

# **The Prince of the City**

Giuliani, New York and the  
Genius of American Life

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ENCOUNTER BOOKS  
SAN FRANCISCO



## Failure and Ferment

**W**hen David Dinkins took office in January of 1990, he was potentially the most powerful mayor in the modern history of New York. The same political and civil rights currents that carried him to victory had also produced a new city charter giving the office of the mayor unprecedented sway.

Under the old charter, which was abolished at the same time that Dinkins was elected, the mayor shared his executive powers with the Board of Estimate on which he sat along with the comptroller, the city council president and the boro presidents. The Board “participated in the budget process, granted leases of city property, passed on land use development through its control of zoning, had the final say on all capital projects and on city contracts not awarded through competitive bid.” In order to carry out his executive duties, a mayor had to engage in extensive horse-trading with the members of the Board who, if they banded together, could outvote him. In theory eliminating the board should have made it easier for Dinkins to bring the budget under control. Under the old system, you couldn’t build a new school in overcrowded Queens without also building one in over-served Staten Island. To do something useful in one boro you had to bribe all the others in a log-rolling/vote-buying process that tended to guarantee overspending.\*

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\*Two useful accounts of the background to the 1989 charter reform process can be found in Frank J. Mauro and Gerald Benjamin, eds., “Restructuring the New York City Government: The Reemergence of Municipal Reform,” *Proceedings of the American Academy of Political Science* 37, no. 3, 1989. An essential source on

Each boro had one representative despite the vast differences in population between largely white Staten Island at 230,000 people and heavily minority Brooklyn at 2.5 million. This differential was found to be in violation of the 1965 Voting Rights Act. Under pressure from the courts, the Board was abolished and its powers distributed between the mayor's office and the hitherto insignificant city council. But the way that the Board of Estimate's powers were divided up left the mayor with the whip hand and the generally fractious fifty-one-member council in an enhanced but still relatively weak position.<sup>†</sup>

Dinkins, who was in part a creature of the Board of Estimate, was never able to seize the powers available to him. Far more interested in politics than policy, excessively deferential to "experts," he was temperamentally ill-equipped to govern. Hampered from the start by his ongoing personal financial scandals, which deprived him of a much-needed political honeymoon, he was never able to master either the city's interest group politics or its fiscal expression, an ongoing budgetary crunch.\*

His problem in part was not that he was a liberal per se but that he was every kind of liberal. He sincerely believed in 1930s-era labor liberalism and Lindsay-era ideals of community control though members of the two movements had clashed bitterly over control of the schools and would clash in his administration over whether senior centers should be run by the city with unionized workers or by

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charter reform itself is Frederick A.O. Schwarz, Jr. and Eric Lane, "The Policy and Politics of Charter Making: The Story of New York City's 1989 Charter," *New York Law School Law Review* 92, nos. 3 & 4, 1998.

The 1989 charter reforms were the culmination of attempts to eliminate the Board of Estimate begun in the early 1930s by Judge Samuel Seabury, the patrician reformer who brought down Mayor Jimmy Walker and helped make La Guardia mayor. When the city was unified in 1898, each boro retained its own separate political organizations. Seabury and La Guardia saw the Board as a pre-unification atavism protecting the local ward bosses who operated out of boro-based bases. Seabury proposed modernizing and centralizing city government by abolishing the Board while upgrading the city council. The 1961 charter reforms were a step in that direction, but Seabury's vision was achieved only with the 1989 charter reforms. The history of the modern New York City charter can be found in Ross Sandler, ed., *Forward: The One-Hundredth Anniversary of the Charter of the City of New York: Past, Present and Future, 1898-1998 Reports of the Charter Commissions of 1936, 1961, 1975, 1983, 1988, 1988*, published privately by the New York Law School Law Review.

†Koch's appointments to the Charter Commission were part of his re-election drive. His appointees, led by Fritz Schwartz and Eric Lane, were given the chance to rein-

community-based organizations. He supported the social service liberalism of New York's extensive array of non-profit organizations, including homeless advocates whose plans to put more homeless shelters in outer-boro working-class neighborhoods clashed sharply with the new mayor's talk of community empowerment.

Dinkins, who spoke in a populist vein of wanting to help small business in his first inaugural address, was also an advocate of a corporate liberalism in which a partnership between big government and the big economic interests like Wall Street helped set policy that usually worked to the disadvantage of the little guy. Confronted by the tensions between his constituencies, Dinkins was paralyzed by indecision.<sup>†</sup>

Responding to the clamor of the pressure groups, Dinkins expanded the Office of the Mayor to unprecedented size. In 1959 Mayor Robert Wagner had a total mayoral staff of fifty-seven. When Dinkins entered office he had over a thousand employees and by the end of his term the total was more than 1,500.

In the absence of trust, Dinkins opened new mayoral offices to service each of the interest groups in his "gorgeous mosaic." There were the Mayor's Offices of European-American, African-American/Caribbean, Asian, Immigrant, Latino, and Lesbian and Gay Community affairs. He also created a Mayor's Office of Health Policy, a Mayor's Office for Children and Families, a Mayor's Office for Public-Private Partnerships, a Mayor's Office of Drug Abuse Policy, and the office of The Increase the Peace Corps that was supposed to reduce inner-city violence. Politically useful both symbolically and as a place for patronage employees to work between election campaigns, each office required its own staff, and produced a stream of paperwork largely duplicating the work of already existing agencies.

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vent city government from a civil rights perspective. For one account of their activities see, "The City in Transition: Interim Succession and the Mayoralty: Report of 2002 NYC Charter Revision Commission": 25.

\*Federal investigators probed his shady stock transfer deal; city investigators studied his Board of Estimate votes for conflicts of interest; and the mayor was forced to appoint an outside counsel to probe his own questionable activities as boro president. The probes petered out, but they made it even more difficult for the notoriously indecisive mayor to assemble a team to face the budget crisis he had inherited from Koch.

†When Dinkins abruptly changed his strategy on an issue, an aide complained to the mayor. Dinkins responded with "Well, I'm frustrated too." But, thought the aide, "Aren't you the mayor?" *Newsday* 11/3/93.



The incoherence of the Dinkins mayoralty came not from a lack of vision but from holding too many conflicting visions simultaneously. Dinkins achieved clarity of purpose, if not results, only in his approach to the federal government. He had a vision for a new national urban coalition, but he had no plan as to how to govern his fractious city. "This," commented one former staffer, "was an administration that didn't lack for talent, but these impressive people were never given marching orders that would allow them to reconcile the inevitable clashes of interest any mayoralty has to face."

