Control Board.¹ This board, which the state had created in 1975 in the midst of the city's worst fiscal crisis in decades, had exercised enormous power over the city's finances, its budget, and its collective bargaining agreements.² On that summer day in 1986, the control board was finally going into "sunset" since on that day the city repaid the last \$1 million it had borrowed from the federal government and therefore satisfied the last of the three conditions of it before it could regain its fiscal independence.³ While the control board would continue to exist until 2008, it would now relinquish most of its power over the city's budget, finances, and labor negotiations.⁴

Among the august company, which had gathered on the steps of City Hall were several representatives of the municipal unions. In a prominent position was Jack Bigel, the labor consultant, who along with Victor Gotbaum, was the man most responsible for

¹ For speeches made that day, see Edward Koch, "A Short History of New York City's Financial Crisis," 30 June 1986, transcript, Jack Bigel Collection, New York City.

² When the Financial Control Board was created in 1975 by the state legislature, it was called the Emergency Financial Control Board. In 1978, when the legislation was revised the word "emergency" was removed from its title.

³ There were three main conditions; for the city to balance its budget for three consecutive years, for the city to regain access to the securities market, and for it to retire its federal guaranteed debt that it had acquired through the 1975 Seasonal Loan Act provided by Congress. It had satisfied the first condition in 1979 and the second in 1981.

⁴ While the control board lost its major powers, it was required to continue to monitor the city's budget and it would regain its "control" power if certain condition occurred such as if the city ran up a \$100 million or larger deficit.

devising the overall strategy of the municipal unions during the fiscal crisis. Next to Bigel, was William Scott, the chief advisor to Al Shanker, the powerful UFT president.⁵

Their presence was appropriate, given the extremely important role that the municipal unions played at practically every important point during the fiscal crisis. Without their active cooperation and participation, the complicated plan to keep the city out of bankruptcy would not have succeeded. From their decision to invest billions of their members' pension fund assets in Municipal Assistance (MAC) securities, to their role in lobbying Washington for federal aid, and to their decision to forgo strikes, the unions had played a critical and essential role. By 1986, that role was fully recognized. While early in the fiscal crisis, the unions had been pilloried in the press for being the primary cause of the city's fiscal troubles, by the mid 1980s, the editorial pages of the city's papers and important businessmen such as Felix Rohatyn were referring to Gotbaum and the other union leaders as labor statesmen and praising them for their actions during the fiscal crisis.

This dissertation is the first in-depth history of the municipal unions during the fiscal crisis. While most scholarly and journalistic accounts of the fiscal crisis have commented on the important role of the municipal unions during the fiscal crisis and some have explored it in some detail, none have made use of the primary documents to explore it in the depth that it warrants. By examining the relevant primary and secondary literature, my dissertation explores how the city's powerful municipal unions were shaped by the fiscal crisis, but also how their actions during the fiscal crisis played a major role in shaping New York City politics, race relations, and fiscal policy during the crisis and in the years since. Moreover, while my dissertation is an important study of New York

⁵ Bigel, who died in 1992, had a large photograph of this event placed prominently on his office wall.

City history, it also sheds light on many aspects of the 1970s - a decade, which until recently, has received insufficient attention from historians.

As New York City teetered on the edge of bankruptcy in 1975, the city's and the nation's political and economic elites watched anxiously to see what the powerful New York City municipal unions would do. In the end, the unions would play a complex and paradoxical role. On the one hand, they were forced to accept wage freezes and the firing of thousands of their members. On the other hand, they remained one of the city's most powerful interest groups due to their agile political maneuvering and their control of the pension fund assets, which the city desperately needed access to in order to avoid bankruptcy.

Throughout the fiscal crisis, the main goal of the municipal unions, led by DC 37 executive director Victor Gotbaum, the leader of the city's largest municipal union, was to defend the institutional power of the unions. In order to insure that goal was reached during a period when they were under serious attack, Gotbaum and the other main union leaders decided that they had no choice but to work within the constraints of fiscal austerity rather than confronting it directly. At the same time, their decision not to directly oppose the newly emerging politics of fiscal austerity and instead negotiate with the business community and the state to protect their institutional power had an enormous and long-lasting impact on the city's politics.

However, the interest-group strategy that they pursued during the 1970s crisis was not a significant break in the strategy of the municipal unions. Since their formation in the 1930s, the municipal unions had pursued such a strategy. This interest-group strategy

was encouraged by two things. The first was that at least until the 1960s, the municipal unions were quite weak and their very existence was predicated upon their ability to use their limited power to win the support of local and state elected officials. The second was the very structure of the city's politics. As Wallace Sayre and Herbert Kaufman describe it in their influential work on the city's politics, New York City's political structure in the postwar period was made up of shifting coalitions comprised of different interest groups, political machines, and political parties that attempted to influence the city's governing structure, which was itself divided between the mayor, the Board of Estimate, the City Council, and the borough presidents.⁶ Therefore, the municipal unions' interest-group strategy made perfect sense. At first glance, the fact that several of the municipal unions went on strike in the 1960s might make it appear that they had abandoned their interest-group strategy for a more militant confrontational strategy. However, their strikes just demonstrated that given certain circumstances, the municipal unions were willing to use different tactics to pursue the same strategy.

The rub was that pursuing such a strategy in a period of economic growth like the 1960s had a significantly different impact on city politics than it did in a period of fiscal austerity such as the 1970s. After all, with an expanding city and national economy and a massive increase in federal aid to the cities, there seemed to be more than enough money to pay for the open admission program at CUNY and expand its hospital system while, at the same time, give city workers higher wages and better pension plans. But with the advent of the fiscal crisis, there was no longer an expanding pie. In such a period of retrenchment, the unions, using their control over the pension funds and the fear

⁶ Wallace S. Sayre and Herbert Kaufman, *Governing New York: Politics in the Metropolis* (New York: W.W. Norton, 1965).

of major strikes by the business community as weapons, pursued their strategy of defending their institutional power successfully. However, the success of this strategy was predicated on the decision by the municipal unions to accept the inevitability of austerity, not go out on strike, or to join with groups that were trying to resist the imposition of austerity.

While this decision was not surprising given their history and the seriousness of the threat that they faced during the fiscal crisis, it had a profound impact on the city's politics. The 1970s fiscal crisis was a key moment in the city's history because it was at this moment that the city's long tradition of urban liberalism was dismantled and replaced with a more socially and fiscally conservative form of politics. While the municipal unions were certainly not to blame for this crisis in the city's liberal tradition and nor could have stopped its dismantling, their decision not to join with community groups and others that were trying to build an opposition to fiscal austerity made certain that no serious opposition to fiscal austerity developed during the fiscal crisis, which while not completely stopping the implementation of fiscal austerity perhaps could have limited it to a greater degree. Among other things, this dissertation examines specific points where the municipal unions chose not to join with others to fight fiscal austerity such as their decision not to oppose Mayor Edward Koch's re-election in 1981 and 1985.

While there were several municipal union leaders who were quite powerful during the fiscal crisis, Victor Gotbaum, the executive director of DC 37, the city's largest municipal union, exercised the most influence in shaping the municipal unions' overall strategy during the fiscal crisis. It was Gotbaum who convinced the majority of the other union leaders in the summer of 1975 that they had no alternative but to work within the

constraints of fiscal austerity and that their primary goal must be making certain that they were not marginalized by the rapidly emerging crisis regime that was instituting a policy of fiscal austerity. For the remainder of the fiscal crisis, Gotbaum would be both the primary spokesperson as well as the main strategist for the municipal unions.

In one sense, Gotbaum's advocating of a policy of acceptance of fiscal austerity was surprising. Since he had arrived from Chicago in the mid 1960s to run DC 37, Gotbaum had demonstrated an impatience with the conservative business unionism of the city's labor movement and an outspoken desire to push the city's unions to play a more active and aggressive role in building a progressive urban agenda. However, by the early 1970s and certainly with the advent of the fiscal crisis in 1975, the DC 37 executive director appeared to have abandoned much of these hopes.

In a sense, my view of the role played by Gotbaum during the 1970s fiscal crisis is similar to an argument that Nelson Lichtenstein makes in his biography of United Auto Workers president Walter Reuther. Lichtenstein argues that while Reuther, perhaps the nation's most influential union leader during the 1940s through the 1960s, was frustrated by the nation's growing conservative politics, Reuther and the UAW's main political and labor strategies made them, at least to a certain degree, partially complicit in this growing conservatism. I would argue that the actions that Gotbaum and the municipal union leadership took during the fiscal crisis played a similar role to Reuther albeit on a smaller stage. Like Reuther had at the national level during in the 1950s and 1960s, Gotbaum, in the late 1960s, had hoped to push the city's and the state's politics to the left. By the time of the fiscal crisis, Gotbaum watched frustratingly as the city and the state shifted rightward. While he and the municipal unions certainly cannot take the primary blame

for this rightward shift, their decision to prioritize defending their institutional power and to accept that they would have to work within the constraints of fiscal austerity were partially to blame that no alternative to fiscal austerity developed during the fiscal crisis and hence the city's rightward political shift. Ironically, in the end, Reuther and Gotbaum, both of whom had progressive political views and an expansive vision of the labor movement's role in society, played similar role in limiting the progressive role of the labor movement at critical points in postwar America.⁷

I also explore the impact that the fiscal crisis had on the internal politics of several of the major municipal unions. Perhaps the main impact was that the union leadership actively tried to distance itself from its membership. This was not a new phenomenon. Most of the municipal unions, including United Federation of Teachers (UFT) and DC 37, had never been very democratic in terms of decision making over important issues such as collective bargaining or devising electoral strategies. However this lack of democracy worsened during the fiscal crisis as a very small group including Victor Gotbaum and the prominent labor consultant Jack Bigel increasingly determined the overall policy of the unions. This centralization of decision making and the attempt to keep the rank and file uninvolved were partially dictated by the union leadership's fear that they would have a hard time convincing their membership of the wisdom of their overall strategy, which is not surprising given that it accepted the need for significant layoffs and wage freezes.

These two characteristics, the narrow interest-group strategy and the discouragement of rank and file involvement in their unions, which were both exacerbated by the fiscal

⁷ Nelson Lichtenstein, *The Most Dangerous Man in Detroit: Walther Reuther and the Fate of American Labor* (New York: Basic Books, 1995), chapters 14, 16.

crisis, continue to mark the unions to this day. Except for a limited number of cases, the municipal unions have continued to use their considerable political power to make deals with City Hall and the state legislature without working with other groups to try to build a broader progressive urban politics. The lack of rank and file involvement in most of the municipal unions has led the union leadership to be, in the best of cases, benignly indifferent to the rank and file. However in some cases has led to serious scandals such as in DC 37 in the late 1990s involving the embezzlement of union funds and the rigging of contract votes by the union leadership.

While it will be clear to a reader of this dissertation that I believe that the choices that the municipal unions made during the fiscal crisis had several negative effects on the city's politics, it is important look at the context of their choices. By doing so, one can see that New York City's municipal unions had limited options and were perhaps lucky to survive the fiscal crisis as well as they did. For the 1970s was a remarkably difficult time for municipal unions in most of the nation's cities. A combination of fiscal crises at all levels of government, a conservative taxpayer revolt, and high inflation led elected city officials to turn against municipal unions that had emerged in the last decade as significant political forces. In cities across the country, mayors and city officials began to lay off municipal workers and demand significant wage cuts. Most municipal unions found that striking, which they had used to great success in the 1960s, was no longer an option as much of the public had turned against them and even those elected officials

who had been elected with strong union support city officials proved willing to take strikes and, in some cases, permanently replace striking workers.⁸

Compared to municipal unions in other cities during the difficult decade of the 1970s, New York City's municipal unions managed to make it through the 1970s in decent shape. For example, while attrition and layoffs trimmed New York's municipal workforce by sixty thousand, other municipalities took an even harder line with their unions. For example, the mayor of Pittsburgh cut his city workforce by one-third and Mayor Maynard Jackson, a former labor lawyer and Atlanta's first African-American mayor, fired thousands of striking sanitation workers.⁹

Moreover, the New York City municipal unions were not alone in pursuing an interest-group strategy and accepting the view that they had to work within the parameters of fiscal austerity. Many of the nation's municipal unions chose to pursue similar political and electoral strategies. For example, several of the important municipal unions in San Francisco, which had demonstrated a willingness to strike and an political independence in the early 1970s, had by the early 1980s developed an alliance with their former adversary Mayor Diane Feinstein in order to better protect their interests.¹⁰ This is very similar to how the New York City municipal unions chose not to oppose Ed Koch in the early 1980s despite his anti-union rhetoric and actions in hope that they would be rewarded at the bargaining table.

⁸ Joseph A. McCartin, "Fire the Hell out of Them": Sanitation Workers, Air Traffic Controllers, and the Normalization of Permanent Striker Replacement, 1966-1981" (Paper presented at Charles Warren Center for Studies in American History, Harvard University, 27 October 2003).

⁹ Ibid., 15.

¹⁰ Paul Johnston, *Success While Others Fail: Social Movement Unionism and the Public Workplace* (Ithaca: ILR Press, 1994), 189-193.

By tracing the history of the municipal unions from the pre-fiscal crisis period through the mid 1980s, my dissertation sheds light on a range of issues such as the role of labor, race relations, fiscal policy, and electoral politics. For example, by the late 1960s, the city's municipal unions had emerged as the city's most vibrant section of the city's labor movement. While the private-sector unions, particularly those in the building and construction trades and in the garment industry, had been the dominant force within the city's labor movement for decades, by the late 1960s these unions were losing power as the several key parts of the city's private sector such as the garment industry and manufacturing hemorrhaged jobs. At the same time, the city's municipal workforce was growing rapidly, putting the municipal unions in a position where they could begin to set the agenda for the city's labor movement. This shift in power away from the private-sector unions to the municipal unions can be seen in how Victor Gotbaum and UFT President Al Shanker replaced longtime Central Labor Council Chairman Harry Van Arsdale Jr. as the city's preeminent labor leaders during the 1970s.

I also demonstrate that, in important ways, the history of city's municipal unions is intertwined with the history of city's minority population, particularly that of the African-American community. One reason for this was that, beginning in the 1960s, the membership of several of the municipal unions such as DC 37 and TWU increasingly became made up of people of color. This trend continued in the late 1970s and early 1980s since large numbers of white municipal employees retired during the 1970s and 1980s while a large percentage those hired during this period were people of color. At the same time, the municipal unions, including DC 37, often had an acrimonious relationship with the city's minority communities and with the city's African-American

politicians due to differences concerning electoral politics, the sense on the part of some in the African-American community that the municipal unions' interest-group strategy was hurting the African-American community, and realization by city's black elected politicians that while they were losing power during the fiscal crisis, the municipal union leadership remained quite powerful.

This dissertation also makes important contributions to post-1945 U.S. political, labor, and urban history. Perhaps most broadly, it helps us better understand the history of postwar crisis of American liberalism. Much of the historiography on the subject argues that New Deal liberalism floundered upon economic and social changes that took place in the 1950s and 1960s.¹¹ I would certainly not deny the importance of contradictions and tensions that developed in these earlier decades. However, I make the case that New Deal liberalism limped along until the 1970s when it faced its most serious crisis with the end of the long postwar economic boom, a middleclass taxpayer revolt, and the growing demand for labor concessions by business and the state. The New York City fiscal crisis was a critical event in this national crisis because of the national financial and political importance of the city and because of the centrality of the "urban crisis" to the tribulations of postwar liberalism. Therefore, my dissertation is an important contribution to the emerging body of historical work that focuses on the crucial political, cultural, and

¹¹ For two influential books that focus on the 1950s and 1960s as the key moment in this history of postwar liberalism, see Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton: Princeton University Press, 1996) and the essays in Steve Fraser and Gary Gerstle, *The Rise and The Fall of the New Deal Order, 1930-1980* (Princeton: Princeton University Press, 1989). Journalists and other scholars besides historians have been quicker to identify the 1970s as a crucial decade in the history of postwar liberalism. For examples, see Thomas Byrne Edsall, *The New Politics of Inequality: How Political Power Shapes Economic Policy* (New York: W.W. Norton, 1984) and Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986).

economic changes that the city and the nation went through during the 1970s—a period that has not been sufficiently explored by historians.¹²

One of the goals of my dissertation is to explore the relationship between New York's municipal unions and the changes that New York City went through in the 1960s through the 1980s. These were particularly difficult times for the nation's cities. In the 1960s, many were shaken by urban unrest. In the 1970s, many, particularly in the Northeast and Midwest were hit by major fiscal crises as jobs moved away and the nation's manufacturing sector went into a tailspin. At the same time, the older pro-growth political regimes that had dominated many of the nation's major cities were threatened and in some cases replaced by new regimes supported by middle-class reformers, minority communities, and white progressives. The municipal unions in New York City and in other cities were shaped by these changes while at the same time, given their political power, they had a major impact on the direction of cities during this period.¹³

Despite their growing importance in the last four decades, U.S. historians have not sufficiently examined public-sector unions.¹⁴ Even U.S. labor historians have, until recently, given short shrift to public-sector unions. Beginning in the 1970s, the field of labor history has blossomed and has become a major subfield within the discipline of

¹² In the last several years, historians have begun to focus on the 1970s. See Bruce Schulman, *The Seventies: The Great Shift in American Culture, Society, and Politics* (New York: De Capo Press, 2001); Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism* (Chapel Hill: University of North Carolina Press, 1998); Beth Bailey and David Farber, eds., *America in the Seventies* (Lawrence: University Press of Kansas, 2004).

¹³ There is a great deal of excellent work done by scholars on urban politics during the 1970s. However, even the best of this work does not explore in sufficient detail the role of municipal unions. See Todd Swanstrom, *The Crisis of Growth Politics: Cleveland, Kucinich, and the Challenge of Urban Populism* (Philadelphia: Temple University Press, 1985); Clarence N. Stone, *Regime Politics: Governing Atlanta, 1946-1988* (Lawrence, University Press of Kansas, 1989); Richard Edward DeLeon, *Left-Coast City: Progressive Politics in San Francisco, 1975-1991* (Lawrence, University Press of Kansas, 1992).

¹⁴ As the historian Robert Shaffer points out in a recent article, most of the popular U.S. history textbooks either do not mention public sector unions or if they do only in a cursory fashion Robert Shaffer, "Where are the Organized Public Employees? The Absence of Public Employee Unionism from U.S. History Textbooks, and Why It Matters," *Labor History*, Vol. 43, No. 3, 2002, 315-334.

history. However, the vast majority of the work in U.S. labor history has been on private-sector unions. This can partially attributed to the fact that until the 1960s, public-sector unions made up a small percentage of the nation's labor movement and the fact that primary documents concerning the public-sector unions are only now becoming available to historians and scholars. However, despite the massive expansion in public-sector unions since the 1960s and the now available relevant primary document collections, labor historians have only just begun to write about them therefore my dissertation begins to fill a gap with U.S. historiography.¹⁵

This lack of attention to public-sector unions is particularly surprising given the remarkably growth and influence public-sector unions have had on American society in the past forty years. Their growth was certainly rapid. In 1955, public-sector unions had about 400,000 members nationally. By 1970, the figure was four million. They also have made up an increasing percentage of the nation's labor movement. In 1955, they represented about 3% of the AFL-CIO membership; by 1991, the figure was over 20%.¹⁶

One specific aspect of American labor history that my dissertation sheds light on is the attacks on labor and the demands for concessionary bargaining that became rampant in

¹⁵ In the last several years, some excellent work on public-sector unions has begun to be written - much of it on the 1960s and 1970s. See Joseph A. McCartin, "Preface to PATCO: The Crisis of Public Employee Unionism and the Erosion of Labor Liberalism, 1975-1981" (Paper presented at the Twenty-first Annual North American Labor History Conference, Detroit, Mich., October 22, 1999 and McCartin, "Fire the Hell out of Them." Jefferson Cowie has recently written on labor in the 1970s though not specifically on public-sector unions. Jefferson Cowie, "Vigorously Left, Right and Center: The Crosscurrents of Working-Class America in the 1970s," in *America in the 1970s*, ed. Beth Bailey and David Farber (Lawrence, University Press of Kansas, 2004), 75-106; Cowie, "Nixon's Class Struggle: Romancing the New Right Worker, 1969-1973," *Labor History*, Vol. 43, No. 3, 2002, 257-283. Both McCartin and Cowie are in the process of finishing monographs on labor during the 1970s. Also see the chapters on municipal workers in Joshua Freeman, *Working-Class New York: Life and Labor since World War II* (New York: New Press, 2000), chapters 12-13. For work on the development of public-sector unions before the 1960s, see Joseph E. Slater, *Public Workers: Government Employee Unions, the Law, and the State, 1900-1962* (ILR/Cornell University Press, Ithaca, 2004) and Joshua Freeman, *In Transit: The Transport Workers Union in New York City, 1933-1966* (New York: Oxford University Press, 1989).

¹⁶ Shaffer, "Where are the Organized Public Employees," 316-317.

the 1980s. While most historians have focused on the concessionary bargaining and failed strikes that occurred in the steel and auto sectors in the 1980s, these anti-union trends actually began in the public sector in the 1970s. President Reagan's firing of striking federal employees in the PATCO strike is well known of course. However, the demands forced upon the New York City municipal unions and in other cities were even earlier models of concessionary bargaining.¹⁷ For example, the Chrysler Bailout of 1979 was directly modeled on the New York City fiscal crisis.¹⁸

My dissertation builds upon a large body of work on the New York City fiscal crisis, the city's labor movement, and the city's politics. I also make use of a couple of important concepts developed by political scientists and sociologists in order to explain shifts in the city's politics, the development of different kinds of political coalitions, and the relationship of the municipal unions to these changes. Much of the literature on the fiscal crisis, which is both journalistic and scholarly, addresses important questions and sheds a great deal of light on this critical period in New York City's history. Also, much of the existing literature does examine, to one degree or another, the role of the municipal unions in the crisis. However, few of them have the municipal unions as their primary focus. Also since none have made use of the primary documents to the extent that I have, none have written the history of the municipal unions during this period in a comprehensive way.

¹⁷ For an overview of the harsh crackdown on strikes and demands for concessions in the public sector during the 1970s, see McCartin, "Fire the Hell Out of Them."

¹⁸ President Carter's Assistant Treasury Secretary Robert Altman, who was intimately involved in both the New York City fiscal crisis and the Chrysler bailout of 1979, makes this point. Robert Altman interview with Jack Bigel, 27 July 1997, transcript, Bigel Collection.

The first books to appear on the fiscal crisis were, not surprisingly, written by journalists.¹⁹ The two most important of these is Jack Newfield's and Paul DuBrul's *The Abuse of Power: The Permanent Government and the Fall of New York* and Ken Auletta's *The Streets were Paved with Gold*. These two books are important because they presented perhaps the two most common ways that we continue to see the fiscal crisis. The first, which Newfield and DuBrul make, is what could be a leftist or populist case. They argue that the major investment banks pushed the city into bankruptcy, usurped the power of the weakened mayor, and resolved the crisis on the backs of the city's poor and working class. From this perspective the fiscal crisis was a tragic event in which the majority of New Yorkers were hurt by an unelected power elite. DuBrul and Newfield argue that the municipal unions remained at best junior players in the new regime that was created by the fiscal crisis. In *The Streets were Paved with Gold*, Ken Auletta provides a second and perhaps even more influential narrative of the fiscal crisis. In what could be called a neo-liberal narrative, Auletta argues that the responsibility for the fiscal crisis rests upon two groups. One are well-meaning liberals, who for decades had spent money that the city just did not have on programs for the poor and minorities and the second were the municipal unions that won wage increases and overly generous pensions that broke the back of the city. According to this view, the cutbacks and layoffs of the fiscal crisis, while not necessarily desirable, were essential in restoring a degree of rationality to the city's finances. Auletta also makes the important argument that while the municipal unions were forced to take layoffs, they were able to maintain (unfortunately in Auletta's opinion) a position of power in the post-fiscal crisis period.

¹⁹ The first to appear was Fred Ferretti, *The Year the Big Apple Went Bust*, (New York: Putnam, 1976). The strength of this work is that it provides an almost a weekly and sometimes daily account of the key events of the fiscal crisis from late 1974 until the end of 1975.

One strength of Auletta's book lies in his tracing the causes of the fiscal crisis back to decisions made during the Wagner and Lindsay administrations. Moreover, Auletta squarely places the fiscal crisis as a key event in the crisis of urban liberalism.²⁰

One of the main currents within the scholarly literature on the fiscal crisis can be described as neo-marxist. Scholars writing in this tradition share several main themes in their analysis of the fiscal crisis. First, influenced by the neo-marxist analysis of the state, they argue that the fiscal crisis was an important example of what they call the crisis of the welfare state and the crisis of capitalist accumulation of the early 1970s. This crisis led to a new politics based on austerity and an attack on the welfare state. Second, many of these writers, like the journalists Newfield and DuBrul, argue that capital (i.e. the banks) with the support of the state used the fiscal crisis to gain control over the spending priorities of the city. Lastly, many of these scholars are critical of the municipal union leaders' strategy during the fiscal crisis. They argue that the union leaders failed to articulate significant alternatives to the emerging politics of austerity, failed to ally themselves with poor communities, and, despite their often fiery rhetoric, worked with the City and the EFCB to force the rank-and-file to accept layoffs and wage freezes.²¹

²⁰ Jack Newfield and Paul DuBrul, *The Abuse of Power: The Permanent Government and the Fall of New York* (New York: Viking Press, 1977). Ken Auletta, *The Streets were Paved with Gold*, (New York: Random House, 1979). For a recent example of work that blames liberalism for the downfall of New York, see Fred Siegel, *The Future Once Happened Here: New York, D.C., L.A. and the Fate of America's Big Cities*, (New York: Free Press, 1997).

²¹ The key marxist text on the crisis of the welfare state is James O'Connor, *The Fiscal Crisis of the State*, (New York: St. Martin's Press, 1973). Marxist accounts of New York's fiscal crisis are the various contributors to Roger Alcaly and David Mermelstein eds., *The Fiscal Crisis of American Cities: Essays on the Political Economy of Urban America with Special Reference to New York* (New York: Vintage, 1977). Eric Lichten, *Class, Power and Austerity: The New York Fiscal Crisis*, (South Hadley: Bergin and Garvey, 1986). Mark Maier, *City Unions: Managing Discontent in New York City* (New Brunswick: Rutgers University Press, 1987). Steve London, "Authoritarian Responses to New York City's Fiscal Crisis" (Ph. D. Diss. New York Univ. 1984). William Tabb, *The Long Default: New York City and the Urban Fiscal Crisis*, (New York: Monthly Review Press, 1982).

This neo-marxist interpretation makes some important contributions to an understanding of the fiscal crisis and the actions of the unions during it. First, the theory of the crisis of the welfare state is a useful way of framing the New York City fiscal crisis. Secondly, their argument that the fiscal crisis worsened the division between the rank-and-file and the leadership of the unions does shed some light on much of the collective bargaining strategy of the unions and the complicated relationship between the union leadership, the EFCB, and the city government.

However, despite the useful contributions this neo-marxist scholarship has made, there are significant problems and weaknesses with this approach. One of the main problems is that much of this literature fails to support their theses with historical evidence. For instance, their thesis that the unions failed to form alliances with community groups is never explored in any depth and thus remains nothing more than an assertion. Which community groups are they referring to, what if any attempts were made to reach out to them, and why did they fail? The same criticism could be made about their argument around the split between the rank-and-file and the leadership of the unions. Besides Mark Maier's brief cursory discussion of opposition to the leadership in DC 37 and UFT, they present little historical detail on this point. The other main problem with this neo-marxist scholarship is that their model of the crisis of the welfare state discourages these scholars from exploring the complex interplay of political actors who were maneuvering during the crisis. Instead, they present a deterministic model that does not allow enough space for any agency by specific historical actors.²²

²² Both Lichten and Maier make reference to this need to form alliance with community groups in their conclusions, but fail to mention what groups to which they are referring. Lichten, *Class, Power and Austerity*, 222-230. Maier, *City Unions*, 188-191. London, "Authoritarian Responses to New York City's Fiscal Crisis," 249-272. This critique of the neo-marxists' failure to provide a model which allows for the

Political scientists and sociologists who study cities have developed a couple of theoretical models/concepts that I have found useful in describing both the political shifts that occurred in New York City in the postwar period and how the municipal unions fit into these changes. In particular, are the concepts of the urban regime and the pro-growth coalition. In the 1980s and early 1990s, urban scholars developed the idea of urban regimes to describe how a combination of public and private actors in cities cooperate to create governing coalitions in order to wield political power. These urban regimes or coalitions can remain dominant for some time. Urban scholars have developed the idea of pro-growth coalitions to describe the type of urban regime that dominated politics of many of the nation's cities during the 1940s through the 1960s. These pro-growth coalitions were made up of real estate developers, construction unions, investment banking interests, and the politicians that they supported. Aided by federal housing and tax policies, these coalitions focused on developing the central city business areas and building housing for middle and high income city dwellers. Many of the nation's cities pro-growth coalitions were challenged and in some cases replaced in the 1960s and the 1970s by a new coalition made up minority communities, who were angry with the failure of the pro-growth regimes to help people of color, and some liberal reformers, who were frustrated by political corruption and by what they saw as an overemphasis on development within the pro-growth regimes. This new coalition created what urban scholars often call progressive urban regimes. John Lindsay's two terms in office (1965-1973) is an example of an urban progressive regime. However, in most cases, these new governing regimes lost power with advent of urban fiscal crises and growing political

complexities and contingencies of politics is similar to John Mollenkopf's critique of structuralists, John Mollenkopf, *A Phoenix in the Ashes: The Rise and Fall of the Koch Coalition in New York City Politics* (Princeton: Princeton University Press, 1992), 34-37.

conservatism of the 1970s and 1980s. I have found these concepts particularly useful explaining the political shifts that the city went through during the postwar period and most importantly how the municipal unions acted politically.²³

One of the themes that I borrow from some of the literature on the fiscal crisis is that the fiscal crisis ended the city's old governing regime and replaced it with a new one. Perhaps the most important writer who develops this idea of the fiscal crisis as a political crisis that led to a new governing coalition is Martin Shefter. Shefter argues that the main cause of the fiscal crisis was the state's inability to maintain the high level of expenditures for social programs and labor costs of the 1960s. In his view, the banks, which he correctly sees as being complicit in the city's questionable financing practices, used the fiscal crisis to gain a dominant voice in municipal affairs and to forge a new conservative politics based on retrenchment. Shefter writes that Governor Hugh Carey, through the newly created EFCB, which had veto power over labor agreements and the city's budget, limited the ability of any forces to resist this retrenchment. Though they suffered the layoffs and wage freezes, the municipal unions remained a junior member of this new post-reform political regime created during the fiscal crisis. This was so for a number of reasons the unions' ability to gain a position within this new political regime. One is that the unions still remained a powerful electoral and political force in Albany and City politics. Second, the city relied upon the unions to invest over \$3 billion of their pension funds. Third, only the union leaders were in a position to convince their

²³ The literature on urban regime theory and pro-growth coalitions is voluminous. For important contributions to these theories and case studies that use them, see Clarence Stone, "Urban Regimes and the Capacity to Govern: A Political Economy Approach," *Journal of Urban Affairs* 15 no. 1 (1993): 1-28; Clarence Stone, *Regime Politics: Governing Atlanta 1946-1988*; John Mollenkopf, *The Contested City* (Princeton: Princeton University Press, 1983); Mollenkopf, *A Phoenix in the Ashes*; DeLeon, *Left-Coast City*.

members to accept retrenchment. On this last point, Shefter agrees with the neo-marxist scholars who focus on the conservative influence of the union leadership. He argues that the minorities and the poor who relied on city services were the main losers during and after the fiscal crisis.²⁴

The scholars Charles Brecher, Raymond Horton, and John Mollenkopf also see the post fiscal crisis period (the Koch administrations) as a shift in city politics to the right and views the fiscal crisis was one cause for this shift. However, Mollenkopf points to Mayor Koch's ability to keep his potential political opponents divided and his ability to construct a governing coalition made up of economic elites, the municipal unions and the Democratic county machines as the primary reasons for Koch's ability to remain in office. By focusing on the contingencies of urban political coalition building, Mollenkopf is criticizing the neo-marxist scholars' economic reductionist tendencies.²⁵

Two other works on New York City unions that I found particularly useful were Joshua Freeman's *Working-Class New York: Life and Labor Since World War II* and Jewel and Bernard Bellush's, *Union Power and New York: Victor Gotbaum and District Council 37*.²⁶ In his detailed and far-ranging study, Freeman illustrates how the city's labor movement was an essential part of a liberal political coalition that built an almost social democratic regime, which was significantly different than what existed in the rest

²⁴ Martin Shefter, *Political Crisis/Fiscal Crisis: The Collapse and Revival of New York City* (New York: Columbia University Press, 1992), 127-148. For another book that makes a similar argument to Shefter, see Robert Bailey, *The Crisis Regime: The MAC, the EFCB, and the Political Impact of the New York City Fiscal Crisis*, (Albany: SUNY Press, 1984). For a recent work that echoes Shefter's argument, see Kim Moody, "The Global City in Crisis: Financial Troubles, Coalitions, and Regime Change in New York City, 1975-89" (Paper delivered at the Conference on Municipal Finance and Leadership, Baruch College, School of Public Affairs, 17 November 2004).

²⁵ Charles Brecher and Raymond Horton with Robert Cropf and Dean Michael Mead, *Power Failure: New York City Politics and Policy since 1960* (New York: Oxford University Press, 1993), 17-45. Mollenkopf, *A Phoenix in the Ashes*, 34-37.

²⁶ Freeman, *Working-Class New York*, 201-214 and 256-287; Jewel and Bernard Bellush, *Union Power and New York: Victor Gotbaum and District Council 37*, (New York: Praeger, 1992).

of the country. Particularly germane for me were his chapter on the rise of the municipal unions, the Ocean Hill-Brownsville crisis, and the fiscal crisis. He also sees the fiscal crisis as the point in which this liberal cultural and political regime was replaced with a more conservative form of politics. The greatest strength of Bellushs' book is the extensive primary research on which it is based.²⁷

Except for the first chapter, my dissertation is mainly based on primary research. Much of it was gathered from two main sources. The first is the Robert Wagner Labor Archives, which is located in the main New York University library. This archive houses the collections of several important municipal unions such as Transport Workers Union (TWU), United Federation of Teachers (UFT), Professional Staff Congress (PSC), and many of the DC 37 locals. Wagner also has many other important collections such as the Bellush Collection, which contains extensive primary materials from DC 37 and transcriptions of interviews that the Bernard and Jewell Bellush used in their book on the history of DC 37, the New York City Central Labor Council Papers, and the papers of Irwin Polishook, president of PSC. Wagner also owns many of the city union newspapers including some rank-and-file newsletters from the 1970s fiscal crisis period. The second main collection that I made use of is the Jack Bigel Collection. Bigel was the municipal unions' principle advisor during the fiscal crisis and also something of an amateur historian. His collection contains a wealth of material on the fiscal crisis from the unions, the Beame and Koch administrations, correspondence with members of Congress, the Ford and Carter administration, MAC and the EFCB as well as thousands

²⁷ Much of the primary material that they cite in their book is now housed in Wagner Labor Archives at New York University.

of newspaper clippings. It also contains the minutes of the meetings and reports written by Municipal Union/Financial Leadership Group (MUFLG), the organization set up by the key banks and the labor unions during the fiscal crisis.²⁸ Bigel also co-sponsored an oral history project on the fiscal crisis and I had access to the transcripts of these interviews. Other important archival collections in the city that I examined were the Columbia University Oral History Collection (which has a number of interviews with members of the Beame administration), the Beame and Koch Administration Papers at the Municipal Archives, and the Mayor Beame's personal papers at the LaGuardia-Wagner Archives at LaGuardia Community College. Lastly, Bill Schleicher, the editor of DC 37's *The Public Employee Press* and Evelyn Seinfeld, the Director of Research at DC 37 allowed me to examine DC 37's bound volumes from the 1970s and 1980s of *The Public Employee Press* and *The Chief*, a weekly that covers the New York City municipal unions.

There are several archival collections outside of New York City that I examined. At the Gerald Ford Presidential Library in Ann Arbor, Michigan, I found a great deal of material on that administration's important role during the fiscal crisis. At the Walter Reuther Archives at Wayne State University in Detroit, Michigan, I examined the American Federation of Teachers Series III Executive Council Collection and the American Federation of State, County, and Municipal Employees, Office of President Wurf Collection. I went to Albany to examine the state archives where I found some interesting correspondence and memoranda that shed light on the role of the Carey administration and the state legislature during the fiscal crisis.

²⁸ When I examined it, his collection was housed in his company's offices in midtown Manhattan. In 2003, it was given to Baruch's School of Public Affairs. As of the summer of 2004, it was still in the process of being reorganized and catalogued by archivists there.

Chapter Outline

In the first chapter, I set the stage by examining the development of the municipal unions during the four decades that preceded the fiscal crisis. My goal is not to provide a detailed history of this period. Instead, I focus on describing major developments that are directly related to understanding the actions of the unions during the fiscal crisis. I examine the development of some of the key municipal unions such as DC 37, UFT, TWU, and PBA. This chapter also explores how changing federal, state, and municipal labor policy shaped the municipal unions. In relation to this last point, I examine how the political and collective bargaining strategies of the unions were shaped by the unions' attempts to maneuver within the city's changing political landscape. Lastly, I examine how the municipal unions' rather meteoric rise to power and their willingness to strike in the 1960s won them political power and their members' significantly better wages and pensions, but at the same time led a number of important groups within the city's body politic to begin to perceive of the municipal unions as an overly powerful interest group that threatened the city's fiscal health.

In chapter two, I examine the early fiscal crisis period (1974-75). In this first year, in which the city rapidly descended into fiscal crisis, the unions feverishly tried to find a strategy that could limit the number of layoffs and more importantly maintain their institutional power. They struggled to do this in a rapidly changing political landscape as new institutions such as the EFCB were created and as the federal government increased its oversight role in the city's political and fiscal affairs. By the late summer of 1975, the unions made several key decisions. One was that militant tactics such as striking was not

option. A second was that, in order to maintain their institutional power, they would accept the basic parameters of fiscal austerity. Lastly led by Gotbaum, the majority of the unions agreed to centralize the decision making process in the hands of a small group of union leaders. In this chapter, I explore the resistance that the union leadership faced from rank and file and dissident groups as well as why Shanker and the UFT decided not to join this growing union consensus.

Chapter three examines the period 1976-1977. It shows how, despite the fact that calls for massive layoffs appeared to be behind them, the unions still faced many difficulties, including the uncertainty of how the EFCB would intervene in labor negotiations. Also, this chapter examines the significance of the decision by the municipal unions and the investment banks to form the Municipal Unions/Financial Leaders Group (MUFLG) to try to work out their disagreements more civilly. I argue that by the second half of 1977, with the creation of MUFLG and the winning of agency shop, the municipal unions had gained what looked like a relatively stable position within a political regime that, while predicated on fiscal austerity, gave the municipal unions a seat at the table. At the same time, the mayoral election of 1977 demonstrated that this political regime was unable to replicate itself in the electoral realm to the chagrin of the municipal unions, which found themselves unable to exercise much of any impact during the mayoral campaign.

Chapter four covers the years 1978-1981. During this period, the unions found themselves struggling to defend the position of power that they had attained in the early part of the fiscal crisis from Mayor Koch who seemed intent upon shattering the existing corporatist regime and systematically taking on the unions. At the same time, the

municipal union leadership found itself fighting on another front since, for the first time since the summer and fall of 1975, their membership began to make themselves heard—most powerfully with the 1981 transit strike. The municipal unions managed to fend off the majority of the attacks by Mayor Koch and maintain control over their membership and therefore they found themselves able to hold on to their precarious position of power. However, their position of power was predicated on their acceptance of the politics of austerity so when a coalition came together during the 1981 mayoral campaign to contest fiscal austerity, the municipal unions chose not to join it and by doing so demonstrated that they could function as an obstacle to the development of a progressive politics in the city.

In chapter five, I examine the early to mid 1980s, which was the period that the city moved out of the fiscal crisis. However at least initially, despite the improving economy, the unions continued to confront calls for the need for fiscal restraint and Koch's insistence that any wage increases remain very small. However by 1983, the unions began to win significant wage increases for the first time since the beginning of the fiscal crisis. One outcome of these improved conditions was that the reasons for unity, which was forced upon the unions during the fiscal crisis, began to disappear and in 1985 the unions discarded coalition bargaining, which they had adopted during the crisis. In this chapter, I examine another symbol of the shift from the fiscal crisis with the retirement of Victor Gotbaum. With Gotbaum's retirement and the end of coalition bargaining, the municipal unions returned to their pre-fiscal crisis practice of negotiating separately and devising their own separate political strategies.

In the conclusion, I examine both how well their fiscal crisis strategy worked and its impact on the city's politics. In certain ways, the municipal unions' strategy was successful. They achieved their main goal of remaining a key if junior player in decisions about the city's financial and budgetary priorities. They won at least one major victory when the state legislature granted them agency shop. Moreover by 1983, when Mayor Koch began to increase spending, a significant percentage of that increase was set aside to hire thousands of new municipal workers, which increased the unions' membership, and to grant their members larger wage increases. However, the wages of city workers did not begin to match pre-fiscal crisis levels until the mid 1990s. Moreover, givebacks and changes in the pension system mean that city workers' working conditions and pension plans have never returned to pre-fiscal crisis conditions. At the same time, the legacy of the unions' narrow interest group strategy of the fiscal crisis continued to affect both the unions and their relationship to the city's politics. The union leadership remained disinterested in involving their members in any significant way in the decision making of the unions, which would eventually lead to problems of corruption and scandals in several of the unions. Lastly, the union leadership in the 1980s and 1990s continued the narrow interest-group electoral strategy developed by Gotbaum during the fiscal crisis, which has often worked to hamstring the development of progressive politics in New York City.

Chapter One: The Early History of the New York City Municipal Unions, 1930s-1960s

By the onset of the fiscal crisis in 1975, the New York City municipal unions represented the vast majority of the city's workers and wielded significant power in city and state politics. However, this was a relatively recent development. While many of the city's municipal unions could trace their origins back to the 1930s and even earlier, it was not until the mid 1960s, after the city and state created a new collective bargaining system that these unions succeeded in organizing the majority of the city's municipal workers and emerged as a powerful political force. However to understand the actions that the municipal unions took during the fiscal crisis, it is essential to examine the early history of the municipal unions.

A useful way of looking at this pre-fiscal crisis period (mid 1930s until 1974) is to divide it into two different parts. The first lasts from the mid 1930s until the late 1950s. The second was from the early 1960s until the beginning of the fiscal crisis.

During the first period, the municipal unions were relatively weak and small. For example, in 1958, they only had a total of 58,000 dues-paying members. This was not surprising given the fact that New York City did not agree to formally recognize the right of its municipal employees the right to organize until 1954 and did not sign an actual collective bargaining agreement with a municipal union until 1958. Because they lacked collective bargaining rights, the fledgling municipal unions were forced to develop a strategy to win better wages and working conditions for their members outside the formal bargaining structure by petitioning and developing close relations with key city and state

officials. There were a number of municipal unions, which were led by leftists that did espouse a more militant strategy during this period. Initially, some of them were quite successful, but with the onset of the postwar red scare these left-led unions were either destroyed or significantly weakened.¹

It was not until the second part of this pre-fiscal crisis period (early 1960s-1974) that the municipal unions grew rapidly and became a major political power. By 1970, the municipal unions had over 250,000 dues-paying members. This growth and their success at the bargaining table occurred because of a number of reasons including a shift on the part of the city and state to recognize the right of public-sector workers to organize, the massive growth of the municipal government under Mayor John Lindsay (1965-1973) and the willingness of the city's municipal unions to strike. It was also during this period that District Council 37 (DC 37) and the United Federation of Teachers (UFT) emerged as the city's largest and most powerful municipal unions. However, while the 1960s ended with the municipal unions in a position of power, much of the city's public, good government groups, and parts of the business community had concluded that these unions had garnered too much power and were creating serious fiscal problems.

This chapter does not attempt to provide a detailed history of the municipal unions during the pre-fiscal crisis period. Instead, while organized chronologically, it focuses on describing major developments that are directly relevant to understanding the unions' actions during the fiscal crisis of the 1970s.² First, it examines the origins of some of the

¹ The one exception to this was the Transport Workers Union (TWU), local 100. However, its ability to survive the red scare stemmed from the fact that it had originally gained a foothold as a private-sector union and also purged itself of its Communist Party affiliation in the late 1940s. I will discuss the impact of the red scare more later in this chapter. Joshua Freeman, *In Transit*.

² For a more detailed history of the municipal unions during the 1930s and 1940s, see Maier, *City Unions*; Joshua Freeman, *In Transit*; and Bellush, *Union Power*.

city's largest municipal unions such as TWU, DC 37, the Patrolmen's Benevolent Association (PBA), and the UFT in the 1930s and 1940s. In doing so, it describes key organizing campaigns, the development of rivalries and tensions between the unions, and strikes during the pre-fiscal crisis period. It also examines the political context in which the initially weak municipal unions existed. Municipal, state, and even federal politics shaped the destinies of the city's municipal unions during this period. For example, the growth of the municipal unions during the 1960s was determined to a great extent by the massive expansion of the public-sector and the decision by the state to recognize the collective bargaining right of public-sector workers during the 1960s. Also, why certain unions grew while others did not and why the unions grew so rapidly during the second half of the 1960s was determined by specific city and state labor policies.

It was not until the late 1950s and 1960s that the municipal unions organized the majority of city employees and emerged as powerful force in city and state politics. As Joshua Freeman aptly described it, postwar New York City was dominated by a liberal political regime in which the labor movement, particularly private-sector unions, played a key role.³ Another way of describing 1950s and 1960s New York City is to use the concept pro-growth regime. Political scientists developed this concept to describe the political regimes that dominated many of the nation's major cities during the postwar period. Pro-growth regimes were made up of national actors such as the federal Department of Housing and Urban Development and local actors such as labor (particularly construction unions), sections of the business community such as real estate and the banks, city planners, and local governments.⁴ The Wagner years in which Robert

³ Freeman, *Working-Class New York*, 55-71.

⁴ John H. Mollenkopf, *The Contested City*.

Moses, labor leader Harry Van Arsdale, and Mayor Robert Wagner (1953-1964) wielded great power are a perfect example of pro-growth urban regime.

Initially, the municipal unions were, at best, junior partners in this pro-growth regime. One reason was that the much more powerful and well-established private-sector unions overshadowed them. However, during Wagner's last term and in Mayor John Lindsay's first term, the municipal unions began to grow much larger and became a much more significant political power. By the end of the 1960s, led by such leaders such as Al Shanker of the teachers, Victor Gotbaum of DC 37, and John DeLury of the sanitation workers, the city's massive municipal workforce was almost completely unionized and had won relatively generous wages and benefits.

Unfortunately for the municipal unions, their emergence as a major force occurred at the same time the city's postwar liberal pro-growth political regime was beginning to fragment for a number of reasons. During the 1960s, the city's pro-growth political regime came under attack from a loose shifting coalition made up of liberal reformers and blacks and Latinos. This new coalition criticized the old political regime on a number of different grounds. It argued that the old pro-growth regime excluded minorities. Also, the new progressive coalition felt that the older political regime was too beholden to powerful interest groups and the old political machines. It criticized its development policies, which were guided by such people as Robert Moses, for displacing poor minorities and bulldozing several of the city's vibrant neighborhoods.⁵ At the same time, the city's pro-growth regime was coming under criticism from the new progressive

⁵ For a good overview of the reform attack of the city's pro-growth regime, see Shefter, *Political Crisis/Fiscal Crisis*, chapter 3. For progressive critique of Robert Moses, see Robert Caro, *The Power Broker: Robert Moses and the Fall of New York* (New York: Vintage Books, 1974). Urban historian Joel Schwartz points out that much of the city's liberal community was very supportive of Moses' developments

coalition, it was also fraying as much of the city's white ethnic population in the outer boroughs, a key part of the electoral coalition supporting the pro-growth coalition, was beginning to shift to the right. Lastly, by the late 1960s, the city's business community was becoming increasingly concerned about the city's finances. With the election of John Lindsay in 1965, the new progressive coalition appeared to vanquish the older pro-growth coalition.

Initially, the city's municipal unions were able to successfully maneuver within the city's shifting political terrain of the 1960s. Much of their success in the 1960s stemmed from the massive expansion in the public-sector and the decision by the state and the city to create a more formal collective bargaining process. At the same time, the municipal unions demonstrated a willingness to strike to win better wages.

However, at the same time the city's municipal unions were growing in size and power, they beginning to win some very powerful enemies. The series of disruptive strikes of the second half of the 1960s (particularly the 1968 teachers strike) led much of the city's liberal community to conclude that these unions were an obstacle to better race relations and were nothing more than a new powerful special interest group. Moreover, as the city's fiscal problems began to worsen in the late 1960s and early 1970s, the city's business community began to see the municipal unions with their pensions and higher wages as perhaps the most serious threat to the city's financial well-being.

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plans into the 1960s. Joel Schwartz, *The New York Approach: Robert Moses, Urban Liberals, and Redevelopment of the Inner City* (Columbus: Ohio State University Press, 1993).

While the 1930s and the 1940s was a period of rapid growth for the nation's and New York's private-sector unions, it was a difficult and frustrating period for public-sector unions. The main obstacle for public-sector unions during this period was not lack of effort to organize, but the fact that the state at the federal, state, and municipal levels did not recognize the right of public-sector workers to unionize. While the state in the 1930s made a relatively sharp turn towards supporting the unionization of private -sector workers with the passage of the National Labor Relations Act of 1934, the state remained opposed to the unionization of public-sector workers. All of the landmark New Deal legislation that gave private-sector unions rights to organize and collective bargaining such as the Norris-LaGuardia Act and the National Labor Relations Act excluded public-sector unions. Until the end of the 1950s, state legislatures and Congress rebuffed any proposals that would have granted basic collective bargaining rights to public-sector workers.⁶

The courts were even less sympathetic to public-sector organizing in the 1930s and 1940s than the federal and state government. Consistently, courts ruled that the relationship between employees and employers in the public sector were qualitatively different those in the private sector and that the courts did not have the right to overrule state and municipal governments that opposed public-sector unions. State courts also waxed quite passionately on the dangers of public sector unions and often citing the violence and chaos caused by the Boston police strike of 1919 as a likely outcome of public-sector organizing. For example in the important 1943 New York State Supreme Court decision *Railway Mail Association v. Murphy*. The court stated that, "To tolerate or recognize any combination of Civil Service employees of the government as a labor

⁶ Slater, *Public Workers*, chapter 3; Shaffer, "Where are the Organized Public Employees?", 318.

organization or union is not only incompatible with the spirit of democracy, but inconsistent with every principle upon which our Government is founded Such policy [supporting public sector unions] if followed to its logical conclusion would inevitably lead to chaos, dictators, and annihilation of representative government.”⁷

In the face of government opposition to public-sector unions during the 1930s and into the 1950s, New York City’s municipal unions remained relatively weak and failed to convince the city to formally recognize their collective bargaining rights. However despite this opposition, workers in almost every city agency tried to organize and it was in this period that most of the city’s crucial municipal unions emerged. Moreover, it was in this period that the city’s municipal unions developed their interest-group strategy. Given the fact that none of the municipal unions were able to win the right of collective bargaining during this period, they were forced to protect their limited institutional power and fight for their members by engaging in other means. One was to focus on developing close relations with key local and state officials.

New York’s municipal unions certainly had no friend in Mayor Fiorello LaGuardia, the city’s most powerful politician and prominent New Dealer of this period. As a congressman, he had authored the important Norris-LaGuardia Act and had voiced his support for the right of public sector workers to organize. However during his three terms as mayor (1933-1945), LaGuardia consistently and successfully opposed the granting of any formal collective bargaining rights to the city’s municipal employees. Part of the reason was that in his first year in office LaGuardia was confronted with a major fiscal crisis and a Bankers Agreement that required the city quickly resolve its financial problems if it was to gain access to desperately needed loans. In order to resolve these

⁷ Slater, *Public Workers*, 74, 79.

fiscal difficulties LaGuardia laid off hundreds of municipal workers early on in his first term. However, even after this initial crisis was resolved, LaGuardia remained adamantly opposed to giving municipal workers the right to bargain collectively. He even went so far as to support the transfer of pro-union city employees to distant work sites as punishment.⁸

Despite LaGuardia's opposition, several unions tried to organize the city's municipal workers. The city's most successful municipal union during this period was the Transport Workers Union (TWU) that had formed in 1934 and in 1937 joined other unions such as the United Auto Workers (UAW) to form the CIO. Using aggressive tactics, TWU successfully organized and signed collective bargaining agreements with the city's two privately owned subway lines by 1937. However, it failed to convince the publicly owned subway line to agree to collective bargaining. In 1940, after the city took over the two private owned subway lines and most of the privately owned bus lines, the New York City Board of Transportation with the backing of LaGuardia insisted that it would not recognize the TWU's right to negotiate contracts. For the next two decades, TWU would fight to win back its collective bargaining rights it had briefly had when much of the city's mass transit system was privately owned. It fought at the federal level (petitioning the National War Labor Board during WWII), lobbied for state legislation, used its considerable political clout, and organized a series of political rallies. While the transit authority did not sign an actual collective bargaining agreement with the TWU until the late 1950s, the transit union was fairly successful at getting the city to agree to

⁸ Thomas Kessner, *Fiorello H. LaGuardia and the Making of Modern New York* (New York: Penguin Books, 1989), 288; Bellush, *Union Power*, 17. The late Jack Bigel, the labor consultant and a prominent municipal union organizer during the 1930s and 1940s, often told the author that it always irked him that

their bargaining demands by threatening to strike and negotiating privately with city officials.⁹

While the city's TWU local had a difficult time, it was certainly more successful than the several other municipal unions like the American Federation of State, County, and Municipal Employees (AFSCME), the United Public Workers (UPW), and the Teachers Union that were trying to organize workers in the city's various departments such as housing, welfare, the board of education, and sanitation. All of these unions remained considerably smaller and weaker than the city's TWU local up until the mid 1960s.

Several of these unions such as AFSCME and the UPW were competing to organize the same departments. AFSCME, which was an AFL affiliate, began to slowly recruit New York City municipal workers in various departments in the mid 1930s.¹⁰ UPW focused primarily on organizing the city's welfare department. The city's UPW local built upon the work of a small group of City College graduates, some of whom got work in the city's welfare department during the depression. This group was led by Abram Flaxer, Jack Bigel, Frank Herbst, and Ewart Guinier, who were either members of the Communist Party or party sympathizers, formed the Association of Workers in Public Relief Agencies (AWPRA). In 1936 after the Communist Party shifted away from its ultra-left Third Period strategy of dual unions, AWPRA briefly merged with AFSCME. However, after the AWPRA local failed to convince AFSCME to leave the AFL and join the recently formed CIO, it pulled over 5,000 members of the small but growing NYC local out of AFSCME to join CIO. Given a charter by the CIO, Flaxer's group was

liberals always spoke so highly of LaGuardia and failed to remember his anti-union policy towards municipal workers.

⁹ Joshua Freeman, *In Transit*, 165-223.

¹⁰ AFSCME was formed in the Wisconsin in 1932. Maier, *City Unions*, 23.

renamed the State, County, Municipal Workers of America (SCMWA), which in the early 1940s would change its name to the United Public Workers (UPW). With some financial help from the TWU, SCMWA began an energetic campaign to sign up municipal workers in New York City as well as other cities. By 1940, the UPW was stronger than AFSCME both nationally and in New York City (it had over 220,000 members nationally - much more than AFSCME). New York City's Local 1, which was the largest UPW local, was strongest in the city's Department of Welfare, but also had members in the city's hospitals and the sanitation department. In 1944, the over twenty small city locals of AFSCME were merged to form District Council 37 (DC 37). Henry Feinstein was its first president.¹¹

While the LaGuardia administration was unwilling to recognize any of the municipal unions, it did intervene to support unions that it found less threatening than others. For example, the growing success of the city's two most militant municipal unions, the UPW and TWU, worried Mayor LaGuardia. The TWU had successfully organized the transit workers and now the UPW, with financial support from the larger TWU, was making inroads into the welfare and the sanitation department. In order to curtail the UPW's growing power, in 1941 the Mayor intervened to make certain that AFSCME, which he correctly perceived as less militant than UPW, was the only union recognized by the sanitation department.¹²

However despite LaGuardia's support, DC 37 failed to grow during WWII and the late 1940s. In 1951, the twelve DC 37 locals had less than 800 dues-paying members. DeLury's AFSCME sanitation local fared better and by 1951 had over 5,000 members.

¹¹ Bellush, *Union Power*, 6-7.

¹² Maier, *City Unions*, 23-24.

DeLury's relative success did not rest upon aggressive organizing like TWU or UPW. Instead of organizing aggressively, he relied upon his close relationships with Manhattan Borough President Robert Wagner Jr. and other city officials to win wage increases for this members.¹³

In the late 1940s in an effort to jumpstart DC 37's organizing drive, AFSCME hired a young socialist named Jerry Wurf, who had been an organizer for the Hotel and Restaurant Employees Union, to head up DC 37's weak organizing attempts. Wurf faced an uphill battle. One of his first tasks for AFSCME in New York City was to encourage an anti-communist dissident movement in the transit union to leave TWU and join AFSCME.¹⁴ The raid of TWU was a failure. In 1951, DC 37 faced an even more serious setback when DeLury and Feinstein pulled the sanitationmen's and hospital locals out of AFSCME to join the Teamsters.¹⁵

The Patrolmen's Benevolent Association (PBA) and the Uniformed Firemen's Association (UFA) can trace their history back to the 1890s. Like the other of the city's municipal unions during the 1930s through the 1950s, the city would not sign collective bargaining agreements with the PBA or the UFA. These uniformed unions were different than the other municipal unions in that they did not claim to be unions. Instead, they described themselves as associations that represented their members. However despite this difference, the PBA and the UFA acted just like the other municipal unions of the

¹³ Bellush, *Union Power*, 15-16.

¹⁴ Freeman, *In Transit*, 281; Joseph C. Goulden, *Jerry Wurf: Labor's Last Angry Man* (New York: Atheneum, 1982), 35-37.

¹⁵ DeLury and Feinstein made this move for purely pragmatic reasons. At that point, AFSCME was weak both nationally and locally. The teamsters, on the other hand, were probably the most powerful union in the city. Teamster leader Martin Lacey was the chair of the city's AFL central labor council (CTLC) and had close relations with the new mayor William O'Dwyer. So Wurf inherited a weak union that faced continued competition from Feinstein's Local 237, which was trying to organize the same city workers as DC 37. Bellush, *Union Power*, 18-20.

period by negotiating with the city and commissioners and went to Albany to lobby over such issues as pensions and work schedules. They were different in one other way from the other small struggling municipal unions in the city in that they did not have a difficult time convincing members to join. As early as 1930, close to one hundred percent of policemen and firemen had joined their respective organizations.¹⁶

The city's teachers began organizing during World War II. In 1916, the city's fledgling Teachers Union affiliated with the American Federation of Labor (AFT) as Local 5. Led by the socialist Henry Linville, the union remained quite small throughout the 1920s. Besides the fact that the city would not recognize the union, the union was also hampered in these early years by incessant bitter fighting between its communist and socialist wings. In 1933, after the Communist Party faction gained the support of the majority of members of the local, Linville and over 500 other members left local 5 to form a rival organization called the Teachers Guild.¹⁷

In the late 1930s, the communist-dominated Teachers Union grew a fair amount, climbing to about 7,000 members. Still, it faced considerable obstacles. Even during the Popular Front period, it faced considerable red baiting. In the late 1930s and early 1940s, Charles Coughlin, the rightwing populist Catholic priest, ran a number of articles headlined, "Are Reds in Control of New York Schools?" in his magazine *Social Justice*. In 1941 after the Teachers Union trying and failing to convince the AFT to leave the AFL to join the CIO, the AFT formally kicked the Teachers Union out of the AFT and gave a charter to its smaller rival the Teachers Guild.¹⁸

¹⁶ Maier, *City Unions*, 20-22.

¹⁷ Maier, *City Unions*, 26-29; Jack Schierenbeck, "Class Struggles: The UFT Story, Part I, II, and III," *The New York Teacher*, 19 February and 4 March and 15 April 1997.

¹⁸ Schierenbeck, "Class Struggles, Part III, 15 April 1997."

The Communist Party and Tensions within New York City Labor

The Communist Party played an important role in several of the city's municipal unions such as TWU, UPW, and the Teachers Union during the 1930s and WWII period. For example, the Communist Party played a crucial role in organizing in organizing TWU. CP members such as John Santo held important leadership positions within TWU and played a crucial role in developing the union's political and organizing strategy during the 1930s and 1940s. While it remains uncertain whether Mike Quill, the president of New York's TWU local, ever joined the Communist Party, he clearly aligned himself with the party in terms union strategy and on broader political issues until 1948.¹⁹

There were some tensions between the city's communist-dominated or controlled unions and other unions during Popular Front period (1934-1948).²⁰ However, despite these tensions and their negative effect particularly on the ability to build the teachers union, anti-communism remained a relatively minor problem in New York City during the late 1930s and WWII. From the mid 1930s until the end of WWII, the Communist Party was an accepted member of the city's New Deal coalition and most liberals were willing to work with the once marginalized organization.

¹⁹ Freeman, *In Transit*, 48, 133-134, 274-275.

²⁰ For example, they fought over who would control the American Labor Party and the new CIO Central Labor Council. Catholic unionists in the TWU criticized the leadership of that union for their alliance with the communists. And as mentioned above, the Teachers Union was pilloried in the press for being communist-controlled. Also despite the fact that the national CIO and John Lewis had been encouraging the city's CIO unions to form a central labor council since 1938, CIO unions such as ACW and the ILGWU delayed the formation of such a body for several years fearing that it would be dominated by CP controlled unions. Their fears turned out to be correct because when the Greater New York Industrial Union Council (GNYIUC) was formed in 1940, Joe Curran (NMU) and Saul Mills of the Newspaper Guild, who were both closely aligned with the CP were elected the two top officers. Stuart Eimer, "Institutional Design, Class Formation, and CIO Industrial Union Councils: The Challenge of Organizing the Organized" (Paper delivered at the 1999 North American Labor History Conference); Freeman, *In Transit*, 197.

This would all change when the red scare engulfed the nation in the late 1940s and early 1950s.²¹ The New York City unions in both the private sector and the public sector went through their own red scare. In the private sector, anticommunist factions toppled the communist leadership in the Newspaper Guild, the National Maritime Union, Hotel and Restaurant Employees locals, and other unions. In 1948, the national CIO revoked the New York City CIO Council's charter for supporting Henry Wallace.²²

Both UPW, which was city's second largest municipal union, and the Teachers Union were casualties of the city's red scare. Kicked out of the CIO in 1948, UPW was weakened further by attacks on it spearheaded by Mayor O'Dwyer and the city's new welfare commissioner.²³ The Teacher Union was also fatally weakened by state attacks on it. In 1949, the New York State legislature passed the Feinberg Law, which gave municipalities the right to dismiss teachers for belonging to proscribed organizations such as the Communist Party. In the next three years, the New York Board of Education used the Feinberg Law to fire over three hundred teachers. By the early 1950s, the Teachers Union only had a handful of members.²⁴

Some of the municipal unions used the red scare to attack rivals. For example, Jerry

²¹ The literature on the labor movement and the red scare is voluminous, see Steve Rosswurm, "An Overview and Preliminary Assessment of the CIO's Expelled Unions," Steve Rosswurm, ed., *The Left-Led Unions* (New Brunswick: Rutgers University Press, 1992), 1-17; Robert Zeiger, *The CIO* (Chapel Hill: University of North Carolina Press, 1995), 253-293; Lichtenstein, *The Most Dangerous Man in Detroit*, 308-320.

²² Freeman, *Working-Class New York*, 75-87.

²³ All Welfare Department employees were required to sign loyalty oaths, the City Council held hearings to look into the role of communists in the department, and in the end over a hundred welfare employees were fired. By 1951, New York City's UPW local no longer existed. Martha Biondi, *To Stand and Fight: The Struggle for Civil Rights in Postwar New York City* (Cambridge: Harvard University Press), 149; Richard Mendes, "The Professional Union: A Study of the Social Service Employees Union of the New York City Department of Social Services" (Ph.D. diss. Columbia University, 1974), 23-26; Freeman, *Working-Class New York*, 84-85.

²⁴ In 1964, the remnants of the Teachers Union voted to join the UFT. Freeman, *Working-Class New York*, 86-87 and Schierenbeck, "Class Struggles, Part III" 15 April 1997.

Wurf of DC 37 accused Local 237 of the teamsters of hiring communists. It is true that Henry Feinstein of Local 237 had hired many of the talented ex-UPW organizers such as Jack Bigel, Frank Herbst, and Elliot Godhoff, who had been members of the communist party or closely allied with it. In DC 37's newspaper and during testimony before the City Council, Wurff denounced Local 237 for hiring communists and urged the city to deny Local 237 any bargaining rights.²⁵ This strategy bore fruit as hundreds of 237 members switched their membership to DC 37 and after pressure from local Democrats, Feinstein fired Bigel and the other ex-UPW organizers.²⁶ The Teachers Guild also supported the firing of teachers for being members of the Communist Party (though it opposed the board of education's demand that teachers inform on one another).²⁷

The communist issue also buffeted New York City's TWU local. Mike Quill, who was president of the local as well as president of the international, had been closely aligned with the Communist Party and possibly a member for a short period. However, in 1948, Quill publicly broke with his allies in the Communist Party.²⁸ Quill now began to red bait his many of his old friends, who were now his opponents. Quill also joined an

²⁵ *Spotlight*, May 1, 1955; *New York Times*, September 22, 1955. For memories of the relationship between UPW and local 237 and Wurff's redbaiting, see interview with Julian Friedman (a former member of UPW and local 237) in *Local 237 Retiree News & Views*, July/August 2004. I'd like to thank Burt Lazardin for sending me this interview.

²⁶ Bellush, *Union Power*, 40-41. Jack Bigel went on to form Program Planners, Inc., a consulting firm. Godhoff would go on to be one of key organizers of 1199, the union organizing employees in the city's private hospitals. Leon Fink and Brian Greenberg, *Upheaval in the Quiet Zone: A History of Hospital Workers' Union, Local 1199* (Urbana: University of Illinois Press, 1989), 19. In an interview with Bernard Bellush in 1981, Barry Feinstein, the son of Henry Feinstein and his successor to the presidency of 237, argued that DC 37 would not have been able to overtake 237 without the red baiting. Feinstein folder, box 4, Bellush Collection, Wagner Labor Archives, New York University, New York.

²⁷ Freeman, *Working-Class New York*, 86

²⁸ The local issue, over which Quill broke with the CP, was over a transit fare hike. Mayor O'Dwyer was adamant that he could not offer TWU a wage increase unless there was a fare increase. The CP, the American Labor Party (ALP), the most liberals, and TWU opposed the fare increase originally. However, by 1948 when it was clear that the mayor was not going to bend, Quill, first privately and then publicly, came out in support of a fare hike. In 1948, Quill also signaled his break with the Communist Party when he resigned his position as President of the city's CIO central labor council when it voted to ignore the

alliance with his past opponents, TWU's center-right faction. By the end of 1948, Quill's faction had removed all of the CP members from high-ranking positions with local 100 and the international.²⁹

The red scare's impact on the municipal unions is significant for a number of reasons. One is that it weakened progressive tendencies that existed within the city's municipal labor movement. Unions such as UPW that had taken very progressive stands on civil rights and tried to organize women were destroyed.³⁰ The municipal unions that survived the red scare such as DC 37, local 237 of the teamsters, and the sanitationmen's union had a much narrower vision of labor movement's potential role. Even the TWU, which continued to take relatively strong stands on such issues as civil rights, became less progressive after Quill formed an alliance with a Catholic conservative faction within TWU in order to successfully purge his old Communist allies. After Quill died, the leadership of the TWU would come out of that conservative wing of the union.

The attacks on these leftist unions were part of a broad attack on the city's strong and vibrant leftist institutions and political culture.³¹ Perhaps the most important institution that nurtured this left-liberal political culture, which was also a casualty of the cold war, was the American Labor Party (ALP). Supported by a coalition of liberals, the Communist Party, and many of the city's CIO unions, the ALP had become a major

national CIO's demand that all CIO councils oppose Henry Wallace's presidential campaign and publicly support the Marshall Plan. Freeman, *In Transit*, chapter 13.

²⁹ Ibid., chapter 13.

³⁰ Biondi, *To Stand and Fight*, 28-29, 149.

³¹ With its strong labor traditions, its immigrant left culture, progressive politics, and downtown Bohemian scene, New York City had a strong progressive political culture nurtured by newspapers, unions, and other institutions. In the Brooklyn neighborhoods of Red Hook and Brownsville, in Harlem, in the Lower East Side of Manhattan, and in the south Bronx, there were hundreds of tenants groups and clubs that organized and got the vote out for ALP, liberal Democratic, and Communist Party candidates. The Socialist Party and Communist Party established schools such as the Rand School and the Jefferson School. On the Popular Front cultural milieu, see Michael Denning, *The Cultural Front: The Laboring of American Culture in the Twentieth Century* (New York: Verso Press, 1996), 283-361.

political force with strong support in the city's Italian, Jewish, and African-American communities.³² Sometimes running their own candidates, but more often endorsing one of the other party's candidates, the ALP was crucial in electing Congressman Vito Marcantonio, Mayors LaGuardia and O'Dwyer, and dozens of City Council members including TWU's Mike Quill.³³ During the early 1950s, the city's and state's Democratic and Republican Parties joined together and changed various laws that fatally weakened the ALP.³⁴

Also, while it was trying to marginalize the ALP, the Democratic Party actively supported the Liberal Party, which had formed during WWII when an anti-communist faction within the ALP led by ILGWU President David Dubinsky broke with the ALP. Supported by the ILGWU, other garment unions, and at least initially by the UFT, the Liberal Party remained a significant force within city and state politics during the 1950s and 1960s and took liberal stands on such issues as civil rights and housing. Perhaps the highpoint for the Liberal Party was in 1969 when after losing the Republican Party mayoral primary, Mayor John Lindsay went on to win reelection on the Liberal Party line. However, despite its significant influence in city politics and its liberal stands on

³² The ALP was formed in 1936 by leftist unions such as the Amalgamated Clothing Workers (ACW), the International Ladies Garment Workers Union (ILGWU), and TWU, and liberal Democrats to combat the Tammany controlled Democratic Party.

³³ Martin Shefter, "Political Incorporation and Political Extrusion: Party Politics and Social Forces in Postwar New York," in *Political Parties and the State: The American Historical Experience* (Princeton: Princeton University Press, 1994); Gerald Meyer, *Vito Marcantonio, 1902-1954* (Albany, State University of New York Press, 1989); Freeman, *Working-Class New York*, 56-57.

³⁴ Both of the major parties refusing to run joint slates with the ALP. Both the Democratic and Republican Parties supported legislative changes designed to weaken the ALP. One was the Wilson-Pakula Law of 1947, which made it illegal for a candidate of one party to enter the primary of a second party without the permission of the second party. (Congressman Marcantonio had won several elections using this strategy). Also, both of the major parties supported a successful referendum that ended the proportional representation system used to elect the City Council members. Under this system, two communists and several APL members win City Council elections. Shefter, "Political Incorporation and Extrusion,"; Freeman, *Working-Class New York*, 75-76.

the issues, the Liberal Party lacked the strong grassroots support that the ALP enjoyed and made no significant effort to win over new supporters.³⁵

This not to say that the city's politics became conservative after red scare. On the contrary, New York City remained a relatively liberal city. The city's still strong labor movement and its partners in government and in the private sector created a robust liberal political culture that sustained massive low-cost healthcare programs and cheap housing for hundreds of thousands of non-union and union New Yorkers. Josh Freeman goes so far to call it a "hybrid form of municipal social democracy."³⁶

However, if it was a social democratic city, it was a truncated version. While Freeman is correct in his view that the red scare did not destroy the city's liberal political regime, it did drain it of much of its more radical and grassroots edge. Unions such as UPW and other unions that were trying to organize sections of the workforce that were heavily female and nonwhite were weakened or destroyed. Crucial institutions that formed the scaffolding for the city's left-liberal political culture crumbled under the assault of the red scare. In 1948, *PM*, the city's liberal daily newspaper, closed. Perhaps most importantly, the city's once strong American Labor Party (ALP), which had formed the basis of support for Mayor Fiorello LaGuardia and U.S. Congressman Vito Marcantonio and had strong support in the city's immigrant and working-class neighborhoods, fell victim to the cold war and the conscious effort by the Democratic and Republican Party to destroy it by the early 1950s. What emerged of the cold war was a more centrist-liberal political regime that certainly accepted the existence of a labor

³⁵ The definitive history of the Liberal Party has yet to be written. However see Shefter, *Political Crisis/Fiscal Crisis*, 68, 122-123; Chris McNickle, *To Be Mayor of New York: Ethnic Politics in the City* (New York: Columbia University Press), 68-69, 218-229.