Dinkins' supporters point to the terrible economy he inherited, in which Manhattan was suffering from a 16 percent office vacancy rate. But here too there was room for creativity. Between 1965 and 1990, New York City's expenditures, adjusted for inflation, more than doubled. Writing at the time, political scientist John Mollenkopf saw that Dinkins had a chance to create "a new post-industrial post-fiscal crisis liberalism." The city's budget, he argued, wasn't an insuperable obstacle. "The budget," Mollenkopf explained, "was \$12 billion when Koch took over [in 1978]; January 15 [1990] it will be \$30 billion. There's been some inflation, but also a real doubling of the public sector" within which "Dinkins could have maneuvered for better management and accountability."<sup>1</sup>

Required by law to balance his budget, Dinkins looked for help from the man he described as his "partner," fellow liberal and presidential aspirant Governor Mario Cuomo. But Cuomo, facing his own budget problems, offered scant help. Teamsters' chief Barry Feinstein, who had helped elect Dinkins, was unsympathetic. "Gloomers and doomers forecasting big deficits had almost always been wrong before. If there's money available," he said, "we're going to want it."<sup>2</sup>

Dinkins responded with small budget cuts and large tax hikes. Two days after taking office, Dinkins, despite his inaugural promise to be "the toughest mayor on crime the city had ever seen," responded to the fiscal crunch by suspending the upcoming police academy class of 1,848 cadets. While cutting cops, Dinkins and budget director Philip Michael managed to balance their first year budget with \$859 million in new revenues derived from the largest tax increase in city history. But despite the hard times, the city's budget was a billion dollars larger than the last Koch budget. It included an additional \$40 million in social programs and added 4,400 new workers to the city payroll.

The tax increases in the teeth of recession, along with the two billion dollars in new state levies from Governor Cuomo and the state legislature, were a severe blow to the city economy. The combination of rapidly rising state and local taxes was driving people out of the city.

In 1993 Lehman Brothers, a financial services company, moved 900 back office jobs to the same forty-two-story Jersey City office tower to which Merrill Lynch had moved 2,500 jobs a year earlier. Jersey City didn't need to offer any financial incentives. A spokesman for Mayor Bret Schundler explained, "We have no city payroll tax, no city income tax, no corporate tax, we don't even have an unincorporated business tax or tax on commercial leases."

Rather than eliminating unessential services and improving inefficient ones, the Dinkins administration looked outward to Washington and Albany for a solution to its problems. Dinkins, like his ally Congressman Charles Rangel, blamed the collapse of the cities on Washington's Cold War policies and military spending. In his first month in office, the mayor, who had long been associated with the Peace Dividend Network, a group of left-liberal critics of the Cold War, gave a speech in Washington. With the Cold War over, he saw an opportunity for military funding to be "redirected away from the Pentagon to the needs of the city." Dinkins looked forward to new funding for "infrastructure, housing, a universal and affordable health care program, a real war on drugs, Headstart programs, education, [and] pollution control." He told the Peace Dividend gathering that "the political power is there, I know. That power fueled by [our] campaign...must become the voice—not only of urban American, but of all America." This was the first of his wish lists and a theme to which he would return time and again.<sup>3</sup>

To implement his aims in Washington, Dinkins turned to his chief political aide, Bill Lynch, who felt that the established city lobbying organizations like the National League of Cities, founded in the 1920s, and the United States Conference of Mayors begun by La Guardia during the New Deal had become "social clubs." They were, Lynch said, "sleepwalking" through the urban crisis.<sup>4</sup>

Lynch, who had strong ties to both African-Americans and labor, wanted to organize the nation's mayors into an "action group." He thought that there was "a real opportunity...to rebuild the coalition that emerged in the 1960s," when the rising tide of minority empowerment promised to transform America. The lack of urban clout, Lynch insisted, could be overcome by energy and



will. But for a quarter century the big cities had been gaining problems while losing jobs and voters. Chicago Mayor Richard Daley saw that he lacked his father's clout because "the machinery is gone." "In the past," he explained, "a congressional candidate who didn't have the mayor's benediction couldn't get elected." But by the 1980s candidates could run and win without the mayor's blessing. President Bush's urban policy, Daley went on, "has added insult to injury by funneling the declining money through the states rather than the cities."<sup>5</sup>

"Lynch's concept," noted Gail Brewer, who ran New York's much beefed-up and well-respected Washington office, "was that New York drives the country." After all, cities from around the U.S. came to Manhattan for their Wall Street bond ratings, and all the major politicians came to the city to raise funds. "We contribute so much to the U.S.," Brewer explained, that "we thought we might be able to reshuffle the [Washington] deck through cooperation with other cities with similar problems." Gotham's influence, it was assumed, "could be turned into political capital in Washington and support for changing the funding formulas."

But while the Dinkins administration was, with encouragement from Congressman Rangel, beginning its quixotic quest for more dollars from Washington, events unfolding in Brooklyn began to undermine its ideal of a "gorgeous mosaic." Sonny Carson, a well-known black nationalist, had been shaking down Korean grocers in the heavily Caribbean-American Flatbush section of Brooklyn. Then in September 1988 a nasty dispute broke out between Pong Ok Jang, the Korean owner of the Red Apple Grocery on Church Avenue, and Gieslaine Felissaint, a Haitian shopper who claimed to have been mildly injured in a scuffle with the merchant, who had accused her of shoplifting.

Carson, who fancied himself as "bad," accused the grocer of having "an attitude" and seized on the situation to impose a boycott. He charged that the Koreans' twenty-four-hour greengroceries were out to "destroy" the black community and culture. Carson demanded that the offending stores "be transferred to black ownership." Carson's thugs threatened anyone who entered the Red Apple Grocery while demonstrators shouted "we make you into chop suey" in mock Chinese accents (though the owner was Korean). For six months the *New York Times* studiously avoided the picketers screaming about "slant-eyed monkeys." But the *New York Post* gave

the shakedown extensive coverage and made it into an issue that couldn't be avoided.<sup>6</sup>

Carson, who had first made a name for himself intimidating white teachers during the Ocean Hill-Brownsville school kultur kampf, bragged of that earlier conflict, "I transformed thousands of black kids into little Sonny Carsons." One of the kids he inspired was the young Al Sharpton, who saw Carson and his allies as "role models." The subject of a fawning 1974 Paramount movie, *The Education of Sonny Carson*, he was sentenced in 1975 to four to seven years in prison in connection with the killings of two men accused of robbing a Bedford-Stuyvesant hotel. In the wake of the trial, Carson, who would make famous the "no justice, no peace" slogan later adopted by Sharpton, told the press that "the only reason we were arrested in the first place is that we were trying to do the job of the New York City police."<sup>7</sup>

Carson, who declared "We're at war" and stood outside the Red Apple shouting "funerals not boycotts," was an enormous embarrassment for an administration elected to heal. But he had the backing of most of the city's black leadership. "Carson is a flamethrower," acknowledged State Senator David Paterson of Harlem, the son of Dinkins' close ally Basil Paterson, "and often that is what it takes to get attention."<sup>8</sup>

Dinkins, according to one of his friends, may have been immobilized by memories of the historic Montgomery bus boycott that had helped ignite the civil rights movement. By this account, Dinkins saw boycotts and pickets as unambiguously noble. Whatever his motivations, the mayor couldn't bring himself to intervene. When, after four months of tensions, Dinkins was asked if he would symbolically cross the picket line to visit the grocery, he replied, "What's the purpose of doing that?"<sup>9</sup>

Just as disturbing as the mayor's inability to distinguish between Sonny Carson and Rosa Parks was that the administration seemed to accept Carson's account of a situation in which there was no right or wrong but rather "two communities striving...for similar pieces of the pie." The mayor had repeatedly rejected the imagery of "the melting pot" for the multicultural ideal of a "gorgeous mosaic," but what was to hold the separate pieces together?<sup>10</sup>

After five months of the boycott, Justice Gerald Boyd, in a tacit rebuke of the mayor's passivity, issued an injunction requiring the protestors to desist from menacing customers. But Dinkins did nothing

to enforce the decree on the grounds that such an order would increase resentment in the black community and that the police were not a party to the lawsuit. Instead Dinkins convened a commission to study the matter and then he gave a speech billed as a "major, major appeal for calm and inter-racial understanding." Said Dinkins, "I oppose all bigotry against anyone, anywhere. I abhor it. I denounce it, I'll do anything—anything right and anything effective—to prevent it."

But no action followed and the courts were forced to step in. A unanimous decision by a four-judge appellate court upheld Judge Boyd's ruling. In pointed language it rejected both of the administration's contentions, noting that it was not up to the NYPD and the administration to decide whether or not to enforce a court order. The "boycott" finally ended after two years with the deli owner driven out of business and Carson declaring victory. Caught between constituencies, Dinkins "lost face," said Carson, who had pushed the mayor into a political cul de sac from which he was never to fully emerge.<sup>11</sup>

For a city already under siege from crime, it appeared that the mayor had abdicated one of his most basic responsibilities. But why?

Dinkins had come of age during the riots of the 1960s. His mayoral campaign had been implicitly based on the fear of future riots, and Dinkins proved eager to practice what Tom Wolfe called "steam control." He seemed to assume that it was better to let demagogues vent their anger than risk more violent confrontations.<sup>12</sup>

Dinkins' failure to enforce the law on Church Avenue was part of a broader social breakdown in New York. True to its Dutch and polyglot origins, Gotham has always been an open, tolerant city, invigorated by the chaos of commerce and imperiled by the disorder of what its first mayor, Peter Stuyvesant, called a "disobedient community." During the later Koch years the traditions of tolerance and lawlessness amplified each other to make New York increasingly unlivable. The public spaces that made New York special, its parks and plazas and sidewalks, had been taken over by homeless encampments, aggressive panhandlers and underclass toughs. "On the streets of Manhattan," explained one journalist, "psychotics talking to themselves or screaming at imaginary enemies mixed with a legion of beggars." Kent Barwick of the Municipal Arts Society complained, "You can no longer feel secure in any public space in New York.... Public space now belongs to no one, no one will defend it."<sup>13</sup>

Never clean, the city had become filthy. Trash collections were sharply reduced and the number of street sweepers cut by more than half; meanwhile, the streets had become public toilets with the right to urinate in public vigorously defended by the city's army of earnest civil liberties lawyers. Operating on the principle that no right was safe unless it was carried to an extreme, New York Civil Liberties Union attorneys protected the rights of stolen good merchants to take over city sidewalks, arguing that since these "merchants" sold stolen books (among other stolen items), they were thus entitled to vigorous First Amendment protections.

The subways, always somewhat frightening, had been made even less attractive by a new wave of tuberculosis often carried by deinstitutionalized mental patients whose right not to take their medicine had been secured by the same attorneys. Further, according to Judge Leonard Sand's decision, endorsed by the civil libertarians, subway riders could expect to be hassled by panhandlers exercising their free speech rights. "What's at issue here," explained a lawyer for the panhandlers, "is an effort to make the subways a sterile environment devoid of protected expression." "It is the very unsettling appearance and message conveyed by the beggars," Sand concurred, "that gives their conduct its expressive quality."<sup>14</sup>

As a practical matter there was little expectation that those same panhandlers would be expected to pay for their ride as 155,000 riders a day either jumped the turnstiles or "paid" with coins literally sucked out of the turnstiles. The police responded to such misdemeanors with summonses that had little effect. About half of the so-called "desk-appearance tickets" issued for misdemeanors such as turnstile jumping, public drunkenness or urination were simply ignored by recipients who didn't bother to show up in court.

The breakdown of civility and authority was pervasive. The schools, noted Emily Sachar, who was then teaching the lower grades in Brooklyn, were, "first and foremost, a place to act out, to explode, to play and shout and rant, to vent." Neither the teachers, whose contractual rights allowed them to dress as casually as the students, nor the administration, which lived in constant fear of lawsuits, saw themselves as authorities responsible for creating an atmosphere of learning. One principal went so far as to wear a dashiki and shades to suggest that he too was "fighting the man."<sup>15</sup>

At the same time, as recompense for past racist practices, the NYPD effectively ceased policing all but the most serious crimes in



the inner city. The result was that young men growing up in fatherless families experienced neither the cop on the beat nor the personalized authority of strong teachers in the schools. Early violations of the law were treated with indifference; "minor crimes" such as stealing car radios and low-level burglaries were effectively decriminalized. The upshot was that violent crime quadrupled between 1966 and 1990, reaching its peak with the crack epidemic of the late 1980s and early 1990s.

In the summer of 1990 "wolf packs" of young teen toughs armed with easily accessible guns roamed the city. In one eight-day period, four children were killed by stray gunshots as they played on the sidewalks, toddled in their grandmothers' kitchens or slept soundly in their own beds. Overall, in the first six months of 1990 more than forty children were killed by random gunfire.

1990 set the record for the number of murders. On one especially gruesome but not atypical August day alone, a Bronx prosecutor was cut down in a hail of gunfire while shopping and a Brooklyn politician was gunned down in his campaign headquarters. Then there was the case of twenty-two-year-old tourist Brian Watkins, in Gotham with his family for a visit to the U.S. Open Tennis tournament. A wolf pack of eight black and Hispanic youths, who were not from impoverished backgrounds, set upon the family at a subway station. When Brian came to his mother's defense, he was stabbed to death. The attack was part of an initiation ritual for a gang that required a mugging for membership.<sup>16</sup>

"Crime is tearing at the vitals of this city and has completely altered ordinary life," declared Thomas Reppetto, president of the Citizens Crime Commission, a private watchdog group. "Worst of all, it is destroying the morale of our citizens." Liberal columnist Sidney Schanberg spoke of a "combat emergency" so severe that "we might have to suspend some civil liberties." But instead of acknowledging the crisis, Dinkins' tried to shift responsibility to Washington: "If the problems of drugs and crime were only in New York, then you could ask, What is it that you folks are doing wrong? But all of our urban centers are afflicted similarly. The fact that it's happening somewhere else doesn't mean that I don't have a problem to address. But the fact that the problem is regional or nationwide does say that the Federal Government should assist in addressing it." When this statement failed to quell the outcry, Mayor Dinkins gave a second statement that left observers baffled. "I say that if two nations are

in dispute and one diplomat says to the representative of another government, 'Her Majesty's government is exceedingly distressed,' everybody knows that we're mad as hell. Now however, I'm prepared to say that I'm mad as hell, not simply, 'We're exceedingly distressed.'"<sup>17</sup>