³⁶ Freeman, *Working-Class New York*, 72-95.

movement, but was primarily predicated upon a pro-growth corporate strategy and a much narrower truncated understanding of the welfare state than existed during the 1930s and 1940s.

In a sense, it was not until over twenty years later during the fiscal crisis of the mid 1970s that some of the ramifications of the red scare finally became apparent. It was at that point when the long postwar economic boom came to an end that the glue that held together the city's liberal pro-growth political regime relationships disappeared. Capital quickly turned upon the remnants of the city's social democratic institutions such as free tuition at the City University of New York, job security for municipal employees, and a large public hospital system. While the city's unions and progressive community initially opposed these demands for fiscal austerity, they seemed unable to mobilize any serious opposition to it. This weakness of the labor and the left stemmed from several sources, but the hollowing out of the city's once robust progressive urban political culture that occurred during the 1950s red scare meant that there no political institution like the ALP that could have mobilized opposition to austerity.

From the Margins to a Position of Power: The Municipal Unions in The 1950s and 1960s

Weakened by the red scare and still without official bargaining rights, the city's municipal unions limped through the 1950s. In 1958, there were only about 58,000 dues-paying New York City municipal union members.³⁷ However, within ten years, the city's municipal unions would grow by leaps and bounds. Crucial to this growth was

³⁷ Raymond Horton, *Municipal Labor Relations in New York City: Lessons of the Lindsay-Wagner Years* (New York: Praeger Publishers, 1973), 47.

the replacement of the city's ad hoc informal collective bargaining procedures with a formal collective bargaining system. After a series of strikes, the municipal unions would win significant wage increases and a myriad of welfare and pension benefits for their members and also emerge as powerful political actors at the city and state level.

The growth of the public-sector unions in New York City did not occur in a vacuum. It was shaped by a couple of national trends. The first was the rapid increase in the size in the public-sector workforce. Nationally, the number of public-sector workers more than doubled between 1946 and 1967 (from 5.5 million to 11.6 million). Also in the late 1950s and early 1960s, states, municipalities, and the federal government began to recognize public-sector workers' right to organize. In 1962, President Kennedy signed an executive order giving federal employees the right to bargain collectively and cities and states around the country followed suit.³⁸ In the mid 1960s, the New York state legislature passed legislation that finally gave the state's public-sector workers the right to join unions and required that municipalities engage in collective bargaining. In this friendlier environment, public-sector unions such as AFSCME, the Service Employees International (SEIU) and AFT began to aggressively organize. Between 1955 and 1973, the number of public-sector union members in the U.S. increased from 400,000 to over 4 million.³⁹

The growth of the city's municipal unions occurred at the same time the city's political culture was being transformed. The postwar pro-growth liberal political culture represented by strong private sector unions, powerful real estate interests, and centrist Democrats and Republicans came under pressure from various sources. First, the city

³⁸ Slater, *Public Workers*, 190.

³⁹ Shaffer, "Where are the Organized Public Employees," 316.

went through a massive demographic shift as hundreds of thousands of blacks and Puerto Ricans migrated to the city and thousands of whites migrated to the suburbs. During the 1960s, the city's dominant pro-growth regime came under pressure from middle class reformers, the New Left, and black and Puerto Rican activists who demanded that it be more responsive to people of color, break with the Democratic party machine, and democratize city agencies. During Mayor John B. Lindsay's administration (1966-73), this new reform regime reached the pinnacle of its power and pushed through an open admissions policy at the City University of New York and won significant funding increases in a variety of programs for the poor.⁴⁰ At the same time, anxious about the loss of manufacturing jobs, inflation, rising crime, and resentful of what they saw as a liberal pandering to minorities, many white working class New Yorkers began to shift to right politically.⁴¹

The municipal unions had a complicated relationship to these political changes of the 1960s. On the one hand, they excelled at the interest-group politics that characterized the older pro-growth political regime. On the other hand, they shared characteristics in common with the new liberal political forces. Like the New Left and activists from minority communities, the municipal unions demonstrated a willingness to use militant tactics. The municipal unions also were certainly sympathetic to the idea of increased spending on the poor since it led to an increase in membership. Because some of the

⁴⁰ John Mollenkopf and Ken Emerson make a similar argument about 1960s New York City politics. John Mollenkopf and Ken Emerson, eds. *Rethinking the Urban Agenda: Reinvigorating the Liberal Tradition in New York and Urban America* (New York: The Century Foundation, 2001), chapter 1.

⁴¹ Peter Vellon, "Immigrant Son: Mario Procaccino and the Rise of Conservative Politics in late 1960s New York City," *Italian American Review*, vol 7, no. 1 (spring-summer 1999), 117-36.

municipal unions' membership was increasingly becoming made up of people of color, it made sense for these unions to ally themselves with the city's civil rights movement.⁴²

In the mid 1950s, these changes still seemed far off though and the situation continued to look relatively grim for the city's municipal unions. The state still refused to grant them the right to collective bargaining. Moreover, like most states, New York had passed a rather draconian law that punished public-sector unions and public-sector workers for striking. The Condon-Wadlin Law, which was passed in 1947 after a Buffalo teachers' strike, included such penalties as the firing of striking public-sector workers (they could be rehired, but their pay would be frozen for three years), jail time for striking union leaders, and significant fines for striking unions. Moreover, the city's municipal unions remained relatively weak politically. A good example of how little political power the municipal unions had during this period was that the beleaguered Mayor Vincent Impellitteri did not include any wage increases for city employees in his election year budget of 1953.⁴³

However by the late 1950s, things began to look up for the city's municipal unions. One of the major reasons was that there was an increasingly favorable political environment at both the city and state levels. In the 1950s, two new figures emerged in the political realm that would be instrumental in the growth of the municipal unions. At the state level, Nelson Rockefeller, who was elected in 1958, was a liberal Republican who maintained close ties with the state's unions, particularly the construction unions.

⁴² TWU, sanitation, and DC 37 were three of the unions whose membership became less white during the late 1950s and 1960s. Freeman, *In Transit*, 333; Roger Waldinger, *Still the Promised Land? African-Americans and New Immigrants in Postindustrial New York* (Cambridge: Harvard University Press, 1996), 235-236,

⁴³ Horton, *Municipal Labor Relations*, 16-29, 68; Freeman, *Working-Class New York*, 202.

Perhaps more importantly for the municipal unions was the election of Robert Wagner Jr. as mayor of New York City in 1953. Wagner Jr. was the son of Senator Robert Wagner who had been the main sponsor of the National Labor Relations Act.⁴⁴ Soon after taking office, Mayor Wagner took a series of steps that aided the still weak municipal unions. In July 1954, he signed an interim order that declared that New York City workers had the right form associations for the purpose of negotiating the terms and conditions of employment. In 1956, the municipal unions were granted the right to dues check-off. In 1958, the mayor went a step further and issued Executive Order 49. EO 49 formalized the collective bargaining process. It gave the department of labor the right to determine bargaining units and which union would be allowed to represent the bargaining unit. It codified the grievance procedures.⁴⁵

Wagner took these actions for a number of reasons. One is that the unions, both the city's private sector and municipal unions, were among his major supporters. Secondly, like his father, the mayor was influenced by labor relations experts such as the late John C. Commons and William Leiserson who thought that the state should support the right of workers to organize and create formal state institutions and labor boards to oversee union elections and mediate negotiations. This approach would encourage unions to behave "responsibly" and limit the number of strikes. The National Labor Relations Act of 1935 was the model for this approach.⁴⁶ Ida Klaus, the principal author of EO 49, had been a lawyer for the NLRB. As she wrote in the introduction of the order, "Experience has indicated that labor disputes will be minimized by permitting employees to

⁴⁴ Freeman, *Working-Class New York*, 101-102; McNickle, *To Be Mayor of New York*, 91-108.

⁴⁵ Maier, *City Unions*, 47-50; Freeman, *Working-Class New York*, 202-203, Bellush, *Union Power*, 69-70.

⁴⁶ Christopher L. Tomlins, *The State and the Unions: Labor Relations, Law, and the Organized Labor Movement in America, 1880-1960* (New York: Cambridge University Press, 1985), chapters 4 and 5.

participate through their freely chosen representatives in the determination of the terms and conditions of their employment.”⁴⁷

At the same time, Wagner continued previous mayors’ policy of intervening in various ways to help unions that supported him. For instance, in 1960 Wagner transferred to out-of-the-way outer borough jobs several sanitationmen, who were criticizing his close ally sanitation president John DeLury.⁴⁸ He also intervened in transit negotiations to aid his close supporter Mike Quill throughout the 1950s and early 1960s. Wagner’s chief labor advisor was Theodore Kheel who had very close relations with Quill and Harry Van Arsdale, the chair of the city’s Central Labor Council.⁴⁹

The city’s municipal unions took advantage of Wagner’s actions and began to organize. In the fall of 1955, DC 37’s local 924, which organized Parks Department workers, went on a one-day strike to protest working conditions and the failure of Parks Commissioner Robert Moses to recognize their union. Two months later, the Parks workers voted to join DC 37 in a representation election.⁵⁰ By 1958, DeLury’s sanitation union and TWU had signed contracts with the city (or in the case of TWU with the Transit Authority).

Still, the municipal union’s growth remained slow. A collective bargaining structure was emerging, but it was not until the 1960s that they began to recruit large numbers of workers. In the end, the two unions that grew the most rapidly and would become the city’s most influential municipal unions by the end of the 1960s were the newly formed United Federation of Teachers and DC 37. In the late 1950s, most observers would not

⁴⁷ Quoted in Maier, *City Unions*, 49.

⁴⁸ Maier, *City Unions*, 51.

⁴⁹ Freeman, *In Transit*, 325-333.

⁵⁰ Bellush, *Union Power*, 55-61; *Spotlight*, February 1, 1956.

have predicted that DC 37 or the teachers union would have emerged by the late 1960s as the city's most powerful municipal unions. DC 37 was smaller than its rivals, local 237 and the sanitationmen's union. UFT did not even exist until 1960. However, because of a number of reasons, including the arrival of new strong leadership within both unions, these two unions would grow rapidly during the 1960s. These two leaders, Al Shanker of UFT and Victor Gotbaum, would demonstrate both a boldness, an ability to read how the political landscape was shifting, and a talent to form smart political alliances that would enable their unions to emerge as the city's largest and most powerful unions.

An important moment in the history of the city's municipal unions was the arrival of Victor Gotbaum as DC 37 new executive director. Wurf moved on to become president of AFSCME in 1964. Gotbaum, a native of the city and a graduate of Brooklyn College, had been an AFSCME organizer in Chicago and a close ally of Wurf's in his campaign to become president of the international.⁵¹ Gotbaum faced a daunting situation. At that point DC 37 was still smaller than its rivals such as the teamsters local 237 and the sanitationmen. Moreover, at that point, Mayor Wagner had better relationships with John DeLury of the sanitationmen and Henry Feinstein of the teamsters than with he had with Wurf.⁵² However, within one year of his arrival, Gotbaum demonstrated his ability to maneuver within the city's complex labor and political world and win an important victory that put DC 37 in the position to become the city's largest municipal union.

⁵¹ Bellush, *Union Power*, 80-118.

⁵² Wurf had supported Arthur Levitt (Tammany Hall's candidate) rather than Wagner in the 1961 Democratic mayoral primary. Bellush, *Union Power*, 74; Victor Gotbaum interview by Bob Fitch, 12 October 1993, transcript, Abraham D. Beame Oral History Collection, LaGuardia Wagner Archives, LaGuardia Community College, New York.

In 1965, DC 37 won an important victory over old rival, teamster local 237, over who would represent the twenty-one thousand hospital workers. By 1963, DC 37 had organized about four thousand of these hospital workers into their local 420 and local 237 had about six thousand. Gotbaum and Lillian Roberts, a young African-American organizer whom Gotbaum brought from Chicago, led local 420's campaign. The teamsters, who had close relations with Mayor Wagner and initially had greater support among the hospital workers, were confident that they would prevail. But DC 37 won the support of most of the civil rights community and much of the city's labor movement. It also ran an extremely energetic campaign often in the face of outright physical harassment by thugs hired by local 237.⁵³ Local 237 failed to win even the support of the sanitationmen, a fellow teamster union and a longtime local 237 ally. Jack Bigel, the close advisor to sanitation leader John DeLury met with Gotbaum and promised that the sanitationmen would remain neutral if Gotbaum did not repeat the redbaiting tactics that Wurf had used against DeLury and Feinstein in the 1950s. Gotbaum agreed.⁵⁴

After enlisting AFL-CIO president George Meany to convince Mayor Wagner to delay the representation election for several months, DC 37 narrowly prevailed over the teamsters in the election in December 1965. This victory put DC 37 in a position to become the dominant municipal union for nonuniformed employees. The reason was that the hospital victory meant that DC 37 now represented a slight majority of all employees under the Career and Salary Plan. Mayor Wagner had created this plan in 1954 to rationalize the city's civil service rules. The plan reclassified all civilian employees at mayoral agencies and set uniform standards for pensions and time and leave. Also,

⁵³ *Public Employee Press*, April 19, 1965; Bellush, *Union Power*, 147-156; Gotbaum interview with Bob Fitch, 10 October 1993, transcript, Beame Oral History Collection.

Wagner had decreed that in order for a union to negotiate over such issues as fringe benefits and time and leave rules, the union would have to represent a majority of all categories under the Career and Salary Plan. After their victory over 237 in the hospitals, DC 37 was in such a position.⁵⁵

The Lindsay Years, 1965-1973

It was during Mayor John Lindsay's two tumultuous terms (1965-1973) that the city's municipal unions grew the most rapidly and emerged as one of the city's and state's most powerful political forces. At one level the relationship between the new mayor and the unions was remarkably contentious as several of the unions struck the city. However, at another level, the municipal unions did remarkably well during Lindsay's two terms. In particular, DC 37, which was the one union that would support Lindsay's proposal for a new Office of Collective Bargaining, grew and emerged as the city's most powerful municipal union.

This rapid growth in municipal unions in New York City and other major cities during the 1960s occurred because of a confluence of national and local trends and events. President Lyndon Johnson's Great Society programs provided a massive increase in funds for cities, which they used to expand social services that required more municipal workers. The urban unrest and riots of the 1960s also provided an incentive for big city mayors to try to deal with urban unemployment by increasing the number of municipal jobs.

⁵⁴ Bellush, *Union Power*, 155.

⁵⁵ The Career and Salary Plan covers a significant percentage of the city's workers. It did not include teachers, the uniformed employees (sanitation, police, and fire) as well as some smaller groups such as electricians whose salaries and work conditions were set, by law, at the level of similar workers in the

However at the time, few observers would have predicted the election of John Lindsay would be good for the municipal unions. Lindsay, a liberal Republican, beat Comptroller Abraham Beame, who came out of the city's regular Democratic Party faction. Lindsay had the support of much of the city's business elite and city's papers closely aligned with it such as *The New York Times*, *The Wall Street Journal*, and *Herald Tribune*, the city's Liberal Party, and many middle-class Democrats who were sympathetic to the reform wing of the Democratic Party.⁵⁶ During his campaign, Lindsay promising to rein in city's extravagant borrowing and to take on the city's power brokers among which he included the municipal unions.⁵⁷

Not surprisingly, most of the city's labor unions, including the municipal unions, supported Lindsay's opponent, City Comptroller Abraham Beame. Interesting enough, Gotbaum had wanted to support Lindsay because he felt that Lindsay would be less under the thumb of Harry Van Arsdale and the older private sector unions than Beame would be. However, Wurf demanded that he support Beame so Gotbaum did not endorse Lindsay. However, he did not actively campaign for Beame either.⁵⁸

One of the groups that Lindsay identified during the 1965 mayoral campaign as one of the city's power brokers were the municipal unions. While they still had not emerged as a major force in 1965, they had developed close ties with Mayor Wagner and as the

private-sector. Carol, O'Cleireacain, "The Unions' Economic Demands – The Case for Labor," *City Almanac*, vol. 16, no. 2. August 1981.

⁵⁶ 11% of those who voted for Lindsay voted on the Liberal line (which was larger than the margin of his victory over Beame so this party's support was essential to his victory Vincent J. Cannato, *The Ungovernable City, John Lindsay and His Struggle to Save New York* (New York: Basic Books, 2001), 19-74.

⁵⁷ Martin Shefter, *Political Crisis/Fiscal Crisis*, 65-66. John Hay Whitney, the owner of *The Herald Tribune*, was one of Lindsay's main financial supporters. Cannato, *The Ungovernable City*, 23.

⁵⁸ Gotbaum interview with Bob Fitch, 10 October 1993, transcript, Beame Oral History Collection.

1965 welfare workers strike demonstrated, they were willing to go on strike. During his first term, he would have the chance to take on these unions as they flexed their muscles and shook the city with a series of strikes.

These strikes by the city's municipal unions during the second half of the 1960s and the early 1970s were part of a rapid increase in strikes both in New York City and nationally. As Josh Freeman argues, these strikes "reflected a combination of worker assurance and insecurity." The assurance stemmed from the low unemployment of the period and the insecurity stemmed from workers' sense that growing inflation was undermining their wages.⁵⁹ Also, the civil unrest created by the civil rights movement and the anti-war movement seemed to have an effect on working-class Americans in the growing number of rank and file wildcat strikes that occurred without the consent of union leaders. What was different about this strike wave compared to strikes in the past is that many of the strikes during the 1960s and early 1970s were by public-sector workers. Perhaps the most famous was the national postal strike in 1970. However, teachers, sanitation workers, policemen, transit workers also struck in many cities much to the shock of Americans who were used to strikes by private-sector workers, but not by public-sector workers.⁶⁰

The first major strike that Lindsay had to face began just hours before he was inaugurated when TWU went out on strike on January 1, 1966. The president of the

⁵⁹ Freeman, *Working-Class New York*, 212.

⁶⁰ In 1967, *Life* magazine ran an article about these strikes with the headline, "The Shock of public strikes. Ford was expected – but teachers, firemen, cops!" Quoted in Shaffer, "Where are the Organized Public Employees?" 320. For an overview of public-sector strikes during this period, see McCartin, "Fire the Hell out of Them!"; Cowie, "Vigorously Left, Right, and Center," 77-84.

TWU's international, Mike Quill, had been under enormous pressure to win a contract with significant wage increases. At that point, the average wage for TWU members without overtime was below what the Bureau of Labor Statistics considered an adequate budget for a family of four. Also, TWU like many of the city's unions such as ILGWU and DC 37 was being transformed by an influx of black and Latino members.⁶¹

For twelve days, TWU shut down the city's subway and most of its bus lines. Quill and Lindsay engaged in an ugly public quarrel. Quill referred to the mayor as "nothing but a juvenile, a lightweight, and a pipsqueak." Urged on by his advisors and most of the city's newspapers, Lindsay vowed not to give into the transit union like past politicians. He declared that, "the government of this city will not allow the power brokers in our city, or any special interest group, to dictate to this city the terms under which it will exist in New York."⁶² The mayor also attempted to paint the striking workers as selfish individuals who were hurting New Yorkers, particularly poor and working class New Yorkers who relied upon public transportation.

Several days into the strike, Quill and eight other TWU leaders were arrested and sentenced to jail for violating a court injunction against the strike. Quill stated, "The judge can drop dead in his black robes and we would not be calling off the strike." Soon after being sentenced, Quill suffered a minor heart attack and was transferred to a hospital. He died a couple of weeks after the strike ended.⁶³

⁶¹ Freeman, *Working-Class New York*, 209.

⁶² *New York Times*, 11 January 1966. The city's newspapers (including liberal newspapers such as *The New York Post*) would consistently attack the municipal unions throughout the 1960s and 1970s. During the 1966 transit strike, *The Times* wrote that Quill's actions demonstrated, "his concept that the people of New York are the enemy he is determined to blackjack into surrender. He represents the 'last hurrah' of a cynical Old Guard unionism that has long been outdated." Even *The Post's* liberal editor James Weschsler wrote that Quill "chose to declare war against the wrong man at the wrong time for the wrong reasons." Quotes from Cannato, *The Ungovernable City*, 86.

⁶³ Freeman, *Working-Class New York*, 210-211.

After twelve days, the transit authority and TWU reached a settlement that ended the strike. The settlement including a 15% wage increase spread over two years, which was roughly what Quill had demanded before the strike. President Johnson harshly criticized the settlement because it violated his anti-inflationary policy. *The New York Times'* editorial board, which had encouraged Lindsay to take a hard line with the union, was disappointed by the settlement.⁶⁴

The Taylor Law and The Creation of the New York City Office of Collective Bargaining

Besides foreshadowing Lindsay's future difficulties with the municipal unions, the transit strike (along with a 1965 welfare strike) provided the catalyst for new labor legislation at both the state and city level.⁶⁵ These two strikes demonstrated that the 1947 Condon-Wadlin Act, which outlawed strikes by New York State public-sector workers and provided draconian punishment for striking, was not working. Municipal unions were increasingly demonstrating their willingness to strike knowing full well that municipal and state officials were unwilling to impose the harsh Condon-Wadlin penalties on the increasingly politically powerful municipal unions. For example, UFT was never punished for its 1964 strike nor was TWU for its 1966 strike.

⁶⁴ Freeman, *Working-Class New York*, 210-211; Cannato, *The Ungovernable City*, 90-93.

⁶⁵ The 1965 welfare strike was by Social Service Employees Union (SSEU), a militant independent union. From the beginning, SSEU described itself as a new kind of union that wanted to develop ties with the poor, the civil rights movement, and the left. During its contract negotiations besides demanding significant wage increases and improvements in work conditions, it also demanded that the clothing grants for welfare recipients be increased. It formed alliances with the welfare rights movement. SSEU worked in coalitions with community groups such as Mobilization for Youth and the National Welfare Rights Organization (NWRO). It also developed close political relationships with Richard Cloward and Frances Piven, two of academics who were deeply involved in the welfare rights movement. Later in 1969 due to its financial problems would affiliate with DC 37 and become local 371/SSEU, which would remain a politically progressive local with its own newspaper. Mendes, "The Professional Union," 160-165, 277-

Therefore in April 1967, the state legislature passed and Governor Rockefeller signed a new law to govern labor relations in the state's public sector. The Taylor Law recognized the right of public-sector workers to form unions, required municipalities to negotiate in good faith, and created the Public Employee Relations Board (PERB) to mediate impasses.⁶⁶

Like the Condon-Wadlin Act, the Taylor Law prohibited public-sector unions from striking, but softened the punishment included in the older law. Instead of allowing municipalities to fire striking workers, the Taylor Law listed a number of less draconian though still serious penalties for unions that broke the Taylor Law's no-strike rule. They included the right of the state and municipalities to suspend the striking union's dues check-off right, fining the striking union, and fining individual striking workers.⁶⁷ While New York City's municipal unions certainly never liked the Condon-Wadlin Act, they also lobbied against the new bill demanding that municipal unions deserved the right to strike and that the punishment for striking were still too draconian. TWU, DC 37, and UFT organized a 15,000 rally in Madison Square Gardens to condemn to bill and lobbied hard in Albany to stop its passage.⁶⁸

The Taylor Law also gave municipalities the right to create their own local version of a labor-management system (referred to as "mini-PERBs") that would roughly follow the guidelines of the system created by the Taylor Law. New York City did so. Actually, the

292; Daniel J. Walkowitz, *Working with Class: Social Workers and the Politics of Middle-Class Identity* (Chapel Hill: University of North Carolina Press, 1999), 264-275; Maier, *City Unions*, 63.

⁶⁶ *New York Times*, 22 April and 28 August 1967; Maier, *City Unions*, 80-81.

⁶⁷ Maier, *City Unions*, 81-81. The original strike penalties were limited to \$10,000 for striking unions. Later in 1969, the state legislature would stiffen the Taylor law penalties for striking unions. Fines against striking unions would be unlimited and fines on individual striking workers were increased to two days pay for every day on strike. *New York Times*, 8 March 1969.

⁶⁸ *New York Times*, 16 June 1965.

city had created a commission to consider doing so even before the state acted. After the 1965 welfare strike by SSEU and DC 37's local 371, Wagner had created a tripartite commission made up of union representatives, city officials, and prominent labor experts to make recommendations for revising the city's labor-management system.⁶⁹ In March 1966 soon after Lindsay had taken office, the commission issued its report. The most important proposal it made was for the city to create an independent labor board called the Office of Collective Bargaining (OCB) to arbitrate or set up arbitration boards in the case that the city and one of its unions reached an impasse in collective bargaining. This board would have seven members. The mayor's office and the municipal unions would each choose two members. The other three, who would represent the public, would be chosen by unanimous consent by the unions and the mayor.⁷⁰

Lindsay endorsed the commission's report. One of his main criticisms of the previous administration's handling of labor relations was that it had been too politicized and he believed the OCB would provide a set of technocratic, depoliticized procedures to deal with labor. With Lindsay's support and the backing of the city's newspapers, the City Council passed legislation and Lindsay signed into law the OCB in 1967.⁷¹

Despite the fact that the OCB finally gave the municipal unions the long-desired goal of requiring the city to sign collective bargaining agreements and got rid of the draconian Condon-Wadlin strike penalties, most of the city's municipal unions opposed the creation of the OCB. One reason for their opposition was that the OCB, like the Taylor Law and the older Condon-Wadlin Law still made striking illegal. But perhaps more importantly,

⁶⁹ The advisory committee to this commission included such important labor experts as Clark Kerr, John Dunlop, Theodore Kheel, and George Taylor (the principal author of the Taylor Law).

many of the more established unions such as DeLury's sanitation local and local 237, which represented housing workers, had managed to accrue a significant amount of power within the existing system. DeLury, in particular, had little reason to see the existing less formal ad hoc labor system abandoned since he excelled at winning contracts and wielding power within this system by cultivating close relationships with those in power in Albany and City Hall.⁷² Other municipal unions such as SSEU, which was still an independent union, opposed the creation of the OCB because the OCB legislation did not allow unions to negotiate over service levels. For example, SSEU would no longer be able to negotiate such issues as winning better clothing grants for welfare recipients as it had in 1965.⁷³ Initially both DeLury and Feinstein boycotted the Municipal Labor Committee (MLC), which was set up to be the body where the municipal unions would decide who would be their two representatives on OCB, but within a year they dropped their boycott.⁷⁴

One reason that these unions had in common for opposing the creation of the OCB was that they feared that it would give DC 37 an unfair advantage. And not coincidentally, DC 37 was the one major municipal union that supported the legislation creating the OCB. While he opposed the no-strike clause in the OCB legislation, Gotbaum supported the legislation because he felt that the OCB would force the city to implement its contracts and provide a more impartial decision making process.⁷⁵ Perhaps more importantly, the OCB provided DC 37 the tools to become the city's dominant

⁷⁰ Unions that represented NYC municipal workers (such as PBA, local 237, sanitation, and DC 37) were covered by the OCB. However, unions such as TWU and UFT that were nonmayoral agencies would file for impasse proceedings with PERB.

⁷¹ Horton, *Municipal Labor Relations*, 70-71; Maier, *City Unions*, 78-80.

⁷² *USA Record*, June 1966.

⁷³ *New York Times*, 11 April 1966.

⁷⁴ Maier, *City Unions*, 80-81.

municipal union. In 1954, Wagner had created the Career and Salary Plan that had reorganized how employees at mayoral agencies were classified and set uniform standards for pensions and time and leave. Wagner had also argued that in order for a union to negotiate over such issues as fringe benefits and time and leave rules, the union would have to represent a majority of all categories under the Career and Salary Plan. By the early 1960s, DC 37 was in such a position. Moreover, Gotbaum knew that the existing ad hoc system of collective bargaining favored unions such as the sanitationmen that had better personal and political relations with Governor Rockefeller and City Hall than DC 37 had.⁷⁶

Strike City

One of the primary reasons that the OCB had been created was to set up a system of collective bargaining that limited the likelihood of strikes. At least in the short term, it did not work as three major municipal strikes occurred in the late 1960s. UFT went on strike in 1967 and in 1968.⁷⁷ The sanitationmen struck in 1968. By the late 1960s, New York City became known as "Strike City."⁷⁸ While the sense by the unions that Lindsay was anti-union certainly contributed to this rash of strikes, there were several national trends behind this strike wave. Emboldened by low unemployment, but also frustrated by growing inflation, workers around the nation went on strike in increasing numbers throughout the late 1960s and early 1970s. In the New York City area, there were a number of large strikes involving newspaper workers, longshoremen, and UPS workers.

⁷⁵ *Public Employee Press*, 15 April 1966.

⁷⁶ Gerald Schillan, "The Taylor Law, the OCB, and the Public Employee," *Brooklyn Law Review* 35 (1969): 214-237.

Public sector workers increasingly went on strike, culminating in the massive postal workers strike of 1970. Also, historians have pointed out that this period witnessed something of a “rank and file rebellion” as union workers wilddcatted and rejected contract recommendations by their leaders in increasing numbers.⁷⁹

During the 1960s, the municipal unions’ militancy and the Lindsay administration’s expansion of CUNY, the municipal hospital system, and other agencies would win the unions significant wage increases and improved pensions as well as a massive expansion of their membership. However, by the end of the 1960s, these strikes and the city’s rapidly growing labor costs would earn the unions the enmity of the city’s business community and powerful daily newspapers. Moreover, the unions failed to create a strategy that won over the city’s middle and working class. This would have been difficult to do given the obstacles that they faced. First, the municipal unions certainly had no friend in the city’s newspapers. The unremitting attacks in the editorial pages of the city’s papers which described the unions as selfish and greedy certainly had an impact. Also, the municipal union strikes by transit workers, sanitation workers, and teachers clearly were a nuisance for New Yorkers. In addition, much of the city’s white working and middle class were becoming increasingly conservative during the late 1960s and early 1970s. None of these trends helped the municipal unions. So while the unions were in one sense at their peak of their strength in terms of numbers, wages, and pensions in the early 1970s, since they lacked few allies and widespread support, they were in no position to respond to the fiscal crisis that would hit the city in the mid 1970s.

⁷⁷ Of course, the OCB did not cover UFT (which represented workers of a nonmayoral agency and were therefore under the jurisdiction of PERB and the Taylor law).

⁷⁸ A.H. Raskin, “Why New York is “Strike City”,” *New York Times*, 22 December 1968.

The first sign that the creation of the OCB and the passage of the Taylor Law had not stopped strikes was the nine-day 1968 sanitation strike. This strike demonstrated a couple of important characteristics of labor relations in New York City. The first is that only rarely do union leaders want to go on strike. They usually avoid it at all costs and many of the strikes that do occur, occur because they have lost control of their members in some way. This was the case in the 1968 sanitation strike. This sanitation strike also shows how an outcome of a strike is often determined by behind-the-scene political machinations. Longtime USA president John DeLury was a master at this form of politics and had a close ally in Governor Rockefeller.

The strike began February 2, when thousands of sanitationmen met in front of City Hall to be briefed on the contract. DeLury recommended a vote by secret ballot, but by that point had lost control of the proceedings. Angry union members who had been standing out in the cold and were unhappy with the proposed contract stormed the stage throwing eggs and punching the union president and demanded an immediate vote on the contract. DeLury briefly went into City Hall to meet with Lindsay and the OCB mediators, but by that point it was clear that there was going to be strike. Several hours later, DeLury returned to the waiting members and they voted overwhelmingly to strike.⁸⁰

While DeLury and Bigel continued to meet with city officials and the OCB mediators, encouraged by his advisors and the city's newspapers, Lindsay decided to enforce the no-strike Taylor Law sanctions against the union so he secured an injunction that sent

⁷⁹ Freeman, *Working-Class New York*, 211-212. On the 1970s rank and file led strikes see Aaron Brenner, "Rank and File Rebellion, 1966-1975" (Ph.D. diss., Columbia University, 1996) and Cowie, "Vigorously Left, Right and Center: The Crosscurrents of Working-Class America in the 1970s."

DeLury to jail.⁸¹ The mayor also began the legal process of making certain that the striking union members would be fined. Lindsay also asked other unions to work as replacement workers, but they refused to do so. Lastly, he asked Governor Rockefeller to send in the National Guard to man the sanitation trucks.⁸²

The city's newspapers supported the mayor's hardline with the unions. The day before Lindsay announced his request for the governor to call out the national guard to break the strike, in an editorial *The New York Times* encouraged him to do so and claimed that, "the city cannot submit to blackmail by any group of unionized civil service workers, perverting its control over a vital public service into an instrument of extortion." *The Daily News* praised Lindsay's hardline and stated, "We'll cheer even more loudly when it is backed up with the kind of action that will make blackmail strikes of this nature a no-pay proposition for the people who call them."⁸³

Rockefeller refused to call out the National Guard. DeLury had been one of the governor's closest union backers for years. Also, Harry Van Arsdale and the leaders of many of the city's unions warned the governor that they would call for massive sympathy strikes if the national guard was brought in to break the strike.⁸⁴ Moreover, Rockefeller had little interest in helping Lindsay out of this mess. He and Lindsay both had

⁸⁰ Special edition of the Uniformed Sanitationmen's Association's newspaper on strike, *USA Record*, 1969; *New York Times*, 3 February 1968, 1; Maier, *City Unions*, 86-87.

⁸¹ Bigel and the union's lawyer Paul O'Dwyer ran the strike and led the negotiations while DeLury was in jail.

⁸² *New York Times*, 9 February 1968; Freeman, *Working-Class New York*, 213.

⁸³ *New York Times*, February 8, 1968, 42; *Daily News*, February 9, 1968, 55.

⁸⁴ Cannato, *The Ungovernable City*, 200.

presidential ambitions and both were vying for the leadership of the liberal wing of the national Republican Party.⁸⁵

Rockefeller did intervene though. He pushed through state legislation that would give the state temporary control over the city's sanitation department and also convened his own mediation panel to work out end to the strike. This panel, which often met with Bigel and DeLury without city officials present, recommended a settlement that was more generous than the one proposed by the OCB in January. The union agreed to it and Rockefeller announced an end to the strike without even informing Lindsay.⁸⁶ Lindsay and the city's political elite were outraged. In an editorial titled, "The Governor's Surrender," *The New York Times* complained that Rockefeller had given into "mob rule."⁸⁷

The Ocean Hill-Brownsville Crisis

While the 1966 transit strike and the 1968 sanitation strike were certainly disruptive, a series of teachers' strikes in the spring and the fall of 1968 had an even more traumatic impact on the city. Shutting down the school system for over two months, the strikes left deep wounds in the fabric of the city. They worsened race relations and created tensions between the leadership of the black and Jewish communities. Moreover, the series of strikes demoralized the city. In a sense, for many New Yorkers, the strikes became a

⁸⁵ The sanitation strike became an issue within the Republican Party nationally. For example, both Governor Ronald Reagan and Richard Nixon criticized Rockefeller's handling of the issue at the time. *New York Times*, 14 February 1968, 31.

⁸⁶ Maier, *City Unions*, 86-87. Lindsay was extremely angry with Rockefeller, believing correctly that he had worked behind the city's back to reach an agreement with the union. In his press conference held minutes after the governor announced the end of the strike, Lindsay stated, "I am shocked that Governor Rockefeller has capitulated to the union that is striking unlawfully against eight million New Yorkers." *New York Times*, 11 February 1968.

⁸⁷ *New York Times*, 9 February 1968.

dismal symbol of the end of a long decade that had begun with such hope but in the end left the city and nation traumatized.⁸⁸

Most commentators have chosen to focus on the strikes' impact on race relations and what it said about the state of urban liberalism. Somewhat surprisingly, given the very central role played by the teachers union during the crisis, few of the commentators have explored the strikes' impact on the municipal unions and New Yorkers' perception of these unions. For example, the school crisis worsened the already tense relationship between the city's liberal establishment and the municipal unions. Moreover, while the city's working-class and middle whites whites, whose children were enrolled in the public schools were certainly not enamored with the black radicals who fought the UFT during the crisis, the hardships caused by the strikes did not lead them to look fondly upon the UFT. So while in the short term, the UFT came out victorious, as had the sanitation union earlier in the year, the two strikes increased the perception of many New Yorkers that the municipal unions were selfish and overly powerful and weakened the city's already fragile liberal coalition.

The Ocean Hill-Brownsville Crisis came about because of the confluence of long-term trends and changes in New York politics. One was the city's failure to integrate the city's public schools after the *Brown v Board of Education* Decision in 1954. Due to opposition by many whites to busing and because of fact that the city's student body was becoming increasingly made up of students of color, the city's public school system was more segregated by the late 1960s than it had been in 1954. A second trend was a shift

⁸⁸ The literature on the Oceanhill-Brownsville Crisis is quite voluminous. Majorie Murphy, *Blackboard Unions: The AFT and the NEA, 1900-1980* (Ithaca: Cornell University Press, 1990); Maurice Berube and Marilyn Gittel, eds., *Confrontation at Ocean Hill-Brownsville* (New York: Praeger, 1969); Jerald Podair, "Like Strangers: Blacks, Whites, and New York City's Ocean Hill-Brownsville Crisis, 1945-1980" (Ph.D.

by in the late 1960s by a section of the city's civil rights movement away from a liberal integrationist philosophy to a strategy based on community control and Afro-centric politics. A third cause was the emergence of UFT as powerful force in city politics. And lastly, the crisis was worsened by the Lindsay administration's inability to find a solution that would satisfy two powerful members of liberal electoral coalition, the UFT and blacks.

By 1966 with the schools still segregated and schools in black neighborhoods with the worst teachers and facilities, many black activists began to argue that if the schools weren't going to be integrated then minority neighborhoods should be given community control of their schools. For some, community control dovetailed with the growing ideas of black separatism that was growing in popularity in the late 1960s. Others turned to community control because they felt that white teachers and the white establishment held racist ideas about the inferiority of minority children.

Black activists who demanded community control found allies within among the New Left and the city's elite establishment. For New Leftists, community control dovetailed with their ideas of participatory democracy. In New York City, Frances Piven, Marilyn Gittell, and other radical academics were deeply involved in organizing welfare recipients, minority youth, and parents in poor neighborhoods around a set of political strategies emphasizing ideas of grassroots control and empowerment.⁸⁹

Much of the city's liberal establishment also supported the idea of community control.

Dissertation, Princeton University, 1997); Diane Ravitch, *The Great School Wars: New York City, 1805-1973* (New York: Basic Books, 1974), 251-279; Freeman, *Working-Class New York*, 215-227.

⁸⁹ Marilyn Gittell, *Participants and Participation: A Study of School Policy in New York City* (New York: Center for Urban Research, 1967); Frances Fox Piven and Richard Cloward, *Poor People's Movements: Why They Succeed, How They Fail* (New York: Vintage Books, 1979).

This is not surprising if one remembers that this was the time of Johnson's Great Society programs. Talk of "maximum feasible participation" and community control were at the center of the federally funded Community Action Programs, which were supposed to give the poor a voice in controlling their lives.⁹⁰ Concerned about the possibility of social unrest and riots in the city, much of the New York's corporate elite attempted in various ways to address the concerns of the city's minority community. Corporate-led groups like The New York Urban League and the Citizens Committee for the Decentralization of the Public Schools were strong supporters of community control. The Ford Foundation played a particularly crucial role during the Ocean Hill-Brownsville Crisis. It provided funding for nonprofits that put out position papers supporting decentralization and community control. Ford Foundation president McGeorge Bundy chaired a Lindsay appointed panel created to propose a plan to increase community control of the schools. Ford Foundation officials met on a regular basis with Rhody McCoy and other leaders of the Ocean Hill- Brownsville school board.⁹¹

Mayor Lindsay, who had become a nationally known spokesperson on the issue of race due to the prominent role he played on the Kerner Commission, the commission created by President Lyndon Johnson to investigate the causes of the series of urban riots of 1967, was also a strong supporter of decentralization. Besides his strong liberal views on race, the mayor also supported it for a number of more local political reasons. First, his election victory in 1965 was made possible by the support he received in the black and Puerto Rican communities and he wanted to maintain and even increase that support.

⁹⁰ Margaret Weir, *Politics and Jobs: The Boundaries of Employment Policy in The United States* (Princeton: Princeton University Press, 1992), 62-99.

Third, Lindsay came out of the reform tradition that had concluded that the Board of Education and the UFT were defending an inefficient bureaucratic system. To reformers, decentralization would take power away from both of these two entities. Lastly, Lindsay saw decentralization as a means of winning more funding for education from Albany. New York City mayors had perennially argued that the city was being shortchanged.⁹²

The main opponent of decentralization was the UFT. The city's UFT local had only been formed in 1960, but had grown rapidly. Led by Al Shanker and other young teachers, UFT went out on strike in 1960 and in 1962 to win union recognition and a contract.⁹³ By 1967, it was resigned to the fact that some form of decentralization legislation would be passed, but it opposed the radical decentralization plans being advocated by Lindsay administration, black activists, and others for a number of reasons. It worried that the basic rights of their members, which they had only recently won at the bargaining table, might be more difficult to defend in a decentralized school system. Also by 1967, the UFT had reached a point where it wielded a significant amount within the school system. From deciding what the curriculum would be to winning tenure for teachers, the UFT had developed a close a relatively amicable relationship with the board of education. Shanker and the UFT worried that decentralization and community control would upset this only recently won power.

Shanker also had broad political and philosophical problems with the idea of community control. Shanker and many of the other leaders of the UFT came out of a

⁹¹ Arthur Reiger, "The Corporate Response to the Urban Crisis: A Study of the New York Urban Coalition, 1967-1971" (Ph.D. dissertation, Cornell University, 1972); Freeman, *Working-Class New York*, 218; Podair, "Like Strangers," 88-143.

⁹² Podair, "Like Strangers," 67-68; Cannato, *The Ungovernable City*, 267-352.

⁹³ UFT was formed in 1960 by the merger of the old anti-communist Teachers Guild and High School Teachers Association (HSTA). Shanker became president of the local in 1964. Maier, *City Unions*, 123-

particular branch of the socialist movement that had fabian tendencies. This fabian social democratic tradition focused on a top-down strategy of social reform that was reached when a strong central state, unions, and political parties hammered out deals. Therefore Shanker did not share the New Left's fetishism of participatory democracy. For example, Shanker pointed out that community control could just as easily be used in white neighborhoods to push reactionary racist policies. In what was a thinly veiled reference to Jim Crow South, Shanker pointed out that, "Local activity has almost always involved parochialism and frequent bigotry. Innovation has not come from local control – quite the opposite - it has emerged from state and federal control overriding local provincialism."⁹⁴

Moreover, Shanker and many of UFT members shared the traditional liberal faith in integration. A high percentage of UFT members were Jewish whose parents and grandparents had faced discrimination and poverty. The calls for community control and the black nationalism of many of the supporters for community control fell on deaf ears of these middle class teachers who had integrated into American society both culturally and economically.

The UFT argued that the primary problem with the city schools was decades of underfunding, not too much centralization. Therefore, the teachers union supported the expansion of the More Effective Schools (MES) that the Board of Education had begun in about a dozen elementary schools in 1965. MES schools had smaller classes,

124; Schierenbeck, "Class Struggles," part 5, *New York Teacher*, June 24, 1996; Freeman, *Working-Class New York*, 203.

⁹⁴ "UFT Statement on Decentralization," December 11, 1967, quoted in Podair, "Like Strangers," 82. Few prominent groups or individuals joined the UFT in criticizing the Bundy Plan though there were a few. For example, Bronx Borough President Herman Badillo and the New York Board of Rabbis worried that it would worsen race relations. Ravitch, *The Great School Wars*, 335.

sometimes two or three teachers in each class, special weekend classes, and other programs.⁹⁵

However, by 1967, the UFT's viewpoint was a minority viewpoint among the various powers in city and state politics. Early in that year, Lindsay appointed a board headed by Ford Foundation president McGeorge Bundy to come up with a plan to decentralize the school system. Also in the meantime, on the Lindsay's recommendation, the city's Board of Education went ahead and set up a number of demonstration districts that would experiment with community control. Three of these districts were set up, one in East Harlem, another in the Lower East Side, and a third in Ocean Hill-Brownsville.⁹⁶

Initially, the UFT and the school board tried to work together. Shanker sent Sandra Feldman, one of his top aides, to work with the board. However, the already less than perfect relations between the UFT and the new experimental Ocean Hill-Brownsville school board deteriorated during the summer of 1967.⁹⁷ It got even worse in the fall when UFT went out on strike for two weeks. While UFT's reasons for going on strike did not directly have anything to do with decentralization, the new school board in Ocean Hill-Brownsville worried that it threatened to disrupt their new experimental program and therefore, to the anger of UFT, kept the schools in their district open during the strike.⁹⁸

⁹⁵ Podair, "Like Strangers," 93.

⁹⁶ Freeman, *Working-Class New York*, 218; Ravitch, *The Great School Wars*, 329-337.

⁹⁷ In July, the school board, without input from the UFT, announced its plan for community control. The local board would control hiring, curriculum, and finances in the district's schools with the promise from the Ford Foundation that it would continue to receive funding. When the newly elected Ocean Hill-Brownsville school board hired five new principals who had not taken the board of education examinations, the UFT joined a lawsuit brought by the principals' union (CSA) contesting this action. Shanker admitted that he joined the lawsuit out of "pure pique." Quoted in Martin Mayer, "The Full and Sometimes Very Surprising Story of Ocean Hill, the Teachers' Union and the Teacher Strikes of 1968." *New York Times Magazine*, 2 February 1969.

⁹⁸ The UFT struck in 1967 over a number of issues including wage increases, increased funding of the MES program, and the right of teachers to unilaterally remove "disruptive children" from the classroom. While the strike had nothing to do with the issue of community control, the new Ocean Hill-Brownsville school board believed that the UFT was trying to sabotage decentralization at the very moment it was beginning.

Soon after the 1967 two-week strike ended, the Bundy panel issued its report. The plan was quite radical. It recommended that city break up school system into thirty to sixty independent districts. Each district, run by locally elected parents and community members, would have complete control over hiring, finances, and curriculum. It also called for the elimination for all examination requirements for teachers and principals.

Supporters of decentralization applauded the plan and the city's liberal media sang its praises.⁹⁹ Lindsay urged the state legislature to pass legislation closely based on the report. Prominent businessmen including the chairman of the IBM, civil rights leaders, and community activists formed the Citizens Committee for the Decentralization of the Public Schools and lobbied for the passage of Lindsay's legislation.¹⁰⁰

Not surprisingly, the UFT attacked the Bundy Report and opposed Lindsay's legislative proposal. As a substitute, Shanker proposed his own decentralization legislation which called for fewer districts, gave the local school boards less power, and kept a Board of Education that would have power over collective bargaining and tenure issues.¹⁰¹

The action that the Ocean Hill-Brownsville school board took that began a series of teacher strikes was its involuntarily transfer of nineteen supervisors and teachers in May 1968. The letter to the teachers and supervisors actually read "termination of employment" and there would be an endless debate on whether the board had transferred

They and other black activists also accused the UFT of racism because they felt that the "disruptive children" demand would be used primarily against minority children. So the Oceanhill-Brownsville school board kept their schools open during the strike by encouraging union teachers to cross the picket lines and by hiring replacement teachers. It also went so far as to notify the draft boards of the striking teachers in district to revoke their deferments and encouraged the harassment of the returning teachers.

⁹⁹ *The New York Times* editorialized, "If this proposal is radical, it is because the situation is desperate. Something new and revolutionary is needed." *The New York Post* characterized the Bundy Plan as, "a thoughtful, provocative alternative to the intolerable status quo." *NYP*, 11 November 1967.

¹⁰⁰ Ravitch, *The Great School Wars*, 337.

the teachers or fired them, but the issue remained the same. Did this experimental school board have the right to do this or were they violating teachers' due process rights clearly laid out in the UFT contract with the Board of Education? The UFT took the stand that it was a clear violation of their contract especially given the fact that the school board initially presented no evidence for why the transfers were justified.

While a supporter of decentralization, the Superintendent of the Schools Bernard Donovan agreed with UFT on the issue of the legality of the transfers and therefore ordered the school board to allow the transferred teachers back into to their classrooms. He argued that if the school board wanted to transfer these teachers, it would have to bring formal charges against them. McCoy refused and when the teachers tried to return to their classrooms, they were met by large crowds that blocked their entrance. As the situation worsened, Donovan tried to work out a compromise, but both McCoy and Shanker dug in their heels. Eventually, under police escort, the teachers were able to re-enter the schools, but the local school board responded by closing the entire Ocean Hill-Brownsville district in protest. When the schools reopened without the nineteen transferred teachers, over half the teachers in the school district went out in strike, vowing not to return until the nineteen had won their jobs back. McCoy and the local school board began the process of finding replacement teachers.¹⁰²

Over the summer the Board of Education tried to negotiate a resolution that would satisfy the local school board and the UFT, but it failed. Starting in September 1968 when the school began again, the UFT would shut down the entire school system three times in a series of bitter strikes. With each strike, the situation deteriorated and the rhetoric got

¹⁰¹ Freeman, *Working-Class New York*, 220; Podair, "Like Strangers," 126.

¹⁰² Podair, "Like Strangers," 148-152.

more venomous. Initially, Shanker had only demanded that the local school board allow the nineteen transferred teachers be able to return to their classrooms, but as the school board balked and as his members faced increasing physical and verbal harassment in Ocean Hill-Brownsville, Shanker now demanded the permanent removal of the local school board and an end to the experimental demonstration district in Ocean Hill-Brownsville.

The rhetoric by the two sides soon reached a feverish and ugly pitch. Liberal supporters of the community board supporters in the media described Shanker and UFT in harshest terms. Liberal columnist Murray Kempton wrote that Shanker was a “goon” who was trying, “to break the Ocean Hill governing board and make certain that no other community body raises its head to suggest that a teacher or supervisor do an honest day’s work again.”¹⁰³ Journalist Jimmy Breslin compared Shanker to Senator Joseph McCarthy and stated that he [Shanker] was, “the worst public person I have seen in my time in the city of New York.”¹⁰⁴ *The New York Times* editorialized that the strike was, “an illegal, inexcusable play for power by a militant special interest group,” that had “destroyed an entire school system.”¹⁰⁵

Shanker responded in kind. The UFT accused the local school board of anti-semitism and widely distributed to the media and the public anti-semitic leaflets that had circulated in Ocean Hill-Brownsville. He lambasted liberal supporters of the Ocean Hill-Brownsville board calling for an end to the tax-exempt status of the Ford Foundation. UFT members picketed *The New York Times* offices.¹⁰⁶

¹⁰³ *New York Post*, 26 October 1968.

¹⁰⁴ *Ibid.*, 30 October 1968.

¹⁰⁵ *New York Times*, 16 October 1968.

¹⁰⁶ Podair, “Like Strangers,” 176-177.

Shanker expected that he would have the support of the city's labor movement. And he did - at least initially. The Central Labor Council and individual unions came to UFT's support, stating that the teachers' union was defending its members' core right not to be fired arbitrarily. Even most of New York City's black union leaders supported the teachers. For example, during the second fall strike, A. Philip Randolph, Bayard Rustin, and over thirty other prominent black unionists took out an advertisement in the city's three major dailies stating their support of the UFT, arguing that the crisis was first and foremost about the need to defend workers' rights. It stated, "If due process is not won in Ocean Hill-Brownsville what could prevent white community groups in Queens from firing black teachers? Injustice must not be camouflaged by appeals to racial solidarity."¹⁰⁷

However, by the third strike that fall, labor support for UFT began to falter. Some in the city's labor movement felt that Shanker needed to compromise and that his combative rhetoric was worsening an already bad situation. This was particularly true with unions with large numbers of minority members and black union leaders. Three such unions (1199, DC 37, and District 65) proposed that the city's Central Labor Council adopt a resolution defending both teachers' rights to due process and community control.¹⁰⁸ By the third week of the third strike, the leaders of these unions demanded that Harry Van Arsdale pressure Shanker to end the strike. The same day, over fifty black unionists staged a sit-in at Van Arsdale's office demanding the same thing. Thomas Mitchell, the

¹⁰⁷ *New York Times*, 19 September 1968.

¹⁰⁸ DC 37 Executive Board telegram to Van Arsdale, 16 October 1968, folder 57, box 2, Bellush Collection; *New York Times*, 22 October 1968.

Vice President of 1199, threatened that black and Puerto Rican unionists would, “set up their own labor movement” if the strike was not ended.¹⁰⁹

As the third and longest of the three strikes that fall dragged on, Randolph and Rustin remained the only prominent black civil rights activists and unionists on the teachers’ union side. For this, they came under open criticism from other black unionists. One black union leader wrote Van Arsdale that what Randolph and Rustin’s impractical. “This position is unrealistic. It matters not whether we see it that way. The black people of New York see it that way.”¹¹⁰ African-American unionist, Leslie Roberts of District 65, told the press, “People like A. Philip Randolph and Bayard Rustin do not speak for us. They have sold us out. Whatever you [Randolph and Rustin] have done in the past, you have destroyed.”¹¹¹

With the city seeming to be about slip into of abyss of racial hatred, a deal was reached to end the strike. The UFT won most of what it wanted. The fired UFT teachers who wanted to would be able to return with classroom assignments. Also, The Ocean Hill-Brownsville local school board would remain suspended, a state appointed trustee would manage the district, and a three-member committee would be set up to make certain no teachers were harassed. On the other hand, McCoy would remain as the unit administrator of the experimental school district. Despite winning almost all of their

¹⁰⁹ *New York Times*, 14 November 1968.

¹¹⁰ Letter from William Cross to Van Arsdale, 2 November 1968, quoted in Podair, “Like Strangers,” 187.

¹¹¹ *New York Times*, 22 September 1968. To understand why these black unionists and other union leaders began to reconsider their support for Shanker, one also needs to remember how in the late 1960s there was a growing split between Shanker and other unionists on the Vietnam War, the rise of black nationalism, and the New Left. Even more than the leadership of the AFL-CIO, Shanker was a hawk on the Vietnam War and detested the New Left and the black power movement. Unions such as District 65 and even DC 37 had come out against the war and were more sympathetic to the New Left. Many black unionists, who were also against the war, disliked Bayard Rustin’s failure to come against the war and his critique of black power politics.

demands, UFT delegates voted down the settlement, but the next day, the union membership overwhelmingly endorsed the settlement. The strike was over.¹¹²

Over thirty years later, the Ocean Hill-Brownsville crisis is still seen as a seminal event in the city's history. Its chroniclers, who are legion, might disagree on who was to blame, but most agree on one issue. The crisis significantly worsened race relations in the city. Some New York blacks felt that those in power had conspired to destroy their attempt to gain control of their schools and community. On the other hand, many white New Yorkers, particularly, working class and middle class whites in the outer boroughs, felt that the Rhody McCoy and the leaders of the school board were violating teachers' rights. For these whites, the crisis was one of a series of events that began to push them in conservative direction. This is particularly true of middle and working class Jewish New Yorkers. Once predominantly liberal, this group became increasingly conservative in the 1960s and 1970s.¹¹³

What is hardly mentioned by the many chroniclers of this crisis is how it worsened the already tense relationship between much of the city's liberal community and the city's municipal unions. This dislike on the part of the city's liberal community of the

¹¹² *New York Times*, 19 November 1968; *New York Teacher*, 20 November 1968; Freeman, *Working-Class New York*, 225-226. The final battle of the Ocean Hill-Brownsville Crisis took place the next spring when the state legislature once again took up the issue of a decentralization bill. By this point, support for a decentralization bill with teeth had dwindled. Upstate Republicans and outer borough Democrats who had the year before been sympathetic, no longer supported it. There still was a tattered coalition of decentralization supporters made up of minority and liberal Manhattan state legislators, but they did not have the votes. On April 30, 1969, the state legislature passed a watered down decentralization law that would govern New York City schools until 1996. This law, which had the support of Governor Rockefeller and the UFT, did decentralize the school system, but gave local school boards little power. The Board of Examiners, which oversaw the exams for teachers and principals, remained in place. Local school boards would not be allowed to transfer or fire teachers. They would be able to choose textbooks, but only those on a list created by the Board of Education with UFT input.

¹¹³ For statistical evidence on this cultural shift see Louis Harris and Bert Swanson, *Black-Jewish Relations in New York City* (New York: Praeger Publishers, 1970).

municipal unions is complex and has several sources. One is that at least a section of the city's liberal establishment had never completely accepted the legitimacy of municipal unions. Liberal government reform groups thought that these unions were obstacles to government efficiency. Many such liberals abandoned the Democratic Party to vote for Lindsay in 1965 because of his promise to take on the municipal unions and many were disappointed that he failed to do so. Moreover during the 1960s, many liberals and leftists had shifted away from a New Deal and old left support of the labor movement. Many liberals and most currents within the New Left now looked upon the labor movement as an obstacle to social justice and junior members of what C. Wright Mills called the "power elite." New York liberals during this period often demonstrated a much greater concern for extremely poor people (particularly those of color) than for the labor movement which they believed to be comprised primarily of relatively well-off white workers.¹¹⁴ To the city's union leaders, Lindsay was the quintessential liberal of this sort. As one New York union leader said to *The New York Times* during the late 1960s, "Lindsay is a WASP. He treats labor with contempt. He cares only for the very rich and the very poor. The middle class bores him."¹¹⁵

Regardless of its origins, the city's liberal establishment voraciously criticized the UFT during the Ocean Hill-Brownsville crisis. *The New York Times*, never a friend of the city's municipal unions, led the charge, castigating UFT as a "militant special interest group" that seemed intent upon "destroying an entire school system."¹¹⁶ The left-liberal

¹¹⁴ Perhaps the most famous parody of this liberal 1960s Manhattan fascination of the poor minorities is Thomas Wolfe's portrayal of the fundraiser for the Black Panthers at Leonard Bernstein's Manhattan apartment. Tom Wolfe, *Radical Chic and Mau-Mauing The Flak Catchers* (New York: Farrar, Straus and Giroux, 1970).

¹¹⁵ Quoted in Freeman, *Working-Class New York*, 212.

¹¹⁶ *New York Times*, 16 October 1968.

New York Review of Books joined the fray and accused of Shanker of betraying progressive politics.¹¹⁷ Somewhat tragically, even Woody Allen weighed in on the subject when in his 1973 film *The Sleeper*, he identifies Shanker as being the cause of nuclear war.

So the Ocean Hill-Brownsville crisis needs to be seen as a crucial episode in the fraying of an old once close relationship that liberals and the civil rights movement had with the city's labor movement. At the same time, white liberals and leftists were questioning the labor movement; sections of the civil rights movement began to question the commitment of the labor movement to black rights. In the early 1960s, New York civil rights activists launched a series of protests against the city's garment and building trade unions for discriminating against minorities.¹¹⁸

Until Ocean Hill-Brownsville, the municipal unions did not come under the same sort of attack by the civil rights community.¹¹⁹ New York's municipal unions had been strong supporters of the southern civil rights movement.¹²⁰ District Council 37, TWU, and UFT had all raised money for civil rights groups such as SCLC, SNCC, and CORE. In 1964, UFT organized the Mississippi Freedom School Project where UFT members and others went south to teach African-American literature and history in poor rural areas. Shanker and other UFT leaders went to Selma to support civil rights activists. UFT was one of the main funders of the A. Phillip Randolph Center and the civil rights activist Bayard Rustin

¹¹⁷ Jason Epstein, "The Issue at Ocean Hill," *New York Review of Books*, 21 November 1968.

¹¹⁸ Biondi, *To Stand and Fight*, 232-283, Freeman, *Working-Class New York*, 189.

¹¹⁹ The one major exception to this were the uniformed unions such as the police and firefighters. They were accused of opposing the recruitment of minorities into their departments.

¹²⁰ On the relationship between the unions and the civil rights movement, see Kevin Boyle, *The UAW and the Heyday of American Liberalism, 1945-1968* (Ithaca: Cornell University Press, 1995) 161-205.

was one of Shanker's closest advisors.¹²¹ In New York City, UFT and DC 37 worked with local civil rights groups in what was ultimately unsuccessful attempt to stop the passage of a PBA-sponsored referendum to scuttle the formation of a civilian complaint review board on police misconduct.

DC 37 and several other of the city's municipal unions also worked with civil rights groups because of the fact that during the 1960s, their membership was increasingly made up of people of color. As late as the 1950s, most of the municipal unions had been primarily white. Until the 1960s, the vast majority of the city's sanitationmen were primarily Italian-Americans. However with the massive influx of blacks and Puerto Ricans into the city during the 1950s and 1960s and the massive increase of the municipal work force under Lindsay, several municipal departments hired thousands of blacks and Latinos. For example by the late 1960s, blacks and Latinos made up eighty-five percent of the nonprofessional positions in the rapidly expanding municipal hospitals. A similar racial transition was going on in the transit union. Therefore, TWU, DC 37, and other of the city's municipal unions began to address issues of race, not only because of their liberal politics, but because their membership was increasingly made up of people of color.¹²²

However despite the support of some of the city's municipal unions' for the civil rights activists, there were tensions between them and the city's civil rights community. Some of that tension stemmed from the municipal unions' resistance to any changes in civil service rules. Mayor Lindsay and civil rights leaders were pushing for such changes

¹²¹ John D'Emilio, *Lost Prophet: The Life and Times of Bayard Rustin*, (New York: Free Press, 2003), 468-470; Podair, "Like Strangers"; Jack Schierenbeck, "UFT Story: Part 9," *New York Teacher*, 27 January 1997.

¹²² Freeman, *Working-Class New York*, 207; Waldinger, *Still the Promised Land?*, 222-226.

in order to give the city the ability to hire more minorities. However, by the 1960s, the unions had become adept at using civil service exams and various promotion procedures to protect their members and increase their power. So when politicians such as Adam Clayton Powell and civil rights leaders began to push Lindsay to change these procedures to give minorities a better chance at winning municipal jobs, the unions dug in their heels. This was particularly true with the fire fighters and the police unions, but it was also true with UFT, DC 37, and the sanitationmen. For example, they opposed Lindsay's efforts to hire more minorities outside the normal civil service channels as provisionals or through the model cities programs. So while DC 37, TWU, and UFT never received the same degree of criticism that the construction and the garment unions did, local civil rights activists did argue that the municipal unions putting up barriers to stop the hiring of more minorities.¹²³

Still, one needs to be careful about generalizing about the perception of the municipal unions by the city's minority population. While it does seem fair to say that much of the city's black leadership and leading black intellectuals sided with the Ocean Hill-Brownsville school board against the UFT, it is less clear about how representative that view was within the city's minority population. There is some evidence that New York blacks had mixed feelings about the issue.¹²⁴ Moreover, the fact that school paraprofessionals, most of whom were black and Latino, voted to join UFT rather than DC 37 in an election held soon after the Ocean Hill-Brownsville crisis seems to indicate that at least some blacks did not have such negative feelings towards UFT.¹²⁵

¹²³ Waldinger, *Still the Promised City?*, 222-223.

¹²⁴ For example, a poll done in the three districts where the experimental school boards were created show that parents in those districts were evenly split in their support for the teachers and the school board.

¹²⁵ Freeman, *Working-Class New York*, 226.

The Municipal Unions and Politics in the Late 1960s and early 1970s

By 1969, the chaotic period of rapid growth, strikes, and rivalries that marked the municipal unions in the second half of the 1960s was coming to an end. Now, began a period of consolidation and stabilization. The city's municipal unions signed a series of contracts in which they won significant wage increases and pension improvements. Also, while some tensions remained between the various municipal unions, no longer would there be any major competition between them to organize the same workers. Moreover, while the municipal unions had always been a force in city and state politics, by the late 1960s they emerged as one of most powerful interest groups in city and state politics. In certain ways, their political clout now surpassed that of the older and more established private sector unions.

At the same time, the strikes, their growing political clout, and the rapid increase in the city's labor costs due to wage increases, pension improvements, and increase in the size of the municipal work force won them few friends and several enemies. Working-class and middle class New Yorkers had been exhausted by the series of disruptive strikes. The business community, which was increasingly worried about the state of the city's finances, blamed the municipal unions for much of the problem.

One institution that played an important role in this new period of stabilization was the Municipal Labor Committee (MLC). The MLC had been created in 1967 as the institution that would choose the labor representatives for the city's Office of Collective Bargaining, but it also became a forum for working out problems among the municipal

unions. At one of its very first meetings, Gotbaum recommended that the MLC members draft guidelines to further inter-union cooperation and help head off strikes.¹²⁶ The guidelines issued soon thereafter recommended that MLC members refrain from public criticism of each other and for individual MLC members to inform the others if they were considering going on strike.¹²⁷ Also, Gotbaum convinced teamster president Barry Feinstein and sanitationmen's union John DeLury, who had opposed the creation of the OCB, to join the MLC in 1969.¹²⁸

In the midst of this consolidation, DC 37 and the other city unions negotiated contracts that won their members significant wage increases and improvements in their pension plans. The transit workers won large wage increases and pension improvements through their 1966 strike. In 1969, DC 37 negotiating its first citywide contract, winning significant wage increases (including a minimum annual salary of \$6,000 for their members and pension improvements.¹²⁹ At the same time, DC 37, the sanitationmen, and the other of the municipal unions won for their members a myriad of other benefits besides their basic health and pension plans. For example, DC 37 provided legal aid for members, helped them with immigration questions, and provided free classes to help members earn G.E.D.s. Moreover, the city contributed most of the money for these plans.¹³⁰

One of the main reasons that the unions were able to win these improvements besides their militancy was because of their improved relationship with Mayor Lindsay. While

¹²⁶ Minutes of MLC Steering Committee meeting, 19 December 1968. MLC-General folder, box 1, Bellush Collection.

¹²⁷ "MLC Inter-Union Cooperation Statement" n.d., MLC/OCB Correspondence folder, box 1, Bellush Collection.

¹²⁸ Minutes of MLC Steering Committee meeting, 10 October 1969. MLC-General folder, box 1, Bellush Collection.

¹²⁹ *Public Employee Press*, 14 February 1969; Maier, *City Unions*, 85.

Lindsay had come into office without their support in 1965 and proceeded to anger them during his first term, the relationship between Lindsay and most of the municipal unions improved markedly. Lindsay clearly wanted to avoid the expensive chaotic strikes that plagued him during his first term. He had developed particularly good relations with Gotbaum who had supported the mayor's proposed OCB. So in order to win labor peace before his run for reelection in 1969, Lindsay gave the unions most of what they wanted in the 1969 labor negotiations. None of the unions even had to threaten to strike. The municipal unions returned the favor by supporting him in 1969. As John DeLury of the sanitationmen, who had been jailed by Lindsay during the 1968 sanitation strike, put it, "The mayor has more than evened the score."¹³¹

DC 37 and the other municipal unions began to expand their lobbying efforts in Albany during the late 1960s and early 1970s, which made sense given the power the governor and the state legislature had over municipal labor issues such as pension reform and agency shop.¹³² Also, the municipal unions tried to remain close to key local figures such as Meade Esposito, the head of the Brooklyn Democratic party, who had a great deal of influence on the large Brooklyn delegation in Albany. While Gotbaum never developed a friendly relationship with Governor Rockefeller, he and the other municipal unions did court other key Republicans in the state senate.¹³³

¹³⁰ Bellush, *Union Power*, 335-359,

¹³¹ *New York Times*, 18 October 1969; Shefter, *Political Crisis/Fiscal Crisis*, 96.

¹³² One of the municipal unions' major legislative goals during this period was to convince the state legislature to grant them what is called agency shop. Agency shop would not require all employees that were covered by a bargaining agreement to join the union and pay union dues. However, it would mean that dues that were equivalent to union dues would be automatically deducted from the paychecks of employees that decided not to join the union. Agency shop certainly would improve the financial situation of unions and also acts as an encouragement for employees to join the union. After all, if one is going to have to pay an agency fee, one might as well as join the union in order to have some say in how the union is run.

¹³³ Bellush, *Union Power*, 245-273.

While the relationship among the municipal unions had become relatively friendly by the early 1970s, some tensions and acrimony remained. One source of tension was the OCB decision in 1970 to set the salaries of sanitation workers at ninety percent of what policemen and firefighters made. The latter were outraged by this action, feeling that sanitationmen did not deserve to make nearly that close to their salaries. Also, Shanker and Gotbaum's relationship worsened in the late 1960s and early 1970s. Some of this stemmed from political differences. Unlike Gotbaum, Shanker was a hawk concerning the Vietnam War. Secondly, Shanker never forgave Gotbaum for his less than enthusiastic support for UFT during the Ocean Hill-Brownsville crisis. Fallout from that crisis continued when DC 37 and UFT supported different slates for various school board elections. Moreover, both in New York City and national level, AFSCME and AFT continued to compete to organize the same workers.¹³⁴

Also tensions continued to exist between the uniformed and nonuniformed unions. The uniformed unions such as the Patrolmen's Benevolent Association (PBA) and the Uniformed Firefighters Association (UFA) had never had a close relationship with DC 37 or the other nonuniformed municipal unions. Since the 1960s, the uniformed and nonuniformed unions had negotiated separate contracts and the uniformed unions always won slightly larger increases. There were also cultural and racial rifts between the two groups. The overwhelming majority of the members of the PBA and the UFA were white

¹³⁴ In New York, the UFT and AFSCME were involved in a bitter dispute on who would represent state employees. AFSCME supported CSEA and AFT supported PEP. Wurf accused the AFT of interfering with its organizing in the South and stated that the AFT was, "not corrupt, but simply immoral." *Creative Loafing*, 2 July 1977. Shanker in turn accused AFSCME of dual unionism when it left the AFL-CIO's Public Employee Department (PED) and helping create the independent Coalition of American Public Employees (CAPE) which included AFT's rival the NEA. Memorandum of AFT, "Implications of

and did not closely identify with other city workers, who were increasingly people of color. Moreover, since the city had repealed the Lyons Law (a depression era law that required municipal employees to live in the city) in 1963, an increasing number of members of the uniformed unions did not even live in the city while the vast majority of nonuniformed union members, who did not make as much money, did not make the move to the suburbs. Also, some of the more liberal unions such as DC 37 and UFT had angered the PBA when they supported the formation of an independent police civilian review board in the 1960s, which the PBA bitterly opposed.¹³⁵

The Evolution of Gotbaum's Politics

Gotbaum's politics and therefore the political strategy of DC 37 during the late 1960s and early 1970s combined conflicting components. While Gotbaum demonstrated that he could work with conservative upstate Republicans to win legislation, he and DC 37 continued to take liberal stands on the Vietnam War and other issues and Gotbaum continued to think of ways to create a more progressive state and city politics.

His growing power and his liberal politics put Gotbaum on a collision course with Harry Van Arsdale, the city's most powerful labor leader. Since the early 1950s Van Arsdale had been the city's leading union leader. He had had an extremely close relationship with Mayor Wagner during his terms in office and remained a central figure in city and state politics. As the labor journalist A. H. Raskin put it, "Wagner's invariable question when his chief labor advisor, Theodore W. Kheel, came to him with a

AFSCME Activities," n.d., folder 12, miscellaneous box, AFT Office of the President-Shanker Collection, Walter Reuther Archives, Wayne State University.