In the wake of the Watkins killing and Dinkins' non-response, the mood in the city was summed up in a *New York Post* front-page headline: DAVE DO SOMETHING. But even then Dinkins hesitated. It was left to City Council Speaker Peter Vallone to take the lead in beefing up the police force. More cops, Vallone insisted, had to be hired even if the city was faced with the prospect of vast deficits and huge budget cuts. When Dinkins responded, "What about social services?," Vallone replied, "we're wasting a lot of money" on welfare and insisted that without safety the city's future was in peril. Vallone and the council then designed a Safe Streets/Safe City plan that raised \$1.8 billion for the police largely through an income tax surcharge. But even when the legislation passed, Dinkins refused to commit himself to any specific number of new police so as to ensure the maximum possible dollars for funding social programs.<sup>18</sup>

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Even when Dinkins was preparing to assume office, one of his advisors warned that he "had all this unexamined liberal rhetoric that assumes unlimited ability to pay for services. Rather than saying here are five new initiatives and here's how you can deliver services better to the poor, you had this open-ended prattle." The "prattle" continued into his administration. Dinkins saw increased spending as the glue that held his electoral coalition of constituencies together, and he was unable to choose amongst them. With the economy continuing to sag, Dinkins' dithering produced what financier Felix Rohatyn, chairman of the Municipal Assistance Corporation, described as a "social, political and economic crisis far more serious than the fiscal crisis of the 1970s."<sup>19</sup>

Rohatyn, the Robert Moses of municipal finance and a key administration supporter among the financial elites, insisted that "the city will have to make fundamental changes in the way it goes about its business.... We need to question the city's overall wage and personnel policy." And surely there was room to cut personnel, beginning with just a fraction of the 50,000 workers Koch had



added to the city payroll. Dinkins promised Rohatyn that he would curb labor costs, which represented nearly 40 percent of the budget. "Don't worry," he reassured the MAC chair, referring to his union political allies, "they'll take it [the cuts] from me." But Dinkins never took a clear stand with labor or any other prominent group of backers.<sup>20</sup>

In mid-August 1990, the corrections officers, who policed the city's violence-ridden nine-jail complex on the East River's Rikers Island, went on strike. The union blockaded the roads connecting the island to Queens, producing massive traffic jams, while bloody fights broke out between guards and inmates. Dinkins could have invoked the state's Taylor Law that makes strikes by public employees illegal and provides for prohibitive penalties for striking state workers. Instead, he said he was "sure in blazes" angry with the guards, but he quickly caved in and agreed to most of what the union had demanded.<sup>21</sup>

The sheer incoherence of the Dinkins administration was put on full public display in October 1990 during two days of extraordinary policy pirouettes. First the city agreed to a 5.8 percent increase in teacher's salaries it couldn't afford. Forty-eight hours later, Dinkins announced that he was laying off as many as 15,000 city workers while freezing wages and hiring. The public saw an administration in disarray. Smelling blood in the water, political rivals like Public Advocate Andrew Stein were already talking of a run for mayor against the incumbent in 1993. Less than a year into his term, Dinkins was forced to announce that he was not a first-year lame duck, that he would be a candidate for re-election three years hence.

Dinkins made some cuts but new taxes outweighed the budget reductions by a ratio of four to one even at time when, as Rohatyn put it, "virtually all human activities [in New York city] are taxed to the hilt." Vallone, who saw himself as a representative of the city's middle class, warned, "The reality is that we have an extremely small tax base and we can't drive out those who pay the freight."<sup>22</sup>

Frustrated by the mayor's lack of leadership, Vallone went public with his complaints and told *Newsday*, "There seems to be no one who can make a final decision on the other side except for the mayor himself—who has a good many things on his mind, obviously. There is an inability to delegate power." Rohatyn agreed. Noting that the credit markets were growing increasingly skittish about the

city's fiscal stability, he called for a set of pain-sharing agreements to be worked out by big government, big business and big labor, the same partners that produced the 1975 rescue of the city's finances. It seemed an unlikely prospect.

In the spring of 1991, with Gotham sinking deeper into recession, the Wall Street bond-rating agencies threatened to downgrade the city's credit rating. That would make it more expensive for the city to borrow money to close its yawning budget deficit. Dinkins and his budget director Philip Michael told one of the credit agencies, Moody's Investors Services, that they were negotiating with the unions to defer some of their newly won, but clearly unaffordable, 3.5 percent wage increase. But there were no such negotiations, and when the unions realized what was going on they bridled. At a news conference, Dinkins insisted that the unions "understand the situation that we find ourselves in." But they didn't. Teamsters' president Barry Feinstein, and Stanley Hill, the executive director of AFSCME District Council 37, fumed about how the administration "stinks from the head."<sup>23</sup>

In 1991 and 1992, with the city tottering on the edge of fiscal disaster, Dinkins did everything he could to win concessions from the unions. He threatened them with a "Doomsday budget" replete with massive layoffs. When Rohatyn pressured Dinkins to ask for more from labor, union leaders responded with anger. "We predict major warfare over those issues of privatization—taking away the work from the city workers and giving it to community groups or whomever," said Barry Feinstein of the Teamsters. Never willing to make clear choices, Dinkins walked a fiscal tightrope, telling the city, "We must never, never abandon the compassion, the concern and the caring which are the hallmarks of our government. Bond ratings are important, but our bond with the people is every bit as important."<sup>24</sup>

"Before you get structural reform out of the liberal-labor axis," quipped *Newsday* columnist Gail Collins, "you will see polar bears [from the Central Park Zoo Dinkins threatened to shut down] sleeping in the subway." Failing serious reform, Rohatyn hoped to see the state Financial Control Board play a larger role in the budget. Faced with a possible loss of control at home, Dinkins intensified his efforts to gain more leverage in Washington.<sup>25</sup>

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When it came to organizing a national urban coalition to "demand"

more money from Washington, Dinkins was as dedicated, energetic and implacable as he was tentative and timorous in governing New York. In the tradition of La Guardia, Lindsay and the later Koch, Dinkins moved quickly and energetically to promote a 1990 National Urban Summit. The aim was to generate publicity for a plan to pressure Congress into spending more on New York and other big cities.<sup>26\*</sup>

Chicago Mayor Richard Daley and an impressive list of chief executives from Milwaukee, San Antonio, Boston, Detroit, Philadelphia, Los Angeles and twenty-seven other cities attended Dinkins' Urban Summit in New York. At the summit's opening press conference on November 12 1990, and in the short book that emerged from the meeting, the attending mayors spoke in the 1960s language of "consciousness raising" and non-negotiable "demands." We "demand the attention and resources that are long overdue...we are not here begging for a damn thing.... We have a right to demand what our people deserve," said Atlanta's Maynard Jackson while Cleveland's Mike White, stealing a line from the 1976 film *Network*, declared, "We're mad as hell and we're not going to take it any more."<sup>27</sup>

The rhetoric at the conference, which was funded by major American corporations such as American Express, First Boston, Merrill Lynch Capital Markets, Paine Webber, Time Warner, and IBM, was alternatively threatening and pleading. Dinkins spoke of the cities as though they were battered children suffering from Father Washington's shameless neglect. With others, he threatened to take revenge by compiling an annual "urban scorecard" for members of Congress, the president and state officials and then campaigning against those who rated poorly.

But the mayors had been sounding the alarm for so long that their cries had become politically inaudible. Power had flowed out of the cities to the suburbs and even fast-growing exurbs where the new high tech economy was taking shape.

\*In 1961, New York had received just \$110 million, or 4.5 percent of its budget, in federal aid. By 1975, after inner-city riots, President Lyndon Johnson's Great Society and President Richard Nixon's revenue sharing, federal aid to New York rose to \$2.47 billion, or 20.6 percent of the city's budget. Between 1975 and 1990, the city's budget more than doubled from \$12 to \$27 billion while federal aid grew only slightly. By 1990 the federally funded share of the budget declined to 9.3 percent of the city budget. The 1980s explosion in spending was paid for by the city's booming

Two months after the summit, in January 1991, Dinkins continued its themes in his second State of the City speech where he enthused that "we are working" with a new coalition of mayors "to revive our partnership with the federal government." But what followed was in a very different key. Four years into the recession with no new federal aid in sight, he spoke of "the bitter disappointment" of "abandonment" and difficult adjustments. "We will be happy to share with Washington the solutions we have developed to the problems of the 1990s," he insisted in a line from his early days in office when he presented himself as the harbinger of a new political order. But then he went on, "We will be happy to take care of...problems on our own -if the federal government will desist in the practice of draining away our tax dollars without returning services." New York, he noted, picking up on a theme borrowed from Senator Daniel Patrick Moynihan, gets back 74 cents for every dollar it sends to the capitol. There was, Dinkins sighed, a "\$24 billion balance of payments deficit with our own government."<sup>28</sup>

But having chastised Washington, Dinkins, like a chronically beaten wife returning to her abusive husband, again placed his faith in the federal government. "I envision," he pronounced, "a wave of angry, determined Americans...grandmothers and emergency room doctors, collecting hundreds of thousands of illegal guns seized by police departments...depositing them on the steps of the Capitol, I see them camped on the Mall demanding a new kind of Civil Rights bill...guaranteeing freedom from fear.... The Lord can not grant us this peace, it can only come from Washington."

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In a stroke of good luck for Dinkins, three weeks before the April 7, 1992 New York State presidential primary, former California Governor Jerry Brown, long belittled as Governor "Moonbeam," upset front-runner Arkansas Governor Bill Clinton in the Connecticut Democratic primary. And that in turn made both the mayoral

finance sector, which had profited from President Reagan's deregulation of financial markets and by a marked increase in aid from New York State, which also benefited from the boom. But in Dinkins' off-kilter calculations, the 1970s were a fine time for the city, or at least for city government, because it was the period in which federal aid peaked. By contrast, the 1980s, when African-American incomes rose sharply in New York, were deemed a disaster because federal aid, though it continued to go up, declined as a percentage of the city's budget.



conference Bill Lynch and Dinkins had planned and the New York primary a week later all the more important.

After a week in which Dinkins had been embarrassed by the shootings of two students shortly before he spoke at their high school, Lynch worked with Jesse Jackson to bring Clinton, Brown and thirteen mayors to Gracie Mansion for what was dubbed a mini-urban summit. In a race in which the cities had largely been ignored, the mini-summit, said Boston Mayor Ray Flynn, was "our first and maybe our only opportunity to put urban issues on the table." Michael Kharfen, the Dinkins community affairs commissioner, explained that the event "helps in articulating to communities that a lot of what we're able to do is tied to Washington."<sup>29</sup>

Jerry Brown, who has been described as having more positions than the Kama Sutra, answered the mayors' questions with a populist attack on the elitism and corruption of American politics. Clinton, anticipating his presidency, spoke knowledgeably about well-tailored programs addressing specific urban problems, mostly welfare reform, small business aid and community policing. But he also made it clear that he intended to be fiscally prudent. Clinton went on to win the New York primary.<sup>30</sup>

After the primary Dinkins turned his attention to a planned May 2, March on Washington on behalf of America's cities. On April 30, shortly before the planned march, South Central Los Angeles erupted in bloody riots. The riot was triggered by acquittals of police officers who had been videotaped beating drugged-up motorist Rodney King. The verdicts produced the second major LA riots in 27 years.\*

The 1965 Watts violence had been a cataclysmic event that was widely described as more rebellion than riot and was instrumental in generating Great Society funding for the big cities. But while in the 1960s the violence was understood to reflect the failures of society, the 1992 riot was broadly taken as a pathological expression of South Central LA's gangster culture.

Despite the hopes for the march raised by the new LA rioting,

\*South Central was depicted in most press reports as a vast wasteland devoid of business, but in fact it was the home to almost 330,000 jobs, most of them in the immigrant economy of small manufacturing and food processing. The contrast between the non-white immigrants who were slowly rising up the economic ladder and the rioters was all the more vivid because the rioters made a point of targeting the Korean businesses that drove the local economy.

the event didn't live up to expectations. Even with the support of 150 mayors and 220 organizations and predictions of 100,000 marchers, the Washington park police estimated that only 35,000 attended. They were mostly New York City public employees as no other city—not even Washington—contributed sizeable numbers.

Ben Hooks of the NAACP told the marchers that American cities were the site of the "homeless, jobless, hopeless and helpless," and like other speakers, including Mario Cuomo, Hooks called (despite the recent Gulf War) for reduced military spending in order to make it easier to pay for social programs. As a group, the speakers played up the threat of further rioting, with Dinkins warning that "We knew how close we were to the fire, and we must stop the anger and the pain before it is too late." He was seconded by Baltimore Mayor Kurt Schmoke, who threatened, "We don't want to have to burn down our cities." These comments drew a tart response from Milwaukee Mayor John Norquist, who asked why anyone would want to invest in desperate places that might soon go up in smoke. Mocking the strategy of "rattling the tin cup" in Washington, he cautioned, "You can't build a city on pity."<sup>31</sup>

But in the time between the march in early May and the Democratic National Convention in mid-July, Dinkins, rather than highlighting New York's virtues, continued to paint a scene of unremitting woe. He spoke voluminously about the plagues besetting the city, from AIDS and tuberculosis, to homelessness, unemployment and the danger of riots, all of which he attributed to the Republicans.

Dinkins and his Police Chief Lee Brown had basked in the approval of the city's newspapers and civic elites when New York stayed calm despite the explosion in Los Angeles. But a week before the convention, in a case of bad timing, one of Dinkins' warnings came true when rioting broke out among the drug runners of heavily Dominican Washington Heights.

The spark for the explosion was a confrontation in an apartment vestibule between a decorated undercover cop, Michael O'Keefe, and a drug dealer named Kiko Garcia. The apartment was on a block where there had been fifteen narcotics and seven felony arrests in the two weeks prior to the confrontation. With 122 murders in 1991, the 34th Precinct of Washington Heights led the city in killings, many of them drug-related.