¹³⁵ Waldinger, *Still the Promised Land?*, 222; Freeman, *Working-Class New York*, 216.

proposal affecting labor was, 'Have you cleared this with Van Arsdale?'"¹³⁶ Whenever a crisis developed such as the Ocean Hill-Brownsville developed, Van Arsdale was brought in to broker a settlement. The CLC chairman also had an extremely close relationship with Governor Rockefeller who kept the city's and state's construction unions happy with his extensive building projects. At the same time while Van Arsdale came out of the socially and politically conservative construction unions, he showed a significant flexibility in helping leftwing unions such as 1199 during their early organizing campaigns and even moved to open up the building trades to minorities.¹³⁷

The disagreement between Gotbaum and Van Arsdale had two main sources. The first was due the broad political and ideological differences between the two. Gotbaum was much more liberal and less of an anti-communist. The second was that Van Arsdale and the more established private sector union leaders looked upon the rapidly growing municipal unions as a threat. Therefore Van Arsdale certainly did not go out of his way to help Gotbaum.

One of the main political differences between Van Arsdale and Gotbaum was over the Vietnam War. The CLC chairman and the AFL-CIO leadership, supported the war due to their anticommunism and their close ties with the Johnson administration. On the other hand, both Jerry Wurf and Gotbaum opposed the war though Wurf, who was hoping to win a seat on the AFL-CIO executive board, initially kept his views private and pressured Gotbaum to do the same.¹³⁸ Gotbaum who had joined with other of the city's left-leaning

¹³⁶ A. H. Raskin, "Politics Up-Ends the Bargaining Table," in *Public Workers and Public Unions*, ed. Sam Zagoria (Englewood Cliffs, N.J.: Prentice Hall, 1972), 128.

¹³⁷ Leon Fink and Brian Greenberg, *Upheaval in the Quiet Zone, A History of the Hospital Workers' Union, Local 1199* (Urbana: University of Illinois Press, 1989), 37-38; Freeman, *Working-Class New York*, 103, 136, 189.

¹³⁸ Wurf won a seat on the AFL-CIO executive board in 1969. After that, he was more open in his criticisms of Meany. Goulden, *Jerry Wurf*, 207-225.

unions such as District 65 and 1199 in the mid 1960s to protest the war did curtail his involvement in the antiwar movement for a time. However, by 1969 as the war had become increasingly unpopular, he again began to take public stands against the war by speaking at antiwar rallies and donating DC 37 money to the Labor-Student Coalition for Peace of which he was chairman.¹³⁹ By 1970, Gotbaum openly criticized Van Arsdale during a television interview for not condemning the hardhat riots in which thousands of members of the city's construction unions physically attacked antiwar demonstrators after a pro war rally in the Wall Street area in 1970. Gotbaum stated that he was certain that the majority of the nation's workers now opposed the war.¹⁴⁰ Later in 1972, AFSCME was one of the three unions on the AFL-CIO Executive Council to cast their vote for George McGovern in the presidential campaign.¹⁴¹

Also, Gotbaum criticized Van Arsdale and the state AFL-CIO's narrow interest group political strategy. In the late 1960s and early 1970s, Gotbaum argued that the city's and state's unions needed to adopt a more progressive political strategy to further the goals of the labor movement, but also to push the city's and state's politics in a more liberal direction. Along with prominent progressive friends such as socialist Michael Harrington, Gotbaum believed that there was an opportunity for the labor movement to break with its decades long conservatism and join with other progressives to push the Democratic Party in a more liberal direction.¹⁴² His initial support for John Lindsay in

¹³⁹ Gotbaum letter to Thomas Christensen of the Labor-Student Coalition for Peace, 18 May 1970, folder 78, box 2, Bellush Collection; *Public Employee Press*, 31 October 1969; Levy, *The New Left and Labor*, 61; Bellush, *Union Power*, 429-430.

¹⁴⁰ Gotbaum interview on WNBC-TV, 27 September 1970, folder 47, box 2, transcript, Bellush Collection. On the hardhat riots, see Freeman, *Working-Class New York*, 237-241.

¹⁴¹ The other two were the Machinists and the Communication Workers. The UAW, which was not part of the AFL-CIO at that point, also endorsed McGovern. Maurice Isserman, *The Other American: The Life of Michael Harrington* (New York: Public Affairs Publishers, 2000), 298.

¹⁴² Isserman, *The Other American*, 288.

1965 is an early example of this view. The next year, Gotbaum and Van Arsdale fought over whether the state AFL-CIO should endorse Governor Rockefeller in his reelection campaign. Gotbaum and other several other of the city's more liberal unions supported Democratic candidate Arthur Goldberg, the former U.S. Supreme Court Justice who had close ties to the labor movement. However, Van Arsdale and the other leaders of the state AFL-CIO, who supported the governor, managed to ram through a state AFL-CIO endorsement of Rockefeller by packing the state convention and refusing Gotbaum's request for a roll call vote.¹⁴³ Gotbaum was furious, calling their action a "shameful violation of the principal of trade union democracy."¹⁴⁴ Also, Gotbaum opposed the Central Labor Council's support of former Mayor Wagner in the 1969 Democratic mayoral primary and called for the endorsement of Lindsay.¹⁴⁵

Another underlying source for the friction between Gotbaum and Van Arsdale was that by the late 1960s the public sector unions in New York City were challenging Van Arsdale's and the building trades' position as the city's most powerful unions. Since the formation of the city's labor movement in the 19th century, the private sector unions, particularly the building trade unions and the garment workers unions, had been the economically and politically most powerful of the city's unions. In the 1960s, that began to change. Part of this had to do with the fact that in the late 1950s and early 1960s, hundreds of thousands of jobs in the city's manufacturing sector were lost. For example, the city's garment jobs dropped from 340,700 in 1950 to 241,300 in 1965.¹⁴⁶ Due to this

¹⁴³ Freeman, *Working-Class New York*, 241.

¹⁴⁴ Gotbaum letter to state chair of the AFL-CIO Raymond Corbett, 18 September 1970. Folder 61, box 2, Bellush Collection.

¹⁴⁵ Freeman, *Working-Class New York*, 236. Even the UFT, which was still angry over Lindsay's actions during the Ocean Hill-Brownsville crisis, did not oppose him.

¹⁴⁶ Freeman, *Working-Class New York*, 146.

sort of job loss and increasing criticism from civil rights groups that they were discriminating against Latino, black, and Chinese workers, the once powerful garment unions such as ILGWU and ACTWU began to lose economic and political power. While the city's manufacturing sector was taking a hit, the city's public-sector was growing in leaps and bounds. With over 200,000 members, their willingness to strike, and their well-organized political action committees, DC 37, UFT, the PBA, and the other municipal unions were wresting that power away from the private sector unions. No longer could Van Arsdale expect to be the only union leader from whom Lindsay and future mayors would seek counsel.

Also, Gotbaum and Jerry Wurf felt that the neither AFL-CIO leadership in Washington and New York City was helping them enough. For instance, Wurf complained that the AFL-CIO's failure to support revenue sharing legislation in Congress in 1972 demonstrated a lack of concern for low-income public sector workers in urban areas.¹⁴⁷ In New York City, Gotbaum felt that the Van Arsdale was failing to support the public sector unions win critical legislative battles in Albany. For example, he argued that the Van Arsdale did little to help them win agency shop, revisions in the Taylor Law, and better pensions.

This tension came to a head during DC 37's and Local 237 of the Teamster's disastrous 1971 "drawbridge strike." The previous year, DC 37 and local 237 had negotiated a contract with the city that included significant pension improvements. Members with twenty years service could retire at age fifty-five at half pay. Members who worked forty years could retire with a pension equal to full pay. Sanitationmen, the

¹⁴⁷ Wurf letter to George Meany, 13 June 1972, folder 47, box 2, Bellush Collection.

police, and firefighters had already won similar pension plans. While both the city and the unions accepted this agreement, it could not be enacted until the state legislature and governor acted since under state law, any significant change or increase in a pension plan had to be approved by the state legislature and governor. Given that Gotbaum's very public support of Arthur Goldberg just the year before, Gotbaum had no friend in Governor Rockefeller. With the plan under attack by the newspapers, Rockefeller came out in opposition to it and it did not pass the legislature.¹⁴⁸

After the governor's and legislature's decision, Gotbaum and Feinstein, the president of local 237, called out 8,000 of the members on strike on June 7, 1971. Drawbridge workers shut down several bridges stranding commuters. Gotbaum wanted to pressure suburban commuters to put pressure on upstate Republican legislators to change their vote. The next day, sewage treatment workers walked off the job allowing 100 million gallons of untreated waste to flow into the Hudson and East Rivers. Gotbaum, who had proven that he was usually quite good at reading public opinion, clearly had misread how the public would respond to this strike. After two days of being lambasted by the media, Gotbaum and Feinstein called off the strike without winning their demands. The Lindsay administration did promise to lobby the legislature to pass the pension improvements the next year retroactively and if the legislature failed to do so, the city would offer an equivalent improvement in the city funded retiree health fund which did not require Albany approval. While Gotbaum privately and publicly complained that Van Arsdale had maneuvered to sabotage the pension fund legislation, he realized that he had misread

¹⁴⁸ *New York Times*, 8 July 1970; *Daily News*, 9 July 1970; Maier, *City Unions*, 87.

the situation.¹⁴⁹ Besides failing to win the pension improvements, the unions lost out even more when the legislature retaliated by removing pension fund issues from the purview of collective bargaining altogether.¹⁵⁰

The drawbridge strike was the last in a series of public sector strikes that had begun in 1966 with the transit strike. These strikes had succeeded in winning significant wage increases for the city's municipal workers. At the beginning of the 1960s, New York City municipal workers had much lower wages and less generous benefits than similar workers in the private sector. By the late 1960s, this had changed. The average starting salary of teachers went up thirteen percent between 1966 and 1972. Other city workers saw similar increases. Even DC 37 members, most who remained relatively low-wage workers, won significant wage increases and significant improvements in their fringe benefits such as their pension and health care plans.¹⁵¹ The municipal unions had also seen their political power increase over this same period. In order to avoid strikes, Mayor Lindsay had made his peace with the unions. City and state politicians realized that the municipal unions were a force to be reckoned with.

At the same time by the early 1970s, the municipal unions had very little public support and were beginning to win some powerful enemies. While it is difficult to know how exactly New Yorkers viewed the public sector unions, the transit, sanitation, and teachers' strikes seriously inconvenienced New Yorkers. Also, the constant and unrelenting attacks on these unions in the editorial pages of the three major city dailies likely had a negative impact on how New Yorkers looked upon the municipal workers

¹⁴⁹ Gotbaum was quoted as saying, "If Van Arsdale wanted those pensions passed, they would have passed." *New York*, January 3, 1972. In a letter to Van Arsdale, Gotbaum denied making that statement, but he did state that he felt that Van Arsdale was not supporting the public sector unions enough. Gotbaum letter to Van Arsdale, 25 January 1972, folder 45, box 2, Bellush Collection.

and their unions. Also, the municipal sector, while still employing large numbers of whites, was increasingly becoming more black and Latino. This was particularly true in such departments as the municipal hospitals. This racial change was occurring at the same time as the conservative backlash within the city's white middle and working class. A main current of this backlash was the view that city government and liberal politicians cared more about catering to blacks and people on welfare than to hardworking whites. The increasing number of whites who held this view would likely not have looked fondly upon municipal workers in general.

One of the first clear examples that the tide was turning against the municipal unions was in 1969 when the state legislature added new penalties to the Taylor Law to punish striking unions. In 1967, the strike penalties were limited. In 1969, with the Republicans now in control of both houses of the legislature, Albany rushed through new legislation that made the strike penalties against striking unions unlimited, increased the amount that individual striking workers could be fined, and made it more likely that union leaders would be jailed for violating no-strike law. After the state legislature voted along party lines to approve the legislation, Governor Rockefeller signed it into law. Even *The New York Times*, no friend of the municipal unions, felt that the legislature had gone too far in its increase of fines to individual workers and went so far to call the legislation "a punitive abomination."¹⁵²

Another sign that the political tide was turning against the municipal unions in 1969 and the early 1970s was their continued failure to pass an agency shop bill through the state legislature. Besides Taylor Law reform and pension improvements, agency shop

¹⁵⁰ Maier, *City Unions*, 88.

¹⁵¹ Freeman, *Working-Class New York*, 213; Horton, *Municipal Labor Relations in New York City*, 92-101.

was the unions' primary legislative goal. To Gotbaum's dismay, he received no support from Van Arsdale on this issue. The fact that many of the state's private-sector unions had the union shop, but would not lobby to help the municipal unions win an even lesser prize angered him.¹⁵³

Besides the growing hostility to the municipal unions in Albany, the municipal unions began to win some powerful enemies in the private sector. One such group, which emerged as the union's most formidable adversary, was made up of some of the city's most prominent businessmen, foundations such as the Ford Foundation, and government reform groups such as the Citizen Budget Commission.¹⁵⁴ They now were growing more and more concerned with the power of the municipal unions. They felt that these unions were using their political clout to stop needed reforms such as decentralization of the schools and were causing serious fiscal strain on the city's budget with their wage increases. *The New York Times*, never a friend of the municipal unions, echoed these concerns.¹⁵⁵

This loose overlapping group of good government groups, foundations, and businessmen were not particularly successful in cutting into the power of the municipal unions during the early 1970s. However, their critiques of the municipal unions and their support of government commissions during this period laid out the reforms that would

¹⁵² NYT, 11 March 1969.

¹⁵³ See Gotbaum's comments on the issue. Minutes of the MLC meeting, 27 April 1969 MLC-General folder, box 1, Bellush Collection.

¹⁵⁴ Ray Horton, who became the executor director of the CBC in the late 1970s, was one of the most important spokespersons for this tendency. His 1973 study of New York City labor relations describes their concern with the political power of the municipal unions and their disappointment with Mayor Lindsay. Horton, *Municipal Labor Relations in New York City: Lessons of the Lindsay-Wagner Years*.

¹⁵⁵ For examples of *New York Times* editorials from the period that leveled criticism at the municipal unions, see "Curbing Public Strikes," *New York Times*, 4 February 1969; "Crisis in City Pay," *New York Times*, 10 November 1970; "One-Way Street in City Labor," *New York Times*, 15 June 1971.

later be enacted during the fiscal crisis. Moreover, some of the same people who began to articulate a critique of the municipal unions in the early 1970s became important figures during the fiscal crisis. For instance, Steven Berger, who would later become the executor director of the Emergency Financial Control Board, was the executive director of the Scott Commission. This commission, which had been created by Governor Rockefeller to ostensibly examine New York City's governing structure and in reality to embarrass his rival Lindsay, warned that the city was failing to stand up to the unions whose pension plans and wages were causing a dangerous strain upon the city's finances.¹⁵⁶ In 1972, another state commission issued a report criticizing the generosity of the city's employee pension plans and warned that they were endangering the city's finances. The report went on to recommend that dramatic reductions be made to the pensions of new city employees.¹⁵⁷ Private groups such as The New York City Chamber of Commerce and The Economic Development Council of New York City (EDC) issued similar reports. The EDC whose board of directors included leaders from the business community such as Harry Helmsley, Walter Wriston, and Bill Ellinghaus. Citibank Chairman Walter Wriston would be the lead banker during the fiscal crisis and was the co-chairman of the Municipal Union/Financial Leaders Group. Bill Ellinghaus would be later become a director of the Municipal Assistance Corporation. The June EDC 1973 report on collective bargaining spoke forebodingly about the need to rein in the municipal

¹⁵⁶ *Final Report of the Temporary State Commission to Make a Study of the Governmental Operation of The City of New York*, 15 April 1973, 24, 36-38, 45-49. *New York Times*, 19 April 1973.

¹⁵⁷ The report was called the Kinzel Report. The unions hired Jack Bigel who issued his own report that argued that the Kinzel Report's dire predictions about the city's pension plans were overstated and were based on faulty figures. Program Planners, "An Analysis of the Recommendations of the Permanent Commission on Public Employee Pension and Retirement Systems, February, 1973. Bigel Collection.

unions' political clout.¹⁵⁸ In 1973, Citizens Union Research Foundation, a government reform group, also issued a report that criticized the city's pension fund system as being dangerously underfunded as well as overly generous.¹⁵⁹

By using blue ribbon commissions and the editorial pages of the leading newspapers to push their policies, this group carried on the methods used by nineteenth and early twentieth century elite reformers. And along with their methods they carried on their predecessors' skepticism of the elected city officials' ability to deal with fiscal problems and a somewhat jaundiced view of democracy. Given the scandalous and corrupt handling of the city's fiscal matters by Boss William Tweed in the 1870s or Tammany in the 1920s, this skepticism was city officials was often warranted. Like earlier reformers who bemoaned Tammany's power over the immigrant voters, these reformers now bemoaned the municipal unions' power over city officials. And like their predecessors, they hoped to use elite commissions, charter revisions, and other methods outside of the electoral arena to curtail the power of the unions.

Along with a skepticism of elected city officials went a skepticism for democracy. In the nineteenth century, the city's elite was, on occasion, quite open in their view that governing should be left in the hands of the social elite and that poor immigrants and working-class New Yorkers had no business exercising power through the ballot box. For example, in the 1870s, with the support of New York Governor Samuel Tilden, the state legislature passed legislation that would have established a Board of Finances that would be elected by men of property and would be given almost complete control over

¹⁵⁸ Economic Development Council of New York City, Inc., *New York City's Public Sector Collective Bargaining*, 1 June 1973; New York Chamber of Commerce, *Bringing Reality to the City's Pensions*, 1972.

¹⁵⁹ Raymond D. Horton, *Public Employee Pensions in New York City*, Citizens Union Research Foundation, Inc. 1973.

New York City's finances. Of course, by the 1960s and 1970s, such open anti-democratic views would have been political suicide. However, the creation of the Emergency Financial Control Board in 1975 would give the city's business elite significant control over the city's finances and budget as well as take power away from local elected officials.¹⁶⁰

While it is not surprising that the city's business elite and good government organizations did not look favorably upon the municipal unions, one might have thought that the city's prominent liberal and leftist community would have been more supportive of the municipal unions. However, for the most part, this turned out not to be the case. Influenced by the barrage of unfavorable editorials of *The New York Times* and angry of the series of the strikes, liberal New Yorkers were inclined to see the municipal unions as powerful interest groups that were often aligned with the Democratic machine and were bankrupting the city. New Left intellectuals were another group that did not view the municipal unions favorably.

Those to the left of the city's liberal establishment did not look too sympathetically at the municipal unions either. Of course, the New Left itself was not monolithic and there were significant number of New Left activists who worked with the unions during the 1960s and the 1970s and there were some who looked upon the growth of municipal unions as a positive development.¹⁶¹ In New York City, some of these activists became active in DC 37 as members (particularly in 371 and the librarians local) or were hired by

¹⁶⁰ For a discussion of nineteenth century reformers and their skeptical view of electoral politics, see Michael E. McGerr, *The Decline of Popular Politics: The American North, 1865-1928* (New York: Oxford University Press, 1986). On New York social elite's skepticism about democracy during the nineteenth century, see Sven Beckert, *The Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie, 1850-1896* (New York: Cambridge University Press, 2001), 182-190, 207-236.

¹⁶¹ For a positive view of municipal unions by New Left, see Michael D. Yates, "Public Sector Unions and the Labor Movement," in *Crisis in the Public Sector: A Reader* (New York: Monthly Review Press, n.d).

Gotbaum as union staffers. Still, much of the New Left did not look favorably upon the municipal unions. Part of this stemmed from the general New Left view that the labor movement could no longer be looked upon as the main agent of social change. They believed that since the end of WWII, the unions had been incorporated into the system and now were even part of an ill defined power elite.¹⁶² And it was indeed true that particularly the city's private sector unions led by such people as Harry Van Arsdale had become part of a governing coalition during the postwar period. While some New Left intellectuals and activists recognized that the municipal unions acted in a more progressive fashion than the private sector unions on such issues and civil rights and the Vietnam War, most remained critical of them. The Ocean Hill-Brownsville crisis certainly reinforced their skepticism of the municipal unions. Even prominent New Left intellectuals such as Frances Fox Piven, who worked closely with the progressive local SSEU while organizing welfare recipients, counterpoised the interests of the municipal unions and the interests of the black and Puerto Rican poor. She argued that the most of the advances of these unions were being made at the expense of poor minorities. Of course, in making this argument, Piven ignored the fact that an increasing number of the members of these unions, particularly DC 37 and TWU, were poor blacks and Latinos.¹⁶³

By the early 1970s, the New Left had fragmented, but its remnants that remained active carried on to a great degree its critique of the labor movement. Some who became known as New Politics liberals became active in local and national politics. In New York City, they became active in reform clubs and worked through the New Democratic Coalition, to support such politicians as Bella Abzug. While New Politics liberals were

¹⁶² See C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1959).

certainly not anti-union, they kept the municipal unions at arm's length. Congresswomen Abzug, for example, had won the enmity of Shanker because of her support of the school board during the Ocean Hill – Brownsville crisis.

By the early 1970s, one can see a shift in Gotbaum's strategy. At the national level, Gotbaum continued to try to push the Democratic Party to the left as in his strong support for George McGovern in the 1972 Democratic Primary, but at the city and state level, Gotbaum increasingly pursued a more narrow interest-group strategy. Chastened by the debacle over the drawbridge strike, the failure to win agency shop, and the toughening of the Taylor Law made him conclude that he might do better by abandoning his more aggressive and far-reaching strategy of trying to shift the city's and state's politics in a significantly more progressive direction. So instead of attacking Republicans in Albany, DC 37 began to increase its support of key Republican legislators, who proved willing to support key legislation the unions wanted. At the same time, he abandoned his support for Lindsay who he felt had failed to sufficiently support the municipal unions' attempts to reform the Taylor Law and win agency shop.¹⁶⁴ Instead, he endorsed the City Comptroller Abraham Beame in the 1973 mayoral race. By abandoning Lindsay, who had switched to the Democratic Party, and supporting Beame, who came out of the regular Democratic Party, Gotbaum's signaled that he was now pursuing a narrower interest-group strategy.

¹⁶³ Frances Fox Piven, "Militant Civil Servants," in Frances Fox Piven and Richard Cloward, *The Politics of Turmoil: Essays on Poverty, Race, and the Urban Crisis* (New York: Pantheon Books, 1974), 226-238.

¹⁶⁴ His relationship with Lindsay began to break down by 1971 though over Lindsay's failure to help the unions win changes in the Taylor Act and to win agency shop. In May of 1971, Gotbaum wrote to Lindsay stating that, "As a former political supporter, I must say with great regret that your performance has been disappointing." Gotbaum letter to John Lindsay, 10 May 1971, collective bargaining folder, box 1, Bellush Collection.

The election of Abe Beame as mayor in 1973 was dispiriting to reformers and the liberal Democrats. Beame came out of the regular Democratic Party of Brooklyn and received the support of the public and most of the private sector unions.¹⁶⁵ Most liberals and elite reformers supported either Congressman Herman Badillo or state assemblyman Albert Blumenthal. To these groups, Beame's election suggested a return to patronage and certainly not a challenge to the overly powerful municipal unions. While *The New York Times* editors congratulated Beame on his victory, they also voiced their concern. "If the result [Beame's election] means a resurgence of old style machine politics, however, the Democratic victory will prove tragic for this problem beset city."¹⁶⁶

The Times was partially right to fear that Beame's victory represented the return to power of old Democratic machine politics. The new liberal coalition that had elected Lindsay was exhausted and outer borough voters who voted for Beame by a large margin made it clear that they wanted nothing to do with it. At the same time, Beame's election represented something of an interregnum not a true return to power by old machine politics.

With an ally and someone who owed them in Gracie Mansion, the municipal unions had every reason to be confident. Despite the setback of the drawbridge strike, the municipal unions still wielded a great deal of political power. As Gotbaum put it, "There's no question about it – we have the ability, in a sense, to elect our own boss."¹⁶⁷ In the ten years, they had won significant wage increases and pension improvements. Besides the short 1971 "drawbridge strike," they had not gone out on strike since 1968. They now hoped that they could focus on winning their main legislative demands such as

¹⁶⁵ 1199 and District 65, two prominent liberal unions, endorsed Badillo.

¹⁶⁶ *New York Times*, 8 November 1973.

agency shop and better contracts for their members. Little did they know that a crisis, which would threaten their very existence, loomed just over the horizon.

¹⁶⁷ Ibid., 15 November 1973.

Chapter Two: The Beginning of the Fiscal Crisis, 1974-75

While some fiscal observers in the late 1960s and early 1970s (including Mayor Beame when he had been the City Comptroller) had warned that the city was engaging in increasingly dangerous borrowing, very few predicted the severity of the 1970s fiscal crisis would be or how drastically it would change the city. One reason was that during the two Lindsay administrations, the city had often claimed to be on the precipice of a fiscal crisis, only to have the crisis resolved at the last moment by an increase in state aid or, as more often the case, by increased borrowing. However, by the spring of 1974 when Mayor Beame began to speak of an impending fiscal crisis, certain things had changed that made it more difficult for the city to resolve its massive budget gap as it had before. First, while the city had been selling large amounts of securities for over a decade, by the time of the fiscal crisis, these amounts were reaching colossal heights. For example by early 1975, the city was trying to sell over \$750 million in short-term notes *each month* just to cover its daily expenses, much less pay back the interest on its enormous existing debt.¹ At the same time, the city's major investment banks, which had been underwriting the city's enormous borrowing for over a decade, were becoming increasingly uncertain whether they wanted to perform this task. Many were reeling from significant losses from bad investments domestically and internationally.² Moreover, the state had its own fiscal problems and was increasingly less likely to come to the city's aid. Lastly, the city would soon find out that it did not have a friend in the White House

¹ Shefter, *Political Crisis/Fiscal Crisis*, 106.

² For a discussion of Chase Manhattan's investment troubles, see David Rockefeller, *Memoirs* (New York: Random House, 2002), chapters 20-21.

as President Gerald Ford's chief political and financial advisors were recommending that he not offer the city any aid.

It is also crucial to look at how the New York City fiscal crisis fits into a national and even international context. While the way the fiscal crisis would be resolved was certainly determined by local political actors, national and global forces also shaped to a great extent why the crisis occurred and how it would be resolved. The 1970s were a key turning point in national and international history in term of politics and the economy. It was at this point that the long postwar economic boom ended. By the mid 1970s, the world economy had entered a period of recession that would lead to a period of crisis for much of the world's major industrial nations.³ In response to this economic crisis, business went on offensive. Complaining of "a squeeze on profits" the Business Roundtable (an organization formed by business in 1972) and major corporations went on the offensive and began to demand givebacks from employees. They funded new conservative think tanks that argued that Keynesian economics, high government spending, and high taxes were ruining the economy.⁴

As the world's financial center, New York City was the headquarters of many of these large businesses. In the mid 1970s, eighty-four Fortune 500 companies had their headquarters in New York City. Particularly powerful were the major investment banks such as Chase Manhattan and First National City Bank. Key figures with the New York City banking community such as Chase Manhattan Chairman David Rockefeller and Citibank Chairman Walter Wriston and former Salomon Brothers executive and then

³ Robert Brenner, *The Boom and the Bubble: The U.S. in the World Economy* (New York: Verso, 2002), 7-49; Eric Hobsbawm, *The Age of Extremes: A History of the World, 1914-1991* (New York: Vintage Books, 1994), 404-432.

⁴ Ferguson and Rogers, *Right Turn*, 100-113.

U.S. Treasury Secretary William Simon were key players in setting the national as well as the local business agenda.⁵

1975, the first year of the crisis, was the critical year of the fiscal crisis for a number of reasons. During 1975, New York City came closer to bankruptcy than it would throughout the remainder of the crisis. Second, in response to near bankruptcy, the city's political terrain was transformed. Elected officials lost a significant amount of power after the creation of the Emergency Financial Control Board (EFCB) and the Municipal Assistance Corporation (MAC) and with the increased oversight of Congress, the White House, and Governor Hugh Carey. Third, a rough consensus, at least among the main political actors, on the both the causes of and the solutions for the fiscal crisis had emerged. With minor variations, all the city's major daily newspapers and most of the city's and state's political establishment argued that the crisis was caused by fiscal mismanagement, excessive social spending, and exceptionally generous labor contracts. Accordingly, the only viable solution was significant cuts in the city's budget, large numbers of layoffs of city workers, and a wage freeze for the remaining workers. Moreover, part of this consensus was that that if the mayor and the other elected city officials could not achieve this goal of fiscal austerity, it would be necessary to transfer the power to do so to the state or some new institution.

Of course, one group that dissented from this call for fiscal austerity was the city's powerful municipal unions. After over a decade of growth and winning better contracts for their members, they now faced calls for massive layoffs, wage freezes, and givebacks. Also, beginning in 1975, the unions found themselves negotiating within a much more

⁵ Saskia Sassen, *The Global City, New York, London, Tokyo* (Princeton: Princeton University Press, 1991), 90-125.

complex terrain that involved more players. While the state had always been involved to a certain degree in the city's labor negotiations, with the creation of the EFCB, the state's role increased dramatically. Moreover, Congress and the U.S. Treasury Department would also now be playing a significant role in city's labor negotiations.

In the first year of the fiscal crisis, the municipal unions developed an overall strategy that would determine, to a great extent, what they would do for the duration of the crisis and even in the years after the crisis. Determined to maintain their institutional power and having concluded that militant action such as striking would solve nothing, they chose not to directly oppose the growing consensus for fiscal austerity and instead tried to use their political power and their control of their members' pension fund assets to maintain some degree of institutional power within the context of layoffs and wage freezes. Moreover, while initially several of the unions tried to make various side deals with the city to protect their members, by the fall of 1975, most of the city's municipal union leaders decided that they could best maintain their power and their jobs by creating a united front based on this one strategy. Lastly, many of the key decisions that the unions had to make during this first year were made by a remarkably small number of people. This group included Gotbaum, a couple other union leaders such as Barry Feinstein of the teamsters, and their increasingly influential advisor Jack Bigel.

1974: The Emerging Crisis

At the beginning of 1974, there was little expectation that by the middle of the year, newspapers would be writing of the city's growing fiscal crisis and that Mayor Abraham Beame would be threatening the first mass layoffs of municipal employees since the

Great Depression. In late January, Beame had appointed a group of prominent businessmen and labor leaders to devise plans to help retain businesses in the city. They expressed confidence in the city's economy. When Beame presented his capital budget in February, the media gave it positive reviews.⁶

But beneath this rosy picture, the city's economy was in bad shape. Much of the problem stemmed from long-term trends. The city's total employment reached nearly 3.8 million in 1969 and fell for the next seven years. The private sector was hit particularly hard. In 1969, this sector employed just under 3.3 million New Yorkers, but by 1977 only 2.6 million. The manufacturing sector of the city's economy (particularly the garment industry) had lost thousands of jobs as companies folded or moved to other regions. From 1960 to 1969, the number of city's manufacturing jobs fell from 947,000 to 826,000, a decrease of twelve percent. By 1977, the number of manufacturing jobs would decrease an additional thirty-four percent. Also, the national recession in 1973 to 1975 hit the city hard. While national income fell seven percent during this recession, the city's fell over twelve percent.⁷

While New York City's manufacturing sector was hemorrhaging jobs and the local economy declined throughout the 1960s and early 1970s, the city's municipal expenditures increased significantly. New York City's expenditures rose by 392% between 1961 and 1975. One of the major causes of this increase stemmed from a rapid increase in labor costs. Between 1961 and 1975, the city's workforce grew by almost fifty percent from 200,706 to 294,522. Also the average cost to the city for each

⁶ *New York Times*, 4 February 1974.

⁷ Brecher and Horton, *Power Failure*, 187-197.

employee (salary, pension, and fringe benefits) more than doubled during the same period, rising from \$8,234 in 1961 to \$22,283 in 1975.⁸

However, these increases were not out of line with similar increases in the other nation's major cities. For example, expenditures by all cities and states in the U.S. rose by 374% from 1961 to 1975; a similar amount to the New York City's increase. The salaries of municipal employees in Detroit, Los Angeles, Chicago, and Washington were all higher than New York's during this period. Moreover, even after the significant wage increases of the late 1960s and early 1970s, many of the city's municipal workers' wages (a majority of DC 37 members for example) were barely making enough to keep them above the federal poverty line. It is true that the city's municipal workers did have decent pension plans that were more generous than most municipal employees in other cities and a majority of the city's private sector workers, but this was not saying much given that most private sector pensions at this point were shamefully small.⁹

Labor costs were not the only part of the city's budget that increased rapidly in the late 1960s and early 1970s. During the period 1966 to 1971, city spending on higher education increased 250 percent, on welfare 225 percent, and on hospitals 123 percent. The federal government mandated some of this spending increase, but much of it was also driven by the specific policies of the Lindsay administration such as the open admissions at the City University of New York and a major building campaign in the city's public hospitals.¹⁰

⁸ Shefter, *Political Crisis/Fiscal Crisis*, 113-124; Tabb, *The Long Default*, 61-65.

⁹ Kim Moody, "The Global City in Crisis: Financial Troubles, Coalitions, and Regime Change in New York City, 1975-89"; Shefter, *Political Crisis/Fiscal Crisis*, 113-124; Tabb, *The Long Default*, 61-65.

¹⁰ Cannato, *The Ungovernable City*, 550. One of the reasons that New York found itself in such a fiscal bind was that it paid for functions not commonly paid for by municipalities. For example, no U.S. city had such an extensive publicly run university system as New York City. New York was also unusual in that it paid a much greater percentage of the costs for its welfare system and hospitals than other major U.S. cities.

With these increased expenditures, city administrations needed increased revenue, which was difficult due to city's high unemployment and dwindling tax base. Of course, one way of raising the money for these new expenditures would have been to raise taxes, but city administrations since Wagner rarely chose that route. The one major exception to this was in 1966, when Mayor Lindsay successfully pushed the state legislature to create a New York City income tax and a commuter tax.¹¹ Instead, they chose to issue large amounts of short-term debt. The large banks, which acted as underwriters of these note and bond sales, were quite happy to go along with this policy since they made a significant profit. In 1970, under Lindsay, the city sold over four billion in short-term debt. By 1974, the city was issuing over seven billion in short-term debt a year. Considering that the city's operating expenses in 1974 were only a little over ten billion, the city had reached the point where it was covering over seventy percent of its operating expenses with short-term debt. And by the beginning of 1975, the city was trying to sell over \$750 million in notes each month to paper over the growing deficit.¹²

So a fiscal crisis, which was long in the making, finally came to fruition in 1974. The first public mention of a serious budget gap in the expense budget came on March 21 1974 when the city newspapers reported that Beame had held a series of private meetings with civic and business leaders about the possibility of a huge budget gap. Beame told them, "It is the most serious gap I've faced in all my years in city government."¹³

¹¹ The tax package compromise reached between the mayor, the state legislature, and Governor Rockefeller provided much less than Lindsay had wanted. Cannato, *The Ungovernable City*, 104-106.

¹² Shefter, *Political Crisis/Fiscal Crisis*, 107.

¹³ *New York Times*, 21 March 1974.

In the spring of 1974 as rumors of an impending fiscal crisis were spreading, the Beame administration was busy negotiating new labor contracts with most of the municipal unions. These labor negotiations seemed to be unaffected by the growing concerns about the city's worsening budget problems. Instead, they seemed to be dictated by Beame's obligation to reward the unions' for their support in his 1973 mayoral campaign as well as by the unions' understandable demands that they receive decent enough wage increases to make up for the high inflation. All of the unions made it clear that they would be asking for a higher increase than the 5.5 % federal wage guidelines that the Nixon administration had instituted in an attempt to rein in inflation.¹⁴ The first important agreement, which was to set a pattern for other collective bargaining agreements, was the Transport Workers Union's contract with the Metropolitan Transit Authority (MTA). The TWU and the MTA reached a two-year agreement in late March, which included two seven percent wage increases and a cost of living allowance (COLA). In July, DC 37, the United Sanitationmen's Association (USA), and several other municipal unions negotiated comparable contracts.¹⁵

While the unions and the city were wrapping up their negotiations in the summer of 1974, the city's newspapers began to run stories on the city's budget problems and the increasingly public disagreement between Mayor Beame and City Comptroller Howard Goldin on the size of the budget gap.¹⁶ By the late summer, *The New York Times* editorial page began to hint that layoffs or wage freezes would be necessary.¹⁷

¹⁴ *Public Employee Press*, 16 March 1974.

¹⁵ *The Chief*, 14 August 1974.

¹⁶ *Daily News*, 14 July 1974.

¹⁷ *New York Times*, 10 August 1974.

By October 1974, the call for layoffs or wage freezes became even more insistent. Beame came under increasing criticism in the editorial pages of the city's papers and by influential think tanks such as the Civilian Budget Commission and *The New York Times* to take more drastic action. In October, Mayor Beame announced that the city needed to reduce its payroll by 4,700 workers to meet its large budget gap. Initially, the mayor hoped that this reduction could be reached through attrition and a hiring freeze, but in November he announced over 1,000 layoffs. *The New York Times* maintained a steady drumbeat for Mayor Beame to freeze wages or layoff workers. On November 4, *The New York Times* editorialized that, "The city was sliding into bankruptcy with dismaying speed" and demanded that Beame "confront overprotected civil service employees."¹⁸ The *Times* also argued that Beame's November layoff announcement did not go far enough. "Although it is certainly painful for the individuals involved, that [the layoff announcement] can hardly be regarded as a serious or "tough" reduction in a bureaucracy that is notoriously overstaffed and underworked."¹⁹

The Unions Search for Priorities and a Strategy

The unions' first reaction to growing rumors of a fiscal crisis and then Beame's November announcement of layoffs was one of skepticism. For eight years, they had witnessed the annual ritual of Mayor John Lindsay claiming that the city's budget was in crisis, only to have the state or the city find the needed funds at the last moment. The municipal union leaders assumed that Beame's warnings of the possible need for layoffs

¹⁸ *New York Times* and *Daily News* editorials, 12 December 1974.

¹⁹ *New York Times*, 26 November 1974.

would be resolved in the same way.²⁰ Therefore, throughout the summer and early fall of 1974, Gotbaum and other union leaders remained adamant that the unions would accept absolutely no layoffs.²¹

However, as the gravity of the situation sank in and calls for layoffs increased, the unions desperately sought to come up with a set of priorities and a strategy to reach these priorities. Led by Gotbaum, they decided upon two priorities. One was to limit the number of layoffs. However, perhaps more important was their second goal which was to defend collective bargaining and their institutional power. The DC 37 executive director argued that under no circumstances could the unions allow the city or later the Emergency Financial Control Board (EFCB) to act unilaterally in areas concerning the unions such as revising contracts or instituting a wage freeze. As he told the MLC steering committee in February 1975, "The major concern of the unions is basically two things: an erosion of the collective bargaining system and layoffs of permanent civil servants."²²

Gotbaum's worry about the erosion of collective bargaining stemmed from legitimate concerns. Perhaps more than most of the other union leaders, he was aware that in the rapidly changing environment, the municipal unions could easily be pushed to the side and quickly find themselves to be unable to influence events. Moreover, he was well aware of the fact that there were those in the city's business community were hoping to use the fiscal crisis to significantly curtail the power of the municipal unions. Therefore,

²⁰ *The Chief* warned the unions to take Beame seriously. "Mayor Lindsay cried 'wolf' so many years that the civil service community tends to discount any City Hall pronouncements of a budget crisis. Mayor Beame's style is different and when he told union leaders last week at Gracie Mansion that the city is in trouble, it can be taken seriously." *The Chief*, 25 November 1974.

²¹ Barry Feinstein, interview by Jack Bigel, 21 April 1997, Bigel Collection; interview of Gotbaum with Gabe Pressman, *Public Employee Press*, 10 May 1974.

he argued that it was essential that any decisions involving the unions not be made unilaterally by the city and instead only be made through consultations and negotiations with the unions. This partially explains their anger at Shanker when in 1976 the UFT president proposed that collective bargaining be ended for the duration of the fiscal crisis. Of course, these two main priorities of the unions were not necessarily incompatible. By defending collective bargaining and their institutional power, the unions could also limit layoffs. However over time, it began to appear that the union leadership was more concerned about maintaining their institutional power than the stopping the firing of their members.

In terms of the union priority of limiting layoffs, it is important to note that the municipal union leadership emphasized defending the jobs of permanent employees, not all employees. If layoffs were necessary, Gotbaum argued that it should only be provisionals that should be fired.²³ Unlike regular civil servants, provisional workers were workers hired without taking civil service exams. More importantly, at least to the unions, most of these provisional workers were not union members. The number of these workers on the city payroll had increased rapidly under Lindsay for a number of reasons. One reason was that civil rights organizations put a great deal of pressure on Lindsay to increase minority employment within the municipal workforce. Also, the 1971 Federal Emergency Employment Act provided cities with funds to hire unemployed workers. The municipal unions had opposed Lindsay's attempt to work around the existing civil service exams and had bitterly fought the increase in provisionals.²⁴

²²Minutes of MLC Steering Committee meeting, 24 February 1975, fiscal crisis: 1974-77 folder, box 4, Bellush Collection.

²³*Public Employee Press*, 26 April 1974.

²⁴Waldinger, *Still The Promised Land?*, 225-226, 233-234.

On December 5, Gotbaum wrote Beame, "I must insist that no civil servant be laid off until the provisional fat on top is squeezed out."²⁵ Four days later, the Municipal Labor Committee issued a similar statement opposing any layoffs of permanent employees while provisional employees remained on the payroll.²⁶ At the same time, Gotbaum wrote the presidents of the various DC 37 locals of the seriousness of the situation. He wrote that they should let him know if they had any concrete ideas on how the city could save money and avoid layoffs.²⁷

In terms of strategy, Gotbaum argued that they could best defend themselves by working together. As he told the MLC steering committee in February 1975, "It is terribly important that we respond to the fiscal crisis in the future on a unified basis."²⁸ By the end of summer of 1975, a fair number of the unions had concluded that he was right.

However, the likelihood that the united front Gotbaum began to create in the early days of the fiscal crisis would fragment remained a constant possibility.²⁹ Keeping it together required a constant balancing act on behalf of Gotbaum. On the one hand, he argued that the unions were in the best position to bargain if they bargained together. At the same time, he reminded the different unions that no settlement reached with the

²⁵ Gotbaum letter to Mayor Beame, 5 December 1974, folder Fiscal Crisis, 1974-77, box 4, Bellush Collection.

²⁶ "Statement by the MLC," 9 December 1974, fiscal crisis, 1974-77 folder, box 4, Bellush Collection.

²⁷ Gotbaum letter to DC 37 presidents, 15 November 1974, fiscal crisis, 1974-77 folder, box 4, Bellush.

²⁸ Minutes of MLC Steering Committee meeting, 24 February 1975, fiscal crisis: 1974-77 folder, box 4, Bellush Collection.

²⁹ Memorandum, Ed Handman, head of DC 37 research to Gotbaum, 23 May 1975, fiscal crisis: readings and sources folder, box 4, Bellush Collection.

mayor by any union was binding upon any other MLC union. "Each MLC member had the right to negotiate his own settlement ... and work out its own program in an effort to prevent layoffs among its members."³⁰

However, it is important not to overemphasize how quickly, or the extent to, which all of the municipal unions were convinced by Gotbaum's plea for a united front. Old rivalries between the unions and tensions between the uniformed and nonuniformed unions slowed the process. For example, Shanker and the UFT would not agree to work with the other unions until the end of 1977. The leaders of the uniformed unions appeared willing to work with the other unions, but their members were not.³¹ The leaders of the PBA and UFA also confronted a membership that was much more restive than Gotbaum or Feinstein did. For example, the police and firefighters union membership had proven that they were neither shy about striking in violation of the Taylor Law nor voting out their leadership if they felt that they were failing to win good contracts. The police went out on a four day sickout wildcat in 1971. The firefighters went out on a one day sickout wildcat in 1970. In 1973, the firefighters union went even further and went out on an official strike after it and the city had failed to reach a contract deal. Richard Vizzini of the UFA, who was elected in 1973, was voted out of office in July 1975. Ken McFeeley of the PBA would resign in May 1976 and be replaced by Michael Maye.³²

³⁰ Minutes of MLC Steering Committee meeting, 16 April 1975, fiscal crisis, 1974-77 folder, box 4, Bellush.

³¹ During his interview with Bigel on the fiscal crisis, Gotbaum made this point when Bigel asked him how he so quickly managed to unify the unions. Gotbaum interview with Bigel, 26 March 1997, Bigel Collection.

³² Later it turned out that the UFA membership, by a small margin, had voted against going out on strike in 1973, but the union leadership said otherwise. Maier, *City Unions*, 100-107.

As the unions grew to accept Gotbaum's argument that they needed to build a united front to deal with the fiscal crisis, the MLC took on an increasingly important role. It had been created in 1966 to determine who would be the labor representatives on the New York City Office of Collective Bargaining board (OCB). It quickly became the space where the various municipal unions would work out their disagreements behind closed doors and discuss how to win key legislative goals, but it remained relatively uninvolved in collective bargaining issues. Until the fiscal crisis, the municipal unions negotiated with the city separately even though there usually was a pattern in terms of wage increases and changes in pension benefits. With the advent of the fiscal crisis, that changed. The MLC became the central organization where the municipal unions would discuss strategy and the body that would negotiate with the city, the state, and new institutions such as the Municipal Assistance Corporation (MAC) and the Emergency Financial Control Board (EFCB) that would be soon created.³³

The MLC's growing role was advantageous to the municipal union leadership in a number of ways. Given the historical divisions and rivalries among the unions, the MLC was a forum in which the unions could develop common strategies to deal with the threat of layoffs and to their contracts. Also, the MLC created a buffer between the embattled union leaders and their members. A major concern for the union leaders was whether they could remain in control of their rank and file. Due to the massive layoffs that would occur during the early part of the fiscal crisis, much of the rank and file was

³³ Victor Gotbaum, who had developed a close relationship with Mayor Lindsay and supported the creation of the OCB, had dominated the MLC since its formation particularly since both John DeLury of the Uniformed Sanitationmen's Association (USA) and Barry Feinstein of Local 237 of the Teamsters had initially opposed the creation of the OCB. But by 1974, all of the unions representing mayoral agencies had joined the MLC. Large municipal unions such as the United Federation of Teachers (UFT) and The Transport Workers Union (TWU), which represented workers in nonmayoral agencies, did not join the MLC until 1978. Even then, these unions remained under the jurisdiction of PERB not the OCB.

understandably angry and some groups within the unions began to criticize their leaders and demand more militant action to protect their jobs. Gotbaum barely prevented DC 37's Delegate Assembly from voting to authorize a strike over layoffs in early December 1974.³⁴ By having the MLC make many of the key decisions, the union leadership was able to present what was often unpleasant news such as wage deferrals to their members as something as a *fait accompli*. While the MLC did not have the right to make final decisions for individual unions, in practice it was difficult for rank and file members to reject settlements that were presented to them as being agreed to by all of the unions.

As the fiscal crisis progressed, an even smaller group than then the representatives at MLC meetings were making many of the most important decisions concerning labor issues. Much to the anger of the leadership of the uniformed unions, Gotbaum, DeLury, Barry Feinstein of the teamsters, and labor consultant Jack Bigel often met separately with Mayor Beame and his chief advisors including Deputy Mayor James Cavanagh. While Gotbaum apologized to the other MLC members for doing this in April 1975 and did promise to include the MLC steering committee in all future negotiations, in reality this practice of key decisions being made by a very small group of people that usually included Gotbaum, Feinstein, and Bigel continued throughout the crisis. If anything, it even became increasingly the way decisions were made.³⁵

Gotbaum was not completely to blame for this problem because Beame and his chief aide, Deputy Mayor James Cavanagh, had specifically asked to deal only with Gotbaum, DeLury, and Feinstein with whom they had close relationships rather than the entire

³⁴ *The Chief*, 13 December 1974.

³⁵ Bigel would later call this "delegated bargaining." Jack Bigel, "How Does Labor Survive the Fiscal Crisis?" in *Challenges of the Changing Economy of New York City, 1977*, Papers Presented at the Tenth Annual Institute Sponsored by the New York City Council on Economic Education.

MLC leadership.³⁶ This desire by the Beame administration and Gotbaum to hold small private meetings to work out disagreements is not surprising. It followed a pattern in the city's labor relations that had developed over the last several decades. Beginning in the 1940s, major labor crises were addressed by city officials meeting with key labor leaders such as Harry Van Arsdale, Paul Hall, and their advisors such as Theodore Kheel. With the emergence of the municipal unions as a significant force in the 1960s, this trend continued. Beame, his chief advisor, Cavanagh, DeLury, and Feinstein came of age during this mid 20th century form of elite bargaining and saw no reason that it should not continue.

Early 1975: Layoffs and Givebacks

The unions had hoped that the layoffs announced in the fall of 1974 would be the end of it. Moreover, they actually were even successful in delaying most of those layoffs - at least initially. Jack Bigel devised a plan that called for an alternative to layoffs. Instead of layoffs, the city would encourage and in some cases force the retirement of municipal employees above the age of 62. Mayor Beame supported this plan, but it had to be abandoned after the U.S. Labor Department announced that it violated federal age discrimination laws. However, while the unions abandoned this plan, they continued to encourage older members to retire.³⁷

In January 1975 Mayor Beame announced that he would fire another 4,050 more permanent employees, which brought the total to 11,985. The unions warned that they

³⁶ In a conference call, Cavanagh had specifically asked to meet with Gotbaum, Feinstein, and DeLury separately. Minutes of MLC General Membership meeting, 26 February 1975, fiscal crisis 1974-77 folder, box 4, Bellush Collection.

³⁷ *The Chief*, 20 December 1974.

would accept no more layoffs and presented an alternative plan, which included the layoffs of provisional workers still on the city payroll and the end of what they described as expensive contracting out of work.³⁸ Over the next two weeks, the MLC met with Deputy Mayor Cavanagh and other city officials to come up with a plan that would avoid layoffs. At the eleventh hour, they succeeded. The plan called for the city to reduce its contribution to the employee's welfare and pension plans and to eliminate summer hours for many employees. In separate negotiations, the PBA and UFA agreed to work extra tours without additional pay, which would reduce the amount the city paid for overtime pay.³⁹

The January 30 agreement was a milestone in the city's municipal labor relations. For the first time since the Great Depression, the municipal unions had agreed to return benefits that they had already won at the bargaining table. As an editorial in the *The Chief* put it, "The problem now is that union concessions may lead the Mayor to believe he can come to the well again and again. If the unions are willing to give up benefits to save the jobs of more than 2,700 employees, what will they be prepared to do when the Mayor threatens to layoff 10,000 or 20,000?"⁴⁰

Despite these layoffs, the city still confronted colossal fiscal problems in early 1975. In order to make payrolls and pay back loans, the city needed to sell huge amounts of notes. In one week in early March 1975, the city hoped to sell over a billion dollars in short-term notes. The banks, which had worked as underwriters of city securities for

³⁸ Ibid., 24 January 1975.

³⁹ Ibid., 7 February 1975.

⁴⁰ Ibid., February 7, 1975.

decades, were increasingly worried about the city's ability to pay back their loans and their ability to sell the city's paper. Also, in late 1974 and early 1975, they became increasingly skeptical that Beame was actually going to carry out the layoffs that he had announced. In late February 1975, Bankers Trust cancelled a \$260 million planned note purchase when the City Comptroller failed to provide the bank information on the city's tax revenues. Events moved quickly after that. On March 17, David Rockefeller of Chase and several other directors of the large banks met with Beame at Gracie Mansion to communicate the seriousness of the situation. They told him that the market for city securities was quickly dwindling and that due to the magnitude of the city's cash needs, the federal and state government might be the only sources of cash.⁴¹ The next day, Jac Friedgut, a key economist from Citibank, informed the New York congressional delegation of the situation and was reported to tell them that Citibank would no longer buy NYC paper. By the end of March, the city had lost access to the open market and faced certain bankruptcy unless it got access to large amounts of cash in the near future.⁴²

It was at this point that some members of the banking community began to discuss that there might need to be a political solution to the growing crisis similar to the Banker's Agreement of 1933. In that agreement, the banks agreed to continue to offer the city a line of credit on the condition that the city would make the policy and budget decisions necessary to resolve its budget problems.⁴³

With the city unable to sell its securities and the city desperately needing cash to cover operating expenses, Beame sought help from the state and the federal government. He

⁴¹ Securities and Exchange Commission, *Securities and Exchange Commission Staff Report on Transactions in Securities of the City of New York* (Washington D.C., 1977), chapter 1, 186-190.

⁴² *New York Times*, 21 March 1975.

hoped that the recently elected governor, Hugh Carey, whom Beame had supported, would come to the city's aid. However, Carey faced his own budgetary woes. In his first State of the State Address in January 1974, the governor made it clear that the state could no longer continue to spend in the way it had under Governor Nelson Rockefeller. As he put it, "the days of wine and roses are over." Carey had confronted the default of the New York State Urban Development Corporation (UDC) in the spring of 1974. The default of the UDC hurt the state's own bond rating. Therefore, Carey was hesitant to become too involved in the New York City's problems or to offer the city much aid. In April and May, the state did advance the city \$600 million in aid, but given the fact that the city was now predicting that the budget gap for the next year was as high as \$7 billion and that the city needed \$1.5 billion by June 30 just to pay back short-term loans that were coming due, the state aid was not sufficient.⁴⁴

Beame's reception in Washington was even less warm. In May, he and Governor Carey met with President Gerald Ford and his chief aides at the White House to ask for loans or loan guarantees. Ford turned down his request saying that the city needed to get its own fiscal house in order and that the state needed to provide more aid. He also recommended that the city consider laying off more workers, raising the subway fare, and ending free tuition at the City University of New York.⁴⁵

Without access to the market and after the rejection by the federal government, Beame announced on May 30 that, without any more significant federal or state aid, he

⁴³ See bank memorandum in Securities and Exchange Commission. *Securities and Exchange Commission Staff Report on Transactions in Securities of the City of New York*, (Washington D.C., 1977), chapter 1, pp. 39-46.

⁴⁴ Bailey, *The Crisis Regime*, 23.

⁴⁵ Ron Nessen, Ford's press secretary, took extensive handwritten notes of this meeting. "Handwritten notes of Ron Nessen," handwritten notes, 13 May 1975 Meeting with NYC Officials folder, box 294, Ron

would reluctantly propose what he called a crisis budget. In order to fill a \$640 budget gap, he would cut the budget of every city department and fire 37,000 more city workers by June 30.⁴⁶

The Unions' Brief Populist Stage

In the spring and early summer of 1975 as the banks and the editorial pages of the city's newspapers demanded that more city workers be laid off and wages be frozen, the union leadership briefly went on the offensive with a populist attack on the Washington and the banks. The union leadership realized, perhaps belatedly, that they also had to wage a battle to win some public support if they were to be successful in defending themselves. They made two arguments. One, they charged that the policies of the Nixon and Ford administrations had created the urban crisis facing many of the nation's cities and therefore the federal government should provide more aid to New York City and other troubled cities. Second, the unions attacked the banks by accusing them of trying to make a profit out of the city's fiscal difficulties. They pointed out that the banks had been making huge profits as the city's underwriter for decades and therefore their demands for such high interest rates were unfair.⁴⁷

The unions were trying to reach three different audiences. One was the banks and the business community. The unions felt that the banks were behind the push for fiscal austerity and wanted the public to know this as well as to get the banks think that they were willing to use militant methods to resist the layoffs. A second audience was the

Nessen Papers, 1974-77, Gerald Ford Presidential Library, University of Michigan, Ann Arbor, MI. *New York Times*, 15 May 1975.

⁴⁶ *New York Times*, 30 May 1975.

⁴⁷ See Albert Shanker's editorial in *New York Teacher*, 15 June 1975.

public. Again, perhaps belatedly, the unions realized that much of the city had come to believe the mantra repeated by the city's newspapers that overpaid and underworked city workers were the primary cause of the fiscal crisis and therefore should be forced to take layoffs and wage freezes. The rank and file of the unions was the third audience. By early 1975, there were clear signs that some of the rank and file felt that the union leadership was not doing enough to fight the layoffs and the populist attacks on the banks and Washington adopted by the union leadership was partially an attempt to demonstrate to the union rank and file that they were willing to take on those who were demanding layoffs.

To make clear that they believed that the part of the cause and the solution to the city's fiscal crisis resided in Washington, DC 37 and some of city's other municipal unions sent contingents to a large "Rally for Jobs" sponsored by the Industrial Union Department (IUD) of the AFL-CIO on April 26.⁴⁸ This demonstration had been planned for several months. In New York City, Edward Gray, the assistant director of Region 9 of the UAW had been the main organizer. Gray, a close friend of Gotbaum's and one of the two labor representatives on the New York City Office of Collective Bargaining board, encouraged him to become involved.⁴⁹

The IUD had called the rally to demand that the Ford administration address the problem of unemployment and Gotbaum believed that the New York City fiscal crisis was directly related to Nixon's and Ford's failure to address this problem. According to DC 37's newspaper, *Public Employee Press*, several thousand New York City union

⁴⁸ *The Chief*, 4 April 1975.

⁴⁹ Gray letter to Gotbaum, 17 December 1975, folder 5, New York, Council 37 1975, box 119, Office of the President Wurf, AFSCME Collection, Wayne State University, Detroit, MI.

members went to the Washington rally.⁵⁰ Most of the city's other municipal unions kept their distance from the rally. For example, while UFT publicly encouraged members to go to the rally, UFT was not involved in organizing the rally and sent few members to it.⁵¹

Also, to push for more federal aid, the unions went on the first of what was to become almost weekly trips to Washington to testify before congressional committees and meet with Treasury Department officials. In May, the MLC steering committee went to Washington and met with the New York Senate and House delegations to encourage them to push for more federal aid to the cities.⁵²

As part of its populist attack on the banks, a couple of the unions put out flyers and press releases attacking the banks. DC 37 issued a pamphlet titled "A funny thing happened to New York City on its way to the banks. We ran into The Big Bank Holdup." In it, DC 37 asked why only city workers were being asked to make sacrifices and demanded that the banks, Con Edison and other large companies doing business with the city should also be asked to make sacrifices.⁵³ On June 4, the MLC held a rally outside the offices of First National Bank on Wall Street. They called for residents of the city to take their money out of this bank to punish it for leading the attack on the unions and the city.⁵⁴ The UFT organized a rally attended by over 25,000 outside of City Hall in early

⁵⁰ *Public Employee Press*, 1 May 1975.

⁵¹ "Rally for Jobs" Editorial, *New York Teacher*, 7 April 1975. Memorandum, Sol Levine, vice president of UFT to Shanker and Sandra Feldman, 9 April 1975, folder 26, box 2, Shanker Series, UFT Collection, Robert Wagner Labor Archives, New York University, New York, NY. The rally turned out to quite large – about 60,000 participants. However, ended abruptly when a group of leftists stormed the stage. *Public Employee Press*, 9 May 1975.

⁵² *The Chief*, 16 May 1975.

⁵³ DC 37 pamphlet, fiscal crisis, n.d., 1974-75 folder, box 4, Bellush Collection. See also Gotbaum interview on WCBS-TV reprinted in *Public Employee Press*, 9 May 1975.

⁵⁴ "MLC flyer (undated), fiscal crisis: readings and sources folder, box 4, Bellush Collection. See interview with Walter Wriston, the then chair of First National Bank, for his memories of the rally. Walter Wriston Interview with Jack Bigel, transcript, Bigel Collection.

June to protest planned cuts to the Board of Education.⁵⁵ Later in July, TWU issued their own populist flyer. It read, "The big money boys say "raise the fare!" The mayor jumps when the banks crack the whip. If the mayor is a man of the people as he says he is then he ought to investigate the fabulous profits the banks have piled up." The flyer went on to make the quite radical demand for the abolition of the transit fare.⁵⁶

The most controversial flyer was one that the PBA and UFA put out that became known as the "Fear City" flyer. PBA and UFA members handed out this leaflet, which had a skeleton on the front under the words "Welcome to Fear City" at the city's airports and the Port Authority Bus Station. The flyer warned visitors not to go out at night or in the evening because the city had become increasingly dangerous due to the cuts to the fire and police departments. The flyer unleashed a flurry of condemnation from the city's newspapers and politicians. Beame even threatened to go to court to stop the PBA from handing it out. While Gotbaum and the other union leaders did not publicly comment on it, they privately urged the PBA and the UFA to end the campaign.⁵⁷

The unions were joined in their populist attack on the banks by many of the city's liberal politicians. Beame accused the banks of manufacturing the fiscal crisis for their own nefarious purposes.⁵⁸ Even Governor Carey recommended to President Ford that there be a federal investigation of the role of the banks.⁵⁹ Manhattan Borough President Percy Sutton, Congresswoman Bella Abzug, and City Council President Paul O'Dwyer also attacked the banks. Congresswomen Abzug applauded Beame, "I think

⁵⁵ *New York Teacher*, 15 June 1975.

⁵⁶ TWU flyer, 28 July 1975, press release folder, Matthew Guinan box, unprocessed material, TWU Collection, Wagner Labor Archives.

⁵⁷ *Daily News*, 13 June 1975. For PBA defense of Fear City flyer, see PBA President Ken McFeeley WCBS-TV editorial, 19 June 1975, folder 346, box 12, UFT Collection, Wagner Labor Archives.

⁵⁸ See excerpt of May 1975 Beame speech in Ferretti, *The Year the Big Apple Went Bust*, 198-205.

that it's great that you're hitting the banks."⁶⁰ Throughout the spring and summer of 1975, O'Dwyer in particular chastised the banks for demanding such high interest rates before they would underwrite city of MAC paper. In March, he complained to the press that, "We would have been shown more mercy by waterfront loan sharks."⁶¹ He called for an investigation of the banks by the City Council and in April he attacked the banks at a State Assembly hearing.⁶²

This populist campaign by the unions, community groups, and many of the city and state's leading Democrats demonstrated that there was, at least until the early summer of 1975, a relatively strong opposition to the program of fiscal austerity in the city. These groups demanded that the banks agree to underwrite notes at a lower interest, the federal government grant more aid, and the city increase the corporate and commercial real estate taxes to raise revenue.

However by the end of the summer, this populist attack on the banks disappeared as rapidly as it had appeared. By then, the unions were no longer rallying at City Hall or issuing attacks on the banks. Instead, the union leadership accepted the fact that fiscal austerity was inevitable and that rather than railing against it, it would be wiser to try to make certain that within the constraints of austerity, their institutional power remained intact. So while many rank and file union members, who confronted massive layoffs that

⁵⁹ "Handwritten notes of Ron Nessen," handwritten notes, 13 May 1975 Meeting with NYC Officials folder, box 294, Ron Nessen Papers, 1974-77, Ford Presidential Library.

⁶⁰ Abzug letter to Beame, 30 May 1975, fiscal crisis folder, box A-D, subject and correspondence files, Office of the Mayor Abraham Beame Collection, New York City Municipal Archives, New York, NY. Congresswomen Abzug continued to attack the banks into the fall of 1975. In a November press release, she stated, "We cannot allow New York City to be destroyed in order to save the banks." Fiscal crisis – Abzug – Notes, Memos, Statements folder, box 466, Bella Abzug Papers, Special Collections, Columbia University, New York City.

⁶¹ *Daily News*, 5 March 1975.

⁶² O'Dwyer statement, 24 April 1975, bank and bond clippings folder, box 90, Paul O'Dwyer Papers, New York City Archives.

summer, continued to express their outrage and organized several wildcat strikes and would force Shanker to call a teachers' strike, Gotbaum and the most of rest of the union leadership were moving in the opposite direction by developing new relationships with the banks and attempting to carve out a position of power for themselves within the new political regime based on fiscal austerity.

The unions' abandonment of this populist strategy might have made sense. It certainly was not succeeding in one of its main goals of winning the public to their side if a poll done by *The New York Times* in late July was correct. The poll showed that sixty-three percent of all New Yorkers thought that a wage freeze was a good idea. Sixty percent favored the renegotiation of municipal union contracts. Fifty percent thought that the municipal unions had too much political power (about thirty percent thought that they had "a fair share" of power). The poll also nearly sixty-five percent of New Yorkers thought that tuition at CUNY should be charged "if the student's family could afford it." The one statistic from the poll that might have heartened the unions was that about sixty-five percent of those polled disapproved of "trying to make ends meet by laying off employees or by reducing city services."⁶³

In one sense, the municipal unions should not have been surprised that New Yorkers did not rush to their defense. Since the mid 1960s, the city's papers had consistently editorialized about overly paid underworked municipal workers and union "bosses" that wielded too much political power. This constant attacks on the unions by the city's major daily papers demonstrated that while New York was a union town in many ways, municipal unions had never won the legitimacy that the city's private-sector unions had won. However, the municipal unions had not consistently tried to combat this negative

image. Instead, they had often played into their hands by never attempting to consistently offer an alternative view to the city's public. It is true that during their strikes and right before contract negotiations, the municipal unions would use such rhetoric of "a fair wage" and "justice" to defend their actions and demands, but this had never been done consistently. During the 1960s, it did not seem to matter a great deal, but with the advent of the fiscal crisis the municipal unions found themselves without few allies.

This shift by the unions away from a populist critique of fiscal austerity and an abandonment of their demand that other solutions besides austerity be considered had significant ramifications. In a real sense, the municipal unions were perhaps the only institution that could have served a basis of a coalition that could have proposed other solutions than fiscal austerity or at least limited the degree of fiscal austerity which became seen as the only remedy to the fiscal crisis. These huge unions - with the large black and Latino membership, their control over the pension funds, and their ability to threaten strikes that could have literally shut the city down - had the ability to be a critical part of a broad coalition to fight austerity. By deciding not to try to help form or join such a coalition, which appeared to be coalescing in the summer of 1975, the unions made it more likely that this coalition would remain stillborn or at least not of a sufficient size to make much of an impact. Therefore while community groups, some liberal city politicians, and the left did continue to protest the massive cutbacks in social programs and layoffs, these groups lacked the power to have much of an impact without the massive municipal unions joining them.⁶⁴

⁶³ *NYT*, July 21, 1975.

⁶⁴ The municipal unions were not the only ones who abandoned their populist attacks on the banks. For example, by September, City Council President Paul O'Dwyer was echoing the nostrums of conservatives told the media, "I don't see any difference between a hard-nosed reactionary and myself on how you work

Layoffs or Givebacks?

One of the ongoing issues during the fiscal crisis was whether the union leadership should find layoffs preferable to givebacks or vice versa. Some groups believed that it would be better for the unions to accept givebacks rather have workers laid off if there was a choice. Representatives of government watchdog groups such as Raymond Horton of the Citizen Budget Commission and several black politicians such as Manhattan Borough President Percy Sutton supported givebacks over layoffs. Horton was concerned that layoffs would cripple public services and Sutton thought givebacks were preferable because he knew that the majority laid off workers would be minorities given seniority rules.⁶⁵ Even hundreds of union members signed petitions and wrote letters to their leaders saying that they that while they did not like the idea of givebacks that they would accept them in order to save colleagues' jobs.⁶⁶

Publicly, the unions argued that they would neither accept any more layoffs nor givebacks. Furthermore, they denied that Beame ever gave them a choice.⁶⁷ However Raymond Horton argued that Gotbaum and the unions were given a choice by the Beame administration and chose to take layoffs rather than more significant givebacks. And there is some evidence to Horton's assertion. For example, in a speech at Theodore Kheel's Automation House in May 1975 Gotbaum was reported as stating that he preferred layoffs to more givebacks. *The New York Times* quoted Gotbaum as saying, "I

the City of New York now ... I think we have to learn to make some hard decisions."Quoted in Ken Auletta, "Liberals Without Money Default on Leadership," *The Village Voice*, 22 September 1975.

⁶⁵ Horton interview in Lichten, *Class, Power, and Austerity*, 154. Percy Sutton News Release, n.d., Borough Presidents folder, box 95, O'Dwyer Papers..

⁶⁶ See letters to Shanker and Gotbaum. UFT Collection and Bellush Collection. Staff petitions, 23 June 1975, AFSCME Local 1930 New York City Public Library Guild Collection, Wagner Labor Archives.

⁶⁷ Gotbaum interview with Bob Fitch, 12 October 1993, Beame Oral History Collection.

am going to suggest to my troops that they take the layoffs instead of a further erosion of our contract.”⁶⁸ One of Shanker’s aides who had attended the meeting also reported Gotbaum as saying he preferred layoffs to more givebacks.”⁶⁹

Gotbaum’s remarks did not go unnoticed. He received severe criticism from members of DC 37. David Beasley, President of Local 1930 of DC 37, the Library Guild (a local that tended to oppose Gotbaum), wrote Gotbaum saying that it was essential that all of the unions present a unified stand to the public that they would accept neither layoffs or cutbacks.⁷⁰

DC 37 immediately released a statement stating that the newspapers had distorted Gotbaum’s remarks at the Automation House. Gotbaum’s main point, it said, was that the unions had already given up enough and no more concessions should be expected. Gotbaum was quoted as saying, “Their distortion is unconscionable.”⁷¹

Still, despite their public disavowal, Gotbaum and his aides remained concerned. In a memo written two days after Gotbaum gave his speech, Ed Handman, DC 37’s head of research apologized for recommending to Gotbaum that he give the speech and spelled out the union’s dilemma.

Something to think about. I’m concerned that we’re taking no initiative in the whole layoff situation. We didn’t want to give concessions because we’re afraid they’ll come back for more. Actually, the same thing is true of layoffs. And what concerns me is that we have now indicated that we’ll take layoffs with no action on our part. So, for the membership, there can be a wave of layoffs and no action

⁶⁸ *New York Times*, 23 May 1975 and UPI news release, 22 May 1975, fiscal crisis: readings and sources folder, box 4, Bellush Collection.

⁶⁹ memo to Shanker, 23 May 1975, folder 2, box 2, Record Group III, President’s Office, UFT Collection.

from the union. The essence of it is that we have no guarantee that if there are layoffs they wouldn't come back for more. Also the 6% [this was the previously negotiated wage increase that MAC and city officials were hoping to freeze] would be much less painful than thousands of firings. Think about it.⁷²

Clearly, Gotbaum had touched on a sensitive issue. None of the union leaders could publicly admit that they accepted layoffs or even preferred layoffs to other concessions without angering their members. At the same time, there were reasons that union leaders would prefer layoffs to other concessions such as a wage freeze. One is that laid off workers could always be rehired when the economy or the city's budget problems were resolved. On the other hand, giving back something already won at the bargaining table is something that union leaders want to avoid at all costs. And of course, there is one more cynical reason for union leaders to prefer layoffs over givebacks, which is that a laid off worker can not vote you out of office, a member angry over a giveback can. As Frank Prial, the editor of *The Chief*, wrote in early 1975, "As much as they [union leaders] detest layoffs, they recognize a laid off worker is no longer a member. He is hurt and then he leaves, but the member who suffers a pay cut and stays poses a continuing problem."⁷³

⁷⁰ Beasley letter to Gotbaum, 23 May 1975, fiscal crisis: readings and sources folder, box 4, Bellush Collection.

⁷¹ DC 37 press release, 22 May 1975, fiscal crisis: readings and sources folder, box 4, Bellush Collection.

⁷² Handman memorandum to Gotbaum, 23 May 1975, fiscal crisis: readings and sources folder, box 4, Bellush Collection.

⁷³ Frank Prial editorial in *The Chief*, 7 February 1975.

The Formation of MAC, Layoffs, and Wildcats

By late May, the city's fiscal situation had reached a crisis point. Beame said that if more aid was not forthcoming than he would have to lay off an additional 60,000 city workers and make even more draconian cuts in city's budget. However, the banks remained skeptical that Beame was either willing or able to make what they saw as the necessary layoffs and budget cuts that would allow the city to gain access to the market or win federal aid. And when Beame's admitted that of the 12,000 layoffs announced so far less than 2,000 layoffs had actually occurred did not help matters. Leading bankers such as Walter Wriston of Citibank encouraged Carey to become more involved.⁷⁴

Initially, Carey was hesitant to become embroiled in the city's problems or do anything to undercut Beame's power. The state had its own financial problems and he did not believe that it could provide much aid to the city. Also, Beame had been a strong and early supporter of Carey in his election bid and Carey clearly felt that he owed the embattled mayor his support. However, with the city teetering on bankruptcy after it lost access to the bond market and the banks privately asking him to become more involved, Carey reluctantly did so. In mid May, he appointed an advisory group to help him come up with a plan to aid the city. The group included Felix Rohatyn of the investment banking firm Lazard Freres, Richard Shinn, the chairman of Metropolitan Life Insurance, and Simon Rifkind, a former federal judge and senior partner at an important New York law firm. Working closely with the banks, the advisory group came up with a plan to create a state agency that would be authorized to issue up to \$3 billion in bonds to provide the city the cash it desperately needed. The legislation creating the state agency called the Municipal Assistance Corporation (MAC) was signed into law by Governor

Carey on June 11. Perhaps as important as its role in raising money for the city was the power MAC was given to monitor the city's budget and to refuse to advance the city cash if it concluded that the city was not making sufficient progress towards a balanced budget. Mayor Beame and City Council President O'Dwyer clearly understood that this threatened to undermine the power of locally elected officials and they initially opposed the passage of the legislation creating MAC.⁷⁵

The municipal unions watched these events with dismay. They had not been included in the negotiations over the creation of MAC, which reaffirmed Gotbaum's fears that the unions were in jeopardy of losing their ability to influence events. Moreover, the thousands of new layoffs that Beame announced in June shocked them. They had hoped that the layoffs and the concessions that they had already been forced to accept were the last of the hits that they would have to take. At the same time, the unions remained deeply divided on how to defend themselves. At the June 12 MLC Steering Committee meeting, the union leaders discussed the internal divisions within the MLC. Gotbaum stated that "there is a crisis within the MLC and we must decide whether we will be an organization moving together or individual groups moving in terms of self interest."⁷⁶

Over that summer, the unions would try to address two main problems. One was to maintain control over their membership. Faced with massive layoffs of the likes that had not been seen since the Great Depression, the rank and file in many of the unions showed their willingness to take militant action even without their leadership's blessing or support. Secondly, the union leadership desperately tried to influence the resolution of

⁷⁴ On the bankers' view of Beame see Walter Wriston interview with Jack Bigel, Bigel Collection.

⁷⁵ *New York Times*, 5 June 1975.

⁷⁶ Minutes of MLC Steering Committee meeting, 12 June 1975, fiscal crisis, 1974-77 folder, box 4, Bellush Collection.

the larger crisis. The fact that they had not been consulted in terms of the creation of MAC made them realize that if they did reinsert themselves quickly they might find themselves on the sidelines while the banking community and state and city officials acted. Their keen desire to remain a key political player in resolving the crisis encouraged them to accept the fact that the city's political terrain had shifted significantly and that instead of railing about it from the outside, they needed to accept it and try to carve a space for themselves within this new political regime.

The layoffs of late 1974 and early 1975 had not provoked any militant action by the unions though Gotbaum had been hard pressed to table a strike vote by DC 37's delegate assembly in December 1974. However in early June, after Beame announced close to 40,000 more layoffs, it quickly became clear that several of the unions would be unable to stop their members from taking militant actions. None of the leadership of the larger unions wanted to strike, but several confronted a membership that they had little control of. This was particularly true with the PBA, USA, and UFA. While DeLury had been president of the USA since the 1950s, his members had demonstrated their independence by forcing him to declare a nine-day strike in 1968. PBA president Ken McFeeley, and UFA President Richard Vizzini faced significant unrest in their respective unions.⁷⁷

Rebellion began in the sanitation union emerged first after 3,000 sanitationmen received pink slips in the mail on June 30. When the layoffs were announced, DeLury told the press, "There'll be wildcats. There's nothing I can do, there's nothing the Mayor can do to head it off. I, the Mayor, Christ Almighty is not going to stop this."⁷⁸

⁷⁷ Maier, *City Unions*, 178-181.

⁷⁸ *New York Times*, 1 July 1975.

DeLury was right. Within hours of the layoff announcement, sanitationmen began a wildcat strike. On the same day after 5,000 police officers received their pink slips, over angry five hundred laid off policemen shut down the Brooklyn Bridge for several hours and held a drunken rally outside City Hall. While thousands of tons of garbage began to rot in the summer heat, Mayor Beame and the state legislature tried to come up with a plan to give the city increased taxing authority to allow the city to rehire some of the laid off sanitationmen. At the same time, Beame warned the striking workers that they were in violation of the Taylor law and thus faced forfeiture of two day's pay for each day they remained on strike.⁷⁹

DeLury had claimed that he could do nothing to stop his members from wildcatting. Jack Bigel, who had been DeLury's closest advisor for decades and was extensively involved in the negotiations at the time, recalled that this was true. Bigel argued that the wildcat was not organized, but stemmed from longstanding traditions of solidarity among the sanitationmen.⁸⁰

After two days of the sanitation wildcat, the city and DeLury reached an agreement that appeared to save the sanitationmen's jobs. In a plan devised by the labor consultant Jack Bigel, the USA agreed to provide \$1.6 million of its welfare fund assets to guarantee the rehiring of all the laid off sanitationmen. Beame rehired all of the 3,000 sanitationmen and he announced that he was going to recommend that the USA not be fined for breaking the no strike clause of the Taylor law. At the same time, the mayor announced that he would rehire only 2,000 of the 5,000 laid off policemen.⁸¹

⁷⁹ Ibid., 3 July 1975.

⁸⁰ Bigel interview with author, 4 November 2001.

⁸¹ *New York Times*, 4 July 1975.

The fact that DeLury managed to work out a deal that got all of his members rehired and had the Taylor law penalties waved demonstrated how certain unions were able to use their close relations with City Hall and key members of the state legislature to their advantage. DeLury was a master of such political lobbying. Understandably, the PBA was outraged that all of the sanitationmen were rehired, but not all of its members. PBA President McFeeley complained bitterly that the sanitationmen received a better deal because of DeLury's long close relationship with Beame. He angrily told reporters, "DeLury has been sleeping with City Hall for years" and referred to the sanitation agreement as a "game of patsy." He pointed out that it was unfair not to rehire all of the laid off police, particularly given the fact that the police had not gone out on strike like the sanitationmen.⁸² At least in one sense, McFeeley was right when he referred to the sanitation agreement as a "game of patsy" because it turned out that the rehiring of the sanitationmen was only temporary for a couple weeks later, Beame fired 1,400 sanitationmen. While hundreds of sanitationmen called in sick in protest and angry workers sabotaged some sanitation trucks, DeLury managed to avoid a serious wildcat.⁸³

MAC, the Unions, and the Americana Agreement

Soon after its creation, it became clear that MAC was not just raising money for the city. It was also making policy recommendations to the city that its elected officials, desperate for cash, had to heed. An unnamed member of the Board of Estimate was quoted in *The Daily News* as urging Beame, "to find what the hell they [the MAC board]

⁸² Ibid., 4 July 1975.

⁸³ Maier, *City Unions*, 174-175.

want and try to ride with them as much as possible.”⁸⁴ At the same time, MAC was facing an increasing difficulties in selling its securities. Felix Rohatyn and other MAC directors met with Beame in mid-July to tell him that investors were still not convinced that the city had taken enough actions to put its fiscal house in order. They told the mayor that he needed to consider imposing tuition at CUNY, raising the subway fare, freezing wages, and laying off more workers.⁸⁵

By mid June, the unions realized that MAC and, to a certain extent, the banking community that MAC represented, were making important decisions about the city’s budget and finances so the unions decided that it was essential that they open up a dialogue with them. MAC officials were more than willing to meet with the union leadership though after their initial contact with the unions, they concluded that the municipal unions had not yet come to the realization of how serious the situation was.”⁸⁶

However, MAC officials quickly became more optimistic after the first official meeting between MAC officials and the municipal union leadership on July 21. On the one hand, the unions made it clear that they were not going to roll over and play dead. Gotbaum, who acted as the primary spokesperson for the unions at the meeting, expressed frustration that the unions were being used as a scapegoat for the fiscal crisis and made it clear that they felt more layoffs were unnecessary and unfair. He also said that he and the other union leaders felt that they had little to lose if the city defaulted. Al Shanker spoke ominously about “labor turmoil” if existing contracts were unilaterally

⁸⁴ *Daily News*, 18 July 1975.

⁸⁵ *Ibid.*, 18 July 1975; Minutes of MAC Board of Directors meeting, 17 July 1975, box 1, Series II, Municipal Assistance Corporation Archive, Archive on Municipal Finance and Leadership, Baruch College.

⁸⁶ MAC executive director Herbert Elish reported to the MAC board, “his preliminary talks with the unions indicated that they had no true perception of the crisis that we are currently facing.” Minutes of MAC Board of Directors meeting, 21 July 1975, box 1, MAC Archive.

altered. On the other hand, Gotbaum and the other union leaders made it clear that they were willing to enter into negotiations with MAC. Rohatyn assured the union leaders that MAC was not interested in a "dictated solution" and hoped that MAC and the union would be able to work together to come up with a acceptable solution. The MAC officials agreed and unions and MAC set a July 29 deadline for reaching an overall plan.⁸⁷

For the next week, MAC, the mayor, and the unions met to work out a deal. Beame and MAC argued that the unions needed to accept a wage freeze and the mayor threatened to declare a wage freeze unilaterally and lay off 27,000 more workers if the unions did not agree. MAC and the city did not argue that the money saved from a wage freeze would come even close to solving the city's budget problem. The point of these cutbacks were crucial to them because they sent a message to the banks, Congress, and Albany that the city was willing to take action to get its fiscal house in order.⁸⁸ The unions argued that a wage freeze was out of the question.⁸⁹

However, after meeting around the clock for several days, DC 37, TWU, local 237 and several of the other municipal unions reached an agreement with the city and MAC on July 31 that became known as the Americana Agreement after the midtown hotel where the negotiations had taken place. The most significant part of the agreement was that the unions agreed to defer wage increases of six percent wage increase, which they had previously won at the bargaining table and that had just gone into effect on July 1.

⁸⁷ Minutes of MAC Board of Directors meeting, 21 July 1975, box 1, MAC Archive; *New York Times*, 24 July 1975.

⁸⁸ *The Chief*, 25 July 1975.

⁸⁹ *Ibid.*, 1 August 1975.

Now, effective September 1, workers would defer part or all of this increase.⁹⁰ Also, each union agreed to give up one work rule. For its part, the city promised to try to rehire as many of the laid off workers as possible with funds from a federal program called the Comprehensive Employment and Training Act (CETA).⁹¹ To encourage unions to sign the agreement, Beame with the legal backing of the State Attorney General Louis Lefkowitz pledged to unilaterally freeze the wages of workers in unions that would not accept deferral agreement.⁹²

During these tense negotiations, it became clear that there were two main camps among the unions. On the one side were Gotbaum and the various unions such as the TWU, local 237 of the teamsters, and the sanitationmen's union. Led by Gotbaum, this camp had accepted the need for some form of wage deferral. Gotbaum had actually floated the idea of a wage deferral as an alternative to a wage freeze and more layoffs earlier in July in meetings with other union leaders. He proposed that the unions agree to defer wage increases and to use their massive pension fund assets to buy city bonds.⁹³ The other camp opposed Gotbaum's more moderate state and refused to sign the Americana Agreement. The three major municipal unions in this group were the UFT,

⁹⁰ Employees earning under \$10,000 would defer two percent of this increase. Those earning between \$10,000 and \$15,000 would defer four percent and those earning over \$15,000 would defer all of the increase.

⁹¹ CETA was passed by Congress in 1973 to deal with the growing problem of unemployment that was becoming particularly acute in inner city areas. Initially, CETA funds were primarily for job training programs, but in late 1974, Congress revised the law and authorized \$2.5 billion in late 1974 to help large cities deal with unemployment. Cities and regions with particularly high levels of unemployment could use CETA funds to pay for all of or part of the salaries of unemployed workers (CETA paid up to \$10,000 of workers' salaries and benefits). Municipalities were responsible for running the programs, but the U.S. Department of Labor was charged with creating guidelines on who could be hired. See Margaret Weir, *Politics and Job: The Boundaries of Employment Policy in the United States* (Princeton: Princeton University Press, 1992), 117-121.

⁹² *New York Times*, 1 August 1975 and *The Chief*, 8 August 1975.

⁹³ Seymour Mann and Edward Handman, "Perspectives on New York City's Fiscal Crisis: The Role of the Municipal Unions," *City Almanac*, June 1977.

the PBA and the UFA. A couple of smaller leftwing unions such as the Committee of Residents and Interns did not sign it the agreement for political reasons.⁹⁴

By the end of July, Gotbaum had been able to convince several of unions that they had no alternative. Gotbaum told the DC 37 executive board, "I am not thrilled with this package, but the alternatives are far more disastrous. We will be living in a city in trouble, but with this package, we will, at least, continue to live."⁹⁵ With the Americana Agreement, the unions also achieved their main goals – the goal of maintaining their bargaining power. Of course, in doing so, they had agreed to give up wage increases won previously at the bargaining table, but to Gotbaum that was certainly better than the city taking this action unilaterally and it was clear that the city was willing to do so. DC 37's newspaper went even further in hailing the agreement. With the banner headline reading, "JOBS SAVED!" the paper stated that the city would rehire laid off workers. While the city did promise, as part of the agreement, to look into rehiring laid off workers with CETA money, it certainly was not something as definite as reported in the *Public Employee Press*.⁹⁶

The leadership of the PBA and the UFA was clearly angry that Gotbaum had managed to set the parameters of the debate. Moreover, they were frustrated that Gotbaum, Feinstein, and DeLury did not treat them as equals. And they clearly did not. Gotbaum and the others felt that the firefighters and police union leadership were amateurs and inexperienced negotiators. They thought that the "Fear City" campaign was foolish and

⁹⁴ PBA went to court saying that the wage deferral was a violation of state labor law. In April 1976, a lower state court sided with the PBA and said that the wage deferral was unlawful and the city had to pay it retroactively. *New York Times*, 28 April 1976. However, the city appealed that decision. Eventually, the OCB stepped in and ruled that because of the Emergency Financial Control Act, the city had the right to defer the policemen's wages. *New York Times*, 24 August 1977.

⁹⁵ Minutes of DC 37 Executive Board Meeting, 31 July 1975, fiscal crisis, 1974-77 folder, box 4, Bellush Collection.

that Ken McFeeley of the PBA and Richard Vizzini of the UFA were unable to control their members. McFeeley and Vizzini lashed out at the other union leaders. McFeeley complained, "I know that there's collusion between John DeLury and Jack Bigel and Victor Gotbaum and City Hall, and police and fire are going to pay for it." Vizzini stated, "I can't be a politician. I can't be the DeLury or the Gotbaum. That's my problem. I can't sell out my membership."⁹⁷ Of course, much of this rhetoric was for the consumption of their membership. McFeeley and Vizzini might have wanted to sign the Americana Agreement, but they knew that there was not a chance that their membership would ever ratify such an agreement.⁹⁸

The reasons that UFT did not sign the Americana agreement are a bit more complicated. Al Shanker of UFT had sat in on the initial negotiations at the Americana, but according to press reports, he and Gotbaum got in a shouting match and Shanker walked out without agreeing to sign the agreement.⁹⁹ Why he did not sign it is unclear. The reason usually given is that Shanker had come to the Americana meetings only as an observer. It is true that at the time of the meetings at the Americana Hotel, the UFT contract was about to expire September and the view at the time was that the wage deferral agreement would not cover the upcoming UFT contract. However, the reasons for Shanker's rather theatrical walkout had as least as much to do with the rivalry between Shanker and Gotbaum as it did about the UFT contract. By the Americana Agreement, it was clear that Gotbaum, Shanker's longtime rival, had emerged as the clear leader of municipal unions. Shanker saw no reason to validate Gotbaum's new position

⁹⁶ *Public Employee Press*, 8 August 1975.

⁹⁷ *New York Times*, 21 July 1975.

⁹⁸ *The Chief*, 8 August 1975.

⁹⁹ *New York Times*, 31 July 1975; Ferretti, *The Year the Big Apple Went Bust*, 271.

of power. However, Shanker also felt that Gotbaum was giving away too much. Two months later in October, he told the AFT executive council that he had urged Gotbaum to tell MAC that existing contracts were not negotiable, but Gotbaum was too willing give in. He said that Gotbaum basically told MAC that he was willing to renegotiate the contract if they fired provisionals and CETA workers. Shanker stated, "It was obvious that the negotiations were very phony."¹⁰⁰ Lastly, the specifics of the wage deferral agreement did not favor unions such as UFT or PBA whose members' salaries were on the higher end of the spectrum. Since most of their members made over \$15,000, they would have defer all of their wage increases whereas most DC 37 members, who were on the lower end of the salary spectrum, would only have to defer a part of their wage increase.

The Unions' Rejection of Bankruptcy

The ink on the Americana Agreement was barely dry when the unions were confronted with a series of other difficult questions. The first concerned what stand they should take on whether the city should declare bankruptcy. In the late summer and early fall of 1975, this appeared to be a likely outcome as MAC continued to have difficulty raising money for the city and the Ford administration continued to say it would not come to the city's aid.

Some conservatives and liberals argued that, given the alternatives, bankruptcy might not be such a bad idea. From the right, *The Wall Street Journal* argued that the city should voluntarily declare bankruptcy. *The Journal* thought that bankruptcy would, once

¹⁰⁰ AFT Executive Council Meeting, transcript, 3-4 October 1975. Executive Council Proceedings of Oct. 3-4, 1975 folder, box 36, Series III, Executive Council, AFT Collection, Wayne State University, Detroit,

and for all, lead to the end of the city's liberal social programs and hamstringing the powerful unions. On September 14, the paper's editors wrote, "Bankruptcy would help the city with a rearrangement of its debts and obligations, including labor contracts and pension plans."¹⁰¹ From the left, some liberals including Congressman Herman Badillo and City Council President Paul O'Dwyer felt that bankruptcy might be a better option for working class and middle class New Yorkers than the massive cuts in social spending and layoffs. In August, Badillo introduced legislation in Congress that would make it easier for cities to declare bankruptcy. O'Dwyer, who had called for both state and City Council investigations into the role of the banks earlier in the year, believed that bankruptcy might be better than the continued cuts.¹⁰² In October, O'Dwyer complained that Governor Carey and others who wanted to avoid bankruptcy at all costs seemed more concerned about protecting the banks than average New Yorkers.¹⁰³

Both the banks and the unions wanted to avoid bankruptcy at all costs. The banks held billions in city securities and they were uncertain who would have first lien in the event of bankruptcy. Also the banks feared that if the city went bankrupt, they might be accused of violating their fiduciary responsibilities to investors.¹⁰⁴

While some union advisors flirted with idea of bankruptcy in the early summer of 1975, by the time of the Americana Agreement, the unions had decided that bankruptcy was not a desirable option for a number of reasons.¹⁰⁵ One was that they were warned by

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¹⁰¹ *Wall St Journal*, 14 September 1975.

¹⁰² O'Dwyer Press Release, 25 July 1975. budget proposal folder, box 97, subject files, O'Dwyer Papers.

¹⁰³ O'Dwyer speech, 21 October 1975, default folder, box 113, O'Dwyer Papers.

¹⁰⁴ On the banks' view of bankruptcy, see interview of Walter Wriston by Jack Bigel, Bigel Collection.

¹⁰⁵ Jack Bigel recalled that he considered bankruptcy as an option in early summer of 1975. Jack Bigel interview with author, 4 November 2000. Bertram Perkel, one of DC 37's chief legal advisors, advised Gotbaum that it might be possible to protect their interests even in the case of bankruptcy. Fiscal Crisis – Readings and Sources folder, box 4, Bellush Collection.

some of their financial advisors that if the city declared bankruptcy, it might stop contributing to their members' pension fund system, which might lead it to its collapse.¹⁰⁶ Perhaps more importantly, they worried that a court-appointed judge might rescind collective bargaining rights therefore taking away any power the unions had to dictate events. As Gotbaum wrote in an editorial in *The Public Employee Press*, "It is certain that default will mean an outside force – either a court or some combination of a court appointed or White House appointed persons – running New York City with an iron fist."¹⁰⁷

The Formation of the Emergency Financial Control Board

By the middle of August, it was clear that despite the actions taken by the city, MAC would not be able to market enough of its bonds to keep the city afloat. And while, there was slowly growing support in Washington to aid the city, the White House's continued opposition to aid made it clear that, at best, aid would be several months in coming.

Moreover, the banks still remained skeptical of Beame's willingness or ability to make what they saw as necessary cuts. As Citibank Chairman Walter Wriston later explained, "The banks' belief that the political process would put together a financial plan and stick to it was very low."¹⁰⁸ In July, Chase Manhattan Chairman David Rockefeller made public a letter that he had written to MAC officials in which he stated that the banks

¹⁰⁶ Program Planners' "Role of the Public Employee Retirement Systems of the City of New York in the Fiscal Crisis," 1977, Bigel Collection.

¹⁰⁷ *Public Employee Press*, 12 September 1975.

¹⁰⁸ Walter Wriston Interview with Jack Bigel. Bigel Collection.

would not invest in any more MAC securities until new measures authorizing, "spartan control on the expenses of the City," were implemented."¹⁰⁹

As they had in May with the formation of MAC, the banks pressured Governor Carey to intervene. In late August and early September, Carey met with MAC officials, leaders in the state legislature, and Beame to come up with a plan to help the city regain the trust of both the market and Washington. The basic idea was for the state to create a control board that would have some degree of power over the city's budget. Beame and other city officials resisted the plans fearing that too much of their power was being usurped. Beame stated that, "We hope to achieve a sound sensible program which would not have the decision making powers for our electorate one hundred and fifty miles from the city. What is being proposed is not appropriate."¹¹⁰ However by that point, Beame and other elected city officials had been pushed aside.¹¹¹

A crucial issue was whether the municipal unions would oppose the creation of such a board. While they were certainly weaker than they had once been, these unions still enough clout in the state legislature to possibly stop such a control board. In order to win their support, Governor Carey asked Gotbaum, Jack Bigel, and Barry Feinstein to meet with him to discuss the plans for the Emergency Financial Control Board (EFCB) and to ask for their support in convincing the state legislature to pass it. They agreed, but insisted upon the addition of two clauses to the legislation. First, collective bargaining

¹⁰⁹ Quoted in Rockefeller, *Memoirs*, 394.

¹¹⁰ *New York Times*, 4 September 1975. City Council President Paul O'Dwyer also was concerned about the loss of home rule. See his handwritten notes, 1 September 1975, labor relations folder, box 136, O'Dwyer Papers.

¹¹¹ David Rockefeller, who supported the creation of the EFCB agreed with Beame that the control board did take power away from the city. In his memoirs, he writes, "Mayor Beame and the City's other elected officials would now become mere spectators as the crisis moved through its final difficult stage." Rockefeller, *Memoirs*, 395. City Council member Edward Sadowsky also feels that the formation of the

would be maintained and two, if more workforce reductions were needed, attrition would be tried before layoffs. Carey agreed.¹¹² Again, it is interesting to note how despite all of the talk of the need to involve the entire MLC in important decisions, the initial decision to lobby for the creation of a control board, which would clearly have a major impact on all of the unions, was made by Gotbaum, Feinstein, and Bigel alone.

As he had with the Americana Agreement, Shanker parted company with the other municipal unions and opposed the legislation creating the EFCB. He was one of the few who signed a press release put out by Morton Bahr, president of the Northeast district for the Communication Workers of America (CWA) that stated the EFCB should not have the right to reject or modify labor agreements and that the wage freeze amendment should be deleted.¹¹³

With the support of the municipal unions, the state legislature passed the EFCB legislation and on September 9, Carey signed the Emergency Financial Control Act into law. The act had several components. First, it included a complex \$2.3 billion financing package based on state aid, the state pension funds, the city pension funds, and the banks. Second, it incorporated into state law a one-year wage freeze for city employees that could be extended up until June 1978. It also stated that those unions that did not agree to the Americana wage deferral would have their members' wages summarily frozen. Third, the act created a seven-member board comprised of the governor, the mayor, the state comptroller, the city comptroller, and three appointees of the governor from the private sector. The powers of this board went beyond those of MAC. The EFCB could

EFCB made city officials relatively powerless during the fiscal crisis. Edward Sadowsky interview with John Metzger, 28 November 1994, Beame Oral History Collection.

reject or amend the city's financial plan. City contracts and labor agreements had to be approved by the board. The jurisdiction of the control board covered all mayoral agencies and also agencies outside the direct control of the city such as the New York City Transit Authority. It also created a new position called the state deputy special comptroller who was given full auditing power and access to the city's financial records.¹¹⁴

The September Teacher's Strike

UFT was the first of the city's unions to experience the EFCB's impact on the collective bargaining procedure. Throughout the summer, the teachers union had complained that it did not know with whom it was supposed to be bargaining. Normally, it would be the Board of Education, but in the summer of 1975 the board did not even know how much money was in their budget. The mayor, who usually played some role in the negotiations, had had his power diminished by MAC and soon even more by the EFCB. Meanwhile when teachers returned from their summer break, they found the schools in complete disarray. Due the massive firings over the summer, class size had grown to up to fifty students in some cases.¹¹⁵

Despite his frustration with the situation, Shanker knew that the circumstances did not favor the teachers so he was not eager to take his members out on strike. While there had been sporadic job actions that summer, they had been wildcat strikes – not strikes endorsed by the union leadership. Also, most of the other unions had just agreed to defer

¹¹² Victor Gotbaum Interview with Jack Bigel, 26 March 1997, Bigel Collection. See also *Public Employee Press*, 12 and 26 September 1975 and Minutes of DC 37 Executive Board meeting, 10 September 1975, fiscal crisis, 1974-77 folder, box 4, Bellush Collection.

¹¹³ Bahr Press Release, 8 September 1975, labor relations folder, box 136, O'Dwyer Papers.

wage increases. So as the September 8 deadline approached, Shanker recommended that the union hold off a strike vote so he could continue to negotiate.¹¹⁶ However, by this point he had lost control of the situation. On September 7, the UFT Delegate Assembly voted to go on strike and the next day over 20,000 UFT members jammed Madison Square Garden and overwhelmingly voted to go on strike the next day.¹¹⁷

The eight-day strike, which by all accounts was respected by the vast majority of teachers, shut the city's school system down completely. While the UFT and the Board of Education negotiated, State Supreme Court Justice Irving Saypol (the same judge who had found Shanker guilty of breaking the Taylor Law during the 1967 and 1968 UFT strikes) said he would direct the city's district attorneys to begin criminal proceedings against Shanker and other UFT officials for once again breaking the Taylor Law.¹¹⁸

Eight days into the strike, the UFT negotiating team reached a memorandum of understanding with the Board of Education. The UFT had accepted several givebacks such as a decreased number of prep periods for some teachers. But on the other hand, the memorandum provided for longevity increases as well as a cost-of-living-increase (COLA). Shanker argued that it was the best they could expect given the situation and recommended that the members accept it. He added that the "over two-thirds of all laid

¹¹⁴ Bailey, *The Crisis Regime*, 39-46.

¹¹⁵ *New York Teacher*, 14 September 1975.

¹¹⁶ Shanker letter to UFT delegates, 2 September 1975, folder 256, box 9, UFT Shanker Files, UFT Collection.

¹¹⁷ Minutes of UFT executive board meeting, 8 September 1975, box UFT Minutes, Adcom and Executive Board, Delegates Assembly minutes, 1967-72 folder, UFT Collection, UFT Headquarters, New York City; Shanker report to AFT Executive Council, 3-4 October 1975, folder 3, box 36, American Federation of Teacher Series III Executive Council Collection, Reuther Archives, Detroit.

¹¹⁸ *New York Times*, 16 September 1975.

off members will be rehired beginning immediately, and all of us will be back in a short period of time.”¹¹⁹

On September 16, UFT members once again gathered in Madison Square Garden to vote on whether to accept the tentative deal and to end the strike. At the raucous Madison Square Garden meeting, the members voted 10,651 to 6,695 in favor of the memorandum of understanding and to end the strike. It was a heated meeting and Shanker was booed by hundreds of members as he defended the agreement. The Teachers Action Caucus, the main opposition group to Shanker's Unity caucus, wanted to continue the strike. They also were angry that Shanker had not made available to the members copies of the memorandum of understanding twenty-four hours before the vote, as required by the UFT constitution.¹²⁰

While Shanker won the day, he clearly angered many members who felt that they had not been given enough time to study the memorandum before voting on whether to accept it. Shanker actually agreed with them on this issue and sent a letter to all UFT members in which he apologized for the way the strike ended, admitting that it violated UFT rules.¹²¹ Shanker made matters worse with his comments in an interview that appeared in *The New York Times* on September 30 in which he admitted that he never even raised the issue of whether laid off members would be rehired during negotiations with the Board of Education despite the fact that had been one of the main demands stated for striking in the first place. He also admitted that he had opposed going on strike from the beginning.

¹¹⁹ Shanker letter to members, 15 September 1975, folder 256, box 9, UFT Collection, Wagner Archives; minutes of UFT executive board meeting, 16 September 1975, Box UFT Minutes, Adcom and Executive Board, Delegates Assembly minutes, 1967-72 folder, UFT Collection, UFT Headquarters, New York City

¹²⁰ TAC mailgram to Shanker, 7 September 1975 and TAC flyer, 11 September 1975, TAC 1975/76 folder, Teachers Action Caucus Collection, Wagner Labor Archives.

¹²¹ Shanker letter to members, 1 October 1975, folder 256, box 9, UFT Collection; Shanker report to AFT Executive Council, 3-4 October 1975, folder 3, box 36, AFT Collection.

He said, "Since a strike represents a possibility of life and death for a union, you do not call a strike unless not calling it is also life and death. I do not consider the questions we had a matter of life and death."¹²²

The EFCB Rejects the UFT Contract

In a letter to his members asking them to ratify the memorandum of understanding, Shanker stated that, "our contract will be the first test case in a new and unprecedented situation in which the city and state legislation practically suspends collective bargaining as we have known it."¹²³ Shanker was correct. The teachers' contract was the first test case on how the EFCB would intervene in the city's labor relations and the UFT did not have to wait long to see what the EFCB would do. The ink on the contract was barely dry when Governor Carey and the EFCB voiced their concerns about the agreement. Specifically, they argued that their preliminary analysis indicated that the contract would cost as much as \$80 million more than was budgeted for the Board of Education and that the COLA increases violated the wage freeze/deferral agreement that the Americana Agreement put in place.¹²⁴ Both the UFT and the Board of Education vehemently disagreed, arguing that the contract's costs were within the budget constraints demanded by the Mayor and the City Council.¹²⁵

Nonetheless, on Oct 7 the EFCB rejected the teachers contract arguing that the longevity increases and COLA "gravely violate" the city's plan for fiscal recovery.

¹²² *New York Times*, 30 September 1975.

¹²³ *The Chief*, 26 September 1975.

¹²⁴ *New York Times*, 30 September 1975.

¹²⁵ UFT mailgram to Governor Carey, 1 November 1975, folder 368, box 13, UFT Collection, Wagner Archives; transcript of WABC-TV interview with Irving Anker, Chancellor of the New York City Schools, 26 November 1975, folder 346, box 12, UFT Collection, Wagner Archives.

Governor Carey, the chairman of the EFCB, stated that the Board of Education and UFT would have to renegotiate the contract.¹²⁶

At a press conference after the EFCB's announcement, a furious Shanker charged that "It was outrageous that the Governor, Mayor Beame, and the Control Board should be allowed to get away with the destruction of collective bargaining, should be allowed to tear up contracts."¹²⁷ He also more privately voiced his frustration with the other municipal unions. In a letter to city and state officials, he wrote, "Some unions had struck a deal with the city, "voluntarily" re-negotiating their contracts and accepting a deferral of wage hikes already bargained." Later in the same letter, he complained that the EFCB right to review and approve contracts had been made retroactive to September 1, 1975 specifically in order to make the UFT contract subject to EFCB review.¹²⁸

Shanker was very bitter at this point. Not only did the EFCB reject his contract, but he was pilloried in the press and found guilty of violating the Taylor Law. Moreover, he felt that UFT was being singled out and punished for not signing the Americana Agreement. In a meeting with officials from the State Board of Regents, Shanker complained that the transit workers and the sanitationmen were not being as hard hit as the teachers. He claimed that the reason for this was that people remembered the January 1966 transit strike and how the city was brought to its knees. He also volunteered his views on how archaic work rules were keeping sanitation productivity down.¹²⁹

The UFT would have to wait over a year before the EFCB relented and approved their

¹²⁶ Minutes of EFCB meeting, 7 November 1975, Bigel Collection.

¹²⁷ *New York Teacher*, 12 November 1975.

¹²⁸ UFT letter to city and state officials, 14 October 1975, folder 254, box 9, UFT Collection, Wagner Archives.

¹²⁹ Memorandum to New York State Commissioner of Education Nyquist concerning meeting with Shanker, 17 November 1975, folder 257, box 9, UFT Collection, Wagner Archives.

contract. As will be discussed in the next chapter, Shanker would attempt to circumvent the EFCB by successfully pushing through legislation in Albany that would restore spending to the New York City public schools. By doing so, Shanker, like DeLury and other union leaders, would not give up the right to win better deals for his members. However by doing so, Shanker would win the enmity of Governor Carey and prolong the friction that existed between the various unions.

Opposition to Union Leadership

As the sanitationmen wildcat and the teachers' strike demonstrated, the city's municipal union leaders had to be very concerned about their members' views. Since all of the union leaders were elected officials, they could not ignore a rank and file, which was angry over the layoffs and wage deferrals.¹³⁰ From the very beginning of the fiscal crisis, some members claimed that their leaders were not doing enough to defend their interests. In some of the unions such as the sanitationmen's union, the opposition to the leadership was not clearly organized. Still as the sanitation wildcat in July showed, even without an organized opposition, rank and file members could act independently of the union leadership.

In several of the municipal unions including DC 37, the UFT, and TWU, there were organized opposition groups to the leadership. Many of the individuals in these dissident groups were products of the New Left. Politicized by the antiwar and civil rights movement, many had gotten municipal jobs in the early 1970s and quickly became active

¹³⁰ All of the major city union leaders were elected directly by their members except in DC 37 where the executor director is elected by its delegate assembly.

in their unions.¹³¹ These union dissidents voiced similar criticisms, put forth similar proposals of action, and faced similar obstacles.

The one very important exception to this profile were the opposition groups in the police and firefighter unions. These were actually the most successful in terms of influencing their unions' policies and actually winning control of their unions. However, they were very different than dissident groups in the other unions. They were not product of the New Left. They did not argue as the other dissident groups did, that their unions should try to work in broader coalitions to defend the unions and build a broad coalition to fight the budget cuts. If anything, opposition groups in the uniformed unions wanted to have little to do with other unions (particularly the nonuniformed unions) and certainly did not want to build some broad struggle against the budget cuts. The one thing that they did have in common with the more leftist dissident groups is that they felt that their union leaders should show more militancy to fight the wage freezes and layoffs.

Militant dissident groups either controlled or were very influential in a couple of DC 37's over fifty locals kept up a steady drumbeat of criticism throughout the fiscal crisis. The most influential of these was local SSEU-371 (social workers). SSEU had been a separate union from DC 37 initially. However, by the late 1960s, it voted to affiliate with DC 37 because of financial problems. However, SSEU-371 maintained its independence and leftist politics to a certain degree. Unlike most of the other DC 37 locals, it published its own newspaper and consistently and openly criticized DC 37's negotiating and political strategies.¹³² Another DC 37 local whose leadership argued that Gotbaum was offering too many concessions during the fiscal crisis was Local 1930 New York Library

¹³¹ Ray Markey interview, 13 March 2001.

¹³² Richard Mendes, "The Professional Union," Maier, *City Unions*, 72-76.

Guild. David Beasley, the president of this local, and Ray Markey, a member of its executive board and future president, spoke at many of the rallies organized by dissident groups in the municipal unions during the summer of 1975.¹³³

From the very beginning of the fiscal crisis, these groups put pressure on Gotbaum not to make concessions. They argued that Gotbaum should defend the jobs of provisional and CETA workers. In December 1974, local 371 had proposed to the Delegate Assembly of DC 37 that the union vote to strike if there were any more layoffs.¹³⁴ By the summer, dissidents from various DC 37 locals formed such groups as DC 37 Members Against the Cut Backs and the Committee for A Solid Contract. These groups even resorted to picketing DC 37 to demand that it make no more concessions. They organized rallies with other groups fighting budget cuts such as the United Student Senate of CUNY. They put out position papers which argued that the city could raise needed revenue by collecting more tax on corporate real estate which had been underassessed and undertaxed and by cutting the interest it paid to banks for debt service.¹³⁵

The dissident groups in DC 37 also opposed the Americana Agreement. Library Guild President David Beasley described it as "insulting to the intelligence of the members."¹³⁶ First, they feared that by agreeing to reopen a settled contract, the union leadership was setting a dangerous precedent. They argued that workers desperately needed the wage increases given the high inflation. They also warned that productivity

¹³³ Rally flyers in author's possession, courtesy of Joshua Freeman.

¹³⁴ *The Chief*, 13 December 1974.

¹³⁵ Rally flyers, "Alternatives to Layoffs and Budget Cuts" by Committee for a Solid Contract, n.d., in author's possession.

¹³⁶ Beasley letter to Gotbaum, n.d., in author's possession.

plans in the Americana would lead to speed-ups and harassment for the remaining workers.¹³⁷

Shanker faced an even better organized opposition than Gotbaum. The main opposition group was the Teachers Action Caucus (TAC), which was primarily made up of junior high and high school teachers. This group was formed by leftists in the teachers union in the aftermath of the 1968 Ocean Hill-Brownsville teachers strike. While small, TAC ran candidates against Shanker and his Unity caucus throughout the early 1970s.¹³⁸

From the very beginning of the fiscal crisis, TAC argued that Shanker was not taking a hard enough line with Beame and the Board of Education against layoffs and the wage freeze. At the November 1974 UFT delegates assembly meeting, TAC members proposed a resolution allowing UFT “to take any action necessary to prevent cuts.” Shanker’s unity caucus, which controlled a majority of the delegates, defeated this proposal.¹³⁹ The criticisms that TAC made of the leadership of the UFT were similar to the criticisms leveled by dissidents in DC 37 against Gotbaum. They claimed that Shanker was not putting enough pressure on the city to force the banks to stop demanding such high interest rates on city debt, that Shanker was not keeping the membership informed about the negotiations between the union and the city, and that the union was not working with poor communities that were adversely affected by the budget cuts.¹⁴⁰

TAC had argued that the union needed to strike and was one of the main groups that forced Shanker to call the September strike. They also opposed ending the strike until the over fourteen thousand fired teachers and staff were rehired. At the September 16 mass

¹³⁷ Coalition to Fight Budget Cuts bulletin, August 1975, in author’s possession.

¹³⁸ Interview with Lewis Friedman, 8 August 2000.

¹³⁹ TAC newsletter, November 1974, TAC 1974/75 folder, TAC Collection.

meeting in Madison Square Garden in which UFT members voted to endorse the proposed memorandum of understanding, TAC argued for members to reject it. They maintained that the strike should continue until the union won their demands for firmer guarantees for the rehiring of all laid off workers, a better cost of living increase, and class size reductions.¹⁴¹ They also argued that the UFT leadership had violated the union's constitution by not making available the proposed contract or agreement at least twenty-four hours before the vote was taken.¹⁴²

It is difficult to know how much influence these dissident groups in UFT or the other unions had over members or if the views of many of the members held similar views to the opposition groups. Publicly, the union leadership dismissed these dissident groups as irrelevant and not representing the views of the vast majority of the rank and file. Since there was never any polling done of the rank and file's views of the matter it is difficult to know for certain. However, given the fact that rank and file members in several of the unions such as UFT, USA, and the PBA engaged in militant actions in opposition to their union leaders similar to what the dissident groups were advocating, it does appear that a significant number of the union rank and file had similar views on the issue of strategy as the dissidents.

Still, while the union rank and file demonstrated a willingness to act militantly early in the fiscal crisis, these dissident groups had only a limited impact on the unions' actions at this point in the fiscal crisis because a number of obstacles. One of these obstacles had to do with the structure of the unions. For example, DC 37 was made up of over fifty

¹⁴⁰ TAC newsletters, May 1975 and June 1975, mailgram from TAC to Shanker, 27 May 1975, TAC 1974/74 folder, TAC Collection.

¹⁴¹ TAC Flyer, 15 September 1975, TAC 1975/76 folder, TAC Collection.

¹⁴² TAC press release, 11 September 1975, TAC 1975/76 folder, TAC Collection.

different locals, which had a racially diverse membership and covered a large number of job categories. The locals in which the dissidents were most influential such as the librarians guild (local 1930) and local 371 were primarily made up of college-educated whites.

The union dissidents also confronted the legacy of the 1960s. Ray Markey, an important dissident leader in the librarians' guild, recalled that while many members of the blue collar laborers locals were outraged over the layoffs, they were skeptical of working with any of the organized dissident groups that they saw as controlled by college-educated leftists. And they were right to a certain extent. Most of the dissidents had come out of the student left and many were still members of various leftists groups. For example, Markey was a member of the Socialist Workers Party at the time and many of the dissidents had been outspoken opponents of the Vietnam War.¹⁴³ Markey recalled that it seemed impossible to break through the suspicion that many of the blue-collar laborers had for him and the other dissidents. It is important to remember that the fiscal crisis occurred only five years after the hardhat riots in which New York City construction unions held pro-war demonstrations on Wall Street and attacked antiwar demonstrators.¹⁴⁴ Many of the Italian-American members of laborer locals in DC 37 belonged to the same ethnic communities of these pro-war demonstrators of 1970. In a slightly different way, TAC also confronted the legacy of the 1960s. While UFT membership was much more homogenous than DC 37 in terms of education or race, the Unity Caucus, which ran UFT, still had never forgiven TAC members for supporting the Oceanhill-Brownsville school board. Throughout the 1970s and into the 1980s, Shanker

¹⁴³ Ray Markey interview, 13 March 2001.

¹⁴⁴ For hardhat demonstrations, see Freeman, *Working-Class New York*, 237-247.

and the Unity Caucus would remind union members that several TAC members had crossed the picket lines in 1968.

Also, the dissidents in DC 37 and the other unions had to work within organizational structures that were not completely democratic. For example, Gotbaum, the executive director of DC 37, was not elected by the membership, but by the union's delegate assembly. By winning the support of the presidents of the larger locals, Gotbaum was in turn able to control the unions' delegate assembly where local delegates tended to vote as blocs. Moreover, DC 37's overall strategy was decided by its executive board, which was made up of the presidents of the union's five largest locals and the presidents of some of DC 37's smaller locals. Gotbaum was able to win the support of the majority of the executive board by offering perks to local presidents. Moreover, the leadership of DC 37 was clearly angered by the actions of the dissidents. The dissidents faced hostile questioning in the delegate assembly. Markey recalled that Lillian Roberts, an executive vice president and Gotbaum's protégé, went so far as to call community groups that had endorsed 1930's and 371's June demonstration to pressure them to withdraw their endorsements of the demonstration.¹⁴⁵

Dissidents in UFT faced similar obstacles. Shanker's Unity Caucus ran the union with an iron hand. Union newspaper space is made available to opposition candidates only in the issue before union elections. TAC was not allowed to even buy a page in the union paper in September 1975 to publicize their views on the September memorandum of understanding. The UFT delegate assembly was dominated by Unity Caucus members. Being a delegate or a UFT shop steward was considered quite a perk for a teacher since you received significant release time from teaching as a shop steward. Since the Unity

Caucus controlled most of the local chapters, it made sense for members to join that caucus if they ever wanted to become a steward or delegate. Also, it was extremely difficult for dissident groups within UFT to present motions at the union's delegate assembly since Shanker set the agenda for these meetings and new items could only be introduced by a two-thirds vote.¹⁴⁶

Also, the growing importance of the MLC hurt the dissidents. Several of the most important decisions made by the unions such as agreeing to the Americana Agreement were first cleared by the MLC and the members of the individual unions were presented with something akin to a *fait accompli* that would have been difficult to reverse. Union members were never consulted or got the chance to vote on such important issues as the decisions to lobby for the creation of the EFCB or whether to invest huge amounts of their pension fund assets in city paper.¹⁴⁷

To Strike or Not to Strike: The Decision by the Union Leaders to Rule out Striking

With federal aid uncertain at this point, the EFCB continued to pressure Beame to make more budget cuts. In early October, Beame proposed extending the one-year wage freeze to three years and hinted that he would need to lay off several thousand more workers. The unions responded angrily. Besides disliking the content of Beame's plan, they were also frustrated that they had not been consulted before it was announced. The union leaders had hoped that the wage deferral and the significant number of layoffs

¹⁴⁵ Markey interview, 13 March 2001.

¹⁴⁶ Maier, *City Unions*, 131-135.

¹⁴⁷ It is true that the trustees of the five pension funds made the decision to invest assets in city paper, but the majority of the boards of the five pension funds tended to do what the key union leaders asked them to do.

would be all that they would have to give. Barry Feinstein of Local 237 stated that he would recommend to the MLC that it consider calling a general strike of all city workers. Initially, other union leaders such as Ken McFeeley of the PBA and Victor Gotbaum argued that they were also open to a general strike.¹⁴⁸

However despite such occasional militant talk, it appears unlikely that Gotbaum and most of the other union leadership ever seriously planned on taking militant action such going on a citywide strike. As early as June 1975, Gotbaum had written a long editorial in DC 37's newspaper on how striking was not the answer. "There are those who have focused on a strike as the method for overcoming layoffs. I am very much aware of the bitterness and frustration that leads to this view, but I feel strongly that a strike at this time would be counterproductive and a tragic mistake. The answer does not lie in City Hall. To strike in the city would visit on the people of New York our anger and frustration --- it would not bring back our jobs."¹⁴⁹ Even before then in the winter of 1974, Gotbaum had argued against striking at a DC 37 delegate assembly meeting. While Shanker disagreed with Gotbaum on practically everything else, he agreed with Gotbaum on the issue of striking and made it clear that he thought that the September teachers' strike had been ill advised.¹⁵⁰

The unions also questioned whether the members would be willing to go on strike. As Edward Handman, director of DC 37 public relations, put it in a 1977 article that he co-

¹⁴⁸ *The Chief*, 17 October 1975.

¹⁴⁹ Victor Gotbaum, "A Program to Defend Jobs and Maintain Our Unity," *Public Employee Press*, 20 June 1975.

¹⁵⁰ *New York Times*, 30 September 1975.

authored, "Even the most militant rhetoricians were forced to concede that their members would not strike."¹⁵¹

On what Handman was basing this assertion is a bit uncertain. If anything, the evidence points that the opposite was true. After all, rank and file union members in police and sanitation clearly demonstrated a willingness to strike during the summer of 1975. The teachers overwhelmingly voted to strike in September and Shanker had to use somewhat undemocratic methods to end the strike. Even in Handman's DC 37, the delegates had almost voted to call a strike vote in December 1974 and its large local 371-SSEU had made it clear that it was willing to take militant action. So while Handman or others were on relatively safe ground when they argued that a strike would not have succeeded in stopping the onslaught of layoffs and givebacks, on the question of the willingness of the rank and file to strike, the evidence seems to point to just the opposite of what Handman argued in the article.

It is more likely that the municipal union leadership's opposition to striking had less to do with what their membership believed then it had to do with the views on the wisdom of striking. Striking also would have gone against the overall strategy that Gotbaum and the union leadership had adopted by the late summer of 1975. By that point in time, Gotbaum and most of the other union leaders had concluded that in order to maintain their institutional power, they would have to work within the new political regime based upon fiscal austerity. Striking would have wrecked this strategy. Clearly, Gotbaum thought that striking would be pointless since those who were making the key decisions were in Washington and in Albany and that a strike did not frighten them. He

¹⁵¹Edward Handman and Seymour Z. Mann, "Perspectives on New York City's Fiscal Crisis: The Role of the Municipal Unions," *City Almanac*, Vol. 12, No. 1, June 1977.

also worried that some of the unions, particularly the PBA and UFA, would not support it.¹⁵² Moreover, Central Labor Council President Harry Van Arsdale, who was Beame's close friend, stated that he was opposed to a general strike and that he would tell the unions affiliated with the CLC not to support such a strike. Van Arsdale, who had no love for Gotbaum and was no doubt pleased to see his rival in such a difficult situation, told the media, "it [the strike] would be destructive and injurious to the city at a time the city needs the help of everyone."¹⁵³

So while the MLC railed against Beame's three-year wage plan there was little that they could do about it. It issued press releases questioning its legality and wrote letters to the Governor complaining, but given the fact that they had made it clear that they were not willing to use their strike weapon and had already agreed to invest close to \$ 3 billion of the pension fund assets in MAC and city securities, it is unlikely that the mayor or governor worried too much about press releases. The EFCB certainly did not hesitate in stating that it would to its part in enforcing the three-year wage freeze.¹⁵⁴

The Decision to Invest the Pension Funds

Given the fact that the unions appeared to rule out the possibility of striking as a weapon, it was uncertain what weapon they still had in their arsenal. One that they did have was their control over the city's five pension plans.¹⁵⁵ At the beginning of the fiscal crisis, these pension funds, which had a combined assets totaled over \$7.5 billion dollars,

¹⁵² Lichten, *Class, Power, and Austerity*, 155.

¹⁵³ *The Chief*, 24 October 1975.

¹⁵⁴ MLC Statement, 14 October 1975. Program Planners Collection; MLC letter to Carey, 21 October 1975, fiscal crisis: readings and sources folder, box 4, Bellush Collection.

¹⁵⁵ There were (and are) five major pension funds for the New York City employees. The largest was (and is) called the New York City Employee Retirement System (NYCERS). Both Victor Gotbaum and Barry

had invested very little in city securities. This was not always the case. Before 1962, when the unions had no representatives on the pension fund boards of trustees, the pension funds had up to 74% of their assets invested in the city's securities. This was good for the city because it lowered their borrowing costs, but it did little for the pension funds, which did not need to benefit from the tax-exemption rules of investing in municipal securities that had lower rates of return. When the unions won representation on the pension fund boards in the early 1960s (a deal worked out by Jack Bigel and Comptroller Abe Beame), they promptly disinvested in city securities.¹⁵⁶ However after the city lost access to the market and later in the summer of 1975 when MAC began to have a difficult time marketing its own securities, MAC and city officials reached out to the unions to buy city and MAC securities. Over the summer, the unions did agree to purchase close to \$900 million in MAC and city paper, but in October MAC officials asked them to purchase a great deal more both to help the city cover its monthly operating expenses and also as part of a long-range plan to give the city time to get back on its feet. Jack Bigel was the MLC's main advisor to the unions on whether to invest large assets of the pension funds in MAC bonds. Bigel had been involved in the union pension funds since the 1960s when his consulting firm, Program Planners, had been hired by John DeLury of the sanitationmen's union. Bigel recalled that Governor Carey called him during the late summer and asked him if the unions would consider the investment.¹⁵⁷

Feinstein were on its board of trustees. The other four pension plans covered such departments as Board of Education employees.

¹⁵⁶ Program Planners' "Role of the Public Employee Retirement Systems of the City of New York in the Fiscal Crisis," 1977, Bigel Collection.

¹⁵⁷ Gedale Horowitz Interview with Jack Bigel, 27 November 1997, transcript, Bigel Collection.

Earlier in October, Gotbaum, DeLury, and Feinstein had given the union trustees on the board of the pension fund, the go ahead to purchase a limited amount in MAC bonds to help the city stay out of bankruptcy. Shanker was under enormous pressure to do the same with the trustees of the teachers' pension fund to purchase \$150 million. However, Shanker dragged his feet on the matter. The EFCB had just rejected the memorandum of understanding that UFT and the Board of Education had reached and no doubt he hoped that he could use his power over the pension funds as a bargaining tool. Initially, it appeared that Shanker would oppose the purchase of MAC bonds and the city would default on its payments. At the last moment, Governor Carey asked Richard Ravitch to try to convince Shanker to invest the \$150 million.¹⁵⁸

However, in the morning of October 17, Shanker gave the three teacher trustees the go ahead to vote for the investment and the city avoided default. At the time, there were rumors that Shanker had won an unspoken promise from Governor Carey that the EFCB would approve the held up teachers contract if he agreed to the investment.¹⁵⁹ Ravitch later recalled that Carey's aides had been very concerned that he make no promises to Shanker about the UFT contract. Ravitch said that he made none and that Shanker never asked.¹⁶⁰

Despite these sizable investments, MAC and the city were asking for even larger investments from the unions. Gotbaum and the other union leaders were told by their legal advisors that they had to be very careful in how they described their decision to invest such large amounts of the pension funds in MAC paper. While they might be

¹⁵⁸ Richard Ravitch interview with Jack Bigel, transcript, 1 July 1997, Bigel Collection.

¹⁵⁹ *New York Times*, 18 October 1975.

¹⁶⁰ During the interview, Bigel jokingly stated that it "might not have been such a bad idea." Richard Ravitch Interview with Jack Bigel, 1 July 1999, transcript, Bigel Collection.

motivated to use their control of the pension funds as a bargaining tool in limit layoffs or the wage freeze, they could not publicly make such statements. Neither could the union leaders state that they were making the investments to save the city from bankruptcy. By state and federal law, the trustees were bound to make investment decisions solely based on trying to protect the assets for the benefit of the retirees and future retirees. If Gotbaum and other union leaders publicly implied that they made the investments as a bargaining tool, then they were opening themselves and the union trustees to potential suits by members of the pension funds.

In the fall of 1975, Bigel hired Max Weinstein, who had previously been the chief actuary for the New York State pension funds, to do a study on what would happen to the pension funds if the city went into bankruptcy. Weinstein concluded that if the city went bankrupt and interrupted its contributing to the pension funds, the funds would run out of assets within five years.¹⁶¹

With the backing of this study, the union leaders could now publicly claim that a large investment in the shaky MAC and city paper did not violate the fiduciary responsibilities of the funds' trustees. To further protect themselves and the trustees, the unions won Governor Carey's promise that he would call the state legislature into special session to pass a state law that stipulated that the pension funds' trustees would not be violating their fiduciary responsibilities. Furthermore, if they were later sued for such investments, the Corporate Counsel of New York City would represent them in court.¹⁶² Later in 1976 with the support of MAC, Governor Carey, and Beame, the unions won federal

¹⁶¹ Max Weinstein, *Analysis of the Pension Funds*, October 1975, Bigel Collection.

¹⁶² Weinstein, *Role of the Public Employee Retirement Systems*, September 1983, Bigel Collection.

legislation that made certain that the pension fund investments did not violate certain United States Internal Revenue Service codes.

This decision to invest close to \$3 billion of their members pension fund assets over the next three years was a critical one for the unions. This decision gave the unions significant bargaining power. It guaranteed that the unions would remain a crucial player for the duration of the crisis. While the unions agreed in principle to make this investment in the fall of 1975, the actual purchases were spread out over the next three years. During this time, the unions would of course be negotiating new labor contracts so the city and the state had to be careful not to push the unions too hard or risk being cut off from the much needed pension fund assets. Of course, the unions had been told repeatedly by their lawyers that they could not claim to connect their decision to invest pension assets to collective bargaining demands so for the next several years they never publicly made such a connection. At the same time, it was probably not coincidental that the unions arranged that the dates that they were to purchase MAC bonds to be very close to days when their contracts expired.¹⁶³

At the same time, this decision to purchase such large amounts of MAC bonds limited the unions' choice of strategies. With an increasingly significant percentage of the assets of the pension funds tied up in MAC and city paper, the unions were not likely to take any actions that might push the city into bankruptcy.

The Campaign to Win Federal Aid

¹⁶³ Roger Altman, the assistant U.S. treasury secretary in the Carter administration, specifically asked Jack Bigel if the unions were using their purchases of MAC paper as a bargaining tool. Bigel denied that they were. Altman letter to Bigel, 2 April 1977 and Bigel letter to Altman, 7 April 1977, Bigel Collection.

A major goal of city, state, and MAC officials during this period was to win some form of federal aid either in the form of direct loans or in the form of loan guarantees. This aid was essential if the city was to avoid bankruptcy because it was becoming increasingly clear that even with massive purchases of MAC paper by the pension funds, state aid, and cuts in social services, the city would still not be able to meet its operating expenses without some form of federal aid. The cuts in city spending, wage freezes, and layoffs were at least partially done in order to demonstrate to Washington that the city was doing all it could to show it was mending its ways and deserved the aid.

Despite these actions, it remained unclear that the plan to enlist the support of the federal government was succeeding. Despite growing support for some form of federal aid in Congress, throughout the summer and early fall, the Ford administration remained on the fence about whether it would support any legislation that provided aid to the city. Within the administration, there were those who were opposed to aid. They included Chairman of the Council of Economic Advisors Alan Greenspan, Assistant to the President Donald Rumsfeld, and Executive Director of the Economic Policy Board L. William Seidman.¹⁶⁴ Unfortunately for New York City, there were few who were pushing for federal aid. However, there were a number of high-ranking aides that were open to the idea because of their concerns about the impact of the New York City bankruptcy. Surprising enough, one of these was Treasury Secretary William Simon. In early as March 1975, he angered those in the administration who opposed aid and were downplaying the impact of bankruptcy when he sent a memorandum to the president in

¹⁶⁴ In a memorandum to Donald Rumsfeld dated 12 October 1975, Greenspan expressed his opposition to federal loan guarantees for the city for a number of reasons including the worry that it would strengthen "the interest and pressure groups seeking to prevent effective remedial action." Donald Rumsfeld folder, box 4, Council of Economic Advisors Records, 1974-1977, Ford Presidential Library.

which he warned, "default would have a most unfortunate impact on our economy in general and on the credit markets in particular."¹⁶⁵

At least through the fall of 1975, President Ford seemed to be listening to his aides who opposed federal aid. One of the reasons that he appeared to take this stand was that he was trying to shore up his support among conservatives in preparation for the 1976 Republican primary when he knew that he'd face attacks from the right by California Governor Ronald Reagan. Bashing New York City, not a city loved by conservative Republicans, seemed like a good way to do so. His October 29, Ford gave a speech at the National Press Club outlining the reasons for his opposition to aid and chided the city for its liberal spending habits was part of this strategy.¹⁶⁶

However by this point, the tide began to turn. Both *The New York Times* and *The Washington Post* attacked Ford's position.¹⁶⁷ Senator William Proxmire, the chairman of the important Senate Banking Committee, criticized Ford's views on federal aid to the city.¹⁶⁸ In early November, the Congressional Joint Economic Committee chaired by Senator Hubert Humphrey issued a report warning that a New York City default could slow the national economic recovery. Paul Volcker, the President of the Federal Reserve Bank of New York warned of the dangers of bankruptcy. New York Congressman

¹⁶⁵ Memorandum from Simon to Ford, 26 March 1975. Assistant to the President Donald Rumsfeld responded with his own memorandum to the president on April 12, 1975 in which he described Simon's views as a "disaster" and "outrageous." Federal aid-revenue sharing folder. Box 8, Presidential Handwriting Files, Ford Presidential Library.

¹⁶⁶ This was the speech that led to *The New York Daily News*' famous front page that read, "Ford to City: Drop Dead." *Daily News*, 30 October 1975.

¹⁶⁷ *New York Times*, 30 October 1975 and *Washington Post*, 30 October 1975.

¹⁶⁸ Proxmire interview on Issues and Answers, October 12, 1975, transcript, Issues and Answers folder, box 13, Ron Nessen Papers, Ford Presidential Library.

Barber Conable and other northeastern Republicans also warned Ford that his opposition to aid would likely hurt him and northeastern Republicans in the upcoming elections.¹⁶⁹

Moreover, some even in Ford administration began to voice doubts about Ford's hard line. Vice President Nelson Rockefeller, the former governor of New York, had warned Ford at a cabinet meeting of the seriousness of the political impact of a city default.¹⁷⁰

By November, Rockefeller was publicly stating that he supported federal aid for the city.¹⁷¹ Also by October, Federal Reserve Board Chairman Arthur Burns was warning of the repercussions of a New York City default.¹⁷²

In November, sensing a shift in the White House's policy toward New York City's problems, Carey called the state legislature into special session and proposed a \$6 billion package that would keep the city out of bankruptcy. The success of this package depended upon significant actions by the municipal unions. The unions were asked to renegotiate debts they held in city and MAC securities as well as agree to purchase an additional \$2.5 billion in MAC bonds.

The Ford Administration played an active role in these negotiations and made several demands at the last moment. On one occasion, while Bigel, Gotbaum, and Shanker were meeting with Governor Carey and others, Treasury Secretary William Simon telephoned and floated such ideas as ending rent control. Eventually, the union leaders agreed that city workers would start paying a larger percentage of the pension contribution, which the

¹⁶⁹ Report to Republican Leadership Breakfast, 23 September 1975, NYC finances, September 1975 folder, box 23, James M. Cannon Files, Ford Presidential Library.

¹⁷⁰ Minutes of Cabinet meeting, 17 September 1975, Cabinet Meeting Minutes folder, box 5, James Connor Files, Ford Presidential Library.

¹⁷¹ Interview with Rockefeller on ABC's Issues and Answers, 2 November 1975. Issues and Answers folder, box 13, Ron Nessen Papers, Ford Presidential Library; *New York Times*, 12 October 1975.

¹⁷² Burns Statement before the House Committee on Banking, Currency, and Housing, 23 October 1975, testimony folder, box, E24, Ford Presidential Library.

city had previously paid, starting in April 1976. This would mean a pay cut of 2 to 2 ½ percent for city workers.¹⁷³

By the second week of November, all the pieces for a financial package that would keep the city out of bankruptcy were in place. Ford had made it clear that he would now be willing to support either federal loan guarantees or direct federal loans to the city (much to the chagrin of the editors of *The Wall Street Journal* who lamented that the Ford's advisors had "lost the courage of their convictions").¹⁷⁴ The banks and the union had agreed to their roles. On November 13, MAC chairman Felix Rohatyn sent a letter to U.S. Treasury Secretary William Simon explaining the package and including "letters of intent" from the unions and chairmen of the major banks. In their letter, the unions stated their intention to encourage the pension fund trustees to invest \$2.5 billion in new securities and to go along with the federal requirement that the city's contribution to pension funds be reduced.¹⁷⁵

Events moved quickly after that. On November 15, the New York State legislature passed the complicated \$6 billion fiscal package. It included a three-year moratorium on the repayment of \$1.6 billion in city notes, the unions' purchase of an additional \$2.5 billion in city and MAC securities, and the renegotiation of city debt held by the unions and the banks. Two weeks later, Ford signed a bill that provided \$2.3 billion in seasonal loans to the city. The loans would be available through June 1978. However, the loan agreement stated that the Treasury Secretary had the right to stop payments if he concluded that the city was not moving rapidly enough to balance its budget. This insured

¹⁷³ Gotbaum interview with Bigel, 26 March 1997, transcript, Bigel Collection; *The Chief*, 19 December 1975.

¹⁷⁴ "Ford's Turnaround: New York Wins Aid from Washington, But Everyone Loses," *Wall St Journal*, 28 November 1975.

that the federal government would be deeply involved to the city's finances until at least the summer of 1978.

Conclusion

With the federal seasonal loan and state aid package, the city ended the year out of immediate trouble. At the same time, events had transformed the city's political landscape. New institutions such as the Municipal Assistance Corporation and the Emergency Financial Control Board significantly decreased the power of the city's elected officials. Congress and the Treasury Secretary also now had the right to intervene in the city's budgetary policy.

The unions played a peculiar role in 1975. On the one hand, they bore much of the brunt of the cutbacks and were pilloried in the press for being one of the main causes of the fiscal crisis. By year's end, the city's work force had been decreased by 60,000 by layoffs and attrition. The remaining workers had already negotiated wage increases deferred, faced increased workloads, and had to look forward to three years of wage freezes. At the same time, the unions saved the city by purchasing billions of dollars of MAC and city paper when neither investors nor the banks were willing to do so.

City labor negotiations, which had never been simple, became even more complex in 1975. Now, the unions were not only negotiating with the city, but with the EFCB, the banks, and the federal government. Gotbaum later recalled how difficult it was to negotiate during the crisis since so many groups were now sitting at the table.¹⁷⁶

¹⁷⁵ Felix Rohatyn letter to William Simon with attachments, 13 November 1975. NYC Financial Crisis (3) folder, box 4, John Carlson Files, Ford Presidential Library.

¹⁷⁶ Gotbaum Interview with Jack Bigel, 26 March 1997, transcript, Bigel Collection.

How did the unions fare? At the beginning of the fiscal crisis, Gotbaum stated that the unions had two main concerns: the defend collective bargaining and limit the layoffs of permanent employees.¹⁷⁷ In terms of the latter, the unions had not been particularly successful given the tens of thousands of workers who lost their jobs. In terms of the former, the unions were more successful. With the Americana agreement, they made certain that Beame, MAC, and the governor would not unilaterally make decisions concerning wages or work conditions. Still, with the wage freeze legislation passed by the state and the creation of the EFCB, collective bargaining existed within very narrow parameters.

So despite layoffs, wage deferrals, and other givebacks, the unions remained a force with which to be reckoned. Their power stemmed from two sources. One clearly was the union control over the pension funds. Jack Bigel, the labor consultant, argued that the unions would have been not have been taken as seriously if they did not have this control.¹⁷⁸ Their second source of power was the fear of social unrest by city and state officials and MAC. While, Gotbaum and others made it clear that they wanted to avoid a general strike, the sanitation wildcat, the violent demonstrations by laid off policemen, and the September teachers strike, it remained uncertain in 1975 whether the union leaders might not be able to stop a strike. City officials feared that a strike could spread into general unrest.¹⁷⁹

¹⁷⁷ Minutes of MLC Steering Committee meeting, 24 February 1975, Bigel Collection.

¹⁷⁸ Author's interview with Jack Bigel.

¹⁷⁹ In late May 1975, City Council President Paul O'Dwyer wrote Governor Carey about his fear "riots in our streets ... it would be disastrous if we were to spawn another Kent State episode." He also worried that the State Guard was not prepared to intervene and recommended that Carey involve black and Puerto Rican politicians such as Herman Badillo, Basil Patterson, and Charles Rangel in MAC negotiations. O'Dwyer letter to Carey, 20 May 1975, Governor Carey folder, box 98, O'Dwyer Collection.

While the unions remained a force to be reckoned with, it would be fair to say that their strategy was not based on providing a significantly different alternative to that of austerity. Instead, after the rather brief populist attacks on the banks in the spring and summer, the unions chose to work within the emerging politics of austerity, which did succeed in maintaining their seat at the bargaining table. By the end of 1975, the editorial page of *The New York Times* was praising Gotbaum and the other union leaders as behaving as “responsible union leaders.”¹⁸⁰

The strategies that the unions adopted during this first turbulent year of the fiscal crisis determined to a great extent the actions that the unions were to take in the next six years. They would continue to stubbornly defend their institutional rights while at the same time avoiding directly confronting the emerging politics of austerity. The tentative relationships that they began to develop with the banks would soon deepen. This is not to say that difficulties did not still lay ahead. It still remained uncertain how active a role the EFCB would play in collective bargaining. The union leaders would still have to worry about rank and file anger over the lack of wage increases. They would still have to negotiate within the new complex power structure created by the fiscal crisis. And it still remained an open question on what, if any, an impact the fiscal crisis would have on the unions’ electoral strategies.

¹⁸⁰ *New York Times*, 5 December 1975.

Chapter 3

The Development of a Fiscally Conservative Corporatist

Political Regime, 1976-1977

1975 ended with the city seeming to have weathered the storm and avoiding bankruptcy with the creation of a complex financial plan that included federal seasonal loans, the purchase of billions in city and MAC paper by the pension funds and the investment banks, a temporary moratorium on the repayment of city securities, significant state aid, large cuts in city spending, and significant concessions on the part of the municipal unions. A critical component of this plan was the implementation of a policy of fiscal austerity. In the first year of the crisis alone the city fired approximately twenty-five thousand municipal employees and made significant cuts in its operating and capital budgets.

However, a cross-the-board policy of austerity remained to be implemented. The city's fiscal overseers, which included the U.S. Treasury Department, the EFCB, and MAC, as well as other institutions such as the major investment banks, were still demanding that the city maintain a wage freeze into at least 1978 and continue to make more cuts in the budgets of mayoral agencies as well as nonmayoral agencies such as the city's Health and Hospitals Corporation (HHC) and the City University of New York (CUNY).

And the city did not have much time to demonstrate significant progress in these areas. For example, Treasury Secretary William Simon made it clear that the city needed to resolve a number of issues by July 1, 1976 before he authorized the release the next desperately needed seasonal federal loan to the city. One of his demands was that the

city negotiate new fiscally austere contracts with the city's unions. Simon also insisted that the city win EFCB approval of the second year of three-year Financial Plan. In addition, there were a host of other problems confronting the city. For example, the EFCB felt that nonmayoral agencies such as CUNY and HHC were still resisting making sufficient spending cuts and demanded that the Beame administration become much more aggressive in forcing them to do so. Lastly, in the fall of 1976, the city found itself back in a crisis situation when the state Court of Appeals declared that the state legislature's moratorium act violated the state constitution.

In the middle of all these difficulties were the municipal unions. While Victor Gotbaum and the other union leaders had negotiated the difficult terrain created by the fiscal crisis so far, they were not out of the woods yet and a series of questions remained. Would there be new calls for layoffs? Would they be able to stop the enactment of legislation pending in Albany that would significantly reduce pension benefits for their members? What role would the EFCB play in new labor negotiations? Would the union leaders be able to continue to control their frustrated membership? What impact would the unions' strategy have on their ability to intervene within the electoral realm?

The actions that the municipal unions took during 1976 until 1978 were shaped to a great extent by the decisions that they had made earlier in the fiscal crisis. For example, by investing a large percentage of the pension fund assets in MAC and city securities and by supporting the formation of the EFCB, the municipal unions had become part of a new political regime that was taking shape during the fiscal crisis. They were certainly not inclined to take any actions that jeopardized their still precarious position within this political regime. So while they tenaciously defended themselves to blunt the effects of

the layoffs and the wage freeze, they continued to focus on their primary goal of maintaining their institutional power within the parameters of fiscal austerity. And they achieved some success such as the rehiring of some of their laid off members and winning cost-of-living increases for their members. Perhaps most significantly, they joined with the investment banks to form the Municipal Unions/Financial Leaders Group (MUFLG).

However, their overall strategy of accepting the fact that they would have to work within the parameters of fiscal austerity created certain difficulties for the municipal unions. One was that their aggressive and relatively successful strategy of getting hundreds of their laid off members rehired with money from the federal CETA program exacerbated tensions between them and leaders within the African-American community who were angered that the rehiring of laid off municipal employees with CETA funds meant that CETA workers, who were predominately poor people of color would lose their jobs. Also, the municipal unions' membership in the new governing regime based on fiscal austerity limited what they could do within the political arena. This became evident during the 1977 mayoral election, which U.S. Congressman Edward Koch won, running as a fiscal and social conservative. Gotbaum, who had once boasted that the municipal unions had the power to elect their own boss, found themselves unable to intervene in any significant way during the important 1977 mayoral election that saw the election of Edward Koch, who ran as a fiscal and tough on crime conservative. So while they remained a major force in city politics, they did so in an increasingly fiscally and ideologically conservative environment.

The Spring Labor Negotiations

One of the unions' main worries in early 1976 was over the uncertainty of whom they were supposed to be negotiating their upcoming contracts with. Their old contracts were to expire in the spring and in the summer. Before the fiscal crisis, the answer was relatively clear – it was the mayor's office (or the MTA or the Board of Education in the case of the transit union or the teachers' union). Since the fiscal crisis, it was less clear as the EFCB now had the final say so on all collective bargaining agreements. However, the EFCB Chairman Governor Carey did not want the control board to be directly involved in the negotiation of contracts for a number of reasons. One was the legislation creating the EFCB made it clear that the control board role was not to negotiate contracts; only approve or demand changes in them after they had been negotiated. Besides this legalistic reason, the Governor wanted to keep the control board out of direct involvement in contract negotiations for political reasons. One was that he did not want to encourage the relatively widespread view on the part of progressives within the city's liberal community that something akin to a coup had taken place with the creation of the EFCB.¹ Also, Carey had his own political ambitions to worry about. After all, he planned on running for re-election and worried that if he as the EFCB chair was seen as pushing through budget cuts and wage cuts then he might lose the support of New York City voters and the powerful municipal unions.