O'Keefe stopped Garcia, an illegal immigrant, because he



appeared to be carrying a gun. A struggle ensued; when Garcia pulled his weapon, a banged-up O'Keefe shot and killed him. But when news of his death spread in the neighborhood, it was accompanied by wild rumors, some spread by Garcia's associates, about how he had either been executed at point-blank range or had been beaten to death with a police radio. Al Sharpton was there to rev up the volatile crowds, claiming that O'Keefe had executed Garcia with a shot in the back, something "they didn't even do in the Wild West."<sup>32</sup>

Garcia, who had bragged in a videotape taken from the supposed "witnesses" to the "execution" that drug dealing "is legal here on these blocks, it's LIBERATED," was found in the autopsy to have cocaine in his blood. The District Attorney's report completely vindicated O'Keefe. But both the press and Dinkins immediately depicted the event as a case of police brutality.<sup>33</sup>

The *New York Daily News* carried a screaming headline, "He Begged for Life." Its story was picked up by credulous television reporters who failed to note that the only basis for the accusation came from "witnesses" who were relatives of Garcia's boss in the drug trade. Police Commissioner Lee Brown was out of town, but Dinkins, who had once lived in Washington Heights and had to know that it was the cocaine capital of the Northeast, didn't just express sympathy to the dead man's family; he treated the incident as a matter of police malevolence and quickly invited the Garcia family to Gracie Mansion and arranged for the city to pay for the funeral. Egged on by the press and the mayor, the drug runners rioted for three days, trashing Korean-owned stores. There were twenty-three injuries and millions of dollars worth of damage but fortunately only one death.

The riot may have been small potatoes by LA standards, but still it left many ordinary New Yorkers shaken and the police demoralized. As calm returned, anxieties shifted to the logistical nightmare of the Democratic convention. But thanks to the efforts of Deputy Mayor Bill Lynch and Director of Operations Harvey Robbins, it went off without a hitch.

The convention was the political and personal highlight of Dinkins' four years in office. For a week, beginning with his fifteen-minute address to open the convention, he fulfilled the role that had led his supporters to push him into running for mayor in the first place. Energized as he had rarely been in governing, he became THE

national spokesman for urban liberalism. Alan Finder of the *New York Times* captured the scene:

At one point, within a span of 48 hours, the Mayor delivered a welcoming speech from the podium at Madison Square Garden; addressed tens of thousands of people crammed into Times Square for an AIDS rally and, the next morning, a salute to Broadway; took Nelson Mandela, the head of the African National Congress, to meet with Gov. Bill Clinton at the Democratic nominee's hotel; was host to mayors from around the country at Gracie Mansion, and kicked off a glitzy fashion show featuring top New York designers under a huge air-conditioned tent in Central Park. Amid the swirl of events, Mr. Dinkins also managed at least a half-dozen television interviews and countless appearances at breakfasts, luncheons and receptions for convention delegates. And he was greeted with standing ovations and compliments, about both his city and his performance as host to the Democratic National Convention.<sup>34</sup>

Dinkins was center stage for the televised concluding ceremonies as he, presidential nominee Bill Clinton and vice-presidential nominee Al Gore raised their clasped hands in a promise of victory. Dinkins, said *Newsday* columnist Jimmy Breslin, "was insane with joy because he had his face right out there while the people cheered and the cameras, the cameras, focused on him." There was a sense, recalls Lynch that "the city was back."<sup>35</sup>

Dinkins was at the top of his game. New York State was not in play for the presidential election, but Dinkins' efforts couldn't help but boost black turnout nationally. And given his prominence at the convention, he had reason to hope that, should Clinton win, a financial rescue package might be his reward.

A great deal was riding on a Clinton victory. The claim that twelve years of Reagan-Bush were responsible for everything from poverty and unemployment to AIDS and intolerance was repeated so often by Governor Cuomo, Mayor Dinkins and the members of the city's Congressional delegation that it took on an almost liturgical quality. In the topsy-turvy world of New York City politics, the 1970s, when the Bronx burned and the city almost went bankrupt, were remembered fondly by many liberal politicians as an era of federal support. By contrast, the boom of the 1980s, when minority families made major gains in income, was decried by Manhattan Boro President Ruth Messinger and Public Advocate Mark Green as

the decade of greed because Reagan-era federal subsidies failed to keep pace with the city's exploding budget.

New York's liberal politicians reacted to Bill Clinton's election with chords of FDR's theme song, "Happy Days Are Here Again." One headline read, OFFICIALS COUNTING THE DAYS TILL THEY COUNT CLINTON AID. So sure was *Newsday* of the imminent arrival of federal manna that under the headline WHAT'S IN IT FOR US it ran a collection of wish lists compiled by urban experts.<sup>36</sup>

An ecstatic Dinkins aide announced that the mayor wanted to follow in La Guardia's footsteps and "set the urban agenda." La Guardia had gone to FDR's Washington with a wish list sixty years earlier; David Dinkins could do no less. A jubilant Dinkins, his own re-election possibilities seemingly enhanced by Clinton's victory, waited less than a half a day after the election before sending off twenty pages to the president-elect asking for help with everything from infrastructure to the arts.

But a great deal had changed since La Guardia formed a political partnership with FDR. New York no longer had the clout to call the shots in Washington. In 1933 when La Guardia was first elected mayor, New York had a population greater than the fourteen smallest states combined and twenty-two representatives in Congress. By 1992 as population and power shifted South and West, it had only twelve congressional districts wholly within city limits. In the 1992 congressional elections, New York State lost all three of its seats on the powerful House Appropriations Committee and two of its three seats on the Ways and Means Committee. "We are a hurting state," said Gail Brewer.

Nonetheless, Dinkins was optimistic. He told New Yorkers that he was the man who could deliver dollars for the city because "I'm in and out of the White House all the time." But with national polls running better than two to one against increased local aid, Clinton, faced with a reluctant Congress, was never able to give New York much help. The president's proposed \$19.5 billion Stimulus Program, based largely on the U.S. Conference of Mayors "ready-to-go" construction and infrastructure projects, was soundly defeated even though the Democrats controlled both houses of Congress. Clinton, however, was able to take a great deal away from New York. A Marine Midland bank study found that half the families hit by his tax increase lived within ninety miles of the Empire State Building. Because of New York's density of high incomes, made

necessary in part by the high cost of living, \$19 billion in taxes were extracted from the region, explains economist Leslie Hunt of HSBC Holdings.<sup>37</sup>

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New York was a city that believed in Washington more than Washington believed in itself. That meant that time and again sophisticated New Yorkers would cooperate in their own fleecing. "New York," explained Senator Daniel Patrick Moynihan, "is a liberal state and . . . can't break out of the notion that anything you get from the federal government is free. But the formulas are the other way around." After twelve years of blaming Republicans for New York's problems, a senior aide to a high-ranking Democratic official commented that Clinton had "continued in the bi-partisan tradition of transferring money from New York to the Sunbelt." This was no surprise to Senator Moynihan, who, referring to Gotham's Congressional delegation, which voted for the Clinton tax hikes while opposing a capital-gains cut that would have helped the city, noted bitterly that they "can be depended on to vote for legislation that will transfer resources out of New York."<sup>38</sup>