However, like Beame, Carey was under pressure from the banking community as well as the Treasury Department to make certain that fiscal austerity continued to be imposed so he and the control board had to play some role in the negotiation of contracts. In late

¹ For an example of this "coup" theory, see Newfield and DuBrul, *The Abuse of Power*, 177-198.

1975, Governor Carey had signaled that he planned on having the control board play an aggressive role when he had appointed Stephen Berger as the executive director of the control board. Berger, who had close ties with the Citizen Budget Commission and other government watchdog groups, had a reputation for being tough as well as not being particularly fond of the municipal unions.²

Still, it remained uncertain how active a role the EFCB would play in the actual contract negotiating. The control board's rejection of the UFT contract in September 1975 certainly hinted that it would play an active role. However, the unions and the city maintained that the control board only had the right to reject a contract if it violated the wage freeze rule or if it put in jeopardy the city's plan to move towards a balanced budget. It could not interfere with the city's right to set its own spending priorities. Also, during the UFT contract negotiations in 1975, the EFCB had not played an active role until the negotiations were over.

Interesting enough by this point, the municipal unions actually wanted the control board to become more involved. This was somewhat of a reversal from the position that they took when the state created the control board in the fall of 1975. At that point, the unions had worried that the creation of the EFCB would possibly eliminate collective bargaining so Gotbaum and Bigel had demanded that specific language stating that collective bargaining would be maintained was added to the Emergency Financial Control Act before they agreed to lobby for its passage in the state legislature. By early 1976, the unions no longer feared that for the fate of collective bargaining. Now, they all

² In early 1970s, he had been the executive director of the Scott Commission, a state commission that had issued a series of reports criticizing the city for overspending on city wages and the municipal pensions. The Scott Commission was widely seen as an attempt by Governor Nelson Rockefeller to embarrass his rival Mayor John Lindsay. *New York Times*, 19 April 1973, Cannato, *The Ungovernable City*, 546-548.

wanted to avoid the problem that the UFT faced the previous fall when the teachers' union and the Board of Education negotiated a memorandum of understanding, only to have the EFCB reject it and demand that they go back and renegotiate. Also, the municipal union leaders confronted an angry rank and file that thought it unfair that the fiscal crisis was being resolved on their backs. Some of the union leaders particularly in TWU and UFT and even in DC 37 to a lesser degree faced organized dissident groups who were criticizing their leadership for not putting up more of a fight against the layoffs and wage freeze. With the EFCB more directly involved in the negotiating, the union leaders could pass more of the blame for bad contracts onto this remote institution.

The first contract to be negotiated in 1976 was the one between the transit union and the MTA. Like Shanker, the TWU leadership had to contend with well-organized opposition groups that were criticizing the leadership for not using more militant tactics to fight austerity. Moreover, in the past, TWU had taken the old union slogan of "No contract, no work" seriously and struck when a contract deadline had not been reached. So on March 18, TWU international president Matthew Guinan sent a telegram to Governor Carey pleading with him to have the control board join the negotiations and not wait to become involved only after the negotiations had ended. Guinan complained that, "The Control Board has failed to define any standards whatever or to define what would be an acceptable agreement. If a crisis is to be averted, the Governor must send responsible people to the fact finding board who will advise the panel what they might recommend."³

Despite this plea, Carey chose not to involve the EFCB directly in negotiations until

³ Quoted in *The Chief*, 26 March 1976.

after the MTA and TWU reached an agreement. However in late March, the control board did reiterate that it would enforce its wage freeze policy through June 1978. Bigel, who was the unions' nonvoting representative at control board meetings, did convince the board to add a clause to the new wage freeze resolution that left open the possibility for wage adjustments based on productivity increases.⁴

The Ford administration watched the transit negotiations closely. The U.S. Treasury Department had the right to refuse to issue any seasonal loans to the city if it felt that it was not making sufficient progress in balancing its budget. In late February, Treasury Secretary Simon sent President Ford a memorandum concerning the transit negotiations in which he stated his concerns about the transit negotiations and his fears that Governor Carey would be willing to push for the transit union hard since he hoped for their support in the reelection campaign in 1978.⁵

Two days before the April 1 deadline, the membership of the transit union, invoking their no contract no work policy, voted to give their leaders the right to call a strike if a deal was not reached when the old contract ended.⁶ However, with typical New York melodrama, the MTA and the TWU reached an agreement in the early morning of April. The two-year contract included no wage increases, but did include cost-of-living increases (COLA) tied to productivity gains. However, it remained uncertain what "tied to productivity" meant because in another part of the contract stated that the COLA was not "contingent upon such savings."⁷

⁴ Minutes of EFCB meeting, 26 March 1976; 18 May 1976 EFCB memorandum. Bigel Collection.

⁵ Memorandum from Simon to Ford, 24 February 1976, New York City folder, Box 79, Seidman Collection, Ford Presidential Library, Ann Arbor.

⁶ *New York Times*, 29 February 1976.

⁷ *New York Times*, 1 and 2 April 1976.

Before the ink was dry on the contract, it came under heavy criticism from various sources. Beame warned that if the other municipal unions were to receive the same COLA it would jeopardize the city's Financial Plan (and Gotbaum confirmed that DC 37 and the other unions would ask for at least as much).⁸ *The New York Times* criticized the agreement. In an editorial titled, "Dismal Pattern," *The Times* opined, "Buying off overpowerful municipal unions with money the city did not have was a major element in New York's fiscal decline last year to the edge of bankruptcy. Now, under the threat of a subway and bus strike, the Transit Authority has sewn the city into a new pattern that imperils its climb back to fiscal health."⁹ The EFCB quickly voiced its concerns that the contract jeopardized the city's Financial Plan and that it did not directly tie the COLA to productivity savings. In Washington, Senator Proxmire, who as chair of the Senate Banking Committee was required by the Seasonal Loan Act to advise the Treasury Secretary on New York City's progress, described the COLA as a "tragic mistake."¹⁰

The EFCB was now under significant pressure to reject the contract. *The Times* editorialized that the EFCB was "sidestepping its responsibilities to clamp a tight lid on the municipal payroll."¹¹ On April 28, Governor Carey and the other control board members received some legal support to reject the TWU contract when State Attorney General Louis Lefkowitz wrote to the control board stating that the negotiated COLA should be seen as a wage increase and therefore a violation of the state's wage freeze act of the previous fall. Two days later, the EFCB rejected the transit contract stating it

⁸ *Public Employee Press*, 9 April 1976. Several of Beame's aides including John Zuccotti had recommended that he oppose the contract outright, but that Beame had listened to his old friend Theodore Kheel who told him not to outright oppose the contract. *NYT*, April 16, 1976.

⁹ *New York Times*, 1 April 1976. The one city paper that supported the contract was *The Chief*. It argued that the rank and file deserved some sort of wage increase and that there would have been a strike without one. "A Realistic Settlement," *The Chief*, 9 April 1976.

¹⁰ *New York Times*, 4 April 1976.

violated the wage freeze and endangered the city's ability to move towards a balanced budget. The control board also directed EFCB executive director Stephen Berger and deputy mayor John Zuccotti to act as observers of the negotiations between the MTA and the TWU.¹²

As they watched the messy transit negotiations unfold, the other municipal unions continued to push the control board to become more directly involved in the negotiation of contracts. At the April 30 EFCB meeting where the control board rejected the TWU contract, Bigel proposed that the board, at least, establish a set of guidelines that the parties should follow.¹³ In the next couple weeks, the unions would go even farther arguing that the formation of the EFCB had clearly transformed the city's collective bargaining process and needed not only to be an observer, but an active participant in the bargaining. In an editorial in his union's paper, Gotbaum wrote, "The fact is that the EFCB, despite its disclaimer to the contrary, has assumed a pivotal role in labor relations in the city. Given this fact, there is no reason why the EFCB cannot be part of the contract negotiating process along with management."¹⁴

However even with Berger and Zuccotti working with them, the MTA and the TWU failed to reach an agreement that satisfied the EFCB so the board voted at its May 18 meeting to impose a contract that decreased the COLA (part of it was deferred) and made it contingent upon productivity savings. At the same meeting, the control board announced a general wage guideline for upcoming contract negotiations. There were three requirements. There could be no general wage or fringe benefit increase until after

¹¹ Ibid., 4 April 1976.

¹² Minutes of EFCB meeting, 30 April 1976, Bigel Collection.

¹³ Ibid.

¹⁴ *Public Employee Press*, 21 May 1976.

June 1978. Secondly, any COLAs must be paid for with independently measured productivity savings, new revenues, or cuts in fringe benefits and not lead a reduction in services. And lastly, each contract must encourage savings in pension and fringe benefit costs.¹⁵

With the TWU contract settled, the city now had to hurry to negotiate contracts with most of the other city unions whose contracts expired on July 1. At the same time, the city needed to get the EFCB to approve the second year of its three-year Financial Plan. Once again the federal government remained a crucial player. The Treasury Department made it quite clear that it would not release the scheduled \$500 million in seasonal loans until the EFCB approved the second year of the city's Financial Plan and the city and the unions had reached at least an interim agreement in terms of labor contracts.¹⁶ Also in mid-May, Senator Proxmire's banking committee had sent a report to the Treasury Secretary urging him to withhold the loan unless the city held the line on wage increases and also argued that the city should end rent control and cut city workers' fringe benefits more.¹⁷

While the unions had been the group that had asked the control board to create a series of bargaining guidelines, they complained bitterly about the new guidelines. Their main complaint was that the control board had inadequately consulted with them before the issuance of these guidelines (once again demonstrating the unions' overriding desire not to have policies imposed upon them).¹⁸ Also the unions felt that the control board was caving into pressure from the federal government and were particularly irked with

¹⁵ Minutes of EFCB meeting, 18 May 1976, Bigel Collection.

¹⁶ *New York Times*, 16 June 1976.

¹⁷ *Ibid.*, 17 May 1976.

¹⁸ Minutes of EFCB meeting, 18 May 1976, Bigel Collection.

Senator Proxmire and the Senate Banking Committee for what they felt was their improper interference in the city's labor negotiations.¹⁹ Gotbaum made it clear that the unions expected to win some form of wage increase for their members in the upcoming bargaining. He also warned that the unions might block the planned investment of pension funds in city and MAC securities if the federal government withheld the seasonal loans. He warned that, "Two can play the game of holding back funds." Also, he and Barry Feinstein of the Teamsters spoke ominously about the possibility of a strike.²⁰

Again, the union leadership's main concern was that the EFCB's unilateral action and the extension of the wage freeze to the end of the emergency period undercut real collective bargaining. Gotbaum declared, "We will not see the death of collective bargaining."²¹ However, the unions were not opposed to the EFCB becoming more involved in the bargaining process as long as the EFCB did not act unilaterally. After all, it was Bigel himself who had initially encouraged the control board to come up with some overall guidelines for contract negotiations.

Despite Bigel's angry tirades at control board meetings and Gotbaum's warnings about strikes, the unions were likely not displeased with the guidelines. They now had a clear set of guidelines within which they could try to negotiate the best possible contract. Along, with the previous wage freeze, these guidelines limited the rather chaotic and competitive bargaining process that sometimes pit one union against another in the attempt to win the best contract. This further centralized the collective bargaining

¹⁹ The municipal unions had AFL-CIO President George Meany write an angry letter to Senator Proxmire complaining about his interference in the labor negotiations. Copy of letter appeared in Al Shanker's "Where We Stand" Column in *The New York Times*, 30 May 1976.

²⁰ *The Chief*, 28 May 1976.

²¹ *Ibid.*

because while each union for the moment continued to bargain separately, the Municipal Labor Committee and the key union leaders such as Gotbaum and Barry Feinstein along with Bigel, their ever present consultant, continued to consolidate their power over the bargaining process.

Also, the control board's promise to allow COLAs if they were paid for by productivity increases and if they did not undermine the city's fiscal plan made the guidelines bearable to the unions. For example Matthew Guinan and the TWU leadership said that they were confident that some productivity savings would be found and therefore rank and file members would win some form of increase.²²

The city and the unions were both under considerable criticism at this point - Beame for not being willing to make the necessary cuts and the unions for not being willing to accept a wage freeze and possible cuts in pension and fringe benefits. In late May, the Special Deputy State Controller (a position created by the Emergency Financial Control Act to provide the control board an analysis of the city financial plans) issued a very critical report on Beame's budget proposals. Several days later, MAC and the EFCB staff issued similar reports. According to press reports, Carey and Beame had a heated exchange at the June 4 control board meeting over these issues.²³ In mid June, Treasury Secretary Simon sent Governor Carey a letter in which he expressed his concern over the state of the Financial Plan and the negotiations with the unions and told the governor that he planned on sending Assistant Treasury Secretary Robert Gerard and representatives from Arthur Anderson to the next control board meeting to monitor the situation.²⁴

²² Ibid.

²³ Minutes of EFCB meeting, 4 June 1976, Bigel Collection; *New York Times*, 5 June 1976.

²⁴ William Simon letter to Governor Carey, 16 June 1976, Bigel Collection.

With the July 1 deadline quickly approaching, the city and the unions began a series of round the clock meetings to work out an interim agreement that the Treasury Department and the EFCB would accept. Felix Rohatyn from MAC and EFCM executive director Stephen Berger played an active role in the negotiations. Just hours before the July 1 deadline, the city and the unions reached a memorandum of understanding. The agreement, called the Hilton Agreement (after the midtown hotel where the meetings were held) set guidelines for the union contracts that would soon be negotiated covering the period up to July 1978. The agreement stated that the upcoming contracts must include various means to reduce labor costs by \$24 million, no wage increases, the continuation of the COLA from the previous contract, and a new COLA that would be funded through productivity savings. Furthermore, these COLAs could not exceed six percent. Each union could decide how it would bargain to help come up with its share of the \$24 million in labor savings. The EFCB approved the agreement within hours and Treasury Secretary Simon authorized the next \$500 million loan to the city.²⁵

Understandably, the unions played up the positive in the agreement. Gotbaum went so far to call it “a momentous achievement given the tenor of the times.” He and the other union leaders said that they were hopeful that savings could be found so their members would receive the full COLA. They also pointed out that the agreement included a clause similar to the 1975 Emergency Financial Control Act in that it stipulated that layoffs would be only occur as last resort, that the unions would receive at least thirty days if the city did plan for layoffs, and that the city would be required to meet with the unions to find other alternatives to layoffs. Furthermore, Gotbaum stressed that the agreement had

²⁵ Minutes of EFCB meeting, 30 June 1976; *New York Times*, 1 July 1976.

been reached by negotiation and not made unilaterally by the city thus preserving collective bargaining.²⁶

Again, the Hilton Agreement only set the parameters for contract negotiation. The unions and the city still had to negotiate contracts. However, its parameters were quite strict and the city and state made it clear that they expected all municipal unions to accept it. Therefore, while some of the smaller unions expressed a great deal of unhappiness with the agreement and their frustration that their input was not considered by Gotbaum during the negotiations at the Hilton, they could do little about it.²⁷ Though most of the municipal union contracts expired on June 30, they did not hammer out agreements with the city until late September. DC 37 settled first with a contract that included \$15 million in cuts to fringe benefits (DC 37's share of the \$24 million) and the new productivity COLA. Soon thereafter, the other unions reached with similar agreements with the city.²⁸

Reductions in Pension Fund Benefits

In the midst of negotiating the Hilton Agreement, the municipal unions had to fight on another front as the state legislature was once again considering revising reducing the pension benefits for New York City employees. This had been a goal of government watchdog groups and fiscal conservatives for some time. In 1973, there were minor modifications made to the plans, but for the most part, the city unions, with the massive lobbying power in Albany had been able to stop most reductions. However, the fiscal crisis shifted the city's and state's political terrain to the right and conservatives and

²⁶ *The Chief*, 9 July 1976.

²⁷ CWA Local 1180, which tended to be quite militant, was particularly unhappy about Gotbaum's actions. Minutes of Local 1180 executive board meeting, 9 July 1976, 1976 folder, box 1, Communication Workers of America, Local 1180 Collection, Wagner Labor Archives.

government watchdog groups were finally able to convince the state legislature to make serious cuts in city and state pension plans.

For example before 1976, most of the city's employees had pension benefits that gave them the option to retire after twenty years of service. This changed in the summer of 1976 when the state legislature created what would be commonly referred to as the "tier III plan" which would cover employees hired by the city after June 30, 1976. These new city employees would have to work until the age of sixty-two or work thirty years to retire with full benefits. Moreover, pension benefits were slashed significantly. Of course, this change did not have an impact on the existing city workforce and since the city did not start to hire new workers until the early 1980s, it was not to become a major issue for some time. The unions railed against the state legislature for passing pension changes, but their lobbying efforts were weakened by a lack of unity. Since police and firefighters' pension plans were exempted from these changes, they did not join the other municipal unions in lobbying against the changes.²⁹

The Teachers' Union Goes its Own Way

Throughout this early period of the fiscal crisis, UFT was the one major union that insisted upon maintaining its own bargaining strategy and keeping its distance from the other unions. By the end of 1975, most of the other unions, with the partial exception of the PBA and the UFA, had agreed to work out a common strategy through the mechanism of the MLC and had agreed that Gotbaum would be their spokesperson. During the first couple years of the fiscal crisis, UFT was the exception to this rule. For

²⁸ *Public Employee Press*, 4 October 1976; *The Chief*, 17 September 1976.

²⁹ *Public Employee Press*, 15 June 1976.

example, the teachers union did not join the MLC until 1978 and Shanker was openly critical of some of the major decisions made by the other unions such as their support for the creation of the EFCB.

The reasons for Shanker's failure to join the other unions are complicated. First, it is important not to overemphasize how unified all the other unions were. For example, the PBA and the UFA never completely accepted Gotbaum's leadership.³⁰ While Gotbaum advocated that all the unions sign the Americana Agreement, the PBA would not do so and took the city to court, arguing that the wage deferral demand violated state labor law. The police and firefighters unions' reluctance to follow the lead of Gotbaum was not surprising given the historical conflicts and divisions between the uniformed and nonuniformed municipal unions, but Shanker's reluctance stemmed from other sources. One reason was that DC 37 and UFT were clearly major rivals of each other. While UFT was the smaller of the two unions, it more than rivaled DC 37 in terms of political power. Moreover in 1976, Shanker became president of the American Federation of Teachers (AFT), UFT's national union. Another reason Shanker kept his distance from the other unions was that Gotbaum and Shanker had serious differences over such political and ideological issues as the New Left, anti-communism, and the Oceanhill-Brownsville Crisis. One might think that these differences would be relatively irrelevant. After all, what impact could differences over such issues as anti-communism have on the collective bargaining strategies of two municipal unions? However, Gotbaum and Shanker took

³⁰ During his conversation about the fiscal crisis with Gotbaum, Bigel mentioned how all the other unions followed his leadership during the fiscal crisis, Gotbaum pointed out that this was not entirely correct. He pointed out that this process of unification took a great deal of time and that the PBA and the UFA never completely accepted his leadership. Gotbaum interview with Bigel, 26 March 1999, transcript, Bigel Collection.

these issues very seriously and in the case of Shanker, they influenced his views on whom he would work with.³¹

Publicly, Shanker said that his differences with the other unions was that he felt they were undermining of the foundation of collective bargaining when they agreed to go along with the wage deferral or the formation of the EFCB. Whatever the reason, the alternative that Shanker proposed was a strategy based on each union using its political power to defend itself and its members. Perhaps Shanker was optimistic that this strategy would work for UFT because it was probably the state's most powerful union and had enormous clout in Albany and Washington. However, Shanker underestimated how significantly the fiscal crisis had shifted the city's and state's politics and therefore the UFT probably suffered more layoffs than the other unions that pursued a more accommodationist strategy.³² By the fall of 1976, Shanker would become so frustrated that he went so far as to call for an end of collective bargaining for the duration of the fiscal crisis and the creation of a stronger control board that would dictate labor policies. This call for the end of collective bargaining was anathema to Gotbaum and the other union leaders who had made the defense of collective bargaining their main priority during the fiscal crisis. It was not until 1978, Shanker abandoned his decision to go it alone and UFT joined the other municipal unions to bargain as a coalition.

A perfect example of Shanker's attempt to use UFT's political power to defend itself was UFT's and the city's Board of Education's effort to outflank the EFCB, the governor,

³¹ On Shanker's views of Gotbaum, see notes Bernard Bellush took during his interview with Shanker, 13 December 1982, Shanker folder, box 4, Bellush Collection.

³² Shanker admitted as much in an interview with Bernard Bellush. Notes from Shanker interview, 13 December 1982, Shanker folder, box 4, Bellush Collection.

and the city by appealing to the state legislature to pass legislation that would protect the city schools (and teachers) from more budget cuts. In January 1976 with the support of the UFT, Democratic Assemblyman Leonard Stavisky of Queens and liberal Republican State Senator Roy Goodman of Manhattan co-sponsored an education bill that required New York City to maintain relatively high spending on the schools. Both the Board of Education and Shanker argued that this bill was necessary because the schools had already received more than their fair share of budget cuts. While the Beame administration denied this assertion, an EFCB staff report stated that the Board of Education and the Board of Higher Education (CUNY) received layoffs of over 20 percent while other agencies received cuts of between 12 and 14 percent.³³

In their fight to pass Stavisky-Goodman, The Board of Education and the UFT also had a couple things going for them other than the teachers union lobbying power. One was the fact that the city's middle and working class were concerned about the significant cuts already made to the schools. Massive layoffs of teachers and guidance counselors, the end of most extracurricular programs, and other cutbacks had had a profound effect on the quality of education for students. And while, other agencies such as the Health and Hospital Corporation and even The City University of New York were increasingly seen as institutions for the poor and minorities, the quality of the primary and secondary schools remained a major concern for the city's middle class. Moreover, upstate politicians were not being asked to allocate more of their constituents' taxes if they voted in favor of the bill since the bill made it clear that it was the city not the state that would be required to come up with the additional funds.

³³ Bailey, *The Crisis Regime*, 204.

Not surprisingly, the bill faced powerful opposition from Governor Carey, the EFCB, Mayor Beame who all felt that it would undermine the city's financial plan and make it more difficult for the city to win federal aid.³⁴ However perhaps more surprisingly, the other municipal unions also opposed it. Their opposition stemmed from the fear that Shanker's strategy of working alone undermined their overall strategy that they had adopted during the fiscal crisis. One of the main shifts during the fiscal crisis was for the municipal unions to work together to come up with a common strategy in which to work for their interests. To Gotbaum and the other union leaders, for Shanker now to use his powerful lobbying machine to gain for money for his members right when the city was being asked to make more cuts to appease the EFCB and the Treasury Department showed a lack of solidarity and perhaps could tempt other unions to break with the emerging coalition. During a discussion on Stavisky-Goodman at a MLC steering committee meeting, Gotbaum expressed his views that, "Restitution for one organization (union) cannot be gained with taking away from another union." He hoped that, "We could sit down and communicate with each other when disagreements do exist and not use this opportunity to attack each other in public."³⁵

However despite the strong opposition to it, both the Assembly and Senate passed Stavisky-Goodman in the spring of 1976. As promised Governor Carey vetoed it, but for the first time in over a hundred years, the legislature overrode a New York governor's veto. This was not the end though because the city went to court to block Stavisky-Goodman and in August 1976 the State Supreme Court ruled that it violated the city's

³⁴ Initially *The New York Times* supported Stavisky-Goodman, but quickly switched sides. *New York Times*, 2 February 1976; *Daily News*, 3 February 1976.

³⁵ Minutes of MLC Steering Committee meeting, 19 April 1976, Bigel Collection.

right to set budget priorities. However, it dragged on even longer as the Board of Education appealed that decision to the State Court of Appeal, the state's highest court, which in the spring of 1977 overturned the State Supreme Court's decision and ruled in favor of UFT and the Board of Education. Eventually, the matter was resolved when Beame agreed to add an extra \$13.5 million to the Board's budget.³⁶

The Held-Up UFT Contract and Shanker's Call for an End to Collective Bargaining

While the UFT was battling to get the state legislature to pass Stavisky-Goodman, it was also still working on having its contract accepted by the EFCB. After its strike in September 1975, the Board of Education and the UFT had reached a memorandum of understanding. Despite the fact that the EFCB had rejected it, the UFT's membership voted to approve in November 1975 and the Board of Education approved soon after that. However, the Board did not formally submit it to the control board for approval. In June 1976, the EFCB passed a resolution instructing the Board and the UFT to reach an agreement that included a deferral of wages and followed the wage guidelines that the control board had instituted in the Hilton Agreement.³⁷

Throughout the summer and fall of 1976, the Board of Education and UFT tried to negotiate a contract acceptable to the EFCB. However, the control board continued to voice concerns that they were not keeping within the wage guidelines that the board had set and that the proposed contract jeopardized the city's financial plan. Moreover, EFCB executive director Stephen Berger voiced concerns that the proposed teachers' contract would lead to even more increased service reductions in the school system and harm the

³⁶ Bailey, *The Crisis Regime*, 103.

³⁷ Minutes of EFCB meeting, 30 June 1976, Bigel Collection.

students. Berger had developed close working relations with the Educational Priorities Panel (EPP). The EPP was a government watchdog group that had been formed in the late 1960s and was often at loggerheads with the UFT. It publicly criticized the Board of Education and UFT for prioritizing wage increases for teachers over students' interests.³⁸ Moreover, the EPP argued that the UFT was more concerned about winning wage increases even at the price of forcing more layoffs of teachers.³⁹ The UFT, the Board of Education, and the City complained that the EFCB was overstepping its bounds when it began to make such policy criticisms.

By the fall of 1976, Shanker had become increasingly frustrated with his failure to win a contract for his members. He felt that UFT was being singled out by the Governor and the EFCB. He complained to city officials that the teachers were bearing more than their fair share of layoffs. Shanker's comments about other unions trying to, "sneak through benefits which are denied to others" while perhaps accurate was a bit hypocritical considering his attempt to win more for his union by pushing through Stavisky-Goodman.⁴⁰

Shanker's opposition to the Americana Agreement and the legislation creating the EFCB as well as the long drawn out fight over Stavisky-Goodman and the hold up of the UFT contract clearly soured the relationship between Shanker and Governor Carey. Carey was humiliated by Shanker's successful lobbying of the state legislature to override his veto of Stavisky-Goodman and by Shanker's failure like the other unions to

³⁸ Correspondence between Helen Heller, EPP coordinator, and Berger. 21 December 1976 and 11 January 1977, folder 319, box 11, UFT Shanker Series, UFT Collection. Wagner Labor Archives.

³⁹ Educational Priorities Panel press release, 24 August 1976, folder 317, box 11, UFT Shanker Series, UFT Collection.

⁴⁰ Notes of Bill Isaacson, UFT aide, of meeting between Shanker and city officials, 17 June 1976, folder 317, box, 11, UFT Shanker Series, UFT Collection.

accept the legitimacy of the EFCB. A month after the override, Shanker told the AFT executive council that Carey had behaved horribly during this period. He stated, "The governor was rotten. He wouldn't see me a good period of time. When he did see me, he just lied through his teeth and then engaged in threats. 'Well if you get that bill [Stavisky-Goodman] through, I will tell you where we get the money. We will take \$150 million from City University. Those are your people.'"⁴¹

By the fall of 1976, Shanker had become so frustrated that in a speech at the Theodore Kheel's Automation House, he recommended that collective bargaining be suspended for the duration of the fiscal crisis and that an institution similar to the War Labor Board of WWII be created. He was quoted as saying, "When there is nothing to be bargained for, it's a form of torture to send people in to bargain."⁴²

The other municipal unions quickly distanced themselves from Shanker's proposal. Bigel defended collective bargaining, "The city unions have given up some and they have gotten some. But that's through collective bargaining, not through awards. On balance, the unions are far better off through collective bargaining." Bigel concluded somewhat cryptically, "There may be not as much to bargain for, but there's a lot to bargain about."⁴³ Gotbaum added, "I couldn't disagree with him [Shanker] more. You don't just bargain for wages, you bargain for dignity. We would not give up collective bargaining.

⁴¹ Minutes of AFT executive council meeting, 22 April 1976. Folder 8, Executive Council Meeting, 22-23 April 1976, Box 82, American Federation of Teachers: Office of the President-Shanker Collection, Reuther Archives, Wayne State. In his interview with Bigel, John Zuccotti recalls these stormy meetings between Shanker and Carey, Zuccotti Interview with Bigel, 28 January 1997. transcript, Bigel Collection. Relations between Shanker and Carey was so bad in 1976 that it reached the point that Yetta Barsh, Shanker's personal secretary, was enlisted to try to convince Carey to speak to Shanker, Memorandum from K. O'Connor to Carey, 16 September 1976, general meetings, 1975-1978 folder, box 110A, Hugh Carey Papers, Special Collections, St. John's University Library, New York.

⁴² *New York Times*, 13 November 1976.

⁴³ *Ibid.*

We would regard that as a worse mistake than a diminishment of wages.”⁴⁴ The MLC went so far to issue a press release in which it made it clear that it disassociated itself from Shanker’s proposal and stressed its regret that Shanker had not discussed his statement with them before he made the speech.⁴⁵

Shanker tried to backtrack a little. In a long interview in the UFT’s newspaper, he denied that he ever called for an end to collective bargaining, but then went on to say that he thought that no new contracts should be negotiated for the duration of the fiscal crisis. He also said that a labor board would put an “end to the squabbling among unions in which each union tries to squeak through benefits which are denied to others – causing conflict and bitterness.” He also complained that other municipal unions who were not criticizing his proposal had lobbied for the creation of the EFCB whereas the UFT had opposed it.⁴⁶

In his “Where We Stand” column in *The New York Times*, Shanker did state his support for a temporary halt to collective bargaining and the formation of a labor board, which would have union representatives on it until the fiscal crisis ended. He said that this would quicken the city regaining control over its own finances and also address inequities that existed in how different unions were being treated.⁴⁷

However, Shanker’s proposal to end collective bargaining stemmed more from his frustration that his strategy not to join the other unions had failed than from an abstract reading of the role of collective bargaining in a period of fiscal crisis. With his contract

⁴⁴ “Unions Score Shanker Bargaining-Halt Bid,” *The Chief*, 19 November 1976.

⁴⁵ MLC press release, 15 November 1976. MLC folder, box 16, Shanker Series, UFT Collection, Wagner Archives.

⁴⁶ Shanker interview, *New York Teacher*, 21 November 1976.

⁴⁷ Shanker, “Where We Stand,” *New York Times*, 21 November 1976.

being held up by the control board and the UFT seemingly being punished with more layoffs than the other unions, Shanker had every reason to be frustrated. Moreover, he probably realized that his strategy of not joining DC 37 and the other unions in signing the Americana and supporting the EFCB was a mistake. He had hoped that the UFT, with its massive political clout in Albany, could successfully negotiate on its own, but as he privately later admitted, this strategy had not worked.⁴⁸ Shanker also was worried about his rank and file. Many had been angered that very few of the thousands fired in the summer of 1975 had been rehired. He also faced well-organized groups who were criticizing him from the left. As Bill Scott, his chief assistant and representative at EFCB meetings explained later when asked about Shanker's proposal to end collective bargaining, "Basically, I guess when Shanker said, 'I don't want to bargain a contract down. Impose it on me,' that he was really saying, 'Don't give me the option of telling my members I'm going to take away \$10 away from them or ten days away from them. You impose it on me. Don't let me bargain for that.'"⁴⁹

While other city union leaders such as TWU's Matthew Guinan had made similar points about how the creation of the EFCB had eroded collective bargaining, none took Shanker's stand. They had all decided that they could live with the EFCB and that its existence even had certain benefits. Therefore it's not surprising that the other unions reacted so negatively to Shanker's proposal since it called into question the very strategy that they had adopted at the beginning of the fiscal crisis. From the very beginning of the fiscal crisis, Gotbaum and most of the other union leaders had seen the defense of

⁴⁸ Notes from Bellush interview with Shanker, 13 December 1982. Shanker folder, box 4, Bellush Collection.

⁴⁹ Quoted in Lichten, *Class, Power, and Austerity*, 163

collective bargaining as their main goal. What they feared more than anything was having decisions imposed on them. In order to make certain that collective bargaining remained, they were willing to take certain tactics off the table such as strikes that they felt would push the business elites and the state to impose greater austerity. By agreeing to behave “responsibly” by investing the pension fund assets and avoiding striking, Gotbaum and the other union leaders remained key players during the fiscal crisis. To them, it was a war of attrition - what Bigel later called “guerilla warfare.”⁵⁰ Instead of confronting austerity head on, you chip away at the edges, winning small victories such as COLAs and the promise that more layoffs would be a last resort. And arguably this strategy had worked. The unions’ worst fear – that that they would be completely marginalized – had not occurred. But this strategy had ramifications. One is that it limited the actions that the municipal unions could take. In a sense, they had become invested in the success of the new governing regime, which was based on fiscal austerity and corporatist relationships between the banks, the unions, and the state. For the rest of the fiscal crisis, they would do little to upset this still precarious regime and therefore the municipal unions helped reify austerity as the only “reasonable” solution to the crisis.

Interesting enough, years later, even Gotbaum the main architect of the unions’ strategy during the fiscal crisis, admitted that Shanker was right when he stated that there was no real collective bargaining during the fiscal crisis. Still, even then he felt that Shanker was wrong to say it publicly and by doing so he “wasn’t looking ahead.”⁵¹

Finally by early 1977, the political climate began to shift in UFT’s favor to get its long

⁵⁰ Bigel interview with Barry Feinstein, 25 June 1997, transcript, Bigel Collection.

⁵¹ See Gotbaum’s comments on Shanker in his interview with Bob Fitch, 10 October 1993, transcript, Beame Oral History Collection.

held up contract passed. Beame, who decided to run for re-election in the spring of 1977, certainly wanted the support of UFT so he came out in support for the proposed contract. His first deputy John Zuccotti encouraged Shanker to put more political pressure on the EFCB.⁵² And Shanker did just that. Without informing Carey, Shanker invited both New York Senators, Patrick Moynihan and Jacob Javits to come to a February 1977 EFCB meeting to speak in favor of the long held up contract.⁵³ The same day, *The New York Times* in an editorial titled, "Self-Control for Controllers" argued that the EFCB should approve the contract. Four days later, the control board approved the contract.⁵⁴

The Nonmayoral Agencies and the Unions

Gotbaum and the other union leaders had concluded that strikes were not a viable or useful strategy to fight layoffs or wage freezes. Almost all of the strikes or other job actions that occurred during the fiscal crisis such as 1975 teachers and sanitation strikes or the 1980 transit strike occurred because the union leaders had lost control of their membership. However, in the summer of 1976, DC 37's local at the city's hospitals, local 420, struck with the wholehearted support of Gotbaum, which demonstrated that the union leadership was willing to employ that weapon under certain conditions.

The Health and Hospital Corporation (HHC), which consisted of seventeen major healthcare facilities, was by far the largest municipal hospital system in the country. Like the Board of Education and the City University of New York (CUNY), HHC was a nonmayoral agency and retained some independence from City Hall. One of the ongoing

⁵²Bill Scott notes of meeting with Zuccotti, 17 August 1976, folder 319, box 11, Shanker Series, UFT Collection, Wagner Archives.

⁵³ Minutes of EFCB meeting, 3 February 1977. Bigel Collection.

⁵⁴ Minutes of EFCB meeting, 7 February 1977. Bigel Collection.

struggles during the fiscal crisis was the attempt by the EFCB and the mayor's office to force these independent agencies to make the cuts that they felt were necessary.⁵⁵ It was not an easy task. As Beame's Deputy Mayor Kenneth Axelson put it, "They are structured to resist."⁵⁶ The Board of Education was probably the most successful at resisting cutbacks given the fact that it often had UFT on its side, but all of the nonmayoral agencies tried, with differing degrees of success, to use their independence and to form alliances with community groups to resist the cuts demanded under the new austerity regime.

While he was resigned to making some cuts in spending, HHC director John Holloman resisted making the more significant cutbacks that the control board and Mayor Beame insisted upon. One of the few African-Americans in a high position in the Beame administration, Holloman was a veteran of the civil rights movement and felt strongly the city's hospitals, which were used primarily by the city's poor and people of color needed, to be defended.⁵⁷ He quickly won the enmity of the EFCB, which grew increasingly frustrated with his failure to make what it felt were necessary budget cuts. The control board and Holloman engaged in public debate over HHC. One of the members of the EFCB was quoted as saying that, "A consensus was reached that Holloman is a disaster, that there is no way costs can remotely be controlled if he and others continue to run the corporation." Holloman responded by stating, "Neither the HHC nor the people of the

⁵⁵ The legislature creating the EFCB made it clear that the control board had the right to reject or force the modification of the budgets of these agencies.

⁵⁶ Minutes of EFCB meeting, 8 December 1975, Bigel Collection

⁵⁷ Bailey, *The Crisis Regime*, 104-111.

City of New York will permit Stephen Berger [the executive director of the EFCB] to destroy the municipal hospital system.”⁵⁸

In December 1975, HHC did layoff 3,400 HHC employees, most of whom were members of DC 37's Local 420. However, both Beame and the EFCB argued that Holloman had not gone far enough and demanded more cutbacks in 1976 that would likely require more layoffs and the closing of a number of hospitals. The HHC director stated that in order to meet the EFCB's demands he would have to close a couple facilities and layoff 1,500 workers immediately and another 1,700 later.

While DC 37 had not gone on strike earlier in the fiscal crisis despite even larger layoffs, it now made it clear that it would strike if HHC laid off more its members. In preparation for a strike, Gotbaum assigned Lillian Roberts, his protégé and a DC 37 vice-president, to oversee the defense of the hospital workers.⁵⁹

Why was Gotbaum now open to striking? After all up until that point in the fiscal crisis, he had made it abundantly clear that he thought striking was a mistake. One reason was that the proposed strike only involved one local, not the entire membership of DC 37. Also there were certain conditions that increased Gotbaum's confidence that a hospital strike would be at least partially successful in limiting the number of layoffs announced. One was that defending the city's hospitals had become a rallying cry for the city's African-American community. Most of the patients at the hospitals and most of their employees were people of color and both the city's established African-American politicians such as Manhattan Borough President Percy Sutton and U.S. Congressman Charles Rangel and grassroots organizations within the African-American community

⁵⁸ *New York Times*, 16 October 1976.

⁵⁹ *Public Employee Press*, 21 May 1976.

were up in arms over the cuts to the HHC. Both local 420 President James Butler and DC 37 Vice President Lillian Roberts, who were both African-American, portrayed the defense of hospital and the jobs of the hospital workers as a civil rights fight. Also both Carey and Beame, who were planning on running for re-election, hoped to win the city's African-American vote - an important bloc in city and state elections. Therefore, while Carey and Beame were both committed to forcing the HHC to make more significant budget cuts and worked through the EFCB to see that these cuts were made, neither wanted to be perceived as publicly leading the fight to make these cuts.

In response to DC 37's threat to strike, Mayor Beame asked Basil Patterson, an African-American labor lawyer who was active in Democratic politics and close to the unions, to head up a nonbinding mediation panel that would make recommendations to the HHC Board of Trustees. In June 1976, the panel announced its recommendations. It proposed postponing the closing of one of the hospital facilities that had originally was to be closed and cutting back the planned layoff of 1,500 workers to 800. Also initially, it recommended that a second planned wave of 1,700 layoffs be postponed at least until HHC and the unions could see if new revenue sources could be found. However, the next month, the panel recommended that the HHC should layoff 1,500 of the 1,700.⁶⁰

In response to the threat of more layoffs, Gotbaum called all 17,000 DC 37 workers at HHC out on strike. The strike lasted four days. In the end, 900 of the 1,400 jobs were saved. However, Local 420 agreed to forego its 1976 COLA and the Beame administration did fine the union for violating the no-strike clause of the Taylor Law.⁶¹

⁶⁰ Bailey, *The Crisis Regime*, 106.

⁶¹ *Public Employee Press*, 6 August 1976; *Daily News*, 4 August 1976; *New York Times*, 25 August 1976; Bailey, *The Crisis Regime*, 106.

HHC's and the Beame administration's decision to back down on most of the layoffs, frustrated the members of the control board. To them, it demonstrated Beame's continued unwillingness or inability to make the cuts that the control board deemed necessary. One of the major reasons that the control board had been created was that the financial community and the state had concluded that Beame and other locally elected officials were unable or unwilling to make significant cuts in the budget. To the financial community and the control board, the very way that the HHC layoffs were handled with the appointment of a mediation panel chaired by the pro-union Basil Paterson and the compromise reached at the end of the strike was indicative that Beame was still trying to govern in the old way. So after the strike, the EFCB continued to demand that Beame force the HHC to pass a more acceptable financial plan. The control board and Beame continued to push for Holloman's removal.⁶² In the end, they succeeded in this goal when Beame stacked the HHC board with new trustees who passed a resolution of no confidence in the HHC director. In January 1977, Holloman resigned. Interesting enough, Holloman told the press that his dismissal was a capitulation to "financial interests and the labor unions."⁶³

Another of the nonmayoral agencies that initially resisted the Mayor's and the EFCB's demands for significant cutbacks was the Board of Higher Education (CUNY). The fight to cut spending at CUNY quickly turned to whether the university's policy of free tuition would remain in place. In the end, this over one hundred year old policy was abandoned

⁶² Beame's budget director Donald Kummerfeld recalls Deputy Mayor Zuccotti telling him that Holloman was a "problem" and that they had to get rid of him. Donald Kummerfeld interview with Suzanne Crow, 23 October 1995, transcript, Beame Oral History Collection.

⁶³ *New York Times*, 27 January 1977.

in the summer 1976. The action was significant symbolically and in terms of the real impact that it had on poor New Yorkers. Free higher education in New York City had been the path to good well-paying jobs for countless immigrants and poor New Yorkers since its inception in 1848 and the imposition of tuition quickly led to a decrease in the total number of CUNY students and also a decrease, at least initially, in the percentage of the students of color at CUNY.

CUNY had expanded rapidly in early 1970s when, after protests at many of the CUNY campuses, Mayor Lindsay implemented an open admissions policy at CUNY that stated that all city high school graduates would now be eligible for admission to CUNY. The new policy quickly led to increased enrollment rising from 162,000 in 1969 to 271,000 in 1975 total.⁶⁴ To deal with this sudden and large increase in students, CUNY expanded rapidly, building more classrooms and hiring more staff. Between 1969 and 1973, the CUNY staff increased by thirty percent. And the city had to increase spending to pay for all of this. City spending on higher education jumped from \$35 million in 1966 to \$200 million in 1973.⁶⁵

The demand to end free tuition surfaced at the very beginning of the fiscal crisis. President Ford told Mayor Beame and Governor Carey that they should start charging tuition during their meetings at the White House in May of 1975 and President Ford singled out free tuition as an example of the city's extravagance in his "Drop Dead" speech at the National Press Club in November 1975.⁶⁶ MAC officials had

⁶⁴ Freeman, *Working-Class New York*, 233; Cannato, *The Ungovernable City*, 458.

⁶⁵ Cannato, *The Ungovernable City*, 458.

⁶⁶ Transcript of Ford speech, *New York Times*, 30 November 1975.

recommended that move to Beame during the summer of 1975.⁶⁷ The banking community was also perceived as demanding the imposition of tuition.⁶⁸ Conservative journalists such as George Will also targeted free tuition.⁶⁹

This attack on free tuition on the part of the business community demonstrated how significantly the political views of this community had changed during the 1970s. For in the late 1960s, most of the city's business community had supported Mayor Lindsay's open admissions program as a way of providing much needed education and training for the city's working class. However by the time of the city's fiscal crisis after a period of economic recession and stagflation, the city's business community had concluded that free tuition was a luxury that the city could ill afford.⁷⁰

Initially, both Beame and Carey defended free tuition. At the May 1975 White House meeting during which Ford recommended the city impose tuition, Beame, who graduated from Baruch College, vigorously defended free tuition. "It's a one hundred and twenty eight year tradition. One of the most valuable traditions, I wouldn't be here today if it weren't free."⁷¹ Carey also stated his opposition to imposing tuition throughout the first year of the fiscal crisis.⁷²

However as the fiscal crisis continued in 1976, Beame and Carey continued to come under pressure from the control board, conservative columnists, and the Ford

⁶⁷ *Daily News*, 18 July 1975; Minutes of MAC Board of Directors meeting, 17 July 1975, box 1, MAC Collection, Series II. Baruch College.

⁶⁸ Walter Wriston was reported to dislike the policy of free tuition. Newfield and Dubrul, *The Abuse of Power*, 63.

⁶⁹ George Will mentions free tuition at CUNY as one example of New York's fiscal irresponsibility on *Face the Nation*, 2 November 1975; "No Such Thing as a Free BA," *The National Review*, 25 June 1976.

⁷⁰ Freeman, *Working-Class New York*, 271.

⁷¹ Handwritten notes of meeting by press secretary Ron Nessen, May 13, 1975, Handwritten notes, 5/13/75 folder, box 294, Ron Nessen Papers, 1974-77. Ford Presidential Library.

⁷² Transcript of Carey Interview, 7 December 1975, Meet the Press folder, Box 70, Ron Nessen Files, Ford Presidential Library.

administration to reconsider their defense of free tuition. While neither Beame nor Carey would ever come out and publicly admit that they no longer supported the end of free tuition, behind the scenes they began to make decisions that would lead inevitably to the end of this old tradition. For example in July 1975, Beame cut the city's contribution to CUNY by \$32 million, which was the approximate amount that could be raised if tuition was imposed. CUNY's board and Chancellor Robert Kibbee did agree to significant budget cuts. In the fall of 1975 over one thousand tenured and nontenured faculty were fired. Later in February 1976, CUNY Chancellor Kibbee announced his own restructuring plan that included the closing of Hostos, John Jay, and Richmond College, the conversion of Medgar Evers and York into two-year community colleges and the end of the Open Admissions policy.⁷³ At the same time, the Board of Higher Education continued to oppose tuition. As the chairman of the Board wrote Beame, "Tuition should once and for all be acknowledged as a political, not a financial issue. Like a flag - - it can be waved and saluted, not banked or eaten."⁷⁴

The unions were a relatively minor player in the debate over the imposition of tuition. Gotbaum and Shanker consistently defended free tuition and spoke at rallies defending it, but given all of the other things that they had to worry about, it was not one of their top priorities. The Professional Staff Congress (PSC), the CUNY faculty union, was more involved in the defense of free tuition, but it was a relatively small union that was busy defending its members from being fired. PSC was formed in 1972 with the merger of two competing organizations, the Legislative Conference (LC) and the United Federation of College Teachers (UFTC), a local of the AFT. The PSC did not negotiate its first

⁷³ Irwin Yellowitz, "A Time of Crisis," *The Clarion*, November 1996.

contract with the Board of Higher Education until September 1973. From 1972 until the spring of 1976, Professor Belle Zeller was the PSC president.⁷⁵

During the summer of 1975, as the CUNY administration began to layoff hundreds of part-time faculty and made it clear that full-time tenured faculty members would also be laid off in the near future, PSC President Zeller seemed open to the idea of striking.⁷⁶ However, by the fall of 1975, she had changed her views and successfully stopped the local's delegates from endorsing a strike referendum.⁷⁷

Why the shift in strategy? The likely answer is that the PSC leadership, like most of the union leadership, had concluded that striking was not a viable option. Many of the unions such as DC 37 had adopted a rather militant sounding populist rhetoric in the summer of 1975, only to quickly abandon such rhetoric in the late summer and autumn of 1975 after the Americana Agreement and their decision to support the creation of the EFCB. The PSC leadership, which was a member of the MLC, could have just been following Gotbaum's leadership.

Also practically speaking, PSC was a small union and going on strike would not have likely won the rehiring of laid off faculty and certainly would not have stopped the

⁷⁴ Alfred Giardino letter to Beame, 19 December 1975, box 8, PSC/Polishook Collection, Wagner Labor Archives.

⁷⁵ The LC had been formed in the late 1930s and had been led by Belle Zeller since 1944. The LC had some success at improving faculty wages and pensions. At the same time, the LC argued that professors should remain independent from the rest of the nation's labor movement and opposed any affiliation with the AFL-CIO. In the early 1960s, the LC was challenged by the emergence of the UFTC, a local of the AFT. Very quickly, the UFTC gained support from adjuncts and lecturers. Throughout the 1960s, these two organizations battled for jurisdiction over the CUNY faculty. In 1972, they merged to form the PSC that negotiated its first contract in September 1973. Earlier that spring, the faction that came out of the LC, the City University Union Caucus (CUUC) won control of the PSC executive council and delegate assembly. Belle Zeller became president and Irwin Polishook became vice president of PSC. For a history of the PSC, see the PSC history series, Irwin Yellowitz, "Building the Union," *The Clarion*, October 1996.

⁷⁶ In August, she told the PSC Executive Council that she would recommend to the membership to prepare of a strike "Strike Readied as Union Fights Cuts," and "As Distasteful as A Strike Is" Zeller editorial, *The Clarion*, 5 September 1975.

imposition of tuition. If it had struck, PSC would have done so without the support from the other municipal union leaders who had decided that striking was not a viable option. This was a major disincentive for small unions to strike. For example, later in the fiscal crisis the Committee of Interns and Residents, a small left-led union, struck without the support of the other municipal unions and was soundly defeated.⁷⁸ Not that the leadership of PSC disagreed with Gotbaum and the others on the wisdom of striking. Like them, Zeller and Polishook believed that the best that the unions could do in this period was to pursue a political strategy based on working within the MLC and lobbying Albany for more state aid to try to limit as much as possible layoffs and other givebacks. As President Zeller wrote in her last editorial as president in *The Clarion*, the PSC newspaper in 1976, "We have learned the primary importance of political action in negotiating our future. We have been able to resist the impulse toward theatrical and destructive action."⁷⁹

Moreover, PSC certainly had no intention of striking to defend free tuition. While it did consistently defend free tuition and helped organize demonstrations and teach-ins with CUNY students to defend the existing policy, the faculty union understandably prioritized defending its members from layoffs and wage freezes than trying to maintain free tuition.

As there were in many of the other municipal unions, there were groups of dissidents in PSC. The main dissident group, the Unity Caucus, was led by Professor Israel Kruger, who came out of the Old Left. Many of the other PSC dissidents were young faculty who

⁷⁷ While there were several dissident groups that pushed for a strike, the main opposition group, The Unity Caucus, also argued that the union was not ready to strike. Unity Caucus newsletter, September-October 1975, PSC Campaign 1976 folder, box 9, PSC/Polishook Collection, Wagner Labor Archives.

⁷⁸ *New York Times*, 18 January 1979.

came out of the New Left. They made similar criticisms of their leadership that dissidents in the other municipal unions made of their leadership such as ruling out the possibility of striking and failing to work with student and community groups to defend CUNY. However, while they were relatively well organized and these dissident groups failed to shift position of Zeller and her caucus, the City University Union Caucus (CUUC).⁸⁰

PSC argued the Board and chancellor were acquiescing to the EFCB. President Zeller mocked Chancellor Kibbee as, "the only agency head who is designing the destruction of his own agency." The union also bitterly complained that Governor Carey, who had received labor's support, was now attacking the city's poor and working class.⁸¹

Carey responded by stating that, "the EFCB would mount an aggressive campaign to get the City University and the other semi-independent agencies to stop balking at the City's austerity measures."⁸² In early spring 1976, the EFCB supported the city's decision to cut off the city's monthly financial aid to CUNY. In May 1976, Chancellor Kibbee shut down of the university in response.

While Kibbee and CUNY's board continued to propose more cuts, the imposition of tuition remained a central goal of the control board and now even of City Hall. The state legislature also made it clear that they would oppose allocating state funding for CUNY unless it imposed a similar tuition to that of SUNY's. In May 1976, four of CUNY's trustees, including Chairman Giardino, resigned stating that they could not in good

⁷⁹ *The Clarion*, 11 March 1976.

⁸⁰ There are number of flyers and pamphlets of PSC dissident groups in Boxes 7 and 9 of PSC/Polishook Collection, Wagner Labor Archives. One group of PSC dissidents that called itself The Newt Davidson Collective published in late 1974 a long document titled *Crisis at CUNY* that presented a marxist analysis of the attacks on CUNY.

⁸¹ "PSC Rejects Kibbee Plan," *The Clarion*, 13 November 1975.

⁸² *New York Times*, 31 January 1976.

conscious vote to impose tuition. Beame quickly appointed four new members who supported tuition and in early June, the Board voted to impose tuition.

With the end of free tuition, one of the most powerful symbols of what historian Josh Freeman calls the “social democratic polity” that progressives, liberals, and the city’s labor movement created in New York City was destroyed. The imposition of tuition was not only symbolic. It quickly led to a 62,000 decline in student enrollment. By 1980, CUNY had 50 percent fewer black and Latino freshmen than four years earlier.⁸³

The CETA Controversy and Tensions between the Municipal Unions and City’s African-American Community

From the beginning of the fiscal crisis, the municipal unions searched for different ways to get their laid off members rehired. One way they attempted to do so was to have these laid off members rehired with money from the federal program, the Comprehensive Employment and Training Act of 1973 (CETA). Congress had enacted CETA to deal with the growing problem of unemployment that was becoming particularly acute in inner city areas. Initially, job training had been the focus of CETA, but in late 1974, Congress revised the law and authorized \$2.5 billion in late 1974 to deal with unemployment. Cities and regions with particularly high levels of unemployment could use CETA funds to pay for all of or part of the salaries of unemployed workers (CETA paid up \$10,000 of workers’ salaries and benefits). Municipalities were responsible for running the programs, but the U.S. Department of Labor was charged with creating guidelines on who could be hired.⁸⁴

⁸³ Freeman, *Working-Class New York*, 271.

⁸⁴ Weir, *Politics and Job*, 117-121.

The municipal unions had complained since late 1974 that the city was hiring workers with CETA funds to replace laid off union workers. Gotbaum complained that this was a violation of CETA guidelines that specified that CETA funds should not be used to replace civil servants with workers whose salaries were paid by CETA. When MAC, the unions, and the city negotiated the Americana Agreement in August 1975, the city agreed to fire any such CETA workers and also to try to rehire laid off union members with CETA funding and in early August, the city did send layoff notices to 1,160 recently hired non-union CETA workers.⁸⁵

Though DC 37 and the other unions immediately began to negotiate with the city to make certain that their laid-off members were rehired with CETA funds, it was a long time-consuming process. For while the city was willing to use CETA funds for such purposes, the rehiring had to be approved by the U.S. Department of Labor, which was wary of cities using CETA funds to rehire large numbers of laid-off civil servants.⁸⁶ Throughout 1975 and 1976, DC 37 representatives haggled with city and labor department officials over the number of union members who could be rehired.⁸⁷ In the end, over 3,000 laid-off members of DC 37 and other city unions were rehired with CETA funds. Partially because it was the largest of the municipal unions, the majority of those rehired with CETA funds, but other unions also got laid off members rehired.⁸⁸

⁸⁵ *New York Times*, 5 August 1975.

⁸⁶ New York City was not the only city to use CETA funds to rehire laid off municipal workers. Atlanta used CETA money to rehire many of the sanitation workers it had fired during the 1977 sanitation strike. McCartin, "Fire the Hell Out of Them," 21. For the Ford administration's concern about Detroit's use of CETA money for this purpose, see David Lissy memorandum to Bill Seidman, 29 July 1976, Detroit file, box 55, William Seidman, Papers, Ford Presidential Library.

⁸⁷ *Public Employee Press*, 7 November 1975.

⁸⁸ See Beame administration press release announcing the rehiring of three hundred and seven police with CETA funds, Beame administration press release, 6 February 1977, CETA files, box 1, series 9, Municipal Assistance Corporation Archive, Archive on Municipal Finance and Leadership.

The municipal unions' success at using CETA funds to win the rehiring of their laid off members angered some groups. One such group were the laid off CETA workers. Some accused the unions of racism since almost all of the laid off CETA workers were minorities. Also angered were some liberal groups, some city politicians from the black community, and even dissidents within DC 37. They argued that Congress had created CETA to help train and offer job opportunities for the hardcore unemployed in the urban areas, not as a way for the city to come up with funds to keep civil servants from being fired. In the fall of 1975, The National Employment Law Project and other organizations went to court and won a temporary restraining order to stop the firing of CETA workers.⁸⁹ State Senator Carl McCall of Harlem attacked the unions saying that, "It's ironic and revealing that the same union leaders fighting a wage freeze are perfectly willing to steal jobs from the poor and leave minorities completely out in the cold."⁹⁰

DC 37 responded angrily to these accusations of racism. Gotbaum called McCall's statement a "cheap shot" and "shameful" given that "he [McCall] knew that city workers laid off from these low-paying jobs are themselves mainly poor and minorities; he knew that no union could stand by and see its members laid off and replaced by other workers, however pitiable their condition."⁹¹ DC 37 ran articles with photographs in their paper in which black and Latino union members, who were rehired by bumping CETA workers, talked about how they needed their jobs to save their families from poverty. DC 37 also argued that it was unfair that individuals who had gotten their CETA jobs through

⁸⁹ Ibid., 26 September 1975.

⁹⁰ Quoted in Bellush, *Union Power*, 395.

⁹¹ Ibid., 395.

community clubhouses had replaced experienced workers who had gotten their jobs through the merit system.⁹²

Gotbaum was correct in pointing out that the vast majority of union members who were being rehired with CETA money were minorities (the reason being is that those union members fired during the fiscal crisis were those with the least seniority and they tended to be minorities since it was not until the late 1960s and early 1970s that the city began to hire large numbers of minorities). However, it is also true that DC 37 and the other municipal unions were slightly twisting the purpose of CETA to fit their needs. CETA was certainly not created to be a way to rehire laid off municipal workers. Rather it had been created to provide money for training and the temporary employment of hardcore unemployed in high unemployment areas. Also while the majority of DC 37 members who were rehired with CETA funds were people of color, they were not exactly the target population that CETA had in mind. All of these rehired members had passed civil service exams and had at least a high school education.

Moreover, the anger of State Senator McCall and others over the unions' successful use of CETA funds cannot be dismissed as mere political demagoguery though neither can it be understood as just an altruistic concern for the most downtrodden of society. First, it stemmed from the perception by much of the city's left and some in the black community that the municipal unions were pursuing a strategy during the fiscal crisis that seemed only concerned about protecting themselves and uninterested in helping the poor in general. Also, the anger on the part of McCall and others stemmed their frustration that they had lost power during the fiscal crisis whereas the municipal unions seemed to have maneuvered in such a way where they remained a key power broker. In the late

⁹² Public Employee Press, 11 July and 8 August 1975.

1960s, the city's black politicians had gained a significant amount of power with the creation of Great Society programs and with the support of Mayor Lindsay. During the fiscal crisis, they saw that power dwindling. Along with other locally elected officials, they had little say in how the city was being managed after the creation of the EFCB. Also, much of the power of the city's black and Latino political establishment stemmed from their control of money and patronage jobs connected to social programs that were now being gutted. At the same time, their power was dwindling; they saw how the municipal unions had managed to retain a seat their power. For example, the Black and Puerto Rican Caucus' demand that someone from the minority community be added to the EFCB was ignored by Governor Carey, while the municipal unions were always represented at EFCB meetings by Jack Bigel.

The Moratorium Crisis and the Creation of the Municipal Union/Financial Leaders Group

The unions were able demonstrate how significant a political player they had become after the city plunged back into a crisis when in November 1976 the New York State Court of Appeals overturned the Debt Moratorium Act of the previous fall. The Moratorium Act was part of the complex Emergency Financial Control Act passed in September 1975. This act had been an essential part of the multi-billion dollar plan put together by the state, MAC, the banks, and the unions in the fall of 1975 to keep the city out of bankruptcy and to win federal aid. The moratorium had allowed the city to delay

paying back outstanding notes that it owed investors in order to give the city desperately needed breathing room.⁹³

As state and city officials, the control board, and MAC feverishly tried to come up with a new plan to resolve the crisis, they once again went to the unions and the banks for help. However, the relationship between the unions and the banks, which had remained tense, briefly took a turn for worse as the banks tried to use the moratorium crisis to push for an even a more far-reaching form of fiscal austerity with an extension of the life of the control board that would be given more power over the city's budget and finances. After a period of heated debate, the unions managed to limit most of the banks demands. Soon afterwards, the unions decided to form a tentative alliance with the erstwhile enemies to better resolve the differences between them.

When the state's highest court declared the moratorium to be unconstitutional, the city turned to the municipal unions and the major banks for help as it had in the fall of 1975. Initially, the unions said that the employee pension funds could not purchase any more MAC or city paper, pointing out that they had already agreed to sink over a third of the total pension fund assets in MAC and city paper.⁹⁴ Soon thereafter though, Bigel and the unions said that they would consider purchasing more, but only as part of an "overall

⁹³ When Carey signed the bill in the fall of 1975, the city owed investors \$2.4 billion. About \$800 million were owed to the municipal pension funds and the major banks. Both agreed to postpone asking the city to pay them back. However, about \$1.6 billion was held by individual investors. They were given the opportunity to exchange the notes for long-term MAC bonds, but the Moratorium Act prohibited these investors from demanding that the city to pay them back in cash. Soon after Carey signed the bill, Flushing National Bank brought a suit arguing the act violated the state constitution. The Flushing case worked its way through the state's court system until November 1976 the Court of Appeals, the state's highest court, ruled that the Moratorium Act did in fact violate the state's constitution and ordered the city to come up with a repayment plan by 3 February 1977.

solution” that included the banks and the federal government. MAC and the Carter administration agreed to the plan, but the banks balked.⁹⁵

The banks proposed that the city try to issue its own bonds to raise money. They also used the moratorium crisis to push for a more stringent austerity regime. For example, they demanded that the city agree to accept new restrictions on its financing and budgetary powers long after the emergency period ended in 1978. At a meeting at Gracie Mansion, Citibank Chairman Walter Wriston, Bankers Trust Chairman Alfred Brittain, and other leading bankers presented Beame with a list of their demands and their concerns. One of their central demands was that the control board continue after 1978 and have its power over the city either maintained or even increased. A second demand was that the municipal unions not be given a seat on the board.⁹⁶

According to news reports, Beame was initially willing to accept the bankers’ demands.⁹⁷ However, the unions angrily opposed the banks’ proposal, accusing the banks of using the crisis to try to usurp once again the power of elected officials. Gotbaum revived the populist rhetoric of the early fiscal crisis and publicly denounced the banks for trying “to reduce the role of elected officials to one of ribbon-cutting, opening branch banks and department stores.”⁹⁸ A series of meetings among the unions, banks, and city and state officials were held at Gracie Mansion in January and early February. Bigel later recalled that these were some of the tensest meetings of the fiscal

⁹⁴ *The Chief*, 30 November 1976.

⁹⁵ *Ibid.*, 29 December 1976.

⁹⁶ In a letter to Mayor Beame, Chairman of Bankers Trust Alfred Brittain outlines the banks’ concerns. Letter from Brittain to Beame, 28 February 1977, Bigel Collection; *New York Times*, 25 January 1977.

⁹⁷ *New York Times*, 27 January 1977.

⁹⁸ *Ibid.*

crisis. He also felt that the unions provided the necessary muscle to convince a Beame to stand up to the banks.⁹⁹

Finally under pressure from the U.S. Treasury Department, threatening to withhold the approval of much needed federal loans, the city, MAC, and the unions came up with an overall plan to repay close to \$1 billion in moratorium notes on March 1977. The unions agreed to buy \$500 million more of MAC and city paper with New York savings banks buying the rest. The major investment banks were not part of the deal. The next day, the EFCB approved the plan and Treasury Secretary Michael Blumenthal indicated that he would now approve the release of the next scheduled federal loans.¹⁰⁰

The moratorium crisis exposed the distrust and tension that still existed between the unions and the large investment banks, two of the most powerful interest groups during the fiscal crisis period. Before the fiscal crisis, they had hardly known each other, but the fiscal crisis had forced them to become acquainted.¹⁰¹ It had not been an amiable relationship. The unions felt that the banks had been a major force behind the scenes in pushing MAC and the EFCB to argue for more and more austerity as well as having close relationships with Ford's Treasury Secretary William Simon, one of the more ideologically conservative members of the administration. On the other hand, the banks felt that the municipal unions were to blame for the fiscal crisis while at the same time were worried about the attacks by the unions and others that they had purposely created

⁹⁹ John Zuccotti interview with Bigel, 1 January 1998, transcript, Bigel Collection.

¹⁰⁰ *New York Times*, 9 and 11 March 1977.

¹⁰¹ Jack Bigel loved to joke with the author that before the fiscal crisis, the only "market" that he knew was on Essex Street (referring to the old produce market in the Lower East Side).

the crisis by not their decision in the spring of 1975 not to buy any more city securities and then using the crisis to push through austerity.

These tensions, which had never completely gone away, reemerged during the moratorium crisis when the banks pushed for the creation of some form of permanent control board that would have strict control over the city's finances and budget after the "control period" under the Emergency Financial Control Act ended in the summer of 1978. This demand by the banks appears to have been pushed by a conservative faction within the banking community that felt that a more robust form of fiscal austerity still needed to be imposed upon the city. This faction was led by Charles Sanford of Chase Manhattan.¹⁰²

The attempt in early 1977 by the banks failed and it exposed the limit of the power of the banks to dictate policy. It is also important to note that the moratorium crisis was solved without the participation of the major banks. It was the savings banks that agreed to step up to the plate during the moratorium crisis and not the large investment banks such Chase, Manufacturers Hanover, or Citibank.

The resolution of the moratorium crisis also demonstrated how the municipal unions were still able to exercise significant political power because of their control over the pension funds and their adept political maneuvering. Bigel claimed that it was the unions that provided the Beame administration the "muscle" to stand up to the banks when they demanded a more stringent form of austerity and a decrease in City Hall's control over budgetary and fiscal matters.¹⁰³

¹⁰² Zuccotti interview with Bigel, 28 January 1997, transcript, Bigel Collection; Wriston interview with John Metzger, 23 February 1994, transcript, Beame Oral History Collection, LaGuardia-Wagner Archives.

¹⁰³ Zuccotti interview with Bigel, 28 January 1997, transcript, Bigel Collection.

It was at this moment that in early March 1977 that Bigel decided it was important to try to mend fences with the banks and called Walter Wriston to set up a meeting. Bigel later commented that he took this action because, "We may be winning the battle, but we were losing the war."¹⁰⁴

Within days of Bigel's first meeting with Wriston, they had agreed to set up an organization that would bring the banks and the unions together to discuss disagreements as well as perhaps working together to push for policy changes that they agreed upon. Key union leaders such as Victor Gotbaum, Barry Feinstein, John Lawe of the Transport Workers, and later Al Shanker joined. Wriston brought in David Rockefeller of Chase, Felix Rohatyn, Ellmore Patterson of Morgan Guaranty, and other important members of the banking community. Wriston later recalled that he felt quite comfortable with the idea and that he saw the Municipal Union/Financial Leaders Group (MUFLG) as modeled upon Ford's National Labor-Management Committee that brought together business and union leaders to discuss issues and problems. Like, its precursor, Wriston felt that MUFLG should focus on issues where there was the potential for some agreement.¹⁰⁵

And for the most part that is what MUFLG did. At the very first meeting of MUFLG, the participants agreed to address such issues as the unfair burden of welfare costs on the city, taxes, and the city's economy.¹⁰⁶ And MUFLG moved quickly, issuing its first position paper in May 1977 in which it argued that the federal government needed to take

¹⁰⁴ Wriston interview with Bigel, Bigel Collection; Gotbaum report to MLC steering committee on Bigel's initial contact with banks, MLC Minutes, 18 April 1977, Bigel Collection.

¹⁰⁵ Wriston interview with Bigel, transcript, Bigel Collection; James Ring Addams, "The MUFFLE Men," *Empire, State Report*, April 1979.

¹⁰⁶ Minutes of MUFLG meeting, 7 April 1977, Bigel Collection.

over more of the costs of welfare.¹⁰⁷ In late 1977 MUFLG issued a paper calling for city and state tax cuts that included cutting the stock transfer tax. It also endorsed massive building projects such as Westway, Battery Park City, and a new convention center.¹⁰⁸

Some of MUFLG policy proposals served the interests of the municipal unions. For example, the proposal that the federal government take over more of the burden of welfare costs from municipalities and states makes sense. However, it is less clear why the municipal union members of MUFLG agreed to sign off on many of MUFLG's policy proposals. For example, MUFLG endorsed the building of Westway, a multi-billion dollar federal project to build a park and highway system on the Westside of Manhattan. MUFLG also endorsed the complete elimination of the stock-transfer tax. Both of these positions would seem to go directly against the interests of the municipal unions. For example, one wonders why the municipal unions (particularly the transit union, which was a member of MUFLG) would endorse spending billions of federal dollars on building a massive highway rather than lobbying to allocate this money to renovate and expand the city's deteriorating public transportation system,. It made sense that the construction unions supported since they expected it to provide more jobs for their members, but the municipal unions' support of it makes less sense. Also, the unions in MUFLG support for the elimination of the stock-transfer tax, which provided a significant amount of revenue for the city, seems counterintuitive for institutions that relied upon such revenue to pay for their members' wages and benefits.

¹⁰⁷ "MUFLG Position Paper on Welfare Costs," 30 May 1977, MUFLG folder, box 4, Bellush Collection; *New York Times*, 1 June 1977.

¹⁰⁸ "MUFLG Position Paper on Taxes," December 20, 1977, Bigel Collection; On MUFLG's support of Westway, see *New York Post*, 26 November 1977.

MUFLG did not just issue position papers – it pushed to see its positions enacted. For example, Bigel and Rohatyn led a MUFLG contingent that went to Washington to meet with members of the Carter administration and Congress to push for legislation that would make the federal government pick up more of welfare costs.¹⁰⁹ Also, MTA Chair Richard Ravitch, Governor Carey, Senator Moynihan, and others came to their meetings seeking MUFLG's endorsement of their work.¹¹⁰

Since the municipal unions and the major banks had emerged as powerful forces during the fiscal crisis, MUFLG's position papers and lobbying were taken seriously by state and city elected officials and by the editorial boards of the city's papers. This is not to say that most of MUFLG's proposals became a reality. Westway was never built and the federal government certainly did not agree to pick more of the costs for welfare.

Perhaps MUFLG's most important work was in serving as a forum where the banks and the unions could work through potentially divisive issues. As Felix Rohatyn, a member of MUFLG put it in 1979, "The primary benefit of this exercise [MUFLG] is mutual understanding. In times of crisis, tensions among these critical financial and political powers have been considerably reduced. Respect and understanding have been created where suspicion and mistrust had turned every disagreement into confrontation."¹¹¹ One example concerned the extension of the EFCB in 1978.

MUFLG had originally formed because of the tension that developed in the winter of 1977/78 when the banks had tried to force the city to agree to an extension to some form of control board. During the summer of 1978, the unions and the banks discussed the

¹⁰⁹ Minutes of MUFLG meeting, 20 September 1978, Bigel Collection.

¹¹⁰ Minutes of MUFLG meeting, 20 September 1978, 22 March 1979, 15 February 1980, Bigel Collection.

¹¹¹ Felix Rohatyn, "Public-Private Partnerships to Stave off Disaster," *Harvard Business Review*, November 1979.

issue extensively at MUFLG meetings and were able to work out their differences privately and amicably.¹¹² Another example was how the union members and the bank members of MUFLG worked out privately potentially explosive issues was during the eleven day transit strike in April 1980. John Lawe of the Transport Workers and Gotbaum spent much of the April 4 MUFLG meeting explaining to the bankers the anger of rank and file municipal workers over work conditions and wages.¹¹³

It is important to note that the impetus to create MUFLG came from labor. It was Bigel who approached Wriston. Though at the time some were surprised by this action and others such as Mayor Koch remained hostile towards MUFLG, it is not surprising that the municipal unions through Bigel reached out to the banks.¹¹⁴ After all, since the early stages of the fiscal crisis, the unions, following the lead of Gotbaum, had chosen not to go down the path of militancy. Instead, they had adopted a strategy of defending collective bargaining and making certain they were not denied a place at any forum in which crucial decisions were made concerning the fiscal crisis. In that sense, MUFLG was logical outgrowth of their strategy.

However while, the decision to join with the banks to form MUFLG made sense given the municipal union overall strategy during the fiscal crisis, it remains uncertain what the unions got in return for joining. None of MUFLG's major policy proposals that would have benefited the unions such as the increased federalization of welfare costs were achieved. And the MUFLG policy proposals that were put into place such as the elimination of the stock-transfer tax certainly did not benefit the municipal unions or their

¹¹² Minutes of MUFLG meeting, 15 May and 20 July 1978, Bigel Collection.

¹¹³ Ibid., 4 April 1980.

¹¹⁴ On Koch's views of MUFLG, see Koch interview with Bigel, 1 July 1997, transcript, Bigel Collection and *New York Times*, 21 November 1980.

members. Moreover, MUFLG's role as a space where the banks and unions could work out their differences did not seem to do much for the unions in practice. For example, while the business members of MUFLG might have listened to Gotbaum and TWU president John Lawe explain the seriousness of rank and file anger during the 1980 transit strike, it did not stop them from publicly condemning the strike and encouraging Mayor Koch to take a hard line with the striking union. Of course, one can not blame MUFLG for the failure of the federal government to take over more of welfare costs. In the increasingly conservative political climate of the late 1970s and early 1980s, this was never going to happen. However, the municipal union role in creating MUFLG and the little that they got in return for doing so demonstrates that Gotbaum's hopes in creating a corporatist governing regime with the banks and the state had its limitations in a city, state, and nation that was shifting to the right.

The Reward of Agency Shop

One of the few clear victories for the unions during the fiscal crisis period was winning agency shop in July 1977.¹¹⁵ Agency shop requires all workers who are covered by a union contract to pay either union dues or an amount roughly equivalent to union dues called an agency fee. Agency shop had been one of DC 37's and the other municipal union's primary legislative goals in Albany since the mid 1960s. For union leaders, agency shop is incredibly helpful. It increases their financial assets considerably, allowing them to spend more money on lobbying, create a strike fund in case they go out on strike, pay any strike penalties, and offer more union benefits to their members. One

other benefit that agency shop offers union leaders is that it frees up time and money that they might have to spend trying to convince potential members to join and pay union dues.

The municipal unions had failed to win agency shop because the Republican controlled state senate had never approved it. However, by 1977, a number of things had shifted in the unions' favor. The first was the unions were seen as having played a constructive and very important role during the fiscal crisis by investing billions of pension fund assets in MAC paper and by avoiding for the most part any serious strikes that could have disrupted the complex fiscal arrangements between the federal government, the banks, the city, and the state that kept the city out of bankruptcy. Secondly and related to the first, the municipal union had begun slowly cultivating relations with key Republican members of the state senate, the most important being with Senate Majority Leader Warren Anderson of Binghamton. As the most important state senator, Anderson had worked with Gotbaum and the other municipal union leaders in crafting the Emergency Financial Control Act and the other important legislation passed during the fiscal crisis. Also, with Nelson Rockefeller moving to the national scene, Anderson, a moderate Republican, began to consider running for governor. Having the support of the powerful municipal unions would serve him well in a statewide race. Gotbaum and Norman Adler, who had recently become DC 37's director of political

¹¹⁵ The agency shop law passed in 1977 did not grant the unions a permanent agency shop. Instead, it granted them agency shop for two years. The state legislature and Governor would have the option of not renewing it. *The Chief*, 24 August 1977.

action, made it clear to Anderson that he and other Republicans would receive financial support if he supported agency shop legislation.¹¹⁶

As mentioned above, the union leadership desired agency shop because it would guarantee a much more stable union dues base, which improved the unions' financial position. It also encouraged the unions to continue to pursue their non-militant fiscal crisis strategy without worrying too much about their members' reactions. Also, since the agency law passed did not make agency shop permanent, the unions were even further discouraged from going on strike in order not to harm the chance that the agency shop law would be renewed. This was a legitimate fear since UFT had its right to automatic dues-check-off taken away from it as punishment for its 1975 strike as would TWU for its 1980 strike.¹¹⁷ Already, most of the union leaders were protected from being thrown out of office through the power of incumbency and in certain circumstances various forms of undemocratic structures. Now with the automatic collection of union dues or agency dues from all members of the bargaining unit, they were further distanced from rank and file pressure.

¹¹⁶ Gotbaum discusses Anderson's pledge of support for agency shop. Minutes of Municipal Labor Committee general membership meeting, 24 February 1977. Bigel Collection; Bellush, *Union Power*, 264-266.

¹¹⁷ The Public Employment Relations Board (PERB) penalized both UFT for its 1975 strike and TWU for its 1980 strike by taking away their automatic dues check-off for eighteen months as well as issuing significant fines. However, in both cases, the eighteen-month penalties were decreased significantly. PERB had imposed the loss of dues check-off on UFT in October 1976, but UFT filed a suit in federal court delaying implementation of the penalty for over five years. When the U.S. Court of Appeals rejected the UFT appeal in April 1982, the city implemented the loss of dues check-off starting May 1. However, PERB decided that starting in that August, UFT would regain their right of dues check-off collection. PERB agreed with UFT's and the Board of Education's concern that loss of dues check-off could bankrupt UFT or at least impair their ability to provide help to members. PERB penalized TWU by taking away their automatic dues check-off for eighteen months in October 1982, but gave it back to the transit union four months later in February 1983 for the same reasons. *New York Teacher*, 29 August 1982; *New York Times*, 11 October 1982 and 12 February 1983.

The 1977 Mayoral Race and the Electoral Repercussions of Fiscal Austerity

In the midst of the fiscal crisis was the 1977 mayoral campaign. It was an important campaign because it demonstrated the impact the fiscal crisis had had on the city's electoral politics. Moreover, it made clear that the municipal unions' ability to influence mayoral elections had been greatly diminished. Just four years before, Gotbaum had bragged, "There's no question about it – we have the ability, in a sense, to elect our own boss."¹¹⁸ He would not be making any such statements during or after the 1977 mayoral election. Of course, part of the unions' political weakness stemmed from the growing dominance of fiscal and social conservatism in the city and nation – trends for which the municipal unions can certainly not take the blame. However, at least part of the source of their political weakness stemmed from the fact that the unions' very core strategy during the fiscal crisis, an attempt to defend their institutional power within the parameters of fiscal austerity, meant that they did little to try to stop the city's political shift to the right.

There was little support for Beame to run again. Though Governor Carey and others refrained from public criticism of the mayor, most felt that that mayor had not played a positive role during the fiscal crisis. The banks clearly were not fond of him and there had even been some talk in the fall of 1975 that he should be forced to resign.¹¹⁹

However, Beame was determined to run again to restore his reputation. He told Carey privately in March that he planned to run again. According to Beame, Carey

¹¹⁸ *New York Times*, 8 November 1973.

recommended that they try to convince the state legislature to change the primary date from June to September. By this point, the city budget would be out of the way. The state legislature did eventually take this action. Later, Beame concluded that Carey's real motivation for moving the primary date to September was to have more time to convince his Secretary of the State Mario Cuomo to run. There were rumors that Carey wanted Beame out and feared that Congresswoman Bella Abzug would win the race so he wanted time to convince Cuomo to run.¹²⁰

Whatever Carey's motivations, by early summer eight candidates had thrown their hat into the ring; Mayor Beame, Congresswoman Bella Abzug, Congressmen Herman Badillo and Edward Koch, Manhattan Borough President Percy Sutton, Mario Cuomo, Joel Harnett, and Edward Costikyan (who quickly dropped out and endorsed Koch). In early summer, polls showed that Abzug was the frontrunner with Beame close behind.

Beame stressed how he had made the tough decisions during the fiscal crisis that had kept the city afloat. At the same time, he reached out to municipal workers claiming that he had stood up to the banks when necessary and had avoided layoffs at all costs.¹²¹ He also spoke of his close relationship with President Carter, hinting that he was in the best position to win federal aid to the city. Beame also retained the support of Meade Esposito and the Brooklyn regular Democratic organization. So despite the establishment's dislike of him, Beame remained a formidable candidate.¹²²

¹¹⁹ For banks' view of Beame, see Walter Wriston interview with John Metzer, 23 February 1994, transcript, Beame Oral History Collection.

¹²⁰ Abraham Beame's handwritten notes on fiscal crisis, undated. folder 11, box 070013, LaGuardia Archives; *New York Times*, 14 April 1977; Edward Koch interview with Jack Bigel, 9 April 1997, transcript, Bigel Collection.

¹²¹ Remarks by Beame at DC 37 Biennial Leadership Conference, 14 June 1977, Bigel Collection.

¹²² Jonathan Soffer, "The New York Fiscal Crisis and the Mayoral Election of 1977" (Paper delivered to the Conference on New York City History, Gotham Center for New York City History, Graduate Center of the City University of New York, 7 October 2001).

The municipal unions were not happy with any of the candidates. They and most of the private sector unions had enthusiastically endorsed Beame in 1973, however they felt that he was a damaged candidate. However, Beame did receive some support from the municipal unions. Jack Bigel and John DeLury of the sanitationmen maintained very close ties with Beame. Bigel and DeLury had known Beame for decades and he was the type of politician that they felt that they could deal with. Like Beame, they were not particularly ideological or romantic about politics. While they were willing to work with anyone, they felt most comfortable with nonideological politicians who came out of the same working-class background as themselves. Beame was always willing to horse trade and had proven willing to support labor.¹²³ Shanker also supported Beame though initially he seemed to do it only because he disliked the idea of a Koch and Abzug victory even more. As it became even clearer that Beame's campaign was in trouble, Shanker defended Beame more vigorously.¹²⁴ However, despite their support, Shanker, Feinstein, and DeLury did not make a large effort to get their troops out to campaign for Beame as they did in 1973.

Gotbaum did not join the other municipal unions in their lukewarm support of Beame. In March, Gotbaum told reporters that he thought that Beame should not seek a second term. He also met privately with Beame to try to convince not to run and to let his Deputy Mayor John Zuccotti run.¹²⁵

Why Zuccotti? Initially, Gotbaum and the other union leaders had been uncertain about Zuccotti when he first became deputy mayor in the winter of 1975. However, he

¹²³ See *Daily News*, 18 August 1977 article on Bigel's and DeLury's support of Beame and paid Beame political advertisement by the Labor Committee for Beame chaired by Barry Feinstein in *The Chief*, 26 August 1977.

¹²⁴ See Shanker's "Where We Stand" columns, 28 August and 4 September 1977.

had won the support of the unions by displaying his willingness to compromise. He had also supported the unions' successful attempt in the late summer of 1977 to convince the EFCB that COLAs be awarded without regard to productivity increases. It is worth quoting how Gotbaum described Zuccotti to the DC 37 executive board during the run-up to the 1977 election. He described him as the "consensus candidate, supported by labor, bankers, and business."¹²⁶ This description captures the type of political regime that Gotbaum was trying to create during the fiscal crisis - a centrist corporatist political regime where business, the state, and the unions could work together and resolve the city's fiscal difficulties. By the summer of 1977, Gotbaum believed that such a regime had been created. The formation of MUFLG was an example of such a politics. The election of Zuccotti, who was well-liked by all the city's major powers, would have been a significant step in the solidifying the existence of such a governing regime. Unfortunately for Gotbaum, Beame refused to step off the stage and Zuccotti refused to run against him.¹²⁷

The other candidates certainly made little effort to appeal to the municipal unions. Abzug angered them when she stated that the municipal workers needed to be more productive and that their pensions were too generous.¹²⁸ There were also broader cultural and ideological dimensions for the unions' dislike of Abzug. To a certain degree, Abzug was a product of the New Left, which had often been critical of the labor movement. For

¹²⁵ *Daily News*, 14 March 1977; Gotbaum interview with Bigel, 28 January 1997, transcript, Bigel Collection.

¹²⁶ Gotbaum's report to DC 37 Executive Board, 11 May 1977, folder: NYC Politics 1961-84, box 4, Bellush Collection; Gotbaum interview with Bigel, 28 January 1997, transcript, Bigel Collection.

¹²⁷ John Zuccotti interview with Jack Bigel, 28 January 1997, transcript, Bigel Collection.

¹²⁸ On Gotbaum's negative view of Abzug candidacy, see Gotbaum's comments about Abzug to MLC general membership, minutes of MLC meeting, 7 June 1977. Bigel Collection; Gotbaum editorial "Bella Abzug's Candidacy: Attacking City Employees," *Public Employee Press*, 17 June 1977, and *The Chief*, 24 June 1977.

example, like most of the city's progressive community, Abzug had sided with the local school board during the Oceanhill-Brownsville school board crisis in 1968. Shanker even accused her of crossing the picket lines with other nonunion white New Leftist teachers during the strike. To Shanker by the mid 1970s, Abzug became a prime example of what was wrong with the American left. It was insufficiently pro Israel and anticommunist, it supported affirmative action and racial quotas, and it was elitist. In 1976, Shanker attacked Abzug when she ran in the Democratic primary for U.S. Senate against Patrick Moynihan and did the same in the 1977 mayoral campaign.¹²⁹ Gotbaum and Bigel disliked Badillo because he had supported bankruptcy in 1975.¹³⁰ Neither were they particularly excited by Cuomo whom they saw as a creature of Carey and who irked them with his statements that he would hold public hearings on labor contracts.¹³¹

The candidate that the unions found most disturbing was Koch. While the other candidates were certainly not pro-union, Koch was the only one who made his promise to take on the unions a central theme in his campaign.¹³² His campaign was based on a number of main themes. The first was to address the fiscal crisis. For example, he promised to reorganize the Health and Hospital Corporation. Borrowing a page from John Lindsay's campaign strategy Koch ran as a reformer who would take on the various power brokers who were destroying the city (David Garth, his campaign manager, also

¹²⁹ See Shanker's "Where We Stand" columns, 12 September 1976 and 8 August 1977.

¹³⁰ Gotbaum particularly disliked Badillo and in 1985 would go out of his way to sabotage Badillo's second attempt to run for mayor. On Gotbaum's views of Badillo, see Gotbaum interview with Bob Fitch, 12 October 1993, transcript, Beame Oral History Collection. On Gotbaum's role in sabotaging Badillo's 1985 run for mayor, see chapter 5 of this dissertation.

¹³¹ *Public Employee Press*, 26 August 1977.

¹³² Gotbaum had never liked Koch. In a letter to the union leader Henry Foner in 1968, he said that it was unlikely that he could ever support Koch given Koch's belief that public-sector workers should not have the right to strike. Gotbaum letter to Henry Foner, 20 March 1968, Koch folder, box 4, Bellush Collection.

ran Lindsay's two campaigns). Like Lindsay, Koch made it clear that he saw the municipal unions as one of the main power brokers that he intended to take on.¹³³

In early summer, Abzug was the frontrunner with Beame close behind. At that point, Koch was only polling at four percent. However, he quickly began to move up in the polls. Running on the slogan, "After eight years of charisma and four years of the clubhouse, why not choose competence," Koch began to gain support. He won the endorsement of both *The New York Post* and *The Daily News*. His history of liberalism and his focus on reform and fiscal responsibility won over Manhattan liberals and his support of the death penalty and willingness to bash welfare programs and liberal experiments such as building low income housing in middle class neighborhoods went down well with Jewish and other white ethnic groups in Brooklyn and Queens.¹³⁴

In the end, Koch and Cuomo finished first and second in the Democratic Primary. Beame finished a close third. In the days before the run-off, Koch won the endorsement of most of the Democratic Party leadership (Beame), the Brooklyn and Bronx Democratic Party, and important leaders in the black community such as Congressman Charles Rangel and David Dinkins.¹³⁵ Cuomo won the support of Bella Abzug and labor leaders like Gotbaum, Shanker, and Central Labor Council Chairman Harry Van Arsdale who had supported Beame in the primary.¹³⁶ Koch went on to win the run-off between Cuomo and him and then to beat Cuomo in the general election (Cuomo ran on the

¹³³ *The Daily News* cited Koch's tough stand on labor as a main reason that it was endorsing him. *Daily News*, 24 July 1977. See also Soffer, "The New York City Fiscal Crisis and the Mayoral Election of 1977."

¹³⁴ Soffer, "The New York City Fiscal Crisis and the Mayoral Race of 1977."

¹³⁵ According to Jack Newfield and Wayne Barrett, Koch won the support of most of the black political establishment by promising to appoint several minorities to high ranking positions in his administration and to not close Sydenham Hospital. In the end, Koch did close Sydenham in 1979. Jack Newfield and Wayne Barrett, *City for Sale: Ed Koch and the Betrayal of New York* (New York: Harper and Row, 1988), 136-138.

Liberal Party line in the general election). Labor would now have to face a mayor who had named them as one of the main culprits of what was wrong with the city.

Conclusion

The municipal unions' failure to have much impact on the 1977 mayoral election and the election of the most ant-union candidate demonstrates the paradoxical position that the unions found themselves in during the fiscal crisis. On the one hand, due to their clever maneuvering, their control of the pension funds, and their implicit decision not to pursue any militant strategies, the unions had remained one of the key power brokers during the crisis and had even won such victories as the agency shop. On the other hand, this strategy has serious limits both for themselves and for the city's politics. While it blunted the attacks on their members, it could not stop them as the reductions in pension benefits and fringe benefits and layoffs demonstrated. It also did little to stop the city's slow drift to a more socially and conservative politics

Seen in this light, Gotbaum's hope that Zuccotti, who had become something of a poster boy for a centrist corporatist political regime, would run and win the mayoralty demonstrated the municipal unions' failure to understand the ramifications of their fiscal crisis strategy. Gotbaum's error was that he had overestimated the strength of the corporatist structure that had developed between labor, the banks, and the governing elite. Or at least, he overestimated the power of the corporatism in the electoral arena. While Gotbaum was right to recognize that a consensus had developed among these groups

¹³⁶ On Gotbaum's support of Cuomo in run-off, see Gotbaum editorial "Why Cuomo, Not Koch in the Democratic Runoff," *Public Employee Press*, 16 September 1977.

during the fiscal crisis based on elite bargaining that accepted fiscal austerity, but avoided excluding unions, it had also set in motion a steady political drift to the right.

Chapter Four

Strikes and Politics within the Constraints of Austerity, 1978-1981

“There may be a change in the cast of characters in City Hall, but the labor movement never goes away.” Jack Bigel¹

By 1978 the municipal unions no longer had to fear the more serious threats that they faced early in the fiscal crisis such as large scale layoffs or wage cuts. Moreover, with their agile political maneuvering, their control of the pension fund assets, to which the city desperately needed access, and their occasional threat to go on strike, they had managed to maintain a position of power within the new governing regime created by the fiscal crisis. In particular, their decision in 1977 to join with the major investment banks to form the Municipal Unions/Financial Leadership Group (MUFLG) put Victor Gotbaum and the other municipal union leaders in perhaps the strongest position that the unions had ever found themselves.

However, the unions continued to face a series of difficult new challenges. The most significant was that they confronted a new mayor who seemed to question the very legitimacy of the position of power that the unions had managed to carve out for themselves during the first years of the fiscal crisis. During his first term (1978-81), Mayor Edward Koch attempted both rhetorically and programmatically to weaken the power of the municipal unions. At the same time, the municipal union leadership faced growing anger from their rank and file over low wages and worsening work conditions.

Caught between an increasingly restive rank and file, which would lead to an eleven-day transit strike in 1980, and a mayor who seemed intent upon wrecking the corporatist

¹ *Daily News*, 20 October 1978.

structure, Gotbaum and the other union leaders desperately fought to maintain their power. They were frustrated and a bit baffled by Koch's anti-union policies and rhetoric. However, the choice that they had made earlier in the fiscal crisis to pursue a conciliatory strategy made it unlikely that they would challenge Koch directly. Instead, they would use their clout in Albany and in the City Council to try to outmaneuver the mayor. So even when a broad coalition made up of activists, liberal Democrats, and many of the city's unions emerged in 1981 to challenge Koch in the 1981 mayoral campaign, the unions chose not to support it. In doing so, the municipal unions demonstrated that their perhaps understandable interest-group strategy, which they maintained throughout the fiscal crisis, continued to limit their choices and also hamstring the development of a strong viable opposition to fiscal austerity.

Bargaining with Koch

One of major worries for the unions in early 1978 was how Mayor Koch would negotiate with them. During the 1977 mayoral campaign, Koch had gone out of his way to blame the unions for causing the fiscal crisis and failing to make the necessary sacrifices to help the city out of the crisis. Now, the unions would have to negotiate with Koch on new contracts. Also, since the three-year wage freeze would expire in the summer of 1978, the unions made it clear that they were demanding not just COLAs, but real wage increases. At the same time, the unions were well aware of the fact that they needed to work with the new mayor to convince Congress to pass new loan or loan guarantee legislation and work out an extension of the EFCB, which would expire in the summer of 1978.

Once it became clear that Koch would win the race, Bigel recommended that the MLC invite Koch to meet with it. He also recommended that the MLC invite the leaders of the other municipal unions that were not members of the MLC such as TWU, UFT, and PSC.² The meeting, which took place soon after Koch was elected, did not go well. The meeting did not begin well. In what he saw as offering the mayor an olive branch, Bigel began the meeting by welcoming the mayor-elect and telling him that he and the union leaders looked forward to working with him as a "partner." Bigel quickly found out that partner was probably a poor choice of words as Koch responded with the retort that he did not perceive them as "partners." The mayor pointed out to them that he had been elected mayor to run the city, not them.³

While Bigel later stated that partner was perhaps an unfortunate choice of words, it was understandable that he used that term given that it did represent how the union leaders perceived of their role in city politics. Moreover, it was a relatively accurate description of the power that the unions had developed since the beginning of the fiscal crisis. Through their control of the pension funds, their growing relationship with the banks, and their power in Albany and City Hall, the unions had become a major power within the crisis regime created during the 1970s fiscal crisis.

On the other hand, by pointing out that he did not see himself and the unions as "partners" the mayor-elect was making it clear that he wanted to break with what he saw was the continuing mistaken policy of Mayor Beame and Governor Carey of seeing the unions as an equal partner rather than an overly powerful interest group. So despite the

² Minutes of Municipal Labor Committee Steering Committee meeting, 26 September 1977. Bigel Collection.

³ For Bigel's and Koch's memories of this meeting see, Jack Bigel interview with Edward Koch, 9 April 1997, transcript, Bigel Collection.

unions' attempt to extend the olive branch to Koch (albeit rather clumsily), in the days before he was inaugurated, Koch continued to make it clear that he planned on taking on the unions. He hinted that he would demand serious givebacks from the unions. He stated "the municipal unions shouldn't be running this city. When I become Mayor, I'm going to fight for the seven and a half million people of the city just as hard as Shanker and Gotbaum fight for their union members." He also stated flatly that he would fire any city workers including firefighters and police who went out on strike.⁴

However, despite their noticeably cool relationship, Koch and the unions had little time to begin to work together because they faced a series of deadlines in the first six months of Koch's administration. First of all, the city needed to convince Congress to pass new legislation to provide more financial aid to the city since the federal seasonal loan program was scheduled to expire in June 1978 and the Koch administration knew that it was still not in position to operate without federal aid.⁵ Koch now would have to convince a skeptical Congress and Carter administration to pass some form of new loan or loan guarantee legislation to keep the city out of bankruptcy. And Koch knew that he would be unable to do this without working with the unions. Moreover, U.S. Treasury Secretary Michael Blumenthal had made it clear that they would not support such legislation until the city had negotiated "responsible" labor contracts with the unions, the EFCB's life had been extended, and the unions had agreed to invest even more of their members' pension funds in MAC paper.⁶

⁴ *The Chief*, 18 November 1977.

⁵ In its last months in office, the Beame administration had tried unsuccessfully to sell city notes in the private sector.

⁶ *New York Times*, 4 January 1978.

In certain ways, the city, the state, the unions, and the banks had to repeat what they had done in the fall of 1975 when they worked out a financial plan to convince Congress and the Ford Administration to provide financial support to the city. And as before, Washington made it clear that they would not act until the city had a viable financial plan in place. As Roger Altman, who had been Carter's Assistant Treasury Secretary and who played a key role during these negotiations, said later, "I think of the federal role was essentially the last piece not the first piece; the others parties having put forward what they were going to do. That was the premise on which the Congress was able to convince itself to pass that bill and to extend the assistance."⁷

The one difference between 1978 and 1975 was that the attitudes of Congress and the White House had been reversed. In 1975, Congress had been the one that was more sympathetic to aiding the city while the Ford administration had been less sympathetic. In 1978, it was Congress that was skeptical that the federal government needed to provide more aid to the city and the Carter administration that was more open to providing aid. However, the Carter administration support was not without its certain demands. It said that the city would first have to present a four-year financial plan by January 20 and also settle contracts with their unions that did not upset the goal of reaching a balanced budget.⁸

In Congress, the city most serious opposition was from Senator William Proxmire of Wisconsin. He was the chairman of the Senate Banking Committee, which would draft the legislation. Proxmire had supported aid to the city in 1975, but in 1978 he made it

⁷ Jack Bigel interview with Roger Altman, 27 July 1997, transcript, Bigel Collection.

⁸ Letter from Treasury Secretary Michael Blumenthal to Bigel, 6 April 1978, Bigel Collection; Transcript of Treasury Secretary Blumenthal's testimony before Senate Banking Committee, 15 December 1977, Bigel Collection.

clear that he thought that that the federal government had provided enough aid to the city and that New York State and the city should now be able to resolve the city's financial problems on their own. On February 9, Proxmire's committee voted unanimously on a report stating that they opposed any new form of federal aid.⁹

However, President Carter continued to support federal aid to the city and on March 2, U.S. Treasury Secretary Michael Blumenthal presented the White House's plan for aid to New York City to the Senate Banking Committee. It would provide up to \$2 billion in federal loan guarantees for New York City long-term bonds. The plan also included several conditions such as the extension of the EFCB, changes in federal law to allow the pension funds to purchase more city and MAC paper, and that New York City have a balanced budget by the end of fiscal year 1982.¹⁰

1978 Labor Negotiations: Transit Negotiations and the Advent of Coalition

Bargaining

Most of the municipal unions' contracts expired in June 1978, which was the same month that the federal seasonal loans ran out, so Congress and the Treasury Department were watching closely to see what kind of settlement the city and the unions reached. This was the first round of contract negotiations during the fiscal crisis where the 1975 wage freeze had been lifted and the federal government made it clear that, while it did expect that the unions would win wage increases, it also expected that they would be relatively small if the city expected to win some new form of federal aid.

⁹ *New York Times*, 10 February 1978.

¹⁰ *Ibid.*, 3 March 1978.

One of the most significant developments in 1978 was the decision by the unions to bargain with the city as a coalition. Before then, each union had negotiated separately with the city. Bargaining called pattern bargaining in which contracts reached with one or two of the larger unions set a "pattern" for contracts with other of the municipal unions had been a common labor-management policy since the 1960s. For example, the TWU's contract, which was up that year in April, often set a pattern for DC 37 and the other unions that had contract deadlines in the summer. Of course, since the advent of the fiscal crisis, the unions had worked together through the Municipal Labor Committee to reach common agreements such as the Americana and Hilton agreements with the city. However, they had never negotiated as a coalition to reach a common agreement on wages and other monetary issues with the city.

It was the unions, not the Koch administration, which proposed the idea of coalition bargaining. The MLC began discussing the issue in late 1977 and proposed the idea to Basil Patterson, who was to become Koch's Deputy Mayor for Labor Relations, in December 1977.¹¹ Initially, Koch was skeptical of the idea, but by early February 1978 had agreed to it.¹²

While Gotbaum wanted as many unions on board as possible, he also made it clear that joining the coalition was voluntary. He also pointed out that the coalition would only negotiate over wage, productivity, and other issues that concerned all of the unions. Each individual union would negotiate specific noneconomic issues such as grievance

¹¹ *Public Employee Press*, 11 November 1977; Minutes of Municipal Labor Committee General Membership meeting, 16 December 1977, Bigel Collection.

¹² Minutes of Municipal Labor Committee Steering Membership meeting, 3 February 1978, Bigel Collection.

procedures with the city on their own.¹³ In the end, most of the nonuniformed unions including DC 37, Feinstein's Local 237, the sanitationmen's union, and UFT joined this coalition. Initially, the police and firefighters unions had considered joining the coalition. UFA President Richard Vizzini had urged his members to join the coalition, but in late February his members voted not to join. Soon thereafter, the Police Benevolent Association (PBA), the Uniformed Firefighters Association (UFA), and the Correction Officer Benevolent Association (COBA) formed their own coalition. The decision by these uniformed unions to go their separate way was not surprising, given that they had always kept their distance from the nonuniformed unions and the city had historically given them slightly higher wage increases than the nonuniformed municipal unions. Still, the large coalition led by DC 37 covered over 200,000 municipal workers in fifty different unions.¹⁴

One of the significant aspects of the 1978 bargaining round was that UFT joined the coalition of nonuniformed unions. Shanker had kept his distance from the unions since the beginning of the fiscal crisis. However by 1978, the relationships between UFT and the other unions had improved. Perhaps the main reason was that Shanker had reluctantly concluded that UFT's failure to go along with the Americana Agreement or to support the formation of the EFCB had hurt the teachers union in terms of layoffs. So by the end of 1977, Shanker and the UFT reversed course and began to work with the other unions. For example, Shanker joined MUFLG and William Scott, his chief aide,

¹³ Ibid., 8 February 1978.

¹⁴ *The Chief*, 3 February and 3 March 1978

regularly attended MLC meetings. Perhaps as a reward for his cooperation, Shanker was chosen as lead negotiator for the unions in the first several negotiation sessions.¹⁵

Why did the unions decide that coalition bargaining was the best way to go? One reason was coalition bargaining was a logical extension of the trend of the centralizing bargaining that had begun early in the fiscal crisis with the Americana agreement in August 1975. Since then, while the unions continued to negotiate individual contracts, many of the important decisions concerning contract issues such as the wage freeze and productivity had been reached by negotiations between the EFCB, city and state officials, and a small contingent of union leaders including Gotbaum and Jack Bigel, his chief advisor. Secondly, Gotbaum and other union leaders felt that coalition bargaining would increase their power at the bargaining table. Third, it would lessen the chance of unions competing against each other for the best contracts.¹⁶

Decreasing the likelihood of competition over contracts was a major concern for the municipal union leaders because of their concerns about whether they could maintain control over their membership. Gotbaum and the other union leaders were under enormous pressure to win some form of wage increase for their members. Since the wages deferral agreement in 1975, the vast majority of city workers had not received any wage increases except for some COLA increases and even these increases failed to keep up with the galloping inflation of the period.¹⁷ In all of the unions, but particularly in TWU and UFT where there were organized dissident groups, members were demanding

¹⁵ See Shanker's report to the AFT Executive Council on coalition bargaining, Minutes of AFT Executive Council meeting, 10-12 March 1978, folder 15, box 84, AFT Office of the President Collection, Wayne State University; Minutes of UFT executive board meeting, 27 February 1978, 1978 executive board meeting folder, executive board meetings box, UFT Collection, UFT Offices.

¹⁶ See Gotbaum editorials "Call for Joint Bargaining," 25 November 1977 and "We Will Not Come Away From The Table with Nothing," 24 February 1978, *Public Employee Press*.

¹⁷ U.S. Department of Labor statistics cited in Maier, *City Unions*, 181.

that their union leaders win them significant wage increases. The pressure was probably even greater in the uniformed unions such as the PBA where the membership had thrown out their leadership three times during the period 1976-1978. Gotbaum and the other union leaders realized that rank and file anger was steadily growing and that if they failed to win some sort of wage increases in this round of bargaining that their members might not accept it.

Most of the unions' contracts were not up until June. However, the transit union's contract expired on March 31 so all eyes turned towards those negotiations since historically this contract had set the pattern for contracts settled later in the same year. However, the coalition also made it clear that it wanted to begin meeting with the city while the TWU was negotiating with the MTA. As Barry Feinstein of the teamsters put it, "We will be bargaining in tandem."¹⁸

TWU president John Lawe demanded significant wage increases and no givebacks. The MTA responded that it could not afford wage increases of any sort. As usual, the transit negotiations went down to the wire with the TWU making it clear that they would call for a strike if they did not win wage increases.¹⁹ On March 31, the TWU and the MTA reached a deal. Under the terms of the settlement, members would receive a lump sum \$250 to make up for EFCB-ordered deferral of past COLAs, a six percent increase effective July 1, 1978, and a COLA on July 1, 1979 based on productivity gains. While the MTA had given more than it wanted, only one of the increases (the six percent

¹⁸ *The Chief*, 3 February 1978.

¹⁹ *Ibid.*, 10 March 1978.

increase in the first year) would be added to a base pay and members would not even see that increase until three months into the contract.²⁰

While the transit union was negotiating with the MTA, the union coalition began formal negotiations with the city on February 28. In an editorial that appeared in *The Daily News* two days before negotiations began, Gotbaum made it clear that the unions would be seeking substantial wage increases. He also argued that while he understood that Koch was under heavy pressure from Washington to make more headway on balancing the city budget, he stated that "You're not going to satisfy Washington on our backs anymore, it's time for someone else to share the burden." He ended the editorial by expressing his hope that while he knew that the negotiations would be tough that he hoped they would be resolved without unnecessary confrontation.²¹

Unfortunately, this was not to be. The 1978 contract negotiations were the first in what would be a series of acrimonious and long negotiations between Mayor Koch and the municipal unions. These negotiations did not get off to a good start. When the unions and the city met for the first formal negotiation on February 28, there was a massive gulf between them. The unions demanded a substantial wage increase, a COLA, and the payback of the wage increase deferred in 1975. The city offered no wage increase and came with a list of over sixty givebacks that were worth \$400 million.²²

While the unions were used to seeing a large difference between their initial demands and the demands of the city, they were outraged by the proposed givebacks. Some wondered whether Koch was making such demands to please Washington. However,

²⁰ Ibid., 1 April 1978.

²¹ *Daily News*, 26 February 1978.

²² "Contract Proposals," Office of Municipal Labor Relations, City of New York, 27 February 1978, Bigel Collection; *New York Times*, 28 February 1978. For Koch's memories of the 1978 contract negotiations, see Edward Koch, *Mayor: An Autobiography* (New York: Simon and Schuster, 1984), 115-126.

they hoped that he would soon back down. When he did not, they broke off negotiating with him on March 10. Shanker, who was the unions' lead negotiator in the first negotiating sessions, angrily attacked the mayor in a press release stating that, "Never in the history of labor relations in this city has the administration approached collective bargaining in such a destructive amateurish fashion..Your demands [Koch's] are medieval."²³ In a *New York Times Magazine* profile, Gotbaum, a man never to mince words, complained bitterly about the mayor. "The fatuousness of the man [Koch] bugs me. Is there anything there but front? ..Im worried that the guy may be in over his head. I'm coming to the rather sad conclusion that his is not a bright mind."²⁴

Sensing that it had pushed the unions too hard, the city began to back down a bit. Deputy Mayor for Labor Relations Basil Paterson, who had a long friendly relationship with the unions, stated that city did not expect to win all of the givebacks. Also Koch again reiterated his promise that he had made earlier in the year that if the unions could "find extra money" than wage increases would be possible.²⁵ This was a promise that Koch would later regret making.

During April and May, the union coalition and the Koch administration did negotiate, but seemed to spend even more time attacking each other in the press.²⁶ The unions were particularly angry about Koch's denial that their contract was linked to the transit agreement. Bigel quipped, "He [Koch] has created a phantasmagoria of a ball park."²⁷

²³ Statement by Shanker, 9 March 1978, folder 249, box 9, UFT Shanker Series, UFT Collection, Wagner Labor Archives.

²⁴ Fred Ferretti, "The Buck Stops With Gotbaum," *New York Times Magazine*, 4 June 1978.

²⁵ *New York Times*, 25 February 1978, *The Chief*, 24 March 1978 and Bigel Interview with Koch, 9 April 1997, transcript, Bigel Collection.

²⁶ Koch administration press release, 23 May 1978. Bigel Collection.

²⁷ *New York Times*, 5 April 1978.

The heated labor negotiations were complicated by actions that Mayor Koch took on other fronts. For example, in the midst of the negotiations, Koch sent a bill to the City Council to revise the city's Collective Bargaining Law. He wanted the "ability to pay" to be made the paramount consideration of an OCB impasse panel. At that point, "ability to pay" was one of several factors an impasse panel must consider. At the same time, the mayor asked the state legislature to amend the Taylor Law to move thousands of city and state employees into managerial categories. If enacted, over 3,000 DC 37 and local 1180 CWA members would have become part of management and their unions would lose members and, of course, union dues. The unions bitterly opposed Koch on both measures and were baffled that he would propose this in the midst of already tense labor negotiations. While neither bill passed in the end, it infuriated the unions.²⁸

The unions were also angered by Koch's proposals on the extension of the life of the EFCB. The unions were resigned to the fact that the control board's life would be extended since the Carter administration had made it clear that its support for more federal aid to the city was contingent on this. However, the unions hoped that the control board's power would be weakened. Koch felt differently and made several proposals including extending the life of the control board for another seven years and giving it the power to maintain the existing wage freeze. Moreover, Koch proposed that the EFCB be given the right to reject contract awards granted by impasse panels or arbitrators. He worried that an impasse panel might make a binding recommendation that would be too expensive to pay.²⁹ Gotbaum called Koch's proposals a "disaster and a nonstarter" and said that the unions, who were essential for the passage of the EFCB in 1975 would not allow

²⁸ Ibid., 31 March 1978.

²⁹ Koch administration press release, 23 May 1978, Bigel Collection; *New York Times*, 25 May 1978.

the state legislature to agree to such changes. Also, they, the City Council, and leaders of the minority community wanted the board to be expanded to include more city residents.³⁰

After much haggling, a compromise was reached on June 2. EFCB was renamed the Financial Control Board (FCB) and its membership was expanded to include representatives of the state legislature and the City Council. Second, the wage freeze was eliminated. Third, the FCB would be suspended or go into "sunset" if three conditions were met. They were; the city had paid back the federal government all loans borrowed during the fiscal crisis, the city to regain access to the securities market, and if the city's expense budget had been balanced according to generally accepted accounting principles for three immediately preceding years. Under such circumstances, the FCB would remain in "sunset" unless one or more of the following occurs; 1) the city incurred an expense budget deficit in excess of \$100 million, 2) the city violated its short term borrowing limitations, 3) the city fails to meet its debt service commitments or 4) the city failed to maintain a balanced expense budget. If the city did not violate these rules, the FCB would remain in "sunset" and only have review powers until 2008 when the FCB would be phased out.³¹

Finally, on June 5, the municipal union coalition and the city reached an agreement that cost \$757 million dollars. The two year contract provided 4% salary increase effective at the beginning of the fourth month of the contract and another 4% increase

³⁰ *The Chief*, 12 May 1978. See also memorandum from Al Viani and Beverly Gross to Gotbaum on EFCB, 9 May 1978, EFCB folder, box 4, Bellush Collection.

³¹ Committee on Labor and Employment Law, "The Impact of the Fiscal Crisis and State and Federal Remedial Legislation on the Structure and Scope of Collective Bargaining in New York City," *The Record of the Association of the Bar of the City of New York*, vol. 34, number 9, December 1979, 754-767; *The Chief*, June 2, 1978.

effective at the beginning of the fourth month in the second year of the contract. So although salary rates would be at the end of the second year of the contract be 8% higher, delaying the start of the increases each year meant that the two raises were the equivalent of one raise of between 5 and 5.5 percent for the full two years. This “backloading” was similar to the recent TWU contract. The unions also won COLA increases.³²

Neither Koch nor the unions were elated by the contract. Koch said, “There is no question that I hoped to do better.” He said that the contract was still too expensive (it cost \$35 million more than what the city had offered only a week before) and that he had been forced to table most of the givebacks on productivity issues. For his side, Gotbaum pointed out that wage and COLA package was about thirty-five percent lower than the national average for collective bargaining agreements that year. He also added that, “The negotiations were hard, difficult, even bitter. I won’t deny this.” However, he added that the unions, “were stating to the world at large that this is over—we want to work together with the mayor.”³³

With the labor contract settled, the unions approved a pension fund purchase of \$182 million in short-term MAC notes to help the city pay for daily expenses and agreed that they would now consider giving the go ahead for the purchase of \$1 billion more in city bonds if Congress revised the pension laws that would allow them to legally invest such a large percentage of the pension funds in city and MAC paper.³⁴

Gotbaum, Shanker, and Bigel also joined Mayor Koch, Governor Carey, and MAC Chairman Felix Rohatyn in going to Washington D.C to testify before the Senate

³² *New York Times*, 6 June 1978, *The Chief*, 9 June 1978.

³³ *New York Times*, 6 June 1978. Also see Gotbaum’s report on the contract to MLC General Membership. Minutes of MLC meeting of MLC, 7 June 1978, Bigel Collection.

³⁴ *New York Times*, 8 June 1978.

Banking Committee in support of federal loan guarantees for the city.³⁵ While Proxmire still opposed any new federal action in support of New York, the House approved a \$2 billion loan package on June 9 and the idea began to gain support in the Senate with the support of moderate Republicans such as Richard Lugar of Indiana. On June 30, the Senate passed its own bill and on late July the House and Senate bills reached a compromise that provided \$1.65 billion in loan guarantees for long-term bonds. On August 8, President Carter went to New York City and signed the bill into law before a cheering crowd of several thousand on the steps of City Hall.³⁶

Opposition to Union Leadership

While Gotbaum and the other union leaders were engaged in complex and often tense negotiations with Koch, Albany, and Washington, they also confronted growing dissatisfaction among their members. Even in DC 37, where Gotbaum rarely faced open opposition, there was disappointment over the contract. Some DC 37 members called the contract a 'bum deal' and complained that the union was misleading them about the size of the wage increase by downplaying the four-month delay in the increases in each year of the contract.³⁷ In his testimony before the Senate Banking Committee in mid June, Gotbaum warned the committees that the wage increases were necessary because his members and members of the other unions were becoming increasingly restless. He even

³⁵ Hearings before the Committee of Banking, Housing, and Urban Affairs, U.S. Senate, 6, 7, 12, and 13 June 1978, transcript, Bigel Collection.

³⁶ *New York Times*, 9 August 1978. On the complex negotiations with Congress, see Roger Altman interview with Bigel, 27 July 1997, transcript, Bigel Collection.

³⁷ "Pact Fails to Mollify Employees," *The Chief*, 16 June 1978.

warned the committee that "trotskyite dissident groups" in UFT and other unions were winning significant support in recent union elections.³⁸

In most of the unions, this dissatisfaction remained unorganized. However, Gotbaum's observation about organized dissident groups were correct. In TWU, President John Lawe faced widespread and organized resistance to the proposed contract. While Lawe tried to downplay the seriousness of the opposition, it was clear that many transit workers felt (and were correct) that the contract failed to keep their wages in pace with inflation. By 1978, there were three different dissident groups within local 100 of TWU that all opposed the contract. The largest, called the Coalition of Concerned Transit Workers, was lead by Henry Lewis, an African-American Muslim motorman, and Frank Toia, an Italian-American conductor. The other two were the Rank and File Coalition led by George MacDonald and the Unity Caucus led by Arnold Cherry.³⁹

These dissident groups in TWU had their first success in April 1978 when they obtained a temporary restraining order to stop the counting of the ballots for proposed contract on the grounds that the TWU leadership had set up inadequate poll-watching procedures and had improperly mixed ballots of transit authority employees with those from private bus line workers. The TWU leadership agreed to throw away the old votes and have the members vote again on the proposed contract with the American Arbitration Association (AAA) now taking responsibility for counting the votes.⁴⁰

³⁸ Gotbaum testimony before Senate Banking Committee, 12 June 1978, transcript, Bigel Collection. See discussion of membership unhappiness with the contracts at MLC, Minutes of Municipal Labor Committee meeting, 20 September 1978, Bigel Collection.

³⁹ *The Chief*, 21 April 1978; Steven Burghardt, "The New York Transit Strike of 1980: The Story of a Rank and File Disaster," *Against the Current*, Fall 1980, 18-23.

⁴⁰ *The Chief*, 5 May 1978; undated flyer, Committee for Concerned Transit Workers, folder 12, TWU Local 100 Rank and File Gayol Collection, Wagner Labor Archives.

International TWU President Matthew Guinan said that they made this decision because they want “absolutely no question about the procedures or the results of the vote which we are confident will be solidly in favor of accepting the new agreements.” At the same time, the leadership began to engage a systematic attack on the dissident groups. They insisted that they were a small insignificant group that had little support among transit workers and were nothing more than “spineless spoilers.” They also tried to scare members into voting for the contract stating (incorrectly) that if the majority voted no that they would have to strike. The TWU leadership also red baited the dissident groups, calling them, “dissidents, Communist Labor Party supporters, and other radical groups who thrive on chaos, confusion, and disunity.”⁴¹

The three dissident groups worked together and called for members to vote “no” on the 1978 contract. They argued that the TWU members deserved larger wage increases and that the new productivity rules would make the working conditions, which were already unsafe, less safe.⁴² They also criticized the leadership’s fear-mongering about a strike by pointing out that there is nothing in TWU by-laws that says a no vote means an immediate strike. The union could just demand to reopen negotiations. They also successfully went to court to stop the TWU leaders from violating their rights to post their flyers at workplaces and at TWU offices.⁴³

On July 16 when the votes were counted, it was quite close. 12,200 voted in favor of the contract and 10,900 voted “no.” The subway workers voted the contract down by a 3 to 2 margin. Also, the AAA allowed the TWU to include the votes of the bus drivers

⁴¹ TWU Flyer, May 1978, folder 10, Gayol Collection, Wager Labor Archives.

⁴² “It’s Still a Bad Contract – So Vote No!” Committee for Concerned Transit Worker, n.d., folder 12, Gayol Collection, Wager Labor Archives.

⁴³ Copy of district court decision, 21 June 1978, folder 12, Gayol Collection, Wager Labor Archives.

division for Manhattan/Bronx Surface Transit Operating Authority (MABSTOA) with the votes of the TA employees for the first time. If these bus drivers, who were mainly white and tended to be more conservative than the subway workers, had not been included, the contract would have been voted down.⁴⁴

Cold War between Mayor Koch and the Unions

The municipal unions' relationship with Mayor Koch had been bad from the beginning. Koch's attacks on the unions during the mayoral campaign, the acrimonious collective bargaining in the spring of 1978, and Koch's EFCB proposals had all rankled Gotbaum and the other labor leaders. Gotbaum complained in May that, "In four months, Ed [Koch] and I have more difficulties than I had with Lindsay in eight years and Beame in four."⁴⁵ However, as Gotbaum's conciliatory words at the close of the 1978 collective bargaining agreement demonstrated, the unions hoped that Koch had learned his lesson not to push too hard and that they now could work with the mayor in a more amicable way. Koch also reached out to Gotbaum in the hopes of improving their relationship. In early November 1978, he sent Gotbaum a letter in which he thanked the unions for helping the city win the loan guarantee legislation and hinted that he had perhaps had made certain mistakes. He ended the letter by writing, "So now is the time to establish a better working relationship. It is my desire that we meet regularly, consulting wherever possible and reach accords on as many issues as possible."⁴⁶ Gotbaum responded with an editorial in

⁴⁴ Burghardt, *New York Transit Strike*, 19; *The Chief*, 8 July 1978

⁴⁵ Gotbaum quoted in *The Chief*, 19 May 1978.

⁴⁶ Letter from Koch to Gotbaum, 3 November 1978, Koch folder, box 4, Bellush Collection.

his union paper in which he promised to do his part to work on creating a more amicable relationship with the mayor for the good of the city.⁴⁷

This was not to be. For the next three years of his first term, Koch and the unions would continue to clash. Elected without their support and governing as a reformer who wanted to take on the power brokers and balance the city budget at any costs, Mayor Koch continued to anger the municipal unions over a number of issues. For their part, the unions tenaciously defended their institutional power as they had since the beginning of the fiscal crisis.

Perhaps the Koch administration's action that angered the unions the most was its announcement near the end of the 1978 contract negotiations that it was no longer legally required to repay union members the wage increases that they had deferred in 1975 as part of the important Americana Agreement. On the advice of his Corporation Counsel Allan Schwartz, Koch argued that the Americana Agreement stipulated that the city was to pay back these deferred wages after June 30, 1978 only if it had balanced its budget. Since the city would not have done so by June 30, its obligation to pay the deferred wages was now null and void.⁴⁸

The unions were outraged by Koch's proposal. Witnesses said that Barry Feinstein and Gotbaum yelled obscenities at Deputy Mayor for Labor Relations Basil Paterson when he told them of the administration's stand. To Gotbaum, Bigel, and Feinstein, who had personally negotiated the Americana Agreement, the city was obligated to pay the deferred wages back at whatever point the city had a balanced budget. The June 30, 1978 date mentioned in the Americana Agreement was only the earliest point in which the city

⁴⁷ Gotbaum, "The Union and Mayor Koch: Time to End the Sniping," 17 November 1978, *Public Employee Press*.

⁴⁸ *New York Times*, 2 June 1978.

might have to repay the wages.⁴⁹ Gotbaum told Paterson that, “You’re out of your minds. They [union members] would kill us.”⁵⁰ Under enormous pressure from the U.S. Treasury Department for them to reach a contract agreement, the unions and Mayor Koch agreed to put the deferral controversy aside and resolve it through binding arbitration before an Office of Collective Bargaining (OCB) arbitration panel after they had reached the 1978 collective bargaining agreement.

In late June, the OCB panel held hearings on the issue.⁵¹ All of the major negotiators of the Americana Agreement including Jack Bigel, Victor Gotbaum, Felix Rohatyn, Abe Beame, and his deputy James Cavanaugh testified that they had intended that the city’s obligation to repay the deferred wages did not stop at June 30, 1978. They meant that date only to be the earliest date upon which the city could be expected to repay. As Rohatyn explained in his testimony, “I remember telling them [the union leaders] that they might get their money back in the year 1980 or 1995 or the year 2000.”⁵² The city did present witnesses such as David Margolis, former member of the EFCB, and former Deputy Mayor Donald Kummerfeld who testified that it was their understanding that the city’s obligation to repay the loans ended after June 30. However, the union lawyers pointed out that Margolis was not even at the Americana negotiations (the EFCB did not

⁴⁹ In the friendly two hour discussion between Koch and Bigel in 1997 about the fiscal crisis, it was only when discussing the wage deferral controversy that Bigel showed any anger. He recalled it as an “ugly incident” and said that “There was a legal and moral obligation and some of your [Koch’s] people played dirty. You twisted arms and refused to reappoint two of the arbitrators [three OCB arbitrators decided the case].” Koch Interview with Bigel, 9 April 1997, transcript, Bigel Collection.

⁵⁰ *The Chief*, 16 June 1978.

⁵¹ The three-man panel was made up of OCB chairman Arvid Anderson, Hunter College Professor Walter Eisenberg, and Hofstra Law Professor Eric J. Schmertz.

⁵² Rohatyn testimony, transcript of deferral arbitration, Bigel Collection.

even exist at that time) and that Kummerfeld had not been a crucial player during the negotiations.⁵³

On June 20, the three-member OCB impasse panel unanimously sided in favor of the unions and issued an award that stated that the city's obligation to repay the loans continued after June 30. Since the panel did agree that the language of the Americana Agreement was unclear and poorly written on this issue, they concluded that they had to consider the "oral agreements" between the negotiators of the agreement. Since all the main negotiators argued that that it was their intent that the city's obligation continued after the June 30, 1978 date, the panel ruled in favor of the unions. However, the panel also ruled that the city would not have to repay these deferred wages any earlier than June 30, 1982.⁵⁴

While they were successful in winning the debate over the wage deferral, the unions continued to have to battle Koch on several different fronts for the remainder of his first term. It was clear that Mayor Koch did not accept the idea that despite the fiscal crisis that the unions remained such a powerful political force. For example, while he publicly was dismissive of MUFLG (he often referred to it as SNIFFLE), he was irked that neither the banks nor the unions asked him to become a member. He also took on the unions by proposing new civil service legislation in Albany that would have weakened the union and when he tried to close several public hospitals. 1979 saw the unions continue to fight Koch over a number of issues. The two most important were over the Mayor's attempt to push civil service legislation through the state legislature and his decision to close four municipal hospitals. The unions fought the mayor's civil service reform proposals with

⁵³ *The Chief*, 30 June 1978.

⁵⁴ OCB Decision, 20 June 1978, transcript, Bigel Collection

their formidable lobbying power in Albany. However, in the fight to stop Koch from closing Sydenham Hospital and three other city hospitals the unions joined with community groups and African-American politicians.

Civil Service Reform

Along with other government watchdog groups, Koch wanted to change civil service rules in order to rationalize the civil service, win productivity increases, and increase the power of City Hall over municipal agencies. His proposals had several key elements. One was to drop the "one-in-three" rule which allows the appointment of any one of three eligible candidates on a civil service list and instead to allow the appointment of anyone scoring in the top ten percent. A second was to broaden the definition of the managerial class and exclude most supervisors from union membership. A third was to allow the appointment of up to ten percent of managerial employees without examination. A fourth was to revise seniority rules.⁵⁵

The unions saw that these revisions of civil service rules as an attack on them. Some of the changes such as the one that would exclude most supervisors from union membership were a direct attack. Others were more indirect, but the unions still feared that if passed they would weaken their control and influence over hiring and promotion policies. As the sociologist Roger Waldinger demonstrates in his work on race and employment in New York City, reformers had created many of these existing civil service rules in the 1940s and 1950s to develop a more professional municipal workforce. However by the 1960s, these laws were now being manipulated by city officials and the

⁵⁵ *The Chief*. 15 December 1978.

unions to reduce job competition and maintain control over who gets hired and promoted. The unions were loath to give up that power.⁵⁶

The unions initially hoped that they could work with Koch in order to avoid an open legislative fight in Albany. However, Koch did not back down and began to line up support for his proposals among business groups and the newspapers. He privately told the unions that he had to do this because he felt that the unions controlled the state legislature.⁵⁷ Moreover, Koch made statements to the press about the problem of loafing workers.⁵⁸

So the unions took off their gloves. In March, they issued a report written by their consultant Jack Bigel that argued that Koch's civil service reforms would undermine the merit system, deprive supervisors of their grievance rights and their job security, and politicize and corrupt the civil service rules.⁵⁹ The MLC also sent a team of lobbyists to Albany to pressure both the Assembly and the Senate not to approve Koch's civil service proposals.⁶⁰

The unions were so successful that the mayor's proposals never even made it out of committee.⁶¹ The unions were quite gleeful about their success at defeating Koch's proposals. One municipal labor official gloated, "It couldn't happen to a more deserving guy." A clearly frustrated Koch held a press conference and expressed his anger over the power of the unions over state legislators. "I don't know what the hell is going on up there." When asked about the unions' success at bottling up the legislation in the Republican-

⁵⁶ Waldinger, *Still the Promised Land*, 218-219, 232-234; also see Horton, *Municipal Labor Relations in New York City*, 109-116.

⁵⁷ Gotbaum's report to the steering committee of the MLC, Minutes of MLC steering committee meeting, 23 April 1979, Bigel Collection.

⁵⁸ Transcript of Koch interview on WABC-TV Eyewitness News, 21 October 1978, Bigel Collection.

⁵⁹ Bigel report, 5 March 1979, Bigel Collection.

⁶⁰ Minutes of MLC general membership meeting, 22 February 1979, Bigel Collection.

⁶¹ *New York Times*, 18 June 1979; *The Chief*, 22 June 1979.

controlled Senate, Koch said, "The labor unions make large contributions to everybody. They don't care if you are Attila the Hun as long as you do what they want."⁶²

The Sydenham Hospital Controversy

During his run-off against Mario Cuomo in the mayoral primary in 1977, Koch met with many of the city's most influential black politicians to try to convince them to support him. Most of these politicians including Congressman Charles Rangel, Democratic national committeeman Basil Paterson, City Clerk David Dinkins, and State Senator Carl McCall had supported Percy Sutton during the Democratic primary. They had certainly not been pleased with Koch's use of the phrase "poverty pimps" or his endorsement of capital punishment during the campaign. Koch made three promises at this meeting. He would no longer use the phrase "poverty pimps," he would appoint several blacks to high ranking positions in his administration, and he would not close Sydenham Hospital. Five days later, he held a press conference where he repeated this last promise and soon thereafter, he won the endorsement of *The Amsterdam News* and the support of most of the city's prominent African-American politicians.⁶³

Koch did name several blacks and other minorities to prominent positions in his administration such as Basil Paterson, Haskell Ward, and Herman Badillo as deputy mayors (all would resign within two years). However, the mayor did not keep his promise to keep Sydenham Hospital open.

Built in 1925, Sydenham Hospital was the oldest and smallest of the city's seventeen municipal hospitals. Located on 124 St. and Manhattan Ave in West Harlem, it was run

⁶² Quoted in *The Chief*, 29 June 1979.

⁶³ Newfield and Barrett, *City for Sale*, 136-137.

down and treated few patients. Koch was not the first mayor to propose closing it. A commission set up by Mayor Beame had recommended that it be closed in early 1977.⁶⁴ In late 1978, despite his earlier campaign promises to keep it open, Koch hinted that it might be necessary to close Sydenham and other of the city's municipal hospitals and in June 1979, Koch announced a plan to close Sydenham and three other municipal hospitals in order to reduce a projected \$40 million gap in FY 1981 budget.⁶⁵

Opposition to the closing of Sydenham grew quickly. By this point, Koch had alienated most of the black politicians who had supported him during his election campaign for making statements about he felt that most blacks were anti-Semites. Moreover, after four years of cuts in social services and worsening social conditions in minority neighborhoods, the city's black elected officials and community groups were ready to do battle. The day after Koch's announcement, Congressman Charles Rangel, DC 37, Manhattan Borough President Andrew Stein, and other Harlem community activists held a press conference in which they promised to fight to defend the hospital. They said its closing would jeopardize the lives of upper Manhattan residents.⁶⁶

DC 37 played a substantial and ongoing role in the campaign to save Sydenham Hospital. In a sense, this was not surprising given that that the majority of the six hundred hospital employees that would be laid off if the hospital was closed were members of DC 37s local 420. However, it was unusual in that it was one of the few campaigns that DC 37 became involved in that aligned it with community groups from minority neighborhoods and with the city's progressive elected officials. Most of the

⁶⁴ *New York Times*, 11 January 1977.

⁶⁵ *New York Times*, 14 December 1978 and 12 June 1979.

⁶⁶ *Public Employee Press*, 29 June 1979; *New York Times*, 13 June 1979; McNickle, *To Be Mayor of New York*, 276.

priorities that DC 37 and the other unions had focused on during the fiscal crisis were rather narrowly framed such as in their fight to stop Koch's civil service proposals. Some of their tactics such as their use of CETA funds had actually worsened their relations with the city's minority community. So while the defense of Sydenham was unlikely to succeed, it was a smart campaign for DC 37 to join since it could perhaps help the union repair some of the damage that had been done to their relationship with the city's progressive and minority communities.

For the next year and a half, the Coalition to Save Sydenham Hospital fought Koch's plan to close the Harlem hospital. They organized several large rallies down at City Hall and in Harlem to gain support and put pressure on Koch to back down.⁶⁷ The debate became quite heated at times. Members of the Coalition to Save Sydenham disrupted meetings of the Board of Directors of the Health and Hospitals Corporation (HHC) and accused Koch of "genocide." Former Deputy Mayor Herman Badillo called Koch, "The most repressive mayor in New York history." Congressman Charles Rangel stated that Koch's efforts to close Sydenham reminded him of the tactics used by the late Birmingham Police Commissioner Eugene (Bull) Connor and the former mayor of Philadelphia Frank Rizzo.⁶⁸ At the same time, DC 37, NAACP, and Congressman Rangel went to court and lobbied the Carter Administration to stop Koch from carrying out the closing of Sydenham.⁶⁹

⁶⁷ *Amsterdam News*, 18 August 1979 and 15 March 1980; *Public Employee Press*, 31 July 1979; Lillian Roberts' reports to DC 37 Delegates, minutes of DC 37 delegates assembly meeting, 27 February, 24 April and 25 September 1979, folder 10, box 101, AFSCME Office of President Wurf Collection, Wayne State; Lillian Roberts' report to DC 37 executive board, minutes of executive board, 25 July and 8 August 1979, folder 10, box 101, AFSCME Office of President Wurf Collection.

⁶⁸ *New York Times*, 22 May 1980.

⁶⁹ *The Chief*, 24 August 1979.

While the rhetoric leveled at the mayor bordered on the hyperbolic, it stemmed from a number of problems that had been simmering for several years. Much of it had to do with the sense by the city's black political establishment that Koch was not giving them the respect that it deserved. For example, past mayors had usually consulted the Harlem leadership on whom they would appoint to positions. Koch did not. Moreover, some of his minority political appointees such as Herman Badillo were not even liked by the Harlem establishment. Also, Koch attempted to reorganize the poverty programs in Harlem and other poor neighborhoods that were important sources of power and patronage for black elected officials.⁷⁰ However, while the rhetoric was extreme and the motives of some self-serving, the anger did stem from a real frustration from the huge cuts in social services that impacted Harlem and other poor neighborhoods and the growing health problems.

Eventually, in June 1980 a compromise was reached between Koch, the Carter Administration, and the Coalition to Save Sydenham. With the federal, state, and city governments sharing the costs, Sydenham Hospital would be converted to a ninety bed institution for the treatment of alcoholism, drug abuse, and other related mental problems. Koch also promised that all of the employees at Sydenham would receive jobs at other of the city's municipal hospitals.⁷¹

However, the more militant activists in the Coalition to Save Sydenham did not accept the compromise and demanded that Sydenham remain open as an in-patient hospital. In September, over a hundred demonstrators (including several local 420 members) occupied the hospital and said that they would not to leave until the administration

⁷⁰ Shefter, *Political Crisis/Fiscal Crisis*, 177-181.

⁷¹ *New York Times*, 25 June 1980; *Public Employee Press*, 30 June 1980.

promised to keep the facility open.⁷² For ten days, there was a tense stand-off. Finally, after a violent confrontation between riot police and hundreds of demonstrators on September 21 in which thirty people were injured, the police went in and removed those who had occupied the building.⁷³

Koch's tough stand on Sydenham won him the support of outer-borough whites that also had to face cuts to the schools and social services. And while much of the city's liberal establishment did not agree with some of his rhetoric on racial issues, it did approve of his handling of the Sydenham and other issues.⁷⁴ However at the same time, Koch won the enmity of both black elected officials and most black New Yorkers. Moreover, his actions during the Sydenham crisis created a potential alliance between blacks and the municipal unions who were also increasingly frustrated by his actions.

Internal Crises within DC 37 and AFSCME

While the unions were gearing up for the 1980 round of collective bargaining, DC 37 was shaken by two related internal struggles. The first concerned the growing enmity between Gotbaum and AFSCME International President Jerry Wurf, which would lead to Gotbaum's decision to run against Wurf for control of AFSCME. The second concerned a very nasty occasionally violent struggle between Gotbaum and Local 420 President James Butler. Besides being examples of how vicious union politics can be, these crises demonstrated that Gotbaum was becoming less open to internal dissent and increasingly

⁷² *Public Employee Press*, 3 October 1980.

⁷³ *New York Times*, 21 September 1980.

⁷⁴ A *New York Times* editorial spoke of Koch's "sensible and reasonable handling" of the issue and chastised Harlem's elected leaders for their actions. *New York Times*, 27 September 1980.

began to promote staff based less on their talent or political commitment and more based on their loyalty to him.

The tensions between Wurf and Gotbaum, which reached their height in 1979 with Gotbaum's attempt to unseat Wurf, had a long history. Initially, Gotbaum had been one of Wurf's main supporters. As an AFSCME leader in Chicago, Gotbaum had supported Wurf in his successful campaign for the presidency of the international in 1964 and it was Wurf who convinced Gotbaum to move to New York City to take the reins of DC 37 in late 1964. Problems arose immediately though. One source of tension was that Wurf kept stepping in to try to micromanage DC 37 while at the same time, Gotbaum was trying to distance himself from Wurf because he felt that many in New York City's labor and political community disliked Wurf.⁷⁵ Moreover, friction developed between Wurf and Gotbaum over Vietnam. Privately, Wurf had misgivings about the war, but he desperately wanted a seat on the AFL-CIO executive council so he kept his views private and made certain that no anti-war resolutions were passed at national AFSCME conventions and attacked anti-war AFSCME members as pro-communist. And when Gotbaum became an active supporter of the Union contingent of SANE, Wurf went so far as to personally appear before DC 37's delegate assembly meeting in 1969 to demand that Gotbaum disaffiliate from this group. Gotbaum agreed reluctantly.⁷⁶

Throughout the early 1970s, as executive director of AFSCME largest local and as member of the international's executive board, Gotbaum maintained cordial relations with Wurf. However, by the late 1970s Gotbaum began to reconsider whether it was necessary to continue maintaining his silence at what he considered Wurf's mistakes. For

⁷⁵ Gotbaum interview with Bob Fitch, 12 October 1993, transcript, Beame Oral History Collection.

⁷⁶ Bellush, *Union Power*, 108-109, 427-428; Levy, *The New Left and Labor*, 49.

example, he became increasingly critical of Wurfs support of non-AFL-CIO unions. Under Wurf, AFSCME, along with other non-AFL-CIO unions had formed the Coalition of American Public Employees (CAPE). Other members of CAPE such as the National Education Association (NEA) and the New York organization Civil Service Employees Association (CSEA) had been competing against AFL-CIO unions such as AFT and even AFSCME for members. The CSEA, which had other 200,000 members, was a solidly Republican organization that resembled nothing more than a company union. In 1977, AFT's New York State United Teachers and SEIU had joined forces to try to represent a section of CSEA's membership. In a desperate attempt to fight back, CSEA merged with AFSCME to gain Wurfs support.⁷⁷ Wurfs close ties with these non-AFL-CIO organizations, particularly the NEA angered George Meany and others in the AFL-CIO.⁷⁸ While Gotbaum was certainly not close to Meany, he thought that Wurf was making a mistake. Also, Gotbaum and others became increasingly disturbed by Wurfs undemocratic actions within AFSCME that led to the resignation of several prominent aides at the international's Washington D.C.⁷⁹

The growing tensions between Gotbaum and Wurf were also heightened by Gotbaum increasingly cordial relationship with Shanker, who was angry with Wurf because of his support of the AFT's rival the NEA and CSEA. Shanker complained to the AFL-CIO executive board that AFSCME was breaking AFL-CIO rules on raiding and was engaged in dual unionism with their support of non AFL-CIO organizations such as the NEA.⁸⁰

⁷⁷ "Meany Appoints Panel in New York State to Resolve Dispute between PEF and CSEA," AFT news release, August 18, 1978, folder 12, MSS box, AFT Office of President Shanker, Reuther Library, Wayne State University.

⁷⁸ "Labor's Movement Maverick" *Wall Street Journal*, 14 October 1974

⁷⁹ Bellush, *Union Power*, 430.

⁸⁰ AFT Memorandum, "Implications of AFSCME Activities with Regard to the AFT," n.d., folder, 12, box Mss, AFT Office of the President – Shanker Collection; AFT news release, "Meany Appoints Panel,"⁸⁰

Gotbaum agreed with Shanker's criticism and also thought that it was wrong for AFSCME to remain in CAPE.⁸¹

Gotbaum's break with Wurf also stemmed from Gotbaum's growing ambitions. Like Shanker, who had become the president of AFT in 1974, Gotbaum wanted to move to the national stage so he made it clear that he was considering challenging Wurf for the president of AFSCME in the 1980 election. Though he never officially declared his candidacy, by mid 1979 Gotbaum was busy traveling around the country speaking before other AFSCME locals and trying to drum up support for his candidacy. He argued that Wurfs actions had isolated AFSCME from the rest of the labor movement and that besides the merger of CSEA, AFSCME had failed to grow very much in the last several years.⁸² Initially, it seemed like he had the votes to win with the promise of support from Gerald McEntee of the large Pennsylvania local, from William McGowan of the large CSEA local in New York, and several large locals in Hawaii.⁸³

However, Wurf proved to be a wily and ruthless opponent. He won back the support of both McEntree and McGowan. He won back McEntree's support by promising that he would step down after the next term and support him for the presidency of the international. Wurf won back the support of McGowan and CSEA by agreeing to a complicated deal that let CSEA keep \$ 4 million in dues that were originally supposed to go to the international.⁸⁴ Wurf went even further in his attempt to beat back Gotbaum's undeclared campaign by intervening directly in DC 37's affairs in a number of

August 1978, folder 12, box Mss, AFT Office of the President –Shanker Collection. Wurf was no fan of Shanker or the AFT either. He told the media that he considered, the AFT, "not corrupt, just immoral." Quote from *The Atlanta Constitution*, 2 July 1977.

⁸¹ *Public Employee Press*, 4 May 1979.

⁸² Gotbaum, "AFSCME and the Other Unions – We Need Closer Ties," *Public Employee Press*, 29 October 1979.

⁸³ Bellush, *Union Power*, 432.

⁸⁴ *The Chief*, 9 November 1979.

ways. In December 1978, Wurf opened a New York City office of the international and appointed two former DC 37 aides who had been fired from DC 37 to run it. This office convinced Charles Hughes, a president of one of DC 37's largest locals, to run against Gotbaum and the other DC 37 representative to the international's executive board. It also supported an opposition slate to run against Gotbaum supporters in the DC 37 elections.⁸⁵

More damaging still, was Wurf's criticism of DC 37's recent contracts and Gotbaum's negotiating strategies and Wurf's support of James Butler in his ongoing fight with Gotbaum. These actions could not have occurred at a worst time. DC 37 was still engaged in a desperate attempt to save the jobs of its members at Sydenham hospital. Secondly, DC 37 was preparing to begin negotiations with Koch over the 1980 contract.

Gotbaum's fight with James Butler, the president of DC 37's large hospital local, local 420, went back to the early 1970s when internal DC 37 auditing reports indicated that local 420 was not following proper accounting methods and that possibly improper disbursements of thousands of dollars were being made to Butler and other local 420 officers. In late 1978 after an independent outside auditor advised Lillian Roberts that the problems had worsened. Roberts, who had close contacts in local 420, recommended to Gotbaum that he meet with Butler and ask for his resignation.⁸⁶

At first, Butler seemed likely to agree to step down, but after consulting with Wurf, who was looking for allies in his fight with Gotbaum, he decided to stay and fight. Throughout 1979, Butler and Gotbaum fought it out in an increasingly bitter and ugly fashion. In the spring with the support of Gotbaum, members of Butler's own local took

⁸⁵ Bellush, *Union Power*, 434-435; *The Chief*, 9 November 1979.

⁸⁶ Bellush, *Union Power*, 433-434.

Butler to court demanding that he justify unexplained personal expenditures. In response, Butler petitioned the international for the right of local 420 to disaffiliate from DC 37.⁸⁷

Gotbaum argued that Butler took this action without any vote taken by the members of Local 420 and pointed out that in February a meeting of local 420 chapter chairpersons had overwhelmingly opposed a move to disaffiliate. He warned that if Butler succeeded, it would be a disaster for local 420 members since they would no longer be able to receive any of the benefits of DC 37's health and security plan, its legal services, and its education programs. He also pointed out that it was in complete violation of the AFSCME constitution.⁸⁸

In June and later in September, the AFSCME executive board heard testimony from both sides and decided that local 420 did not have the right to disaffiliate, but it did have the right to hire its own staff and collect its dues.⁸⁹ While Gotbaum was pleased that the executive board did not allow local 420 to disaffiliate, he was outraged that it would allow the local to hire its own field staff and collect its own dues.⁹⁰

The situation reached the point of violence and intimidation. Butler and his aides disrupted meetings and intimidated members who questioned him and calling Gotbaum and others racists. At one Local 420 meeting, one of Butler's aides stabbed an opponent of Butler. After the September 11 AFSCME executive board meeting called to resolve the issue, Butler confronted Gotbaum, Charles Hughes, and Lillian Roberts. He called

⁸⁷ *Public Employee Press*, 27 June 1979.

⁸⁸ *Public Employee Press*, 15 September 1979. Wurf sent letters to local 420 members insuring them that Gotbaum was incorrect about how they would lose access to these programs. Wurf letter to local 420 members, 29 October 1979, folder 3, box 102, AFSCME Collection.