SEVEN

## Breaking the Mold

**G**iuliani's January 1994 inauguration did little to shake the city's pessimism. While the national economy was recovering robustly, Gotham's unemployment rate was 11 percent. The city had been losing an average of 235 jobs a day for four years, its economy sinking under the weight of a government that employed one of every five New Yorkers directly and another one in five indirectly not to mention the one of out six (a total of 1.2 million) residents on the dole. In addition to the city's ownership of nearly 5,000 abandoned buildings and 30,000 apartment units and its responsibility for managing some 3,000 buildings of public housing for some 600,00 residents, it also owned 500 gas stations, seventeen hospitals, radio and television stations, a hotel and eighty off-track betting parlors. The weight of this burden placed a \$2.8 billion budget deficit—a sum larger than the budget of four states—on the shoulders of the new mayor.<sup>1</sup>

It wasn't clear that Giuliani could rise to the challenge. He delivered an ineffectual inaugural speech. With his seven-year-old son Andrew tugging his leg, the new mayor proclaimed, "The era of fear is over." New York, he insisted, was "governable." But with Gotham averaging five murders a day, most people took a wait-and-see attitude. Still, the speech struck some of themes that would define his mayoralty. Giuliani talked with pride of his immigrant grandfather Rodolfo "who came here with twenty dollars in his pocket" but achieved a better life for his family. And he insisted that in a city where "diversity" was rightly respected "as a source of our



strength,” it was imperative to apply a single “standard of fairness” that transcended racial and ethnic lines.\*

Pride of place in the inaugural speech went not to crime or the economy but to the February 1993 attack on the World Trade Center that took six lives and commanded seven paragraphs. The attack could have been far more costly. Had the 1,500 pounds of explosives carried in the terrorists’ van been parked just a few feet closer to a wall that sealed the foundation off from the Hudson River, there would have been far more death and damage.

Dinkins, mayor at the time, had been on an overseas trade mission when the bombing took place and was little effected by the attack. But Giuliani, who quickly recognized the link between the bombing and the 1990 assassination of the anti-Arab extremist Meir Kahane by Islamists, saw the attack as a momentous event with enormous implications for the future. New Jersey Governor Jim Florio similarly talked of “a new chapter in American history” in which “as a society, we’re going to have to start thinking about things like access to weapons and explosives.”<sup>21</sup>

The newly installed mayor praised the police, fire, and nursing rescuers, and described the city’s response to the terror attack as a model for what he hoped would be Gotham’s self-reliant future. It was a moment, said Giuliani, when “50,000 New Yorkers took charge of themselves and each other, showing on their own even before any city worker could help them...the New York spirit.” The response, said Giuliani, was “a demonstration of the courage and ingenuity we must apply to restoring public safety, saving our schools, creating jobs, controlling our budget deficit and improving the quality of our lives.”

Only after these comments did he turn briefly to another emergency, crime. He mentioned the city’s fiscal and economic problems only in a passing phrase. The speech was a lost opportunity to educate the public on how crime and the economy were connected.

Giuliani took pains in his inaugural speech to talk of how, in a break with recent years, he had put together a highly “bipartisan”

\*In a campaign speech before Women for Giuliani, he began similarly by saying he would speak not to women’s issues but on what was “important for all New Yorkers.”<sup>1</sup> On the Kahane killing, see the appendix “A Short History of Terror Attacks on New York.” There were suspicions in the wake of the 1991 Gulf War of Iraqi involvement in the 1993 attack. The lead bomber, Ramzi Youssef, whose nom de guerre was “Rasheed the Iraqi, came into the U.S. from Iraq. The bombers, who had

government. This was true insofar as two of his four deputy mayors, John Dyson in charge of economic development, and Ninfa Segara, who had the education portfolio, were Democrats. But neither of them had any City Hall experience. With one exception, none of the top Giuliani staff had ever worked in the office of the mayor. This led Sam Roberts of the *Times*, voicing a common concern, to write that “the fledgling administration is long on earnestness and independence—some say arrogance—and short on experience. Arguably, it owes little, but knows less.” Or as a former official told Roberts, “You don’t populate a warehouse with virgins.”<sup>3</sup>

Roberts’ doubts about whether Giuliani’s novice crew could govern were shared by the city council, which viewed the new mayor as a usurper. They couldn’t imagine how a Republican could lead an overwhelmingly Democratic Gotham. The city’s legislative body, its powers enhanced by the new charter, had already flexed its muscles by frustrating fellow Democrat David Dinkins. What would they do to a Republican? Egged on from Albany by Assembly Speaker Sheldon Silver, a fellow Democrat, the council rank and file, which represented the city’s interest groups more than its neighborhoods, assumed that it would be able to block Giuliani’s initiatives.

The members of the Financial Control Board were backed by both Robert Kiley of the New York City Partnership, which represented the city’s most powerful firms, and the influential Richard Larkin of Standard & Poor’s, the bond-rating agency. The Board saw no reason to give Giuliani the benefit of the doubt and instead wanted to take over the city’s finances themselves.

In the first week of the new administration, the private members of the Board, at the urging of Eugene Keilin, the new chairman of the Municipal Assistance Corporation, came to pay the new mayor an extraordinary visit. They told him that the \$2 billion plus budget gaps were far too large to close in one year without layoffs so severe as to rend the social fabric. The implication was that there was a danger of civil disorder under a new mayor deemed illegitimate by some black leaders.

It appears that the outspoken and thoughtful Larkin, who had

lived in Brooklyn and Jersey City, had made hundreds of phone calls to Iraq in the weeks leading up to the attack. Another bomber, Abdul Yassin, fled to Iraq where he was given sanctuary and put on Saddam’s payroll. In Dinkins’ absence, Deputy Mayor Norman Steisel and Police Commissioner Ray Kelly took charge of the city’s very effective response to the terror attack.

turned himself into a de facto fiscal monitor, decided, in retrospect, that he had been far too easy on Dinkins. Dinkins had, he argued with the 1975 fiscal crisis in mind, done far more short-term borrowing than was prudent. Putting the new mayor on notice, Larkin made Giuliani explain in considerable detail how he would handle the city's short-term borrowing differently. Larkin made it clear that he would be watching closely and that Standard & Poor's was more than willing to give a vote of no confidence in the new administration by downgrading New York's bonds.

Three days after taking office Giuliani responded to the fiscal woes by announcing—and enforcing—a hiring freeze. Any exemption had to be approved by him personally. Dinkins, noted Allen Proctor of the Financial Control Board, had technically had such a freeze in effect for the past two years, during which time the city nonetheless added thousands to the payroll. In another exercise of control, Giuliani, breaking with traditional practice, required deputy mayors to clear their top appointments with him.\*

The mayor also moved quickly to change the tone of the streets. For many motorists, the first sign that they'd entered New York were the nearly ubiquitous "squeegee pests" who would approach at a red light and offer to "clean" your car with a dirty rag in exchange for a few quarters. In the past the squeegees just ignored the tickets that they had been given for blocking traffic. Building on an initiative begun by Police Commissioner Ray Kelly in the waning days of the Dinkins' administration, Giuliani and Bratton intensified the police focus on the "squeegees." Under Giuliani, they began to make arrests. Forty percent quickly disappeared; the other 60 percent were arrested, and of these half were found to have previous arrests for serious felonies and almost all had drug-related arrests.