⁸⁹ Minutes of AFSCME executive board meeting, 6-7 June and 11 September 1979, folder 3, box 102, AFSCME Office of the President - Wurf Collection; Butler letter to Wurf, 26 July 1979, folder 3, box 102, AFSCME Collection.

⁹⁰ *Public Employee Press*, 26 October 1979; Gotbaum letter to AFSCME Secretary-Treasurer William Lucy, 28 August 1979, folder 4, box 102, AFSCME Collection.

Gotbaum a racist and said that Roberts, “used to be a black woman. Now, she’s a tool of Gotbaum.” Others at the meeting reported that one of Butler’s aides was carrying a gun.⁹¹

The difficulties were to drag on until 1981 when Gotbaum and Butler reached an agreement stating that Butler would end any attempts to disaffiliate and no longer claim the right to collect dues from members. For his part, Gotbaum agreed to discontinue any attempts to unseat Butler. One outcome of the Butler affair was that it foreclosed Lillian Roberts’ succession of Gotbaum as executive director of DC 37. Gotbaum had been grooming her for the position, but her central role in the crisis surrounding Butler (she had encouraged Gotbaum to force Butler to retire) damaged her reputation within the union.⁹²

While Butler and Gotbaum were battling it out, Gotbaum and Wurf continued to publicly criticize each other. In editorials in *The Public Employee Press*, DC 37’s paper, Gotbaum warned that Wurf was leading AFSCME in an undemocratic fashion and alienating the union from the rest of the labor movement.⁹³ In response, Wurf requested that he be allowed to defend his record before the DC 37 executive board and delegate assembly.⁹⁴ He spoke before the executive board on August 8 and defended his actions. He stated that Gotbaum’s accusation that he was subverting union democracy was inaccurate and defended his centralization of AFSCME councils as an attempt to increase the organizing and bargaining power of locals and districts. He also defended his role in

⁹¹ On report of incidents, see Beverly Gross, DC 37 Legal Department Memorandum, September 12, 1979, folder 3, box 102, AFSCME Collection.

⁹² Notes from interview, Bernard Bellush interview with Norman Adler, n.d., adler folder, box 4, Bellush Collection.

⁹³ *Public Employee Press*, 4 May, 29 June, 13 July and 14 September 1979.

⁹⁴ Mailgram from Wurf to DC 37 President Joseph Zurlo, 24 July 1979, folder 10, box 101, AFSCME Collection.

the fight between Butler and Gotbaum and denied that he had taken Butler's "side."⁹⁵ In a two hour presentation before the DC 37 delegate assembly meeting in October 1979, Wurf went further and attacked Gotbaum's negotiating strategies and that threatened that he might now support local 420's right to disaffiliate with DC 37. He said that coalition bargaining had been a disaster for DC 37 members and that the four percent wage increases won during the last round of bargaining were totally insufficient and that the teachers, the police, and other New York City municipal workers had won better wage and benefit packages. In his long response, Gotbaum admitted that the four percent increases won in the last contract negotiation were disappointing, but they were the best one could expect given the circumstances. He then went on to argue that Wurf's plan for regional directors, who would not be elected, destroyed local autonomy. He ended with an angry attack on Wurf, calling him "a despised leader, that he works with no one, that he is bad for the union, and that he [Gotbaum] is going to fight that kind of arrogance."⁹⁶

Wurf angered Gotbaum even more when he [Wurf] sent a letter to DC 37 shop stewards and chapter chairs and another letter to Mayor Koch in which he reiterated his disagreements with Gotbaum. In the letter to the DC 37 members, he spoke of the "meager" four percent that Gotbaum had won in the last contract and questioned Gotbaum's failure to accept the aid of the international in collective bargaining.⁹⁷ In his letter to Mayor Koch, Wurf stated that the mayor should not think that the disagreements between him and Gotbaum would stop DC 37 from winning a good contract and from the

⁹⁵ Minutes of DC 37 executive board meeting, 8 August 1979, folder 10, box 101, AFSCME Collection.

⁹⁶ Minutes of DC 37 delegate assembly meeting, 23 October 1979, folder 10, box 101, AFSCME Collection.

⁹⁷ Wurf letter to DC 37 leaders, 10 October 1979, folder 10, box 101, AFSCME Collection.

international of AFSCME from helping it win this goal.⁹⁸ Gotbaum was particularly furious about the letter to Koch since he felt that Wurf was purposefully trying to undermine his already difficult negotiations with the mayor.⁹⁹

By late 1979, Gotbaum took steps to end the fight between himself and Wurf. By then, it was clear to Gotbaum that he could not win the presidency. Moreover, he worried that Wurf's continued intervention in DC 37 affairs would undermine his negotiations with Koch and perhaps even his control over DC 37. So by March 1980, tired by the viciousness of the fight, Gotbaum reached out to Wurf to end the infighting so he could recoup his losses and focus on reaching a contract with the city.¹⁰⁰

Perhaps the most important result that the long fight between Gotbaum and Wurf and the Butler affair had on DC 37 was on the internal political culture of the union. DC 37 had never been a particularly democratically run union and during the fiscal crisis, Gotbaum had increasingly run the union in a very top-down way. However, Gotbaum had allowed for some internal dissent, but during the faction fights with Wurf and Butler, Gotbaum moved to punish those who disagreed with him and promoted aides and officers primarily based on their loyalty to him. He fired several key very able officers who were Wurf supporters. He also provided perks and promotions to other officers such as Stanley Hill, Al Diop, and Charles Hughes who remained loyal to him. This policy along

⁹⁸ Wurf letter to Koch, 4 December 1979 and the attached response of NYC Director of Office of Municipal Labor Relations Bruce McIver, 26 December 1979, folder 8, box 101, AFSCME Collection.

⁹⁹ Victor Gotbaum editorial, "The Chutzpah of Jerry Wurf," *Public Employee Press*, 16 November 1979; Transcript of Gotbaum interview WINS New Conference, 9 December 1979, folder 10, box 101, AFSCME Collection.

¹⁰⁰ Victor Gotbaum, "Clearing the Air in AFSCME to face the Common Foe," *Public Employee Press*, 11 March 1980.

with the conservative shift of the union during the fiscal crisis drained DC 37 of most of the political dynamism and progressive politics that had continued to exist in the union.¹⁰¹

1980 Contract Negotiations and the Transit Strike

In 1980, as they had in the previous round of contract negotiations, the unions formed two coalitions to engage in collective bargaining with the Koch administration. History seemed to repeat itself as the TWU once again bargained first and the unions and the mayor engaged in public name-calling. However, all did not go according to plan. Frustrated by remarkably poor work conditions and angry about wages, transit workers would not agree to go along with the tentative settlement reached by the new MTA Chairman Richard Ravitch and TWU President John Lawe and for eleven days in April, the TWU struck and shut down the city's subway and bus system. The carefully constructed power relationships between the state, the unions, and the business community seemed to be unraveling.

The union leaders were under enormous pressure from their members to win a better package than they did in 1978. TWU president John Lawe had barely managed to convince his members to support the 1978 contract. Moreover, the dissident groups within the transit union had increased their power within the union since the last contract and now controlled a slim majority of the votes on TWU's executive board. While Gotbaum and the other union leaders did not face that level of unrest, their members were

¹⁰¹ Hill, who became DC 37's executive officer in the mid 1980s, Diop and Hughes would later be implicated in a major 1996 scandal involving the embezzlement of union funds and the rigging of a contract ratification vote. Hill was forced to resign, Hughes was sentenced to prison, and the local was put into receivership by its international for over four years. See dissertation conclusion, 342-343.

making it clear that they needed substantial wage increases to keep up with double-digit inflation.¹⁰² As early as May 1978, over a year before the contract deadline, Gotbaum told the media, "Our members are not shy or reticent about saying that the increases negotiated for the current contract are totally inadequate. What I am saying is that in the negotiations that will take place next year, we will insist upon substantial increases that will permit our members to raise their heads above water."¹⁰³ Shanker spoke of "very hungry and angry members."¹⁰⁴

One question that the municipal unions faced was whether to bargain as a coalition (or as two coalitions to be more accurate) as they did in 1978. Koch made it clear that he was lukewarm about the idea and even Jack Bigel, the MLC's main advisor, questioned whether the unions should go that route, stating at a teamsters conference that, "I think that it is primarily in the interest of the employer."¹⁰⁵ However, after a series of discussions at MLC meetings in late 1979, the municipal unions decided to once again to go that route.¹⁰⁶ And in 1978, two coalitions formed. In one were most of the nonuniformed unions such as DC 37, UFT, and the teamsters local 237. In the other were the uniformed unions such as the firefighters and the police.

The only difference from 1978 was that the sanitationmen joined the uniformed coalition instead of the larger coalition made up of the nonuniformed unions. Gotbaum was surprised and angered by this move by the sanitationmen. Since the early 1970s, the sanitationmen's union led by John DeLury had been one of Gotbaum's most steadfast

¹⁰² "Inflation Haunts City Bargaining," *Business Week*, 31 March 1980.

¹⁰³ *The Chief*, 25 May 1979.

¹⁰⁴ *The Chief*, 10 September 1979.

¹⁰⁵ Quoted in *The Chief*, 2 November 1979.

¹⁰⁶ Minutes of MLC general membership meeting, 25 September and 12 December 1979; Minutes of MLC steering committee meeting, 12 December 1979, Bigel Collection; *Public Employee Press*, 12 October 1979.

allies. However, DeLury died in 1979 and Gotbaum surmised that the new president, Edward Ostrowski felt that he could win more for his members if he went with the uniformed coalition.¹⁰⁷ Gotbaum told the members of the MLC that he felt that it was fine that there were to be two coalitions, but he stressed the need for the two coalitions to refrain from criticizing each other in public.¹⁰⁸

In December 1979, the nonuniformed coalition presented their initial demands that included two twenty percent raises, a new job security clause, and increases in city contributions to union health funds.¹⁰⁹ Koch stated that such increases were beyond the realm of possibility and said that the city would not even be able to afford seven percent increase. However, privately the city's Director of Labor Relations Bruce McIver told Gotbaum that the mayor realized that he would have to offer the unions more than the four percent that they had won in 1978 in order to avoid a strike.¹¹⁰ Publicly, Koch warned that large wage increases would either force the city to lay off thousands of workers or make radical cuts in such essential services as education, safety, and healthcare.¹¹¹ The mayor was supported by MAC, which issued a report that predicted that the city was facing difficult budget troubles in the next several years. Bigel sharply criticized MAC for projecting such negative budget deficits and said that he was creating an atmosphere that made strikes more likely. Bigel also cited a draft study done by MUFLG that predicted the city's finances in increasingly good shape.¹¹²

¹⁰⁷ Gotbaum's report to DC 37 executive board, Minutes of DC 37 executive board meeting, 14 November 1979, folder 10, box 101, AFSCME Collection.

¹⁰⁸ Minutes of MLC general membership meeting, 12 December 1979.

¹⁰⁹ *Public Employee Press*, 12 December 1979.

¹¹⁰ Gotbaum's report to DC 37 executive board, Minutes of DC 37 executive board meeting, 12 September 1979, folder 3, box 102, AFSCME Collection.

¹¹¹ See transcript of Koch interview on WCBS-TV News, 6 May 1979, Bigel Collection; *The Chief*, 21 and 28 December 1979.

¹¹² *New York Times*, 12 December 1979; *The Chief*, 21 December 1979.

Also to the frustration of the unions, which wanted to start bargaining early, Koch was unwilling to begin negotiations. In September, Gotbaum told the MLC that his relationship with the mayor was “non-existent” and said that Koch had not agreed to meet with him in over five months.¹¹³ Even in early 1980, Gotbaum continued to entreat Koch to begin bargaining in earnest to no avail.¹¹⁴

While the two coalitions were beginning fitful negotiations with the mayor, the Transit Authority was negotiating with the TWU. The contract deadline was April 1 and it was clear that negotiations would be very difficult. TWU President John Lawe was under enormous pressure to win generous wage increases for his members. He had only barely managed to convince his members to pass the 1978 contract and in 1980 he faced an even angrier membership who wanted better wages, but were also angry over poor work conditions and the failure of both the union and management to address grievances. As the MTA President Richard Ravitch, who was appointed by the governor in 1979, later recalled, “the working conditions for the employees were the most disgraceful I’ve ever seen anywhere in my entire life.”¹¹⁵

Lawe also had to contend with the three opposition groups that had caused him trouble during the 1978 negotiations. Lawe would not have even won the 1979 union presidential election if the opposition groups had managed to agree on running one candidate. Since they did not, Lawe had squeaked into office with forty-three percent of

¹¹³ Minutes of MLC steering committee meeting, 24 September 1979, Bigel Collection.

¹¹⁴ Victor Gotbaum, “Waiting for Eddie to Talk,” *Public Employee Press*, 21 December 1979 and “Koch in Peking,” 29 February 1980.

¹¹⁵ Richard Ravitch interview with Jack Bigel, 1 July 1997, Bigel Collection.

the vote.¹¹⁶ However in the 1979 union elections, the opposition groups did gain control of the majority of the seats on the transit union's powerful executive board.¹¹⁷

Facing an angry membership, which Lawe admitted to the press "had almost thrown me out of office," the TWU leadership demanded significant wage increases of thirty percent over two years and improvements in the grievance procedures and the health and pension plans for members and retirees.¹¹⁸ With support from the media, the Governor, and the Mayor, the MTA dug in its heels and stated that these demands were impossible to meet and if passed would force them to raise the transit fare by one hundred percent.¹¹⁹

With the April 1 deadline fast approaching, the MTA and the TWU agreed to a three-person panel to assist them in reaching an agreement. Still, the union and the MTA remained far apart with the union sticking to its original thirty percent wage demand and the TA insisting that was an impossibility. Koch also was putting pressure on MTA Chairman Ravitch not to offer the union too much since he knew that the municipal unions would demand the same. While Carey, who had appointed Ravitch, was sympathetic, he also told him that the state would not be able to provide any significant new money to the MTA to pay for large wage increases.¹²⁰

With the threat of a strike looming, Ravitch and Lawe came up with a plan to reach an agreement without a strike. The plan was for Ravitch to present his "final offer" of six percent wage increases to the union's executive board at the very last hour and then leave the room. The dissident controlled board would then vote it down. And that point, Lawe

¹¹⁶ Opposition group and John Lawe campaign flyers, 1980, folder 13, TWU Local 100 Rank and File Gayol Collection, Wagner Labor Archives.

¹¹⁷ Freeman, *Working-Class New York*, 285; Burghardt, "The New York Transit Strike," 19.

¹¹⁸ Lawe quoted in *Business Week*, 31 March 1980; "Thirty Percent Or Else!" *TWU Express*, February 1980.

¹¹⁹ *New York Times*, 23 March 1980.

¹²⁰ *TWU Express*, March 1980; *New York Times*, 26 March 1980.

would propose that they not call a strike before asking Ravitch to consider offering seven percent. As planned, Ravitch would come back into the room and hang his head in defeat and give in. If all went according to plan, Ravitch and Lawe could convince the militants on the executive board to accept this secretly pre-arranged deal. Unfortunately for Ravitch and Lawe, the best-laid plans do not always work. All went as planned until the very end when the executive board ignored Lawe's proposal to let Ravitch consider the seven percent increases. Instead, they voted to strike starting that morning April 1.¹²¹

For the next eleven days, the transit union shut down the city's subways and buses. This was the first transit strike in New York since Mike Quill led the TWU out on strike in the winter of 1966. As over three million subway and bus riders desperately tried to commute to work and go about their business, the union, the MTA, the governor, and the mayor engaged in frenetic negotiations. Koch worried that Carey was encouraging MTA chairman Dick Ravitch to offer a deal that would put the city in a difficult position in its negotiations with the other municipal unions.¹²²

In a number of ways, the 1980 transit strike called into question the corporatist elite bargaining system that the unions, the state, and the leadership of the business community had constructed to resolve the fiscal crisis. This system was predicated on the union leaders' ability to keep their members in line. Clearly, this strike, which only occurred because of an angry membership and an organized opposition to the union leadership, demonstrated that the municipal union leaders could not always keep their members in line. Secondly, this corporatist model was predicated upon the state and the

¹²¹ Richard Ravitch interview with Jack Bigel, July 1, 1997, transcript, Bigel Collection; Freeman, *Working-Class New York*, 285; Joe Conason, Geoffrey Stokes, and David Neustadt, "Derailed: The Little Sellout That Couldn't," *The Village Voice*, 7 April 1980.

¹²² *New York Times*, 8 April 1980, Ravitch interview with Bigel, 1 July 1997; Koch interview with Bigel, 1 July 1997, transcript, Bigel Collection.

business community accepting that strong unions can play a positive role in maintaining labor peace and solving the fiscal crisis. However, Koch's actions during the strike and much of the business community's support of his actions showed that Koch and the business community's support of corporatism were tenuous at best.

During the strike, Koch went out of his way to attack the striking workers and encouraging New Yorkers to see them as selfish and unpatriotic. Every evening, New Yorkers could watch him standing at the foot of the Brooklyn Bridge and in the streets cheering on commuters, exhorting them to "never give in to intimidation, never give in to political or physical threats." If a passerby questioned him or defended the striking workers, Koch was always quick to dismiss him/her as a "wacko."¹²³ The day after the strike, in a television interview he once again applauded the citizens of New York, setting them against the strikers. "Something came out of this that was really wonderful. New Yorkers have a feeling about this city that makes it possible to sacrifice. It's called patriotism, which as you know, ran out of style sometime ago. And it's coming back. It means your willingness to do something outside yourself, to benefit not just yourself, but your neighbors. And that's the strength of this city."¹²⁴ The mayor certainly did not think to acknowledge the solidarity that the striking workers showed or the great sacrifices that they made. According to Ravitch, Koch even went so far to suggest that they use the strike to break the union.¹²⁵

As Josh Freeman points out, in 1966 the business community had encouraged Mayor Lindsay to try to reach an agreement with the transit union as quickly as possible. However in 1980, business leaders such as Richard Shinn of Metropolitan Life and David

¹²³ Koch, *Mayor*, 169-205; Bellush, *Union Power*, 447.

¹²⁴ Koch interview on WABC-TV Eyewitness News, 12 April 1980, transcript, Bigel Collection.

¹²⁵ Ravitch interview with Jack Bigel, 1 July 1997, transcript, Bigel Collection.

Rockefeller (both members of MUFLG) publicly urged Koch and the MTA to hold out until the union accepted a reasonable contract.¹²⁶

The municipal unions were surprised by the turn of the events. While they realized that their members were angry, they had expected and hoped that a strike could be avoided. They were even angrier about Koch's portrayal of the striking transit workers as selfish and unpatriotic. DC 37 and other unions promised to help the TWU pay for the crippling Taylor law fines and DC 37 took out a full-page ad in *The New York Times* condemning Koch for his divisive and counterproductive attacks on the striking transit workers.¹²⁷ Moreover, they were also surprised that the business community would be so outspokenly supportive of Koch during the strike given the close relationship that they had developed with the business community through MUFLG.¹²⁸

Finally on April 11, the MTA made a new contract offer. It included a nine percent increase in the first year and an eight percent increase in the second year plus a COLA. The offer also included a demand for several givebacks that would limit overtime and shorten the time allowed for coffee breaks and wash-up time. While the offer was far from what the union originally wanted, President Lawe quickly called an executive board meeting to vote on the offer. With one of the dissident board members missing, the vote was a tie (22-22). Saying that he was acting for the good of the union, Lawe called the strike off and told the members to go back to work. The dissident howled with anger stating correctly that this was a violation of the union's by-laws. They argued that the tie should have meant that the strike and negotiations should continue. Some argued that they should call for a sick out; others argued that they should go to the courts to reverse

¹²⁶ Freeman, *Working-Class New York*, 285.

¹²⁷ *Public Employee Press*, 25 April and 8 August 1980; *New York Times*, 10 April 1980.

¹²⁸ Minutes of MUFLG meeting, 10 March 1980, Bigel Collection.

Lawe's unilateral action calling off the strike.¹²⁹ However, by this point Lawe and the leadership had announced to the media that the strike was over and transit workers had started going back to work. Several weeks later, despite lack of noticeable enthusiasm and having lost \$125 for each of the eleven days out on strike, the members voted in favor of the contract by a 3-1 margin.¹³⁰

One of the outcomes of the strike was that it shattered the opposition groups in the transit union. After gaining wide support among members, gaining a majority of the seats on the executive board, and forcing the leadership to call for a strike, the three dissident groups fell apart. They had not figured out a viable strategy during the strike and had been outmaneuvered by Lawe at the end. It would be close to twenty years before opposition presented a significant challenge to the entrenched transit union leadership.¹³¹

While the transit negotiations had been settled, the city still had to reach contracts with the nonuniformed and uniformed union coalitions. Historically, the transit settlement had set a pattern for the municipal negotiations that immediately preceded it. However, in 1980 Koch denied that there would be any linkage. He was angry with the MTA for agreeing to what he felt was much too generous wage increases. He called the contract an "outrage" and said that while "the city had won the battle in the streets, the Metropolitan Transit Authority had lost it at the bargaining table."¹³² On the other hand, Gotbaum made it clear that the nonuniformed coalition would expect to get at similar eight percent

¹²⁹ *New York Times*, April 17, 1980.

¹³⁰ *TWU Express*, April 1980; Freeman, *Working-Class New York*, 286.

¹³¹ Burghardt, "The New York Transit Strike."

¹³² Bellush, *Union Power*, 447.

increases for its members and the uniformed coalition said that even eight percent was not enough.¹³³

Through April to the June 30 contract deadline, Koch and the unions engaged in sporadic negotiations. Koch and MAC chairman Felix Rohatyn remained adamant that the city could ill afford a settlement similar to the one that the MTA offered the transit union. Koch said that, "I believe that kind of settlement would put us in bankruptcy."¹³⁴ The unions disagreed and issued their own reports that they said demonstrated that the city had cash reserves on hand and that anticipated tax revenues were increasing partially due to high inflation would allow for significant wage increases. They also argued that their members deserved wage increases because of past wage increases and the horrible beating that they were taking from high inflation.¹³⁵

Still, there was movement. In May, the city proposed a two percent increase in the first year and a one percent in the second year. On the other hand, the nonuniformed coalition was demanding twelve percent increases in both years and was threatening to strike if the city did not improve its offer.¹³⁶ By mid June, the gap had narrowed and on June 19 (ten days before the contract deadline—an unusual feat), the city and this coalition agreed to a two-year contract with two eight percent increases and no givebacks.¹³⁷ In early July, the city reached a contract agreement with the other union coalition made up of the police, fire, and sanitation workers that included a nine percent increase in the first year and an eight percent in the second year.¹³⁸

¹³³ *Public Employee Press*, 25 April 1980; *New York Times*, 13 April 1980.

¹³⁴ *New York Times*, 13 April 1980.

¹³⁵ *Ibid.*, 28 April 1980.

¹³⁶ *Public Employee Press*, 9 May 1980.

¹³⁷ *New York Times*, 20 June 1980; Michael Oreskes, "To Victor Belongs the Spoils." *Daily News*, 22 June 1980.

¹³⁸ *New York Times*, 14 July 1980.

The Barbaro Mayoral Campaign

By the 1981 mayoral race, Koch seemed to be riding high. The city's economy turning around and his brash outspoken nature had won him the support of most New Yorkers. Moreover, he had gained a national reputation as perhaps the nation's most successful mayor. However, he not won the support of all New Yorkers. His decision to close Sydenham Hospital and the fact that he seemed to go out of his way to offend the black elected officials won him the enmity of the city's black community. His criticisms of President Carter and his invitation to Reagan to City Hall during the 1980 presidential campaign angered many of the city's liberal and progressive community. Lastly, his anti-union rhetoric and actions (particularly during the 1980 transit strike) angered both the public and private sector unions.

In the end, these three groups (activists from the black community, liberals, and many of the city's labor unions) came together to support State Assemblyman Frank Barbaro during the 1981 mayoral campaign. While the Barbaro campaign ended in defeat, it demonstrated that there were significant parts of the city's body politic that did not accept the idea that fiscal austerity, Koch's racialized rhetoric, and anti-unionism were the only vision for the city.

The Barbaro campaign was significantly weakened by the decision of the municipal unions' decision not to join. Given Koch's extremely hostile relationship with the municipal unions, one might have expected them to be at the forefront of a campaign to defeat Koch. However in one sense, the decision by the municipal unions not support Barbaro was not surprising given the overall narrow interest strategy that they had

developed during the fiscal crisis. Still, their decision not to join the coalition to support Barbaro demonstrated that the municipal unions, which were once seen as a force that could help revitalize the city's progressive politics, now functioned more as a drag or obstacle to the development of such a politics.

The search for a candidate to oppose Koch began in early 1981. Initially, it was jumpstarted by prominent liberal academics, journalists, and politicians who formed a group called the Committee for Mayoral Choice in January 1981. Organized by Theodore Kheel, the prominent labor expert and longtime city powerbroker, this group included former Congresspersons Herman Badillo (who had only recently resigned his position as Koch's Deputy Mayor) and Bella Abzug, academics Richard Wade, Kenneth Clark, and Arthur Schlesinger Jr., journalists Jack Newfield and I.D. Robbins, and Gloria Steinem, the prominent feminist.¹³⁹ This group hoped to find a well-known liberal Democrat with name recognition who would be able to raise money. They contacted City Council President Carol Bellamy, State Attorney General Robert Abrams, State Secretary of the State Mario Cuomo, and Congresspersons Mario Biaggi and Geraldine Ferraro. While all of these Democrats had been highly critical of Mayor Koch, none could be convinced to enter the race so the Committee for Mayoral Choice quickly unraveled.¹⁴⁰

At the same time, this rather elite group of Manhattan liberals was searching for a candidate to run against Koch, a number of activists groups and leftists were also meeting to find a liberal candidate. Many of these groups had met during the grassroots struggle

¹³⁹ *New York Times*, 28 January 1981.

¹⁴⁰ Author's interview with Theodore Kheel, 15 August 1999; *New York Times*, 19 October 1981; *The Chief*, 19 April 1981.

to keep Sydenham hospital open. In February, these community activists, representatives from unions including DC 37, activists from Barry Commoner's Citizen Party, representatives from the Communist Party and the Liberal Party met several times in downtown Manhattan to discuss both how to rebuild the city's tattered progressive politics and build if possible an electoral challenge to Mayor Koch.¹⁴¹

One name that began to be floated as a possible candidate at these meetings was State Assemblyman Frank Barbaro of Bensonhurst. At that point, Barbaro was relatively unknown outside of his district and the city's labor circles where he had a reputation as an outspoken liberal. A longtime political activist who had worked for Henry Wallace in his 1948 presidential campaign and helped organize a rank and file group within the International Longshormen's Union when he worked on the Brooklyn docks in the 1950s, Barbaro was elected to the state assembly in 1972 and quickly became known as a strong supporter of labor, rent control, the environment, and abortion rights in Albany. He also gained a reputation for not following the party line and gained the enmity of the powerful Assembly leader Stanley Steingut. However, in 1980 after Steingut was forced to resign because of a corruption scandal, Barbaro became the chair of the important Labor Committee in the state assembly where he co-sponsored an important bill that extended provisions of the federal Occupational Safety and Health Act to New York public sector workers.¹⁴²

¹⁴¹ *The Guardian*, 18 February 1981; Craig Kaplan, "Class and Coalition in New York City," *Social Policy*, Spring 1983, 45-48.

¹⁴² Author's interview with Frank Barbaro, 28 November 1999; Joe Conason, "What Makes Barbaro Run?" *The Village Voice*, 5 August 1981; Elizabeth Weiner, "Koch Opponent Enters Race," *In These Times*, 12 June 1981; 1980 Annual Report of the Assembly Committee on Labor, box 12, Frank Barbaro Collection, Wagner Labor Archives.

Initially, Barbaro was not certain if he wanted to run since it was clear that it would be a difficult race against a popular incumbent. Barbaro clearly did have ambitions since he had unsuccessfully run for Brooklyn Borough President in 1977. At the same time, he also clearly had shown himself to be an idealist and willing to take the more difficult road. During his campaign and later, he freely discussed his dismay and anger at what he called Koch's racially polarizing and anti-working-class politics.¹⁴³

Some of the people looking for a candidate thought he was the ideal candidate—a 'white left ethnic'. The thinking went that Koch had already offended the minorities and liberal Manhattanites. If a candidate could win these votes plus some of the white working class ethnic vote, it might be possible to defeat Koch. As former Congressman and deputy mayor Herman Badillo, put it, 'He's [Koch] lost the blacks and Puerto Ricans. Add the Italians and he's through.'¹⁴⁴

In the end, a broad coalition of unions, liberal Democrats, leftist groups, activist groups from the black community came together to run an energetic grassroots campaign for Barbaro. In certain ways, the Barbaro campaign brought together the remnants of the city's still existing Old Left and the city's New Left. Representing the Old Left were leftwing unions such as the Furriers and 1199 and the city's Communist Party that still had a number of activists. Barbaro's unofficial campaign organizer, the labor lawyer Phillip Sipser, had run for state office on the American Labor Party line back in the late 1940s.¹⁴⁵ Activists and Democrats who came out of the New Left such as Ruth

¹⁴³ *New York Times*, 15 May 1981; Author's interview with Barbaro, 28 November 1999.

¹⁴⁴ *New York Times*, 28 January 1981. Henry Foner echoed this view, Foner Interview, 3 September 1998. John LoCicero, Koch's campaign manager also was concerned about this possible vulnerability of Koch. See Mollenkopf, *Phoenix in the Ashes*, 111.

¹⁴⁵ Author's interview with Henry Foner, 3 September 1999, Author's interview with Phillip Sipser, 8 November 1999;

Messinger and Michael Harrington and *The Village Voice* also supported Barbaro.¹⁴⁶

While the most prominent of the city's black politicians such as Congressman Charles Rangel and Percy Sutton, who had only recently condemned Koch for his actions over Sydenham hospital, remained neutral during the campaign, activists from Harlem and younger black politicians from Brooklyn such as state assemblymen Roger Green and Al Vann campaigned for Barbaro.¹⁴⁷

While it was not surprising that leftwing unions such as 1199 or the furriers would endorse Barbaro, it came as something of a surprise when Harry Van Arsdale, the chairman of the New York Central Labor Council (CLC), got the CLC to support Barbaro. The CLC, which was made up of all New York City unions that were members of the AFL-CIO, did not have a reputation for progressive politics and rarely endorsed anyone, but incumbents. Van Arsdale, who had been the head of the important of the powerful IBEW local 3 since the 1940s and had been the most powerful labor leader in the state for decades. Closely aligned with the construction trades, Van Arsdale was known as a practical union leader who had developed strong political ties with Governor Nelson Rockefeller in the 1960s.

While certainly not a leftwing union leader, Van Arsdale had nonetheless provided important help for several unions such as 1199 when they were struggling to gain recognition.¹⁴⁸ Several old union activists can still recall him biking around the city on

¹⁴⁶ Author's interview with Ruth Messinger, 25 August 1999; Ruth Messinger, "Five Reasons to Back Barbaro," *New York Democratic Socialist*, September 1981; Michael Harrington served on Barbaro's campaign board, see Barbaro campaign flyer, undated, in unprocessed Harry Van Arsdale Papers, International of Electrical Workers, Local 3 Archives, Queens, New York City; "A Barbaro Win That Matters," *The Village Voice*, 3 June 3 1981.

¹⁴⁷ *Amsterdam News*, 22 August 1981.

¹⁴⁸ Leon Fink and Brian Greenberg, *Upheaval in the Quiet Zone: A History of Hospital Workers' Union, Local 1199* (Urbana: University of Illinois Press, 1989), 37-38, 205-6; Freeman, *Working-Class New York*, 135-137.

his motor scooter supporting striking hospital workers.¹⁴⁹ Also throughout the 1950s and 1960s, Van Arsdale had on more than one occasion demonstrated that he was open to pushing the city's often conservative building trades in a more progressive direction on issues of race.¹⁵⁰

To understand Van Arsdale's support of Barbaro, it is important to realize that Van Arsdale and his close friend Teddy Kheel had been two of the important architects of a system of labor/management relations that had developed in the postwar period in New York City and elsewhere. This system favored large centralized unions and stable nonconfrontational relationships among the unions, private sector employers, and the state. This system began to break down in the 1970s both nationally and in New York City. At the national level, Reagan's crushing of the PATCO strike is an example of this shift. To Van Arsdale and others, Koch's antiunion rhetoric, his behavior during the 1980 transit strike, and his attempts to give city construction work to nonunion firms was an attack on this postwar system of labor/management relations and on the institutional power of labor.¹⁵¹

So like the AFL-CIO President Lane Kirkland, who organized a massive labor rally in Washington D.C. to protest President Reagan's handling of the PATCO strike, Van Arsdale responded institutionally. On June 18, Van Arsdale invited Barbaro to speak before the executive Board of the CLC. Barbaro reminded the board of the pro-labor legislation that he had sponsored in the state Assembly, told them that Koch had worsened race relations in the city, and asked for the CLC's support in the Democratic

¹⁴⁹ Henry Foner Interview, 3 September 1999.

¹⁵⁰ Freeman, *Working-Class New York*, 188.

¹⁵¹ On Van Arsdale's anger at Koch over the transit strike, see his report to the CLC Delegates Council. Minutes of CLC delegate council meeting, 17 April 1980, microfilm reel 5019, Wagner Labor Archives.

primary.¹⁵² Barbaro later recalled that he didn't know Van Arsdale that well before the meeting and that only after a two hour private conversation in which he assured Van Arsdale that he did not want to overthrow the system' did Van Arsdale agree to support.¹⁵³ Later in September 1981 at the first Labor Day Parade in New York City held in eighteen years, Barbaro walked in the lead contingent with Van Arsdale. Koch was not invited and did not attend the parade.

Van Arsdale's support was crucial for several reasons. Van Arsdale provided Barbaro's campaign desperately needed money. His IBEW local gave Barbaro twenty thousand dollars for the primary and the CLC provided a similar amount.¹⁵⁴ Second, the CLC endorsement gave Barbaro credibility. It was now more difficult to dismiss his supporters as marginal left unions and what Koch liked to call 'kooks'. The CLC support also provided Barbaro an opening to win the votes of the thousands of white working class members represented by the construction unions that were part of the CLC.

The only major weakness of union support of Barbaro was his failure to win the endorsement of the large and politically powerful municipal unions, particularly DC 37 and UFT. Gotbaum had no love for Koch and had been publicly trading insults with the mayor since he came into office in 1977. The mayor's anti union rhetoric, his negotiating tactics, his actions during the 1980 transit strike, and his insistence that the city would not repay city workers for the wage increases that they deferred in 1975 infuriated Gotbaum and the other municipal union leaders. In his editorials in DC 37's newspaper, *Public*

¹⁵² Minutes of CLC executive board meeting, 18 June 1981, microfilm reel 5018, Wagner Labor Archives.

¹⁵³ Author's interview with Frank Barbaro, 28 October 1998; Barbaro letter to Van Arsdale, 23 June 1981 thanking him for letting him speak before the CLC and asking him if he could march in the upcoming Labor Day Rally, unprocessed Van Arsdale Papers.

¹⁵⁴ Minutes of IBEW, Local 3 executive board meeting, 10 August 1981, microfilm reel 5126, Wagner Labor Archives.

Employee Press, Gotbaum continually attacked Koch for his anti working-class policies and his cozying up to Reagan. For example on February 20, 1981, Gotbaum wrote, 'Mayor Koch has betrayed candidates of his own party by raising funds for Republicans and running on the Republican line. Yet many Democrats fawn upon him. The politics of opportunism prevails, as Democrats who should know better, raise money for a man who is in essence a Republican.' Gotbaum ended with a resounding call, 'If we in the labor movement are serious about making a new beginning, there are two things we must do: we must stop compromising on principles and we must compel the Democratic Party to return to its principles.'¹⁵⁵

In the early spring of 1981, like other liberals, Gotbaum hoped to find a candidate to run against Koch. He went to the first couple of meetings of Kheef's group. He and his chief political advisor, Norman Adler, approached several prominent Democrats, but no one would throw their hat into the race. There were even rumors that Gotbaum was considering entering the race. However, after meeting with the other two most influential municipal union leaders, Barry Feinstein and Al Shanker, they decided to remain neutral. In the end despite his clear dislike of the mayor, both personally and politically, Gotbaum did not endorse Barbaro.¹⁵⁶

Why didn't he endorse Barbaro? Early on in the campaign and later after the primary election, Gotbaum claimed that he was not deterred by the likelihood of a Barbaro defeat. To Gotbaum a defeat would be acceptable. It was just essential that whoever ran against Barbaro win a decent percentage of the votes. In explaining his decision not to endorse

¹⁵⁵ *Public Employee Press*, 20 February 1981. For other examples of Gotbaum's criticism of Koch, see Fred Ferretti, "The Buck Stops with Gotbaum," *New York Times Magazine*, 4 June 1978, 26-33 and Victor Gotbaum, "Who Will Bell the Koch," *Public Employee Press*, 6 March 1981.

¹⁵⁶ Author's interview with Norman Adler, 5 August 1999 and Clyde Haberman, "Gotbaum Asserts Koch Failed in the Primary," *New York Times*, 19 October 1981.

Barbaro in June, Gotbaum told the media, "If we were to endorse Barbaro and he took a real bath, it would only aggrandize Koch, which is the last thing that we want to do. Unless there's a candidate with real impact and money who may not win but can at least cut into Koch's present lead, there's no point. Barbaro's a very nice guy, but he just can't generate what's needed."¹⁵⁷ Later Gotbaum echoed these points, "I don't mind backing a loser if there's a purpose. Regrettably, Frank Barbaro doesn't have the institutional support to make even a glorious defeat something you can build on." What Gotbaum meant by institutional support is uncertain, but there seems to be something akin to circular reasoning in Gotbaum's comments. If Gotbaum had endorsed him then Barbaro would have "institutional support." Gotbaum also denied that he feared that Koch would retaliate against his union in future negotiations.¹⁵⁸

There are other possible reasons why Gotbaum and Shanker did not endorse Barbaro. The first is that the New York City municipal unions usually endorsed incumbent mayors or remained neutral. After all, despite Gotbaum's disclaimer that he was not worried about Koch retaliating if DC 37 endorsed Barbaro, municipal unions do have to negotiate with the mayor and they had to be concerned about angering him. The second is that whereas Gotbaum had taken stands on principle such as his opposition to the Vietnam War, he avoided taking, what his chief political advisor, Norman Adler, called "symbolic stands" in local or state electoral politics.¹⁵⁹ Even before the fiscal crisis, DC 37's political strategy had been based on winning specific legislation that directly effected union members such as pension reform, winning agency fee, and state aid rather than pursuing a broad progressive political agenda. Therefore, DC 37 and the other municipal unions

¹⁵⁷ *New York Times*, 23 June 1981

¹⁵⁸ *Ibid.*, 19 October 1981.

¹⁵⁹ Norman Adler interview, 5 August 1999.

gave generously to Republican state senators and assemblymen who would vote in favor of union-supported legislation. For example, Gotbaum and other municipal leaders developed close working relationships with Republican Warren Anderson, the longtime Senate Majority Leader, and other important Republican legislators such as state Senator John Marchi who in turn helped the unions win specific legislation on pensions and other issues dear to the unions such as an agency shop bill.¹⁶⁰

Moreover, having developed a set of relationships with the banks and state politicians in both parties, the municipal union leaders were not inclined to upset these new political relationships by supporting Barbaro, the most leftwing candidate for mayor in decades. Recall that in 1977, Gotbaum had supported Deputy Mayor John Zuccotti as a mayoral candidate as a “consensus candidate, supported by labor, the bankers, and business.” Clearly, Barbaro did not fit that model and the municipal union endorsement of Barbaro and joining a coalition that rejected the governing regime that was implementing fiscal austerity would have been a complete reversal and rejection of the overall strategy that the unions had developed during the fiscal crisis.

The last reason is that despite Koch’s anti-union rhetoric and his initial militant stands against the unions, the municipal union leadership clearly thought that they had done well under Koch. They had gotten what they considered good contracts in 1978 and 1980, they had won on the wage deferral controversy, and they had successfully defeated Koch’s civil service reform proposals. As Gotbaum put it when asked if he had not endorsed Barbaro out of fear of Koch retaliating, “Absolutely untrue. Thank God, he doesn’t do the

¹⁶⁰ Bellush, *Union Power*, 263-265.

negotiating anyway. My relations with his people are excellent. We have not suffered at the hands of Ed Koch, for all his antiunion talk¹⁶¹

The other municipal union leaders followed Gotbaum's lead on whom to endorse. Al Shanker of UFT also might not have supported Barbaro because of the significant role of the left, particularly the Communist Party, in Barbaro's campaign. Shanker's anti-communism has been long been documented and he was certainly aware of the role of the CP and union leaders such as Leon Davis of 1199 who came out of the CP in Barbaro's campaign.¹⁶² Also many of Barbaro supporters including Assemblyman Al Vann and Bella Abzug had openly opposed UFT during the 1968 Oceanhill-Brownsville Controversy, which pitted UFT against most of the city's progressives and the black community.

However, there were many activists in both DC 37 and UFT who did support Barbaro. Several locals in DC 37 including Local 371 (social welfare workers), Local 1930 (the librarians), and Local 420 (public hospital workers) campaigned quite vigorously for Barbaro.¹⁶³ All three of these locals had a history of militancy and had been critical of Gotbaum throughout the fiscal crisis. DC 37 supporters of Barbaro formed an ad hoc group called DC 37 Members for Barbaro to try to push the leadership of DC 37 to endorse Barbaro. They successfully got the unions' Political Action Committee to recommend that DC 37 endorse Barbaro, but the DC 37 leadership had that vote ruled null and void on a technicality. In a classic case of redbaiting, Charlie Hughes, the

¹⁶¹ *New York Times*, 19 October 1981. An article in *The Chief* makes similar argument. Frank Prial and Richard Steier, "Mayor's Bark is Worse than His Bite," *The Chief*, 13 November 198.

¹⁶² For recent discussion of Shanker's anticommunism, see Paul Buhle, *Taking Care of Business: Samuel Gompers, George Meany, Lane Kirkland, and the Tragedy of American Labor* (New York: Monthly Review Press, 1999).

¹⁶³ See Local 371 Endorsement of Barbaro in its paper, *The Unionist*, 24 August 1981.

chairman of the DC 37s PAC and president of its largest local which would endorse Koch in 1981, accused pro-Barbaro members who pushed through the vote on the PAC of being "splinter groups" and trying to "subvert the political process."¹⁶⁴

Barbaro supporters in UFT also waged a losing battle to have their union endorse Barbaro.¹⁶⁵ At the June 17, 1981 UFT delegate assembly meeting, they raised the question of endorsing him. Shanker argued that since there was not a quorum at the meeting, the delegate assembly could not vote on whether to endorse Barbaro or anyone else. He said that the union's executive board would vote on endorsements during the summer. (It subsequently voted to endorse no one in the mayoral race). Barbaro supporters tried to have a vote on Barbaro brought up again at a special delegate assembly in August, but they failed to win the two thirds vote required to raise the question.¹⁶⁶

Would the endorsement and the strong support of either DC 37 or UFT have changed the outcome of the race? Gotbaum said no. However, two weeks after the primary, he did claim that DC 37s all-out support might have won Barbaro several more points. He also pointed out that even if Barbaro had won a higher percentage, the media would have ignored it.¹⁶⁷ Gotbaum did acknowledge that DC 37 would have contributed about \$150,000 to Barbaro's campaign (which would have doubled what Barbaro spent during the primary) if it had decided to endorse him. DC 37 also had a politically active

¹⁶⁴ Author's interview with Sean McDonald who was a delegate from Local 2054 to PAC, 17 August 1999; Charles Hughes, November 1981 Political Action Newsletter, DC 37 library. DC 37's PAC had no formal power, but its endorsement recommendations were usually accepted by the Executive Director and the union's delegate assembly. Bellush, *Union Power*, 253.

¹⁶⁵ See Educators for Frank Barbaro Flyer, 12 August 1981 and Teachers Action Caucus letter to UFT delegates, 28 October 1981, Teachers Action Caucus Collection, Wagner Labor Archives.

¹⁶⁶ Minutes of UFT Delegate Assembly Meeting, 17 June and 12 August 1981, Microfilm Reel 5339, Wagner Labor Archives. See also letter to UFT delegates from Sandra Feldman, 19 June 1981. Teachers Action Caucus Collection, TAC 1980/81 Folder, Wagner Labor Archives.

¹⁶⁷ *New York Times*, 19 October 1981.

membership that would have brought hundreds of more volunteers to Barbaro's campaign.¹⁶⁸ Also as the city's most influential municipal union leader and chair of the Municipal Labor Committee, Gotbaum would have been able to convince other city unions, which sat out the race, to endorse Barbaro. While its impossible to know for certain, the all-out support of DC 37 probably could have won Barbaro four or five percentage points, which would have put his total over forty percent.¹⁶⁹

Gotbaum's comments after the primary contradicted his earlier explanation of why he would not support Barbaro though. After all, he had claimed earlier in June that his support of a candidate like Barbaro was not contingent whether he could win—just on his ability to “cut into his [Koch's] present lead.” Thirty-six percent of the vote in the primary seems nothing to sneeze at particularly given the huge advantages Koch had in campaign funds and media support. Even Gotbaum's main political advisor admitted that all-out DC 37 support would have won Barbaro at least four or five percent more of the vote. Gotbaum seemed to even agree. He told the media after the primary that he thought Koch failed in the primary. “Here's a guy who spent a million skins and he comes up with 250,000 votes. You call that a victory? His support must be paper-thin. He failed!”¹⁷⁰

So Gotbaum and the other major municipal unions sat on their hands during the 1981 mayoral campaign. While Gotbaum and Shanker had editorialized endlessly in their unions' newspapers against Koch during the first three years of his first term during the summer and fall of 1981 they fell silent. One would not even have known that there was

¹⁶⁸ Bellush, *Union Power*, 239-273.

¹⁶⁹ DC 37 political director, Norman Adler, agrees that DC 37 support would have won Barbaro four or five points. Norman Adler Interview with author, 5 August 1999. Some of the union supporters were bitterly disappointed by Gotbaum's decision not to support Barbaro and believed that the all out support of DC 37 could have given Barbaro a victory in the Democratic primary. Author's interview with Jan Pierce interview, 30 August 1999.

¹⁷⁰ *New York Times*, 19 October 1981.

a mayoral race that year if one relied upon *The Public Employee Press* or *The New York Teacher*.

It is interesting to note that one of Barbaro's first rallies was in City Hall Park at the Manhattan entrance to Brooklyn Bridge. Barbaro chose to have his first major rally where only a year before Mayor Koch had stood cheering on stranded commuters who were walking across the bridge during the 1980 eleven day transit strike and attacking the striking transit workers as selfish and unpatriotic. Surrounded by union rank and file and union leaders, Barbaro declared that he represented the New Yorkers who saw Koch's attacks on the unions and cuts in social services as a betrayal of what was most decent in the city's liberal tradition. The newspaper reports of the rally noted that it was strange that no officers from the TWU, which also remained neutral during the campaign, or Gotbaum who had been so angry with Koch for his actions during the transit strike were there.

In the summer and fall of 1981, Barbaro ran an energetic grassroots campaign with the support of hundreds of union rank and file and community activists volunteers. Barbaro's central campaign theme was that Koch's policies of budget cuts had made working class and middleclass New Yorkers pay for the city's financial recovery. Barbaro promised to defend rent control and pointed to his authorship of legislation that gave renters the right to withhold rent when landlords failed to deliver services. He promised to end Koch's tax abatements to wealthy companies and to use the revenue to pay for social programs that Koch had cut. He also campaigned against the building of Westway and said that he would use the federal funds earmarked for Westway to improve the deteriorating public transit system. He also attacked Koch for closing Sydenham Hospital and promised to

pursue policies that would not polarize the city racially. He promised that he would push the City Council to sign a gay rights bill.¹⁷¹

In the end, despite being massively outspent (Koch spent \$1.5 million and Barbaro spent \$150,000 in primary) and with Koch winning the endorsement of the three city daily newspapers, Barbaro won a respectable thirty-six percent of the vote in the Democratic primary. Barbaro did particularly well in minority neighborhoods, winning 70 percent of the black vote overall and taking all sixteen voting districts that had a black majority. He also did well in liberal districts such as the Upper West Side of Manhattan, which he won and Park Slope in Brooklyn. Clearly, Koch's policies had alienated three groups; blacks, white liberals, and Latinos as his share of the vote of these groups compared to the previous election fell 17.4, 14.9, and 9 percentage points respectively.¹⁷² However, Barbaro failed to make any significant headway into the outer borough white working-class vote - a problem that continues to plague liberal New York City Democrats candidates.¹⁷³

Conclusion

The decision by the city's municipal unions not to endorse Barbaro demonstrates a great deal about the strategies of the unions during this period and the impact of these strategies. Their embrace of a narrow interest-group strategy during the crisis explains why they did not endorse Barbaro. While there were a number of good reasons for them not to support Barbaro, their choice demonstrates that the municipal union leadership was

¹⁷¹ Barbaro campaign position papers and flyers, n.d., Van Arsdale Collection.

¹⁷² Mollenkopf, *Phoenix in the Ashes*, 112.

¹⁷³ *New York Times*, 24 September 1981. In 1981, Koch won an even higher percentage of the white ethnic vote in Brooklyn and Queens than he did in 1977 when he won in the general election against Mario Cuomo. Mollenkopf, *Phoenix in the Ashes*, 111-112.

more willing to work within the constraints of austerity and use their power to defend their institutional integrity rather than risk attempting to build an opposition to it. One could argue that their decision about Barbaro was overdetermined because of the choices that they had made over the previous four or five years. Endorsing Barbaro would have been an abandonment of the narrow interest-group strategy.

The unions' decision not to support Barbaro and the way in which the transit union leadership handled the transit strike also demonstrated another important characteristic of the city's municipal unions—the lack of rank and file involvement in important decisions made by the unions. Gotbaum and Shanker made little effort to find whether their members were interested in having their unions support Barbaro and when DC 37 and UFT union activists tried to push their unions to do so, Gotbaum and Shanker went out of their way to make certain that these activists' proposals were never considered. During the 1980 transit strike, the TWU leadership demonstrated a similar lack of interest in union democracy.

Moreover, the municipal union leadership decision to remain neutral during the 1981 mayoral campaign demonstrated that they underestimated the opposition in the city to Koch and the emerging politics of austerity and social conservatism. So focused on building relationships with the banks and proving to Albany and Washington that they deserved to be at the bargaining table, they seemed surprised by how Barbaro managed to create such a large grassroots coalition made up of labor, liberals, and activists. A more cynical view is that Gotbaum and the other municipal union leaders just chose not to throw their support behind Barbaro because they felt that they were making out relatively well under the new conservative politics.

Whatever the reason, their decision not to endorse Barbaro and more broadly not to try to build a broad opposition to the growing conservative politics during the fiscal crisis, had a significant impact on the city's politics. The decision of these massive unions to support Barbaro would not have guaranteed the success of this insurgent progressive campaign. Nor would it have been likely that had the unions adopted a strategy predicated on fighting fiscal austerity would that strategy had succeeded in stopping in the emergence of fiscal austerity in its tracks. However, their decision to pursue a narrow interest group strategy at the electoral level and at the level of defending their interests in the face of austerity made it almost inevitable that the city's politics would continue to shift to the right. Moreover, while the unions remained a "power broker" in city politics, their real power was limited by their acceptance of the politics of austerity.

Chapter Five: Labor and Politics in the Post-Fiscal Crisis Period

While it is relatively easy to identify a specific point when the fiscal crisis began (most scholars and journalists argue that it was in the spring of 1975 when the city was no longer able to sell its securities on the market), it is more difficult to pinpoint the end of the fiscal crisis. In hindsight, there were clear signs that the city's economy was on the upswing as early as 1978, which was the first year that the city had a net gain in jobs since the late 1960s. In 1979 the city reached another important milestone when it regained access to the market, and in fiscal year 1981 the city managed to balance its budget for the first time in decades. However, despite these indicators of growing fiscal health, the idea that fiscal austerity was necessary continued to guide the city's public policy until the early to mid 1980s. For example, the Koch administration continued to cut the city's expense budget and insist upon meager wage raises for city employees until fiscal year 1983. And it was not until 1986 that the city finally regained its full fiscal independence from the Financial Control Board.

During the early 1980s, the municipal unions became increasingly frustrated with the city's claims that the city was still in a fiscal crisis situation and therefore could still not afford to offer the unions substantial wage increases. These unions insisted that the city was clearly on the road to recovery and that the city could now afford to give their members larger wage increases to make up for the heavy losses that they sustained during the mid 1970s.¹ So while not quite as on the defensive as they had been at the height of the fiscal crisis, Gotbaum and the other union leaders continued to confront a relatively

¹ At the beginning of FY 1982 and FY 1983, the Koch administration and most fiscal observers had predicted the likelihood of budget shortfalls only to have the city end up with budget surpluses. NYC Comptroller Jay Goldin did warn in early 1982 that Koch's budget forecasts were unduly pessimistic. *The Chief*, 29 January 1982.

hostile Koch administration while at the same time they were dealing with a membership that was both demoralized and frustrated by low wages and increased workloads because of the massive layoffs. Fiscal year 1983 was the first year that the city's real labor costs increased since 1975. However, most of this increase stemmed from the Koch administration's hiring of thousands of new workers, not from particularly large wage increases. It would not be until early 1990s that salaries for most of the city's employees would return to pre-fiscal crisis levels.

Still, as the siege mentality of the fiscal crisis began to recede in the early 1980s, the strategies that the unions had adopted during the fiscal crisis began to unravel. For example by the mid 1980s, they abandoned coalition bargaining. While they continued (and continue) to meet within the confines of the MLC to discuss common problems and devise common strategies, with the end of the fiscal crisis, they returned to their earlier pre-fiscal crisis practice of negotiating alone. Pattern bargaining remained, but each union used their specific bargaining and lobbying strengths to win the best possible contracts. Moreover in 1986, both Gotbaum and Shanker, the city's two most powerful municipal union leaders, stepped down from their leadership positions in the city labor movement.²

Also by the mid 1980s, the impact of the interest-group strategy that the unions had adopted during the fiscal crisis could now be seen more clearly. In one sense, the unions' strategy had been a success. They made it out of the fiscal crisis wounded, but still remained a major institutional power in city and state politics. However, their members endured a wage freeze, massive layoffs, and less generous benefits. Moreover, the power

² Shanker resigned as UFT President in 1986, but remained president of AFT and continued to exercise a fair amount of influence over UFT's strategies. Gotbaum stepped down as executive director of DC 37 in December 1986.

of the municipal unions remained predicated upon their not questioning the need for austerity. While this acceptance was perhaps understandable, it meant that the municipal unions could do little to shape the direction of city politics. This lack of real power continued to plague the municipal unions during the 1980s. By accepting the need for austerity and deciding to work with Mayor Koch to protect their interests instead of joining other old allies in trying to unseat Koch during the 1981 mayoral campaign, the municipal unions' power remained remarkably curtailed.

The 1982 Contract Negotiations

In 1982, the city and the unions entered another round of contract negotiations. Once again, the MTA's contract with the TWU with a contract deadline of March 31 was the first to be negotiated. However, the situation in 1982 was slightly different than in previous negotiations since the last transit negotiations in 1980 had led to a long eleven-day strike. The 1980 strike had occurred after the transit union leadership temporarily lost control of their union to dissident groups and an angry rank and file. While the strike left the dissident groups significantly weakened and the rank and file, who were forced to pay heavy fines for striking, were wary of striking again, TWU President John Lawe could not be certain of his control of the situation and did not have the strong support of TWU members. For example, while he was re-elected in December 1981 to a third term, the three dissident candidates were able to garner a significant number of votes.³

Lawe's main goals in 1982 were to avoid any possibility of another strike and return to the more stable labor-management relations that had been disrupted by the 1980 strike.

³ Lawe received 11,782 votes and the three other candidates received 8,891 votes. *New York Times*, 29 December 1981.

As he put it in February 1982, "I see right now an opportunity in negotiations for management and the union to put the system back together."⁴ Thankfully for Lawe, he was dealing with a MTA chairman who agreed with him on this issue. Along with John Zuccotti and Felix Rohatyn, MTA Chairman Richard Ravitch was a moderate who felt that unions could play a useful and important role in maintaining rational, stable, and fair labor-management policy. In this, they differed from Mayor Koch (or at least Koch during his first term) who tended to take a much more confrontational approach to the municipal unions.⁵ This is not to say that Ravitch or Rohatyn were easy on the unions. During the fiscal crisis, their openness to unions was predicated on the demand that the unions understood the necessity of austerity. In the 1982 negotiations, Ravitch stated that any wage increases would have to be small given the MTA's precarious finances that had been made even worse by President Reagan's cuts in federal support for public transportation. Also, Ravitch and MTA board members such as Stephen Berger and Carol Bellamy wanted to win significant changes in work rules to increase productivity. Still, Ravitch was willing to work with and even help Lawe maintain control over his members to ensure that there was no strike.

As the 1982 negotiations began, the TWU leadership made a couple of significant proposals to limit the likelihood of a strike. The first was that it publicly stated that it would no longer uphold its union's long-held "no contract, no work" tradition and that it had absolutely no intention of striking. As TWU's longtime counsel John O'Donnell put it

⁴ *New York Times*, 22 February 1982.

⁵ Both Rohatyn and Ravitch were both connected to MUFLG, perhaps the best example of corporatism during the fiscal crisis. Rohatyn was a member and Ravitch was invited by MUFLG on several occasions to give presentations. MUFLG meeting minutes, December 8, 1980. In April 1982, Ravitch convinced Lawe to agree to replace Theodore Kheel, whom the MTA believed was too sympathetic to the union, with Zuccotti as the arbitrator who settled disputes between MTA and TWU on the meaning of contracts that had already been negotiated. *New York Times*, 5 April 1982.

on the eve of the contract deadline, "The union has made absolutely no plans for a strike. The only way there could be any disruption of work would be on a wildcat basis, and there is no indication of that."⁶

Lawe's open declaration that he would not call a strike and no longer abide by his union's "no contract, no work" tradition was quite remarkable. As Edward Silver, Koch's longtime advisor on labor issues put it, "The interesting thing in the whole scenario was that Lawe wanted to put himself in a position where he couldn't strike."⁷ While, the other municipal union leaders had made it clear that they thought striking was a bad idea, none of the other major municipal union leaders had publicly ruled out the possibility of going on strike. Even Victor Gotbaum, who had made it clear on numerous occasions during the fiscal crisis that he did not think that striking was advisable, had never completely ruled out strikes as a possible tactic if only to exert pressure on management during bargaining. The only major union leader who had made a similar proposal to Lawe was Shanker when in late 1976 he called for the temporary end of collective bargaining for the duration of the fiscal crisis and for the creation of a labor board. When Shanker made his proposal, which was quickly rejected by the other city union leaders, he was in a similar situation to Lawe's in 1982. Like Lawe had in 1980, Shanker had been forced to call a strike by his membership that he did not completely control. Also, like Lawe, Shanker had to face severe Taylor Law penalties including the right of dues check-off.⁸

⁶ *New York Times*, 31 March 1982

⁷ *Ibid.*

⁸ The Public Employment Relations Board (PERB) penalized both UFT for its 1975 strike and TWU for its 1980 strike by taking away their automatic dues check-off for eighteen months as well as issuing significant fines. However, in both cases, the eighteen-month penalties were decreased significantly. PERB had imposed the loss of dues check-off on UFT in October 1976, but UFT filed a suit in federal court delaying implementation of the penalty for over five years. When the U.S. Court of Appeals rejected the UFT appeal in April 1982, the city implemented the loss of dues check-off starting May 1. However, PERB decided that starting in that August, UFT would regain their right of dues check-off collection.

The TWU leadership took one extra step to try to limit the likelihood of a strike. In exchange for announcing his intention not to strike, Lawe wanted the Governor to sign a bill establishing binding arbitration procedures that the MTA and the TWU would make use of if they could not reach an agreement. At that point, unlike most of the other city's municipal unions, TWU did not have access to binding arbitration procedures. The other municipal unions were under the jurisdiction of the New York City Collective Bargaining Law, which did provide for binding arbitration under the city's Office of Collective Bargaining (OCB). However, TWU represented workers of a state authority rather than a city agency and therefore was not under the jurisdiction of the OCB. Instead, the TWU and most of the other unions representing workers of state agencies and authorities were under the jurisdiction of the Public Employment Review Board (PERB), which did not provide for binding arbitration for many state workers.

Lawe originally proposed that the city's Office of Collective Bargaining rather than PERB adjudicate TWU-MTA labor disputes. However, since the MTA was a state authority, the governor and the state legislature quickly vetoed that idea since they had no intention of lessening their control over the MTA. Lawe then proposed that the state legislature amend the Taylor Law and PERB to create final and binding arbitration procedures to cover transit labor relations. Lawe was not alone in making such proposals. Arvid Anderson, the well-respected chairman of the New York City Office of Collective Bargaining had made the same proposal during the April 1980 transit strike in

PERB agreed with UFT's and the Board of Education's concern that loss of dues check-off could bankrupt UFT or at least impair their ability to provide help to members. PERB penalized TWU by taking away their automatic dues check-off for eighteen months in October 1982, but gave it back to the transit union four months later in February 1983 for the same reasons. *New York Teacher*, 29 August 1982; *New York Teacher*, 11 October 1982 and 12 February 1983.

a letter to *New York Times* and later in a speech in February 1982. Anderson specifically made the argument that binding arbitration makes strikes less likely.⁹

For his part, MTA Chairman Richard Ravitch supported the proposal for new arbitration legislation. Like Lawe, he wanted to avoid a strike. Also, interesting enough, Ravitch wanted to strengthen Lawe's position within his own union. From his own experience as MTA chairman during the 1980 transit strike, Ravitch was well aware of the opposition that existed within the local to Lawe. To Ravitch, Lawe had proven, like the most of the other city municipal union leaders, that he desired stability and wanted to avoid strikes and other militant actions. Ravitch also thought that the MTA could win their demands for productivity increases such as overhauling bus drivers' work schedules through arbitration more easily than it could through straight collective bargaining. This desire to keep Lawe in power was one of the main reasons that Ravitch and the MTA lobbied PERB to return TWU's right to automatic dues check-off very quickly in early 1982 instead of withholding that right for eighteen months as PERB originally planned. Ravitch feared that this loss of dues check-off would weaken the TWU leadership and perhaps create a situation where either dissidents could gain power or at least create havoc during the 1982 negotiations.¹⁰

Governor Carey also supported the binding arbitration legislation. Mayor Koch was open to the idea also, but he expressed his concern that the proposed legislation gave the courts and not PERB the right to determine what the penalties would be if the transit union struck. Since a state court had recently awarded large wage increases to municipal workers in Yonkers in an arbitration case and the mayor feared that the courts might act

⁹ Arvid Anderson, letter to *The New York Times*, 7 April 1980, folder 12, box 97, Office of the Mayor, Edward Koch Administration Papers, New York City Municipal Archives; *The Chief*, 5 February 1982.

¹⁰ *New York Times*, 4 April 1982.

more favorably to New York City's unions than PERB would. However, on March 16, Carey signed the legislation into law. Under the legislation either the MTA or the TWU could notify PERB of an impasse and the board would then appoint an arbitration panel made up of three arbitrators of the New York City Office of Collective Bargaining.¹¹ However, the legislation did not create a permanent binding arbitration system and only covered the 1982 transit contract negotiation since none of the parties involved were certain if it would work.¹²

On March 31, only hours before the old contract ended, the MTA and the TWU declared that they had reached an impasse on wages and noneconomic issues and asked for arbitration. The OCB briefly tried to convince the two parties through mediation to resolve their difference, but within two days it became clear that binding arbitration was necessary.¹³

In late April, the three-man arbitration board announced its decision. They awarded the transit workers a twenty percent increase over three years (seven percent in the first year, six percent in the second, and seven percent in the third). They also folded in a three percent COLA that transit workers had won in 1981 into the basic wage structure. It required the MTA to increase its contribution to the workers' health and welfare funds and put limits on the transit authority's use of part-time workers. Management did win its goals of gaining more control over overtime, which it wanted in order to keep workers near retirement from increasing their pension benefits, and gained more control over assigning workers to different tasks. Lawe said that he was "not enthused" by the award,

¹¹ *New York Times*, 17 March 1982.

¹² In 1985 for the next transit negotiations, the state legislature once again passed temporary arbitration legislation. In 1986, it was made permanent. *New York Times*, 12 December 1986.

¹³ *The Chief*, 9 April 1982.

but felt that the union had managed to hold the line on concessions. Ravitch expressed satisfaction over the arbitrators' recognition that the transit management needed to have more power over overtime and work assignment issues.¹⁴

The other unions quickly distanced themselves from the transit settlement. This is not surprising given that their wage settlement in 1980 was better than what TWU had just won. However, this was something of a reversal of past negotiations where the city municipal unions had usually insisted that the TWU contract set a pattern for their contracts (this had been the case since the Lindsay administration). Now, the unions insisted that there was no linkage. On the other hand, Koch, who had argued that there was no linkage in 1978 and 1980, now gladly asserted that there was a linkage.¹⁵

When the contract negotiations between the municipal unions and the city began in 1982, many labor experts predicted that the contracts might be negotiated with a minimum of fuss. Early in the year, Gotbaum even predicted that since the TWU contract might be held up in arbitration that the nonuniformed coalition or the uniformed coalition might settle with the city before the MTA and TWU reached an agreement.¹⁶ However, this was not to be. Instead, negotiations were slowed by growing tensions and rivalries between the unions, the beginning of a breakdown in coalition bargaining, and complications created by Koch's 1982 campaign for governor.

In another break with recent negotiations, the nonuniformed coalition decided that it would wait and let the uniformed coalition settle with the city. In 1978 and 1980, the nonuniformed coalition had gone first and the uniformed coalition had come along

¹⁴ *The Chief*, 7 May 1982; *New York Times*, 1 May 1982.

¹⁵ *Public Employee Press*, 14 May 1982; *The Chief*, 7 May 1982; *New York Times*, 1 May 1982.

¹⁶ *New York Times*, 22 February 1982.

afterwards to win slightly better contracts. Gotbaum had been angered by that and did not want that to happen again.¹⁷

However, Gotbaum's goal of waiting for the uniformed coalition to settle was made difficult by the fact that this coalition was having a hard time organizing itself. Both the PBA and the UFA had new presidents who had been recently elected by angry members who were demanding for significant wage increases. Also, the uniformed coalition was slowed by tensions between the sanitationmen's union and the other uniformed unions such as the PBA and the UFA. In 1980, while it had joined the uniformed coalition, the sanitationmen's union negotiated a side deal with the city that had won significant bonus pay increases for many of its members. The bonus pay came from an agreement that involved significant increases in productivity gained by the union agreeing to move from three-man trucks to two-man trucks and extending routes. The city agreed that half the money saved by these productivity gains would go to bonus pay for sanitation workers.¹⁸

This productivity pay agreement shattered the longstanding relationship between the pay of sanitation workers and the pay of city police officers, firefighters, and other uniformed workers. In the late 1960s, New York sanitation workers had won a guarantee that they would be paid ninety percent of the pay of police and firefighters. The police and firefighters had been angry enough about that, but the 1980 sanitation productivity

¹⁷ See interview with Gotbaum and other labor leaders by Michael Oreskes, "Labor Leaders Talk about the Upcoming Negotiations," *City Almanac*, vol. 16, no. 2, August 1981.

¹⁸ In late 1980, an arbitrator had awarded eleven-dollar wage differentials to sanitation workers who worked on side-loading trucks that required two workers instead of the usual three workers. In April 1981, the sanitation union and the city reached a tentative agreement to give the same wage differential to new two-man rear-loading trucks that were larger than side-loading trucks. However, the union leadership had delayed sending this agreement to the members to be ratified because of a union election and perhaps to use as a bargaining wedge during the 1982 contract negotiations. The city desperately wanted this agreement to be ratified because it predicted the city could save up to \$13 million a year. It was already saving \$7 million with the introduction of the two-man side-loading trucks. *The Chief*, 10 November 1982; *New York Times*, 15 October 1981 and 9 December 1982.

agreement made matters worse because with this bonus pay, which came to about eleven dollars a day, some sanitation workers were making more than police officers and firefighters. So the new PBA and UFA leadership was under enormous pressure from their members to win significant wage increases and preferably increases that would put them ahead of the sanitation men.¹⁹

In February, PBA President Phillip Caruso said that the uniformed coalition would be asking for pay increases in the "double-digit area" and improvements in health benefits. He also made it clear that he felt that police and firefighters deserved to make more than sanitation workers because of the dangers that they faced on the job. United Sanitationmen's Association President Edward Ostrowski responded by stating that, "Nobody will set guidelines on what is good for my membership."²⁰ Eventually, tensions between the various uniformed unions reached the point that the USA left the uniformed coalition in April to negotiate alone with the city.

The coalition made up of police, firefighters, and other smaller uniformed unions continued to negotiate sporadically with the city in May and June, but was unable to reach an agreement. When it did not reach an agreement by June 30, the contract deadline, firefighters staged a sickout and police officers refused to write summons for two days. Mayor Koch responded by threatening to fine individual workers if these illegal protests continued.²¹

With tensions rising and fear that the members might demand a strike, the leaders of the uniformed union coalition cut off negotiations with the city, hoping that the larger nonuniformed coalition would step forward to negotiate a contract with the city.

¹⁹ Maier, *City Unions*, 185; *The Chief*, 7 July 1982.

²⁰ *New York Times*, 22 February 1982.

²¹ *The Chief*, 23 July 1982.

However, negotiations moved slowly on that front also. Part of the problem was that the nonuniformed coalition and the Koch administration disagreed significantly on the state of the city's economy. The unions predicted that the city would end the year with a significant surplus, while the city predicted no surplus. Moreover, the negotiations were complicated by the fact that Koch was running for governor against his old rival Mario Cuomo. With the Democratic primary in September, Koch did not want to reach a contract that could be used against him in the primary. Of course, he did not want a strike either. To make matters even worse, Gotbaum, the chief union negotiator, had chest surgery in August, which delayed any serious negotiations for a week.²²

While in early September the city threatened to declare an impasse and call for arbitration, on September 10, less than two weeks before the Democratic gubernatorial primary, the city and the unions reached a tentative settlement that was quite similar to the recent TWU settlement. It was two-year contract that provided for an increase of eight percent in the first year (delayed two months) and a seven percent in the second year. Also, a previously \$750 bonus was rolled in to the base pay. The unions also agreed to help find \$50 million in productivity savings in the next two years. Also, the agreement established a method to repay the wage increases that city workers had deferred in 1975.²³

Soon after members of the nonuniformed coalition voted to ratify the settlement in late September and early October, the uniformed coalition won a slightly better contract with

²² *Public Employee Press*, 16 July and 10 September 1982; *New York Times*, 22 August 1982; *The Chief*, 9 July and 23 July 1982.

²³ In a complex plan devised by labor consultant Jack Bigel, the deferred wages would be paid to workers by no later than 1985. The money would actually come from the city pension funds not the city budget, but the city would have to pay back the pension funds (with interest over the next ten years which in the end would cost the city more money than if it had paid for the deferral out of its own budget). *Public Employee Press*, 24 September 1982; *New York Teacher*, 19 September 1982; *The Chief*, 17 September 1982.

the city. While the nonuniformed coalition won a 8% (delayed two months) and a 7% increase, the uniformed coalition won two eight percent increases over the two years.²⁴

This left the Uniformed Sanitationmen's Association (USA) as the last municipal union without a contract. The USA had left the uniformed coalition in April after the firefighters and police unions insisted that they needed larger wage increases than the USA. However, after the PBA and the UFA won two eight percent increases, the USA made it clear that they would accept nothing less and even stated that its members deserved more because of the tremendous savings the city was reaping from the continued move to two-man trucks.²⁵

As negotiations dragged on, sanitation workers started a two-week series of unofficial job actions. Workers worked to rule and insisted that they would not use "unsafe" equipment. When the sanitation department angrily pointed out that some of the trucks brought in for inspection only had minor problems such as slightly under-inflated tires or loose side mirrors that could be repaired with a screwdriver, workers just shrugged their shoulders and cited contract provisions on safety. USA president Ed Ostrowski denied that there was a slowdown and insisted that his members were just concerned about safety. Koch threatened to take disciplinary action as he had with the slowdown by PBA members earlier that year, but in the end the sanitation men were not fined.²⁶

It was not until February 1983 that the city and the sanitation union reached a two-year agreement. In it, the union reached their goal of equaling the wage increases that the police and firefighters had won the previous fall (two eight percent increases). The union also won an agreement that would provide wage bonuses for workers who worked on the

²⁴ *The Chief*, 22 October 1982.

²⁵ *The Chief*, 10 November 1982; *New York Times*, 15 October 1981 and 9 December 1982.

²⁶ *New York Times*, 3 December 1982.

new rear-loading two-man trucks.²⁷ Also, like the nonuniformed coalition, the sanitationmen and the city reached an agreement that would repay workers the wage increases that they had deferred earlier in the fiscal crisis.²⁸

The 1982 negotiations demonstrated a number of things. One is that leaders of TWU and the other unions remained extremely worried whether they could control their members. TWU went so far as to announce that they would not strike. At the same time, as the city moved out the fiscal crisis, one could see the beginnings of the breakdown of the coalition bargaining that had begun during the fiscal crisis. Rivalries between the unions that had continued to simmer beneath the surface began to surface again and unions like the sanitation workers broke with the coalition to reach separate agreements with the city.

The Role of the Municipal Unions in the 1982 Gubernatorial Race

The 1982 contract negotiations coincided with the 1982 gubernatorial race. In January 1982, Governor Carey had announced that he would not seek a third term. Although Koch had just been re-elected mayor in November 1981 and had pledged on numerous occasions not to run for any office besides the mayoralty, he decided to enter the race for governor. With his landslide election in 1981 and his growing national fame (he had appeared on the cover of *Time Magazine* in June 1981), Koch was the early favorite to win the Democratic primary and then go on to win the general election in November.²⁹

However, Lieutenant Governor Mario Cuomo, Koch's old rival, also entered the race and it was Cuomo who won the all-important Democratic primary on September 23 and

²⁷ USA members ratified this agreement on rear-loading trucks in May 1983. *The Chief*, 27 May 1983.

²⁸ *New York Times*, 18 February 1983.

²⁹ McNickle, *To Be Mayor of New York*, 280-281.

then went on to win the general election in November. He triumphed in the primary by winning the upstate vote by a large margin and even coming close to winning New York City (Koch got 4,000 more votes in New York City). Koch had made a series of gaffes that hurt him with upstate and suburban voters including his disparaging comments about life in the suburbs and upstate New York.³⁰ However, Cuomo also won by running an aggressive grassroots campaign. Many of the groups and unions that had come together to support Barbaro in the 1981 were strong supporters of Cuomo in the gubernatorial race.³¹ In a sense, Cuomo's gubernatorial campaign was a more mainstream version of Barbaro's mayoral campaign.³²

Perhaps the most important of the groups that joined the Cuomo campaign, which had not been a part of the Barbaro campaign, were several of the municipal unions. Both DC 37 and UFT played very significant roles in Cuomo's campaign and demonstrated what a potent force that they could be in electoral politics when they chose to be. DC 37's political action director Norman Adler took a leave of absence with Gotbaum's permission to serve as Cuomo's deputy campaign manager. DC 37, UFT, and the other unions pulled out all the stops for Cuomo. After the primary, Adler said that Cuomo won the election

³⁰ On Koch's memories of the campaign, see Koch, *Mayor*, 325-342.

³¹ *New York Times*, 14 March 1982.

³² Most of Barbaro's supporters joined the Cuomo campaign. However, his more leftist supporters, in an attempt to form a third party, ran their own candidate in the gubernatorial campaign on the Unity line. They made that decision for ideological reasons, but also because they expected Koch to win the Democratic primary by a landslide and hoped that they would therefore garner the support of liberals and leftists in the general election who did not want to pull the lever for Koch and therefore win the 50,000 votes to win permanent ballot status. Of course, they turned out to be wrong about who would win the Democratic primary and in the end the Unity candidate only won a paltry 5,000 votes in the general election. Al Charney, one of the activists in the Unity Party, said that Cuomo's campaign had put out feelers that Cuomo would consider running on the Unity line also. Charney said that the Unity Party debated endorsing Cuomo, but in the end decided to run their own candidate. Author's interview with Charney, July 14, 1999.

'in the streets' and boasted that union members made over 700,000 phone calls in the days running up to the election to get out the vote.³³

At first glance, DC 37s and UFTs support of Cuomo seems to go against their history since the fiscal crisis of being quite cautious and conservative in terms of their electoral strategy. After all, they had not supported Barbaro in 1981 and they would not join with other progressives in 1985 to oppose Koch in his bid to be re-elected mayor. However, the situation was slightly different in 1982. For one thing, Koch was not the incumbent. Also, while Cuomo's campaign rhetoric was quite liberal, Gotbaum and Shanker correctly surmised that he was not the insurgent that Barbaro was. He had raised a fair amount of money, had the support of most upstate and even some city Democratic elected officials, and had won the support of most of the state's private sector unions. Also, the municipal unions certainly did not like the idea of Koch being in a position of power in Albany. While they negotiate contracts with the city, Albany also controlled a great deal of municipal labor issues. The governor appoints PERB members, he signs off on pension fund reforms. Given that one of main goals of the municipal unions was the revision of the tier III pension fund plan, it essential that they have a pro-labor Governor and they certainly did not see Mayor Koch playing that role. And perhaps most importantly, Koch seemed beatable. In the end, Gotbaum and Shanker were pragmatists in terms of their electoral strategy. They threw their hats into the ring when they thought they had a chance of winning and not at other times. Polls showed that many New York City residents resented the fact that he was running for governor only a year after re-election

³³ On municipal union support for Cuomo, see *New York Teacher*, 5 September 1982; *Public Employee Press*, 14 May, 16 July, and 10 September 1982; *New York Times*, 29 August and 31 October 1982.

and his dismissive comments about upstate New York had certainly not endeared himself to those outside New York City.³⁴

The 1984 Contract Negotiations and the End of Coalition Bargaining

Of course, since Koch did not move to the Governor's mansion in Albany, the unions now had to face him once again at the bargaining table. While the unions might have privately worried that their support of Cuomo during the 1982 gubernatorial race might have encouraged Koch to drive a particularly hard bargain during the 1984 contract negotiations, they did not show that in public. Instead, they made it clear that with the city's economy doing well, they would be demanding significant wage increases. Moreover it appears that by in early 1983, the unions had hopes that their relationship with Koch could take a turn for the better.³⁵ However, this was not to be. By the summer of 1983, Koch and the unions were once again publicly attacking each other.

Koch and Gotbaum publicly squabbled over a speech that Koch gave in San Francisco in which he called for the Democrats to stop pandering to special interest groups like unions, environmentalists, women's groups, and blacks who he said were gaining too much control over the Democratic Party. In an editorial in his union's paper titled "With Democrats like Koch, Who Needs Republicans?" Gotbaum angrily accused

³⁴ Also according *The Village Voice*, Gotbaum and Shanker told Koch in August that while they were going to campaign for Cuomo in the Democratic primary that they promised that they would not support Cuomo in the general election if he lost in the primary, but remained in the race and ran on the Liberal Party line. Since at that point, Koch was far ahead in the polls, he felt that he would win the primary handily so Gotbaum's and Shanker's support of Cuomo in the primary did not worry him. *Village Voice*, 22 January 1985.

³⁵ Edward Handman, a DC 37 staffer and close advisor to Gotbaum, wrote an editorial in *The Chief* in which he described Koch as becoming more willing to sit down and talk civilly with the unions. Edward Handman, *The Chief*, 22 July 1983.

Koch of betraying the traditions of the Democratic Party and trying to shift it to the right.³⁶

Koch also remained angry that the unions had not come up with \$50 million in productivity savings as they had promised in the 1982 contract. Gotbaum and the unions insisted that their agreement to help come up with the productivity savings had been made when it was expected that the city would end 1984 with a budget shortfall. Since the opposite had happened, they insisted that they were not obligated to come up with the money.³⁷

This disagreement over productivity needs to be seen as part of a long struggle between the City Hall and the municipal unions. Government watchdog groups like as the Citizens Budget Commission had been pushing city administrations to increase the productivity of workers for decades. The unions had usually resisted, arguing that these calls for productivity were in the end nothing more than a demand for givebacks and concessions that increased their members' workload. The fiscal crisis gave productivity advocates a boost and productivity demands were built into both the Americana and the Hilton Agreements. Ideally, productivity deals benefit both management and labor. For example, the agreement by the sanitation union and the city to move to two-man trucks benefited the city by saving money and benefited union members with a significant wage increase. However, most of the productivity gains during the fiscal crisis were nothing more than increases in workload for employees. For example, many DC 37 members had given up a coffee break in the 1976 collective bargaining agreement and what the city reported as productivity gains were nothing more than a smaller number of workers doing

³⁶ *New York Times*, 25 September 1983; *Public Employee Press*, 9 September 1983.

³⁷ *The Chief*, 15 April 1983; *New York Times*, 19 April 1984.

more work. Now that the city's economy was improving, Gotbaum felt that there was no reason to make his already overextended members give up more. Koch threatened to take the issue to arbitration in the fall of 1983, but eventually balked after the FCB and his own budget director admitted that the city's work force's productivity had already increasing significantly.³⁸

What did change with the 1984 negotiations was that the end coalition bargaining, a central part of labor strategy during the fiscal crisis. Union leaders, who had joined forces to gain power at the bargaining table and to create a buffer between themselves and their members, no longer felt that necessity with the city's fiscal situation improving. Old rivalries and tensions between the various unions that had been repressed during the fiscal crisis once again came out into the open. No longer forced together to work in unison because of the fiscal crisis, many union began to go their own way.

This splintering of coalition bargaining was at first more evident within the uniformed coalition. The sanitation workers had already left the uniformed coalition in 1982. Now, the leadership of the firefighters union began to hint that it would pull its union out the coalition. The new UFA president, James Boyle (the third UFA leader since 1975), made recommended that his union pull out of the uniformed coalition in the upcoming bargaining. He expressed shock that the sanitation men had been able to win increased pay over the last several years due to productivity gains and vowed that his union would demand large wage increases. The PBA and other of the smaller uniformed unions such as the Corrections Officers said that they would continue to bargain as a coalition though.³⁹

³⁸ *Public Employee Press*, 27 January 1984; *New York Times*, 28 October 1983 and 7 January 1984.

³⁹ *The Chief*, 15 July and 29 July 1983.

At least publicly, the members of the nonuniformed coalition said that they wanted to stick with coalition bargaining.⁴⁰ At the beginning of 1983, Shanker defended coalition bargaining in a newsletter to his members. He wrote, "Coalition bargaining has been good for us in this period. It has enabled the unions to hang together and present a united front to the city. No one can leapfrog over anyone else."⁴¹ Moreover, they expressed concern about the breakup of the uniformed coalition. Gotbaum stated that, "he felt more secure when we were all part of one group."⁴²

However, though perhaps not to the degree as there was in the uniformed coalition, there were growing tensions within the nonuniformed coalition also. For example, there were concerns by several of the unions that the coalition bargaining made it difficult for individual unions to address wage issues that were specific to their union. For example, Gotbaum was under enormous pressure to win higher wage increases for the lowest paid members and Shanker was under pressure to win higher starting salaries for new teachers.⁴³ Still, despite these tensions, it appeared that all of the nonuniformed unions would continue to bargain as a coalition.

At the same time, Gotbaum and the members of the nonuniformed coalition continued to be frustrated by the fact that their coalition had always settled first and that the uniformed coalition had come in later and won better contracts so they now insisted that the uniformed coalition should bargain first in 1984. As Barry Feinstein of the teamsters

⁴⁰ *New York Teacher*, 26 November 1983; *Public Employee Press*, 10 February 1984.

⁴¹ UFT newsletter, 6 January 1983, unprocessed material, box accession # 940724 (3 of 4), Correspondence and Subject Files, UFT Collection, UFT Office, New York City.

⁴² *The Chief*, 23 September 1983.

⁴³ *The Chief*, 14 October 1983.

local put it, "we are tired of arguing for a contract the others can use as a crutch to achieve slightly better wage increases."⁴⁴

The fact that the city was now clearly out of the fiscal crisis complicated bargaining. For the last two years, the Koch administration and most fiscal observers had predicted the likelihood of budget shortfalls only to have the city end up with budget surpluses. Now, even the Koch administration was predicting a budget surplus of up to \$300 million for the fiscal year ending June 1983 and predicted at least as large of surpluses for 1984 and 1985. Mayor Koch could no longer use the lack of money to drive a hard bargain.⁴⁵ Of course, the city's fiscal health also put the union leaders under even more pressure from their members to win large wage increases.

However, Koch was up for election in 1985 and he needed to walk a narrow line. On the one hand, he did not want to be labeled by fiscal conservatives as caving into the unions in order to buy labor peace or to discourage them from supporting another candidate in the Democratic primary. At the same time, driving too hard of a bargain with the unions could lead to a strike or the unions joining with others as they had in the 1982 gubernatorial race to support another candidate. And in 1984, Koch had to worry about a strong challenge in the Democratic primary since he angered much of the city's liberal and black communities with his harsh attacks on the prominent African-American leader, Jesse Jackson, during the Democratic state presidential primary and his public statements in support of the Bernard Goetz, a white New Yorker who shot five black teenagers who had asked for his money on the subway.⁴⁶

⁴⁴ *The Chief*, 7 October 1983.

⁴⁵ *New York Times*, 9 April 1984.

⁴⁶ McNickle, *To Be Mayor of New York*, 283-284.

Initially, it appeared that Koch was going to drive a hard bargain (not an unusual bargaining strategy). As the 1984 contract negotiations approached, Koch said that he planned on budgeting for only two percent wage increases in 1985. He insisted that since inflation was low, the union members did not need significant wage increases. He even went so far to state that federal cuts to New York City might force him to lay off workers. The unions were outraged and the brief détente that the unions had hinted was developing between Koch and them quickly dissipated.⁴⁷

Bargaining occurred only intermittently during the spring of 1984. The nonuniformed coalition was waiting, hoping that the small uniformed coalition led by the PBA would reach an agreement with the city first and then try to match it. Moreover, underneath the surface, tensions remained within the nonuniformed coalition with several of the unions such as DC 37 and UFT trying to figure out if they could win extra wage increases for some of their members.⁴⁸ Also, Gotbaum wanted to delay settling until 1199, the large health and hospital union, reached contract with the private hospitals. It was expected that 1199 would strike and Gotbaum expected that it would win significant wage increases, which he would then use to argue that his members (some of whom were city hospital workers) deserved similar wage increases. All the while, the city kept insisting that that they would offer nothing more than two percent increases and that it wanted a three-year contract rather than a two-year contract.⁴⁹

However, things did not go as Gotbaum planned. The uniformed coalition made up of the police union and other smaller unions could not reach an agreement. Also, while 1199 did go on strike, the wage increase that it won (two five percent increases in a two

⁴⁷ *The Chief*, 30 March 1984; *Public Employee Press*, 23 March 1984

⁴⁸ *The Chief*, 25 May 1984.

⁴⁹ *Public Employee Press*, 22 June 1984; *The Chief*, 13 July 1984.

year contract) was not as much as Gotbaum expected or wanted to pattern his contract on. He and the other nonuniformed unions were demanding two fifteen percent increases over a two-year contract. They argued that since the city had ended the last two fiscal years with surpluses of \$500 million, the city could afford to be generous to city workers who had taken a serious beating during the fiscal crisis. However, the Koch administration argued that the state of the city's future economy was in doubt so it needed to harbor these surpluses. It offered the unions a three-contract with three percent increases in each year.⁵⁰

The negotiations dragged on into the fall of 1984. The unions in both the nonuniformed and uniformed coalitions accused the city of not engaging in real negotiations and expected that it wanted to force them into arbitration. They felt that Koch wanted to duck any responsibility for the contract with a mayoral election coming up.⁵¹ In December after the unions organized a large demonstration in front of City Hall, a mediator was brought in to help, but failed to make any headway. The OCB Chairman Arvid Anderson stated that it was his sense that binding arbitration was now needed.⁵²

At that point though in January 1985, the firefighters union, which had broken off from the uniformed coalition to negotiate by itself, reached a tentative agreement with the city. It was a three-year contract with six percent increases in the first and third year and a 3.25 increase in the second year. The increases were not compounded. The city also agreed to pick up more of the employees' pension costs in the second year of the contract, which would increase the members' take-home-pay.⁵³ The next month, the firefighters'

⁵⁰ *Public Employee Press*, 22 June and 13 July 1984; *New York Times*, 17 October 1984.

⁵¹ *The Chief*, 30 November 1984.

⁵² *New York Teacher*, 10 December 1984; *New York Times*, 18 December 1984.

⁵³ *New York Times*, 22 January 1985.

delegates rejected this tentative settlement at the urging of the leaders of the other uniformed unions. However, the UFA settlement did restart negotiations between the other unions and the city.

By this point with many of the unions without a contract for over seven months, the tensions between the various unions began to undermine the nonuniformed coalition. Beginning in January 1985, UFT hinted that it might pull out of the coalition and either bargain on its own or go to arbitration. Shanker argued that staying in the coalition could mean more delays in reaching a contract and might not allow UFT to fashion a contract to their members' specific needs.⁵⁴ In early April, UFT did pull out of the coalition and asked for expedited arbitration. In an editorial in the *NY Teacher*, Shanker said that he had concluded that while coalition bargaining was useful during the fiscal crisis, it was no longer needed. He also wrote that he had spoken with Gotbaum and the other union leaders before announcing his decision and that they had expressed their understanding.⁵⁵

Within days of Shanker's announcement, DC 37 caught the other unions by surprise by also pulling out of the coalition and reached a deal with the city after a long negotiating session in mid April. Under the agreement, which was later ratified by DC 37 members, most workers would receive five percent wage increases in the first two years and six percent in the third year. The contract was retroactive to June 30, 1984 and the increases, as in the firefighters' contract, were not compounded. Some of the lowest paid members in the union would receive slightly larger increases, which addressed one of Gotbaum's major goals. Also, the union gained the right to a twelfth paid holiday in honor of Martin

⁵⁴ *New York Teacher*, 21 January and 18 March 1985.

⁵⁵ *Ibid.*, 15 April 1985.

Luther King Jr. The city did win significant givebacks though such as sharp reductions in vacation time for new hires during their first four years on the job.⁵⁶

That summer, the other nonuniformed unions such as the teamsters and the CUNY faculty reach similar agreements with the city. The small uniformed coalition led by the police union reached an agreement soon after that - once again winning increases that were slightly better than the nonuniformed unions.⁵⁷

This left the UFT as the only municipal union without a contract. The teachers union had decided to pursue an arbitration procedure called last-offer binding arbitration (LOBA). In such an arbitration, the two sides would present their last proposals to the arbitrators who would then decide which proposal to award. Unlike other arbitrations, under LOBA rules, the arbitrators could not create a compromise package or split the difference. They would have to choose one of the two proposals. The process dragged on all summer and into the fall of 1985. When the city and UFT presented what was supposed to be their last offers in August, their proposals were so far apart that the arbitrators insisted that they go back and try to compromise a bit more. In the end, the two sides presented proposals that were relatively close in terms of costs. The arbitrators chose the city's proposal that included significant wage increases, but also included a number of givebacks such as sharp cuts in sabbaticals for teachers and an end to sabbaticals for lab technicians and secretaries, increased administrative duties for homeroom teachers, and decreases in preparatory periods for junior high school teachers. However, the union did win their goal of significant increases in salaries for new teachers and the most senior teachers. For example, new teachers' salaries would rise from \$14,527

⁵⁶ *The Chief*, 26 April 1985; *Public Employee Press*, 10 May 1985; *New York Times*, 19 April 1985. DC 37 members ratified the contract by a large margin (86%) in May. *Public Employee Press*, 16 June 1985.

⁵⁷ *The Chief*, 21 June 1985.

to \$20,000 by September 1986, an increase of thirty-eight percent. Calling the award, "sweet and bitter," Shanker was unhappy with the givebacks, but argued that the agreement was better than what they would have won through negotiations and it is true that the average wage increase for teachers was higher than increases that DC 37 and the other nonuniformed unions had won in their contract. The city was also relatively happy with the contract. It had agreed with UFT that in order to attract new teachers, starting salaries needed to be significantly increased. Also, it was pleased by the givebacks it had won.⁵⁸

Coalition bargaining, which officially began during the 1978 contract negotiations, had been a logical extension of the centralized decision-making process characteristic of labor relations during the fiscal crisis. The leadership of the unions adopted this top-down centralized decision-making process during the fiscal crisis because they felt that it would enable them to maintain their institutional power, help them avoid strikes, and limit the likelihood that individual unions would try to leapfrog (as Shanker put it) over each other. Those on the other side of the table, which would include both the Beame and Koch administrations, MAC, the EFCB, and Congress certainly preferred this centralizing bargaining process as it simplified the bargaining process and kept power in the hands of key labor leaders such as Gotbaum whom they learned were willing to accept the basic parameters of fiscal austerity.

However with the city's fiscal recovery in the early 1980s, the *raison d'être* for both coalition bargaining and this very centralized decision-making process disappeared. With the most serious threats to their power behind them and with a return of relative fiscal municipal health, the unions could go back to their pre-fiscal crisis habit of

⁵⁸ *New York Teacher*, 30 September 1985; *The Chief*, 27 September 1985; *New York Times*, 19 September 1985.

negotiating alone. No one seemed particularly sad to see coalition go. Soon after he settled its own deal with the city in 1985, coalition bargaining's main architect, Gotbaum, stated, "Coalition, it seems, is a good idea that has outlived its usefulness. The fiscal crisis is over, and the municipal unions have many individual problems they now must address. DC 37 negotiated in the best interests of its members and the other unions will do the same."⁵⁹ With the end of coalition bargaining, each union tried to win the best deal that it could for its members, regardless of the impact upon other unions. By 1986, Shanker was going so far as to say that not only was coalition bargaining a thing of the past, but even pattern bargaining should be abandoned. He argued that each union should be judged by their own specific needs and the city should rid itself of the idea that it had to offer unions similar wage increases or see parity as a goal.⁶⁰ When the city and the OCB rejected Shanker's proposal, Shanker did what he had done in the past. He went to the state legislature, and with the considerable political clout of UFT behind him, won increased state funding for education some of which was earmarked for his members. One of the last remarks Gotbaum made before he stepped down as DC 37 executive director in 1986 was to attack Shanker for this action, calling it "an end run around to the state legislature" and a subversion of collective bargaining.⁶¹

The 1985 Mayoral Campaign and the Political Impotence of Labor

As the municipal unions were preparing to begin contract negotiations with Koch in early 1984, the city was gearing up for the next mayoral election of November 1985.

Koch was clearly the frontrunner, but after his loss to Cuomo in the 1982 gubernatorial

⁵⁹ *Public Employee Press*, 10 May 1985.

⁶⁰ *New York Teacher*, 28 October 1985.

⁶¹ *The Chief*, 2 January 1987.

race, widespread complaints about city services, and the opposition to him within the black community, Koch was seen as beatable. However once again, the powerful municipal unions, most of whom were bitter critics of the mayor, remained neutral. Gotbaum went so far to intervene at a critical to undermine the candidacy of Herman Badillo, who had become the choice of progressives and the coalition formed by minority leaders to unseat Koch. In doing so, Gotbaum demonstrated, as he had in 1981 in his abstention from the Barbaro campaign, that despite his avowed progressive politics, his reluctance to join with other progressives in trying to elect a progressive mayor. Gotbaum and the other unions can certainly not be blamed for the eventual failure to find a viable candidate to oppose Koch in 1985. Tensions between leaders in the black and Latino communities and a faction fight among black activists and elected officials bare even more responsibility. However, Gotbaum certainly did not help matters.

Cuomo's victory over Koch in 1982 and Jesse Jackson's 1984 primary campaign had energized the city's progressives particularly within the black community. To prepare for Jackson's campaign, State Assemblyman Al Vann had organized a massive voter registration drive in the black and Latino communities that led to a significant increase in black and Latin registration and voter turn-out. Also that summer, Vann and many of the city's other major black leaders formed the Coalition for a Just New York (CJNY) to find a candidate to oppose Koch in next year's mayoral race.⁶² Initially, the CJNY hoped to enlist Basil Paterson, a former secretary of the state and deputy mayor, to run, but the well-respected Paterson, who would soon undergo heart bypass surgery, decided not to enter the race. City Council President Carol Bellamy intended to run, but the

⁶² For an overview of the role of the CJNY in the 1984 mayoral race, see Mollenkopf, *A Phoenix in the Ashes*, 113-121.

CJNY made it clear that it would not support her given her failure to support minority candidates in the past, her support of Koch against Cuomo in the 1982 gubernatorial race, and her close ties to the Brooklyn Democratic machine.⁶³

By January 1985, the CJNY and many other prominent liberal New Yorkers such as journalist Jack Newfield had tentatively decided upon Herman Badillo, the former Bronx borough president, congressman and deputy mayor, as their best choice.⁶⁴ Badillo had the support of CJNY chairman Al Vann and CJNY member Reverend Calvin Butts of Harlem's Abyssinian Baptist Church who both felt that he would be the best candidate to get blacks and Latinos out to the polls. However, some within the city's minority community did not consider Badillo the ideal candidate. He was perceived as arrogant and never gained much grassroots support within the black community. Moreover, Badillo had angered the Harlem black Democrats such as former Manhattan Borough President Percy Sutton, Congressman Charles Rangel, and Basil Paterson when he had declined to support Sutton in the 1977 mayoral race and instead had entered the mayor's race himself and therefore splitting the black and Latino vote. However, after Paterson bowed out, it appeared that Badillo had the CJNY's endorsement sewn up.

It was at this point that Gotbaum intervened. In January 1985, the CJNY invited five of the most prominent of the city labor leaders including Gotbaum, Barry Feinstein, and Shanker to meet with them in order to find out what the unions were planning on doing and hopefully to gain their support. At that meeting, Gotbaum and Feinstein voiced their concerns with both Badillo and Bellamy as candidates. At a meeting a week later, Gotbaum did not attend, but sent his protégé Stanley Hill. Hill who shocked the CJNY by

⁶³ McNickle, *To Be Mayor of New York*, 285-287.

⁶⁴ Jack Newfield, "How to Beat Koch," *The Village Voice*, 24 December 1984.

stating quite clearly that DC 37 found Badillo unacceptable and would not support him. According to press reports, the only argument that Hill made at the meeting was that Badillo had angered the municipal unions in 1975 when he proposed the city's poor and working class might be better protected bankruptcy than the city relying on massive cuts to social services.⁶⁵ Jan Pierce of the Communication Workers who was also at the meeting, pointed out that CJNY members had agreed to find a consensus candidate and that he hoped that DC 37 would back down, but it appeared that was unlikely. Then DC 37 threw another wrench in Badillo's campaign when rumor spread that it was planning on supporting State Assemblyman Angelo Del Toro's campaign for City Council President. This action worsened the tensions that existed between leaders of the city's black and Latino community. Blacks in the CJNY had tentatively agreed to support Badillo, a latino, for mayor with the assumption that latinos would support a black for City Council president. Gotbaum, an astute observer of city politics, must have known that his support of Del Toro would cause problems.⁶⁶

In this chaotic situation, the black assemblyman and Manhattan Democratic Party leader, Herman D. Farrell threw his hat into the ring. Farrell, Congressman Rangel, and former Borough President Percy Sutton, who were the leaders of the Harlem Democratic machine, tended to be less progressive than the emerging Brooklyn black Democrats such as Congressman Major Owens and state assemblyman Al Vann. The Harlem group feared the growing power of the Brooklyn group and wanted to make certain that they remained the dominant power in city's minority community. With the support of the most

⁶⁵ In the summer and fall of 1975, Badillo, City Council President Paul O'Dwyer, and other city liberals did argue in bankruptcy might be a better option than making massive cuts in social services. Also, Badillo was the sponsor of legislation that fall in Congress that clarified the process for municipal bankruptcy.

⁶⁶ *Village Voice*, 22 January 1985.

of the Harlem members and some of the Brooklyn members in the CJNY, Farrell won the endorsement of the CJNY in early February. Al Vann, Rev. Calvin Butts (who resigned from the CJNY in protest), Major Owens, Bill Lynch, and others voted for Badillo.⁶⁷

Farrell's last minute entry and endorsement by the CJNY shattered the tenuous coalition that Al Vann and others were trying to build to unseat Koch. Some latino leaders were so outraged by the CJNY endorsement of Farrell that they went to Farrell's campaign announcement on the steps of City Hall to heckle him. The city's most important Latino newspaper *El Diaro* ran on its cover in bold letters "Blacks Betray Badillo." Showing his typical lack of restraint, Badillo said that latino state legislators should pull out of the Black and Puerto Rican Caucus in retaliation.⁶⁸ White liberal opponents of Koch such as State Assemblyman Jerrold Nadler expressed sadness and shock over the turn of events. John Hudson of the Amalgamated Clothing and Textile Workers, one of the city's most liberal unionists and a key supporter of Frank Barbaro in 1981, said that most unions would now probably stay out of the primary. On the other hand, Koch supporters could hardly hide their glee that the blacks and Latinos were at each other's throats and that the anti-Koch vote would now be split between Bellamy and Farrell.⁶⁹

The debacle around finding a progressive to challenge Koch provided DC 37, UFT, and most of the other municipal unions a perfect reason to do what it appeared they always wanted to do, which was to do what they had in 1981 - to stay neutral. However, publicly many of them expressed regret that it had come to this. Barry Feinstein of the teamsters said that black leaders were responsible for the breakdown of the anti-Koch

⁶⁷ Mollenkopf, *Phoenix in the Ashes*, 116; *Village Voice*, 19 February 1985.

⁶⁸ *Village Voice*, 19 February 1985

⁶⁹ *New York Times*, 12 February 1985.

coalition because they had insisted upon making all of the decisions.⁷⁰ Gotbaum wrote an editorial in which he expressed dismay over the breakup of the coalition and the decision of DC 37 to remain neutral. While he admitted that he had never been enthusiastic about Badillo, he, like Feinstein, put most of the blame on the disarray within the anti-Koch coalition on the fight between the Manhattan and Brooklyn black leaders and stated that progressives in the labor movement and the Democratic Party had felt left out of the decision-making. He wrote, "There is only one word to describe the situation—disaster." He went on to state, "It could not be better for Koch if he wrote the script himself."⁷¹

However, Gotbaum's and Feinstein's explanation of what happened is a bit flawed and their public displays of sadness ring a bit hollow. First of all, Gotbaum and the other union leaders were certainly not left out of the decision-making process as Feinstein stated. The CJNY had invited Gotbaum, Feinstein, and Shanker to its meetings and asked for their input. Also, while the infighting among the city's black leaders was perhaps the primary cause of the electoral debacle, Gotbaum played a role in it by actively sabotaging Badillo's campaign. Moreover, his public display of sadness over the failure of progressives to come up with one strong candidate to oppose Koch seems a bit disingenuous given the fact that he had never opposed an incumbent mayor since he had become DC 37's executive director. Neither had Gotbaum nor any of the other major municipal union leaders joined with the rest of the city's progressives and much of the city's black leaders in supporting Barbaro in 1981.

⁷⁰ Ibid.

⁷¹ *Public Employee Press*, 22 March 1985.

One possible explanation for Gotbaum's actions concerning the 1985 mayoral campaign is that he had considered running for mayor himself. In late 1984 after Basil Paterson had bowed out, Norman Adler, Gotbaum's chief political advisor, put out the word that Gotbaum was considering throwing his hat into the race. Adler argued that Gotbaum would be able to raise the money necessary and that he would have the support of the city's black political leaders.⁷² Perhaps this was not quite as true as Adler thought, because the very next week, Gotbaum denied that he ever had planned on running. However rumors persisted that he was open to being drafted.⁷³ He made it clear that he was looking to leave DC 37. As he told reporters, 'I'm ready to leave the union. I really am. I find myself less tolerant of the day-in, day-out grubby stuff of routine union business. ...If I'm going to run against Koch for mayor, I'll be going for one reason—because I really believe that what I've done in this crazy, mixed-up, wonderful, diverse union I can do in the city—bring people together.'⁷⁴

However, he never received the support that he needed to make a run for mayor. In a sense, Gotbaum's goal of becoming mayor was hamstrung by the peculiar position that he had carved out for himself during the fiscal crisis. Those who liked him the most including the much of the media, key figures in finance such as Felix Rohatyn and John Zuccotti, some union leaders such as Barry Feinstein, and the Harlem Democrats saw no vital reason to oppose Koch. After all, they all found the political status quo to be acceptable. At the same time, Gotbaum's actions during the fiscal crisis and the Barbaro campaign had left him with little support within the city's progressive community of left-liberal whites, up-and-coming black leaders such as Al Vann, and the more leftist unions.

⁷² *The Chief*, 12 October 1984.

⁷³ *Ibid.*, 19 October 1984.

⁷⁴ *Village Voice*, 22 January 1985.

Therefore despite his power and relative fame, Gotbaum found himself without any real support.

More importantly, Gotbaum's and the other municipal unions' decision to remain neutral in the mayoral race stemmed from the municipal union's interest-group strategy. While Gotbaum took liberal stands on foreign policy and national issues - in terms of local and state politics he pursued a strategy based on protecting the institutional power of his union and his members like most other union leaders. He and other union leaders such as John DeLury of the sanitationmen were adept at developing relationships with city and state politicians in both parties to further their strategy. While they might have rocky relationships with the mayor, they felt that they could use their power to win gains so they felt little incentive to unseat a sitting mayor, be it John Lindsay in the 1960s or Ed Koch in the mid 1980s.

Farrell and Bellamy went on to run lackluster campaigns and do poorly in the Democratic primary. Their combined vote did not match the thirty-seven percent that Barbaro had won in the last Democratic mayoral election. Farrell, an African-American, even failed to garner as much of the black vote as Barbaro had, which was particularly surprising given that the Jesse Jackson campaign of 1984 had garnered so much excitement among black New Yorkers and had led to increased black voter registration.⁷⁵

Gotbaum's Retirement and his Unsuccessful Campaign To Become the New York City Central Labor Council Chairman

The year after the 1985 mayoral campaign, Gotbaum found one more opportunity to leave his position in DC 37 to play on a larger stage when in February 1986, Harry Van

⁷⁵ Mollenkopf, *Phoenix in the Ashes*, 117-119.

Arsdale Jr., the longtime chairman of the New York City Central Labor Council died at the age of 80. As the most prominent labor leader in the city, one would expect that Gotbaum would have won the position handily. However, as in his brief flirtation to run for mayor, Gotbaum found himself without enough support.

Gotbaum's decision to run for the CLC position made a great deal of sense. Clearly, Gotbaum, an ambitious talented man, wanted a change. His attempt to become the President of AFSCME had failed in 1979 and his flirtation with running for mayor in 1984 had remained just that. Becoming CLC chairman would give him the bully pulpit and power to affect city, state, and even national politics that he long craved. Moreover, as the leader of the municipal unions during the fiscal crisis, Gotbaum had emerged as perhaps the city's most powerful labor leader.

In February 1986, Gotbaum formally announced that he would run in the March election that would decide who would become the interim CLC chair to finish out the late Van Arsdale's term. In an editorial in his union's paper, Gotbaum explained that he hoped as the new CLC chairman to revitalize the city's labor movement.⁷⁶ His opponent was Thomas Van Arsdale, Harry Van Arsdale Jr.'s son. Thomas Van Arsdale, who had recently taken over his father's position as business manager of Local 3 of the IBEW.⁷⁷ There would be an election in late March to elect an interim president who would serve out the remainder of Harry Van Arsdale Jr.'s term that ended in November 1986 when there would be a new election.

⁷⁶ *Public Employee Press*, 21 March 1986.

⁷⁷ After Harry Van Arsdale's death in February, the CLC First Vice President, John Sweeney of the SEIU, took over as temporary Chairman until the interim election. *New York Times*, 21 February 1986.

Despite the fact that Thomas Van Arsdale was widely seen as a rather colorless undynamic figure, Gotbaum faced several obstacles. Many in the private sector unions still remembered his criticisms of the late Harry Van Arsdale during the late 1960s and early 1970s. Moreover, Gotbaum's liberal politics and his attacks on the Reagan administration's policies in Central America and its increases in military spending irked much of the private sector union leaders who along with AFL-CIO President Lane Kirkland were supporters of Reagan's anti-communist foreign policy.⁷⁸ Some of Van Arsdale's supporters rebaited Gotbaum. Van Arsdale, himself, said, "While I'm not accusing Gotbaum of being a communist, I can't be as certain about some of his supporters."⁷⁹ Then there were the tensions between the city's public sector and private sector unions. The leaders of the private sector unions resented the fact that Gotbaum and other leaders of the public sector unions had supplanted them as the key spokespersons for the city's labor movement and had no wish to give Gotbaum the chairmanship of the CLC. Some of this tension between the city's municipal and private sector unions was racial also. The building trades, which were a major force within the private-sector unions, were still primarily white while the membership of the city's municipal unions, particularly DC 37, had become increasingly made up of people of color. In that sense, the building trades and the municipal unions represented two different sections of the city's working class that were often far apart racially, politically, economically, and culturally.

Gotbaum even faced opposition from some public sector unions. The most significant came from the UFT. Sandra Feldman, who had just become President of UFT in January

⁷⁸ For Gotbaum's criticism of Reagan, see his editorials in *Public Employee Press*, 10 July 1981 and 11 June 1984; Freeman, *Working-Class New York*, 311.

⁷⁹ *The Chief*, 21 March 1986.

of 1986, made it clear that UFT would support Thomas Van Arsdale. Al Shanker, who remained President of UFT's parent organization, the AFT, was still seen as calling the shots on important endorsement decisions. Shanker admitted that he opposed Gotbaum's nomination, but initially declined to explain why. Feldman denied that it had anything to do with old simmering anger that Shanker and the UFT felt over what they saw as Gotbaum's betrayal of them during the Oceanhill-Brownsville crisis, but Shanker had proven that he had long memory concerning this issue on numerous occasions. Also, Shanker had become even more of a neo-conservative in his views on foreign policy and was very public in his support of Reagan's increased military spending and his policies in Central America unlike Gotbaum who had very dovish views.⁸⁰ Later, Feldman and Shanker claimed that they primarily opposed Gotbaum's nomination for nonpolitical reasons. Shanker said that he worried that Gotbaum would be overextended with his position at DC 37 and becoming CLC chair, which was a bit strange since Shanker had managed to serve as president of UFT and president of AFT, UFT's parent organization, at the same time for over ten years.⁸¹ However after Gotbaum made it clear that he was stepping down as DC 37 executive director, Feldman changed the reasons for UFT's opposition to his candidacy to that UFT did want not to upset the city's private sector unions. She stated that since she and John Lawe were vice presidents of the CLC, that the private sector unions might feel slighted if Gotbaum became chair. She also argued that Gotbaum had more than his hands full with his chairmanship of the Municipal Labor

⁸⁰ To see the difference between Gotbaum's and Shanker's views on Reagan's foreign policy, see Gotbaum, "25,000 Say No to Reagan's Gunboat Diplomacy" *Public Employee Press*, 25 November 1983 and Shanker, "Podhoretz is not Disappointed Enough." *New York Times*, 23 May 1983.

⁸¹ *New York Times*, 18 February 1986.

Committee.⁸² Both of these reasons seem to be a cover though. After all, there were over a dozen CLC vice presidents and officers (many of whom were from private sector unions) so the fact that Feldman and Lawe were two of them seems hardly relevant. Secondly, Gotbaum had already stated that he was stepping down from his position in DC 37 so he would obviously lose his position as chairman of the MLC.⁸³

As the late March interim election approached, it appeared to be close. Except for UFT, Gotbaum was believed to have the support of all of the other public sector unions including TWU as well as some of the progressive private sector unions such as District 65 of the UAW and 1199. Van Arsdale had the support of most of the private sector unions. When the vote was tallied, Van Arsdale won by a small margin. As was expected, most of the public sector unions supported Gotbaum and most of the private sector unions supported Van Arsdale. However, at the last moment, a number of unions expected to be in the Gotbaum camp such as all of the CWA locals and 1199 had switched sides giving Van Arsdale the margin of victory. Jan Pierce, the assistant vice president of District 1 of CWA, who had quarreled with Gotbaum in the past over electoral politics, successfully convinced all of the CWA locals to vote as a block for Van Arsdale.⁸⁴ 1199, historically one of the city's most progressive unions, had recently been taken control of by new leadership that did not share their predecessors progressive politics.⁸⁵

⁸² *The Chief*, 21 March 1986; *New York Teacher*, 12 May 1986.

⁸³ *The Chief*, which rarely endorsed anyone, broke with tradition and gave Gotbaum its strong endorsement. In the endorsement, the editors expressed their disappointment with UFT's support of Van Arsdale. *The Chief*, 21 March 1986.

⁸⁴ *The Chief*, 28 March 1986, Freeman, *Working-Class New York*, 311.

⁸⁵ At that point, 1199 was being investigated by the U.S. Attorney's Office for corruption and its president Doris Turner was about to lose control of the union to a group of dissidents Leon Fink and Brian Greenberg, *Upheaval in the Quiet Zone*, 227-229.

However, it was not over for Gotbaum because the March election only decided who would finish out the late Harry Van Arsdale's term and Gotbaum had made it clear that he would run in autumn election, which would determine who would be the next CLC Chairman. He also formally announced that he would step down as executive director of DC 37 at the end of 1986. In the meantime, Gotbaum and his supporters worked to win the support of CWA and 1199, two unions that had been expected to be in his camp from the beginning. Gotbaum was successful in winning them back and with their support he won the November 1986 election for CLC chairman.

However immediately after the election, Van Arsdale's supporters petitioned the CLC executive board to nullify the election results, pointing out that several of the unions supporting Gotbaum, including two DC 37 locals and District 65 of the UAW, had failed to pay their CLC dues for the past one or two months and therefore should not be eligible to vote. Van Arsdale supporters admitted that they were aware of these lapses in dues before the election and chose not to inform the unions that they were in danger of losing their right to vote in the CLC election, however, it also showed a degree of disorganization in the Gotbaum campaign.

In the end, the CLC executive board sided with the Van Arsdale and after subtracting the votes of these locals who had not paid recent dues, Van Arsdale was named the winner of the election. Gotbaum appealed the decision to an internal CLC board and then to the national AFL-CIO arguing that the CLC unfairly refused to release past records that might have demonstrated that the CLC had allowed unions, who were behind in their dues, to vote in the past and that the CLC revision of the rules about dues over the summer should be ignored. Despite what some labor lawyers called a convincing case,

Gotbaum's appeals were denied and Thomas Van Arsdale became the next CLC chairman, a position that he would hold for the next decade.⁸⁶

In the end, Gotbaum's failure to win the CLC election stemmed from a number of sources. The building trade unions clearly wanted to retain control of the CLC. Clearly, Gotbaum's abrasive nature had alienated many unionists, both progressive and conservative. Moreover, while charismatic and talented, Gotbaum had never won much of a following and managed to alienate both those on the right and the left of the political spectrum. His liberal views on foreign policy and his occasional lurch to the left on electoral issues angered neoconservatives like Shanker and the more old-fashioned conservatives in the building trades. However, many of the city's leftist and liberal union leaders felt that during the fiscal crisis Gotbaum had failed to put up a stronger progressive opposition to the politics of austerity. Why they asked, should they support him now? Lastly as Josh Freeman argues, many of the city's unions probably preferred to keep the fragmented decentralized labor structure that allowed each union to pursue their

⁸⁶ *The Chief*, 28 November 1986 and 27 February 1987; *Public Employee Press*, 5 December 1986; Freeman, *Working-Class New York*, 311-312. Some were saddened by the missed opportunity created by Gotbaum's failed campaign to become CLC chairman. After Gotbaum's loss in the interim election in March, two scholars, who had just recently written a flattering history of DC 37 and Gotbaum's role in the union, wrote an op-ed in *The New York Times* on the subject titled, "The Defeat of Gotbaum is a Major Loss for Unions." In it, the Bernard and Jewell Bellush bemoaned the fact that CLC members had chosen Van Arsdale whom they described as a "comparatively ineffectual and undramatic leader" rather than Gotbaum, whom they described as "one of the most charismatic and successful labor leaders in the nation." They argued that Gotbaum would have much more successfully addressed the serious problems facing the New York labor movement. The Bellushes noted the opposition to Gotbaum's candidacy by the building and craft unions (which they called a "tired and backward-looking group"), but they wrote that they expected such opposition. However, they expressed particular consternation and dismay at the opposition that Gotbaum faced from what they called "left-wing opposition." They pointed out that it was formerly communist and left-led unions such as the furriers, 1199, the CWA and as well as neo-conservative unions such as the UFT that put Van Arsdale over the top. To them, these leftist unionists let their belief that Gotbaum was "not radical enough" lead them to support a conservative building trade union leader. Bernard and Jewel Bellush, "The Defeat of Gotbaum is a Major Loss for Unions." *New York Times*, 12 March 1986.

own path rather than electing the ambitious Gotbaum who might push for a cohesive labor movement.⁸⁷

Of course, it is impossible to know what Gotbaum's election as CLC chairman would have led to. It certainly would not necessarily have meant that the city's labor movement would have adopted a more robust liberal agenda. After all, Gotbaum's leadership of the municipal unions during the fiscal crisis provides little evidence for that. However, it is possible that Gotbaum, no longer DC 37 leader, would have felt freer to embrace a more independent long-term progressive agenda. Clearly, Gotbaum was a man who thought big and felt that the labor movement needed to try to shift national politics back towards left. At the very least, the city would have had a charismatic articulate labor leader who could have begun to address issues that bedeviled the city's labor movement in the 1980s and 1990s such as organizing new immigrants, unemployment, and stopping the growth of non-union construction firms. Instead, the city's CLC was left with a chairman who provided little direction for the city's drifting labor movement.⁸⁸

With his failure to win the CLC election and his resignation as DC 37's executive director, Gotbaum stepped off the stage. In doing so, he joined Al Shanker, who had stepped down as the UFT president at the beginning of 1986. While Shanker remained president of the AFT and continued to offer more than his fair share of advice to his successor Sandra Feldman, the resignation of Gotbaum and Shanker signaled a shift in the city's labor movement. Both men, who were strong charismatic leaders, had led their

⁸⁷ Freeman, *Working-Class New York*, 311.

⁸⁸ For a similar critique of the NYC CLC, see Immanuel Ness, *Trade Unions and the Betrayal of the Unemployed: Labor Conflicts During the 1990s* (New York: Garland Publishing, Inc., 1998), 141-143, 160-171.

unions through the 1960s when the city's municipal unions emerged as major forces in New York politics and through the difficult times of the fiscal crisis.

Gotbaum was replaced by his handpicked successor Stanley Hill. As early as the 1970s, Gotbaum had decided that it would be best that his successor be a person of color given the increasingly African-American makeup of DC 37 membership. Initially, he had chosen Lillian Roberts. However, she had been tainted by her reputation as being perceived as too much of a leftist and by her role in the messy internal union fight with James Butler. Beginning in the early 1980s, Gotbaum began to groom Hill as his successor. Hill, who had been the president of DC 37 local 371, in the early 1970s and then moved on to being a high ranking staff member of DC 37, was a more moderate figure than Roberts though he had aligned also himself with the left in his rise to power within local 371. While he was considered competent and well-liked, Hill's major asset (besides being African-American) was that he was loyal to Gotbaum.⁸⁹ Shanker was replaced by his protégé, Sandra Feldman, a long-time UFT officer and close Shanker ally ever since the Oceanhill-Brownsville crisis.⁹⁰ Feldman, like Shanker, came out of the anti-communist socialist left and had been a member of the Young Socialist League (YSL), the Socialist Party's youth organization in the 1960s.⁹¹

Gotbaum's failure to win the CLC election, his decision not to run for mayor in 1985, and the end of coalition bargaining stemmed from similar sources. The fiscal crisis had forced the municipal union leaders to adopt a unified strategy. With the end of the crisis,

⁸⁹ *Public Employee Press*, 5 December 1986; *The Chief*, 2 January 1987; Freeman, *Working-Class New York*, 312.

⁹⁰ *New York Teacher*, 23 December 1985 and 20 January 1986; *The Chief*, 27 January 1986.

⁹¹ Isserman, *The Other American*, 266.

this unified strategy was abandoned and the unions went back to fighting among themselves. Also, no longer fearing for their survival, the various municipal union leaders felt no need to accept Gotbaum's leadership and many saw no major reason to support his candidacy for mayor or CLC chair. Moreover, Gotbaum's failure to win the CLC election and his decision not to run for mayor in 1985 also showed the limits of the municipal unions' influence and power. Of course, it would be going too far to say that they were paper giants. They continued to play a significant role in city politics and a more important role in influencing the city's budget priorities. However, the municipal unions were limited in what they could do and to a great extent, these limits were created by the very strategy that the unions had embraced during the fiscal crisis. Beginning with the fiscal crisis, a powerful current of fiscal conservatism developed. The unions opted not to try to cut against this current and to instead maneuver within it. While this strategy helped keep the municipal unions remain a key player during the crisis, their power was predicated on their acceptance of austerity and their decision not to form alliances with other groups that questioned the need for austerity.

Conclusion

Soon after the destruction of the World Trade Center on September 11, New York City pundits, fiscal watchdogs, and politicians began to speak of a fiscal crisis looming over the city. Along with this ominous talk came discussion of the possible need for large-scale layoffs, wage freezes and significant cuts to the city's social programs. Once again, articles began to appear reminding readers of the 1970s fiscal crisis and how that crisis was resolved. One reoccurring theme in much of the discussion around the possible impending fiscal crisis was that central reason the city managed to survive the 1970s fiscal crisis was that, at that point, the city's key political actors were able to put aside their differences and work together to save the city from bankruptcy. Often, the actions of the municipal unions were cited. The story line went that these unions, ably led by Gotbaum and Shanker, were able to see the big picture, put aside their parochial concerns, and act courageously and responsibly to help keep the city out of bankruptcy.¹ Of course, rarely spelled out was what meant by "parochial concerns." Details about the accepting the layoff of over 25,000 of their members, wage freezes, less generous pension plans for new members, and investing close to three billion dollars of their members' pension fund assets in city and MAC paper were rarely mentioned.

When the present-day municipal union leadership stated their clear opposition to layoffs or givebacks, pundits and politicians waxed nostalgic about the older union leadership and expressed their concerns that this new generation of union leaders was failing to measure up to Gotbaum and the municipal leadership of the 1970s. As Mitchell Moss, a professor of urban affairs at New York University and an occasional adviser to

¹ Felix Rohatyn, "Fiscal Disaster the City Can't Face Alone," *New York Times*, 9 October 2001.

Mayor Michael Bloomberg put it. "There is a terrific decline in the quality of union leadership over the past 20 years. Many union leaders don't have the sagacity to lead their members in a time of municipal austerity"²

So it is interesting to note how the 1970s fiscal crisis continues to haunt New Yorkers—at least the city's political and financial establishment. When it is mentioned in newspaper articles or referred to by elected officials, there are often two or three common tropes or themes that are often hit upon. One is the one mentioned above - how important groups such as the unions and the banks put aside their self-interest and worked together to save the city. Perhaps an equally important theme of this story is the idea that there was no viable alternative to resolving the fiscal crisis than fiscal austerity. Liberals might not have relished the imposition of tuition at CUNY or the massive cuts to public services as much as conservatives did, but for the most part they agreed that there was no alternative. As Governor Hugh Carey put it famously in 1974, "the days of wine and roses are over." One might mourn the passing of these halcyon days and look back fondly on them, but one had to accept that they were gone.

A third reoccurring theme in this history of the fiscal crisis was that of shared sacrifice, how all New Yorkers came together to make sacrifices to save the city. However, this rhetoric of shared sacrifice flies in the face of the fact that that it was working class and middle class New Yorkers who bore the brunt of the cuts in city services, layoffs, increases in the transit fare, and the imposition of tuition at CUNY. While the transit fare was raised from thirty-five cents to fifty cents in 1976, subway breakdowns tripled between 1977 and 1981. Massive layoffs of teachers led to a twenty-five percent increase in class size. City programs for the elderly and for young people

² *New York Times*, 9 May 2003.

were drastically cut. Twenty-eight drug rehabilitation centers were closed. Cuts to the fire department led to an increased response time to fires. A forty-eight percent cut in the sanitation staff led to dirtier streets. Cuts in the parks department left the parks close to falling apart. New York's City Planning Commission warned in 1978 that there were bridges, sewers, and water tunnels that dangerously close to collapsing.³

This rapid implementation of a policy of fiscal austerity, the city government's loss of control over decisions concerning its budget and finances to the EFCB, and a hegemonic or dominant ideology that argued no alternative to fiscal austerity represented a critical point in the city's history. For as Josh Freeman, Mike Wallace, and other scholars have demonstrated, beginning early in the twentieth century, New York City and New York State became a laboratory for liberal and social democratic social and economic policies that created a strong progressive urban politics in the city as well as influencing the nation.⁴ Arguably, the city's progressive urban politics had begun to fray as early as the 1950s with the city's red scare and development of a more centrist pro-growth political regime and during the 1960s as the city went through racial turmoil and strikes that would lead to the growing conservatism of much of city's working class and middle class white ethnic population. However, it was the 1970s fiscal crisis that dealt the city's decades old progressive political culture its most serious blow as the city was forced to implement a policy of fiscal austerity and a new political regime based on social and fiscal conservatism quickly emerged.

Of course, the city's fiscal crisis must be examined from a national even international context. The crisis occurred because of international and national political and economic

³ Freeman, *Working-Class New York*, 271, Sanjek, *The Future of Us All*, 93.

⁴ Freeman, *Working-Class New York*, Mike Wallace, *A New Deal for New York* (New York: Bell & Weiland Publishers, 2002), 66-79.

changes such as the end of the long postwar economic boom. Also, as happened at the local level in New York City, at the national and international levels, liberal and social democratic economic and political policies quickly came under attack by conservative political parties and by the business community. The New York City fiscal crisis was a critical event in this national and international shift in politics because of the national and international financial and political importance of the city and because of the centrality of the “urban crisis” to the tribulations of postwar liberalism.

New York City’s municipal unions played a complex and paradoxical role during the 1970s fiscal crisis. On the one hand, they were forced to accept wage freezes and the firing of thousands of their members. On the other hand, they also remained a major political actor in the city’s new political regime due to their agile political maneuvering and their control of the pension fund assets, which the city desperately needed access to in order to avoid bankruptcy. However, their decision not to directly oppose the newly emerging politics of fiscal austerity and to instead negotiate a series of deals with the business community and the state to protect their institutional power had an enormous and long-lasting impact on the city’s politics.

How well did the unions do during the fiscal crisis? The members did not fare well. From 1975 to 1983, they were hit hard. Including layoffs and attrition, the city work force decreased by about 60,000 from 1975 to 1977. Those who kept their jobs had to face a wage deferral, three years of wage freezes, decreased take-home payments and other givebacks. Also, they were forced to work harder to make up for those fired or those who quit and also had to work in even more rundown, and in the case of subway workers,

more dangerous conditions as the city cut spending on repairs. Those hired after 1976 received much less generous pension plans. Cutting the city work force and holding back wage increases during this period of retrenchment added up to an eighteen percent decrease in labor costs to the city, which accounted for thirty-six percent of the total decrease in the city's budget during the period from 1975 to 1983.⁵ However, most of this reduction in labor costs came from cutting the work force, not because of the wage deferral and wage freeze. It turns out that during the fiscal crisis (1975-1983), the average compensation for the city's municipal employees actually increased four percent because of the cost-of-living increases and other bonuses that employees still won. Of course, these small increases offered little solace to city workers facing galloping inflation (average annual increase cost of living during this period was 8.7), large jumps in the subway fare, tuition at CUNY, and service cuts of this period. One study showed that between 1975 and 1982, because of inflation, the real earnings for the city's municipal workers fell by amounts ranging from 4% for clerks to almost 20% for police officers and teachers.⁶

Moreover during the period from 1975 to 1981, the city's municipal unions did not do as well other unionized workers in the private or public sectors. During this period, average wage increase for New York City municipal workers went up 3.75 % (that includes the 6% deferred wage increase). Nationally, unionized private-sector workers saw their wages go up during the same period on average 8.6%. For unionized public-sector workers nationally during the period 1979-1981 (data only available for those

⁵ Brecher, Horton, et. al., *Power Failure*, 40.

⁶ Mary McCormick, "Labor Relations," in *Setting Municipal Priorities*, 1982, eds. Charles Brecher and Raymond Horton (New York: Russell Sage Foundation, 1981).

years), wages went up 7.3%.⁷ A study of the nation's twelve largest cities done by the Urban Institute in 1980 showed that almost all categories of New York City's municipal workers ranked below the average in terms of total compensation.⁸

However, in another sense, the municipal unions' strategy during the fiscal crisis was a success in that they succeeded in winning their central goal of maintaining their institutional power. From the beginning of the fiscal crisis, Gotbaum had made it clear that he and the other unions did not want to be dictated to by the mayor, MAC, the banks, or the governor. By this, he meant defending collective bargaining and more broadly making certain that the unions remained part of the inner group that decided how the fiscal crisis was to be resolved. When one understands this goal, the actions of the unions during the crisis make sense. For example, the unions' opposition to bankruptcy stemmed from the fear that they would lose any power to guide events with a bankruptcy court making all of the decisions. This also explains their anger at Congressman Herman Badillo and other liberals who thought that perhaps working class and poor New Yorkers might do better under bankruptcy rather than the budget cuts demanded by MAC and the banks. By making such a proposal, Badillo was throwing a wrench in the unions' plans. In the light of their desire to remain a key player during the fiscal crisis, their decisions during the summer and fall of 1975 to work with MAC, sign the Americana Agreement, and support the establishment of the EFCB after being promised that collective bargaining would be maintained make sense. And in the end, the unions were successful. While minority groups and even the City Council were excluded from decision making during the crisis, municipal union leaders such as Gotbaum and Shanker remained

⁷ O'Cleireacain, "The Unions' Economic Demands – The Case for Labor"

⁸ Elizabeth Dickson and George Peterson, *Public Employee Compensation: A Twelve City Comparison* (Washington, D.C.: The Urban Institute, 1981).

powerful players along with the business community in shaping the resolution of the crisis.

When considering how well the unions did during the fiscal crisis, one must be careful not to necessarily equate the unions with union members. While it is accurate to argue that the unions succeeded in their goal in maintaining their institutional power during the fiscal crisis, it is less clear what this success meant for union members who were being laid off or those who remained and faced paltry wage increases and worsening work conditions. Also, while the rank and file did vote on contracts during the fiscal crisis, they did not play any meaningful role in helping develop union strategy during the fiscal crisis. Instead, it was a small group led by Gotbaum that determined the overall policy. For example, there is some evidence that Gotbaum and the other union leaders chose to accept these massive layoffs of members rather than agree to wage cuts or other options that would have saved many of those jobs. Moreover, they made this decision despite the fact hundreds of members of their unions signed petitions and wrote letters to their union leaders stating that they were willing to make such sacrifices to save the jobs of fellow members. In a sense, their success of their overall strategy was paradoxical at best then. As Brecher and Horton, two scholars who are quite critical of the unions, put it, "Civil servants were among retrenchment's losers, but they retained a strong voice in the allocation of the losses."⁹

However by 1983, the city's budget once again began to grow and municipal workers began to win more significant wage increases. 1983 was the first year that the city's real labor costs increased since 1975. However, most of that increase and the labor costs that occurred for the rest of the 1980s stemmed from increases in the size of the city's

⁹ Brecher, Horton, et. al., *Power Failure*, 40.

municipal work force, not because of a large increase in wages. From 1983 to 1989, average real wages rose by seven percent, but the number of employees went up twenty-three percent. Still, the total increase in labor costs accounted for fifty-six percent of the increase in city expenditures during this period. However, not all city departments received the same increases though as Koch hired many more employees for certain areas such as the Board of Education and the police department. For example, even in this period of increasing city revenues, Koch continued to significantly cut spending and hiring for CUNY's community colleges.

However, one should not have the impression that the wage increases that the municipal union members won during the 1980s were so remarkable. It was not until 1990 that the salaries of teachers, police officers, and the lowest-paid civilian workers returned to their pre-fiscal crisis levels. Moreover, the salaries of mid- and upper level civilian positions such as architects and engineers have never completely rebounded. Lastly, some of the more poorly paid members of DC 37 continue to make salaries that keep them only just above the poverty line.¹⁰

Another way to examine how municipal workers fared during the post-fiscal crisis period is to compare how they did in terms of the city budget to other groups that relied upon city spending. By looking at these figures, it appears that public employees did better under Mayor Koch in both the period of austerity from 1978 to 1983 and the period of increased spending from 1983 to 1989 than the city's poor did. For example during the period 1977 to 1983, real labor costs fell, but less drastically than city expenditures earmarked for direct payment to the programs for the city's poor. Between 1983 and 1989, the city's labor cost increases accounted for fifty-six percent of the budget increase.

¹⁰ Waldinger, *Still the Promised City?*, 235.

During this same period, Mayor Koch kept spending on direct aid to the city's poor and city spending on Medicaid down. So during both the 1977 to 1983 period when Mayor Koch maintained fiscal austerity and later during the 1983 to 1989 period when the city budget began to grow, spending for the poor and city contributions to Medicaid fell in absolute and relative terms while in the second period, labor costs rose. Some of these decreases in spending on programs for the poor stemmed from changes in federal policy, but much of it stemmed conscious policy decisions of the Koch administration.¹¹

Moreover, the decision by the unions to take massive layoffs rather wage cuts also hurt poor and working-class New Yorkers who were forced to deal with worsening municipal services that were now manned with fewer workers. Fewer social workers, sanitation workers, teachers, and municipal hospital workers translated into worsening services for all New Yorkers, but particularly for poor and working-class New Yorkers who rely on municipal services more than wealthy New Yorkers.

One long-term impact of the worsening work conditions and stagnant wages facing the city's municipal workforce was that it became less white in the years in the years after the fiscal crisis. It is true that because of seniority rules, the majority of those laid-off in 1975 and 1976 were minorities. This was noticed at the time and civil rights groups and minority politicians who cried foul at the time. However, what is less commented upon was that by the end of the fiscal crisis and even more so in the post fiscal crisis period, the city's municipal workforce was increasingly made up of minorities. That is because of the fact that the majority of those who quit during the fiscal crisis and in the early 1980s were older white workers. As sociologist Roger Waldinger points out, by the time the city began to hire more workers in the early 1980s, a municipal job had become a much

¹¹ Mollenkopf, *A Phoenix in the Ashes*, 135.

less of an appealing option, particularly for better educated whites who could move to the private sector, which was offering better wages.¹² So while black New Yorkers made up twenty-nine percent of municipal employees in 1980, they made up forty-one percent of it in 1989.¹³

The city's rapid economic expansion from 1977 to 1989 did little for most of the city's poor and working class. Instead statistics show that it was the city's wealthy that reaped most of the benefits of this expansion. For example, between 1978 and 1983, over 200,000 new jobs were created in the financial-sector, but the vast majority of them were for commuters. Unemployment in the city remained higher than the national average. Also, Koch's tax and fiscal policies benefited his Manhattan real estate and Wall Street supporters. Continuing the policies of Mayor Beame and Governor Carey, Koch supported cuts in business taxes in 1980 and the phasing out of the stock-transfer tax. He increased tax abatements for firms threatening to leave New York City. He approved new property tax exemptions for residential construction that mainly effected luxury units.¹⁴

The municipal unions were not in a position to stop the implementation of most of these policies on their own. Pro-business municipal policies such as tax cuts and tax abatements were the order of the day in New York City and nationally. However, at least in terms of tax cuts, it is a bit surprising that the municipal union members of MUFLG supported many of these tax cuts including the phasing out of the stock-transfer tax.

So despite a booming economy from 1977 to 1989, the number of New Yorkers living in poverty rose significantly. Income inequality rose as well. One of the only sections

¹² Waldinger, *Still the Promised City?*, 235.

¹³ Sanjek, *The Future of Us All*, 151.

¹⁴ Sanjek, *The Future of Us All*, 95; Mollenkopf, *Phoenix in the Ashes*, 139-147.

of the city's working class that did do well during this period were unionized construction workers because of the huge building boom led by the growth of new office space in Manhattan. With all the new building, the number of construction jobs doubled between 1977 and 1988.¹⁵

The fact that most working-class and middle class New Yorker did not do well even in the economic boom time of the 1980s and the 1990s and the fact that the city's municipal workforce was increasingly made up of minorities has complicated the task of the municipal unions trying to build positive relations with the city's working-class and middle-class white ethnics. A large number of these white ethnics who live in Brooklyn, Queens, and Staten Island own property and pay significant property taxes. Many of them have increasingly become more conservative voting first for Koch and later Mayor Rudolph Giuliani. To many of these New Yorkers, the municipal unions, which they increasingly see through a lens of race, as being partially the reason that they have had to pay higher taxes.

Some scholars and journalists point to increases in the city's budget after 1983 and the ability of the municipal unions to retain power to downplay the impact of the fiscal crisis, arguing that the city soon reverted to its business-as-usual way of spending.¹⁶ These scholars are correct in that the city spending did increase again after the fiscal crisis. Moreover during the 1980s, the municipal unions and their members did win the lion's share of this increase in spending. However, these scholars incorrectly downplay the

¹⁵ Mollenkopf, *Phoenix in the Ashes*, 53.

¹⁶ Charles Brecher and Raymond Horton, *Power Failure*; Auletta, *The Streets Were Paved With Gold*, chapter 10. Auletta's views on the subject are quite evident from the title of the chapter on the post fiscal crisis period ("The More Things Change, the More They Stay the Same").

significant shifts in spending priorities and tax and development policies that began in the fiscal crisis and continued in the post fiscal crisis period. Koch's tax policies and support of Manhattan development were a logical extension of the idea that came out of the fiscal crisis that urban policies must be more business friendly. Moreover, the fiscal crisis' ideological and political impact was not so fleeting. While the city's budget did indeed begin to increase again, the city's once robust liberal political culture never recovered. Once sacrosanct liberal policies and ideas such as free tuition at the City University of New York and the need for a strong public sector to aid the poor never regained much currency. Instead, fiscal restraint, being tough on crime, and increased productivity remained the mantra of the day for both the city's Democratic and Republican politicians who sought citywide office.

Of course, the municipal unions should not bear the majority of the blame for this crisis in the city's liberal politics or for the growing disparities of wealth during the 1970s and 1980s. The sources of this crisis are many and most have little to do with the actions of the municipal unions during the fiscal crisis. For example, the unions had no control over long-term federal policies that favored the south over the northeast and suburbs over urban areas. They were not responsible for the end of the long postwar economic boom that tore apart the city's economy. Nor could the municipal unions be held responsible for failures of the city's postwar liberal regime to integrate people of color into the city's then growing economy.

Moreover, given the hostile attitude towards public-sector unions and the increasingly conservative political environment both in New York City and nationally, the strategy of minimizing their losses and protecting their institutional power might have been the only

viable strategy for the municipal unions to take. Municipal unions around the country faced similar difficulties and usually made similar choices. As the executive director of the AFL-CIO's public employee department put it at the time when describing the hostility public sector unions faced, "It's not like a faucet you can turn on and off. We're going to have this anti-public workers attitude for a long time now."¹⁷

However, this dissertation argues that even within large structural forces and long-term historical trends, the actions of local political actors in New York City such as the municipal unions do have a serious impact on setting budget priorities and determining the direction of local politics. This dissertation has attempted to demonstrate how the choice that the municipal unions made to pursue a narrow-interest group strategy during the fiscal crisis had a major impact on the city's politics both during the fiscal crisis and in the years after the crisis ended. By accepting austerity as inevitable during the fiscal crisis, the municipal unions made it more likely that fiscal conservatism and a critique of liberal social policies remained the dominant political view even after the fiscal crisis ended and the city's economy recovered.

Moreover, the unions' strategy during the 1970s fiscal crisis had a lasting impact on union culture and New York politics. Gotbaum's and the other union leaders' top down, often undemocratic decision making procedures during the fiscal crisis have continued to mark the municipal unions to this day. The leaders of TWU, DC 37, and several of the other unions chose to endorse Giuliani in his re-election campaign and also agreed to go along with his plans to add unpaid workfare recipients to the city's workforce.¹⁸ The

¹⁷ Quoted in "The Public Strikes Back," *Newsweek*, 8 September 1978.

¹⁸ Juan Gonzales, "Rudy, Labor Bigs Make Odd Union," *Daily News*, 27 June 1995. Gonzales also points out that those union officials that endorsed Mayor Giuliani were rewarded in various ways while those union officials that opposed him (such as Arthur Cheliotis of CWA local 1180) were punished by having

clearest example of the lack of democracy in these unions was a 1996 scandal in which high-ranking officials of DC 37 rigged a contract ratification vote to force through an unpopular five-year contract. During the subsequent criminal investigation, it was also discovered that several DC 37 local presidents had embezzled millions of dollars from the union coffers. In the end, several high ranking union officers received jail time, Stanley Hill, the union's executive director, was forced to resign, and its national put the local in receivership for four years.¹⁹

Though Gotbaum publicly decried such corruption, he cannot avoid complete responsibility for the deterioration of DC 37. After all, the two highest-ranking DC 37 officers that received jail time were Gotbaum's close allies and Stanley Hill had been his handpicked successor. Also Gotbaum's leadership during the fiscal crisis created a climate within the union that was undemocratic and depoliticized. Gotbaum had increasingly run the union in a top-down way, rarely allowing the membership play a role in developing union policy in any substantive way.

Of course, it is not only the city's municipal unions that have pursued a narrow interest-group strategy or had problems with corruption scandals. One could level similar criticisms at the city's private-sector unions. For example, during the late 1970s, like the municipal union did with MUFLG, the city's private-sector unions formed a very similar alliance with the city's business community called the Business/Labor Working Group on Jobs and Economic Revitalization (B/LWG). It supported cuts in taxes and even the end of rent control.²⁰ The relative conservatism of the private-sector unions has continued.

their members targeted with layoffs. Gonzales, "A Hard Look at Union Chiefs Who Got on Rudy's Bandwagon," *Daily News*, 8 December 1998.

¹⁹ *New York Times*, 26 July 2000.

²⁰ Freeman, *Working-Class New York*, 278.

For example, unlike in Los Angeles and other cities where central labor councils have overseen significant grassroots organizing and has worked with the Latino community and churches to become a major force for progressive politics, the New York City Central Labor Council remains relatively inactive.²¹ Even once progressive private-sector unions such as SEIU/1199 Health and Hospital Workers Union, which had often worked with grassroots and community groups, demonstrated an increasingly narrow political strategy with its endorsement of Republican Governor George Pataki in his re-election bid in 2002.²²

In conclusion, the narrow interest group strategy, which the municipal unions have followed since their formation, helped them weather the difficult years of the 1970s. Moreover, it has kept the municipal unions in their position as a political power to be reckoned with. However, this approach to politics has discouraged the unions from developing a long term political strategy that addresses both the interests of their members and at the same time attempts to create political alliances that can shift the city's politics in a more liberal direction. The sad reality is that since the 1970s fiscal crisis the municipal unions have acted as an impediment a rebirth of the liberal tradition in New York City.

²¹ On central labor councils in other cities, see David Moberg, "Union Cities," *American Prospect*, September 11, 2000; Kelly Candaele and Peter Dreier, "LA's Progressive Mosaic: Beginning to Find Its Voice," *The Nation*, 10 August 2000; On the Los Angeles Federation of Labor, see John Nichols, "Labor's Muscle," *The Nation*, 27 March 2000.

²² 1199 made the endorsement after working out a complex deal with the governor that guaranteed their members wage increases with money raised from the privatization of the state owned Blue Cross/Blue Shield. Tom Robbins, "Blue Cross Hijacked: How the Governor and the State's Most Powerful Union Shortchanged Health Consumers," *The Village Voice*, 19 February 2002.

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