Norman Siegel of the New York Civil Liberties Union had claimed that the squeegee men were just "down on their luck" homeless people. But three-fourths of those arrested turned out to have legitimate addresses, 30 percent had previous arrests for serious felonies, and almost all had drug-related arrests. Although they had

\*Municipal Archives. A Giuliani memo of January 5 addressed to all Commissioners and Heads of Covered Organizations called for a 1 percent cut in the current agency operating budgets and 10 percent for 1995. The memo also announced, "To ensure that spending is controlled, I am instituting a strict monitoring system" subject to personal review by the mayor

seemed to be ubiquitous, it turned out that there only seventy-five squeegees. In a month they were gone, and Giuliani began to build credibility.

A "Gateway Initiative" to clean up the garbage-infested arterial roads leading to and from the highways was also launched in the first week. That took longer to bear fruit, but when it did it led *Washington Post* columnist Richard Cohen to exclaim in July 1994, "Something astonishing is happening in New York. Could its name be Rudolph Giuliani?"<sup>4</sup>

But despite his energy and his quick start, prominent voices still doubted that Giuliani could make much of a difference. George Will, like many conservatives, thought that New York was so far gone that the November election had been "irrelevant." Senator Moynihan concurred. Shortly after the new mayor took office, Moynihan told a hearing on juvenile violence conducted by New York's former Public Advocate Andrew Stein: "the out of wedlock ratio in New York City today is 43 percent and there are districts where it is 94 percent. If you know that number today, you know what the situation of teenagers in high school will be in sixteen years' time. This tells you that the next two decades are spoken for.... There is nothing you'll do of any consequence, except start the process of change. Don't expect it to take less than thirty years."<sup>5</sup>

The pessimism seemed entirely justified. The welfare rolls seemed certain to grow; in 1993, for the first time ever more than half the births in New York were to out-of-wedlock mothers.

To make matters worse, the city was about to run out of cash reserves to cover its payroll. New York was so short of money that for more than a year it quietly but deliberately stalled on paying vendors. But because the administration was tight with information the press never caught on and the city avoided a panic.

A substantial portion of the city thought the danger came not from inaction, but from measures that might stir the underclass into riots. A poll taken during the election campaign by the local all-news cable TV station NY1 found that one-third of those surveyed

<sup>4</sup> Caught up in a social scientific version of Calvinism, Moynihan's comments took on an increasingly bitter tone. In the summer of 1994 at Senate hearings on the failure of the 1988 welfare reform, the senator expressed his pessimism in apparently off-the-cuff remarks. He talked about the fourfold increase in teenage pregnancy from 1960 to 1991 as "an unbelievable national tragedy for every segment of society." And then he suggested that a biologist who looked at the recent surge in



expected riots if Dinkins was defeated. Speaking on television, African-American police leader Eric Adams had threatened, "We're going to have to consider arming ourselves with bullets" if Giuliani's "forces of evil" win.<sup>5</sup>

Giuliani's first visit as mayor-elect was to Harlem and Salem Baptist Church where the pastor, John Brandon, a supporter, greeted him. The newly elected mayor told the congregation, "You're all the same." Then, as Eric Pooley of *New York* magazine described it, a young man with his hair in cornrows looked startled, then puzzled, and then offended. Giuliani went on: "The people of this city—it doesn't matter what their race, age, ethnic background, gender or sexual orientation—they're basically the same in what they worry about." Now the young guy in cornrows grinned; he got the point. Rudy went on, insisting with some exaggeration, "the people of Staten Island and the people of the South Bronx look at the world in exactly the same way." But it turned out the guy in the cornrows was the exception. Brandon was soon driven from his congregation for the sin of backing Giuliani.<sup>6</sup>

No matter what his accomplishments, Giuliani would never be forgiven for displacing Gotham's first African-American mayor. On election night, one of Dinkins' supporters described the defeat as "like a death in the family." More ominously, the Reverend James Forbes of Riverside Church said that Dinkins' defeat felt to him like the assassination of Martin Luther King all over again. *Newsday* editor Les Payne said that Giuliani was "rabid" and described Ed Koch as a "zany bigot" for having backed him. In Washington, Dinkins' close ally, Congressman Charles Rangel, no sooner met privately with Giuliani than he began publicly sniping at the mayor-elect.<sup>7</sup>

Anyone predisposed to hate Giuliani probably had their sentiments reinforced on January 9, 1994, a little more than a week into the administration, when a hoax involving a Harlem mosque threatened to explode into rioting. This was the administration's first real test.

The trouble began while Bill Bratton was in flight from Boston

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teenage pregnancy might wind up "talking about 'speciation,'" implying that the multi-generational offspring of inner-city female-headed households were becoming a people almost entirely apart from the rest of society. In other words, urban pathology was intractable and the costs and casualties it imposed on the cities were simply going to have to be accepted as a normal part of doing business. *Newsday* 8/2/94.

ready to begin work as Police Commissioner. On 4 o'clock on a Sunday afternoon, an anonymous caller to 911 told the dispatcher, "He's sticking up the Muhammad's Mosque" at Fifth Avenue and 125th Street. The caller continued, the robber "has a gun too." The dispatcher's call for assistance mentioned only the address but didn't point out that the mosque was a "sensitive location" and that there is no sign in front identifying the third floor of the building as a Nation of Islam mosque.

The call was a set-up. When the first two officers responding ran up the stair to the third-floor mosque, they were met by a dozen members of the Fruits of Islam security force. They threw the cops down a flight of stairs after taking a police gun and radio. A nasty brawl then ensued on the sidewalk.

As the incident began to unfold, Giuliani was well aware of a similar, deadly fracas that had occurred in April 1972. That year two cops responding to an "officer down" dispatch ran into a building on East 116th Street that—again, there was no sign—turned out to be a Nation of Islam mosque where Malcolm X had preached. The officers didn't know the report of an officer down was a hoax. They were forced down the stairs, pummeled, and one of the officers, Philip Cardillo, was executed at point blank range. During the tensions that followed, Nation of Islam leader Louis Farrakhan and Congressman Charles Rangel used the threat of riot to force the police to back off and release the prisoners who had been taken into custody for Cardillo's murder. The police department, under Commissioner Patrick Murphy and Deputy Commissioner Ben Ward, later the top cop under Ed Koch, tried to sweep the killing under the carpet. No one was ever tried for the execution and Mayor John Lindsay and Commissioner Murphy effectively blamed the police for the incident. Neither man attended the murdered officer's funeral and the whole affair had a devastating effect on police morale.<sup>8</sup>

With the 1972 Harlem mosque and the 1992 Washington Heights incident in mind, Giuliani was determined to produce a different outcome. With eight officers hurt, he pressed Bratton to take action: "You have officers injured. You have stolen police property. Why aren't you going in?" But Joe Leake, the boro commander on the scene, was worried about the threat of a riot. A deal was worked out in which police were allowed to search the mosque where they found the radio and gun. The Muslims promised to surrender the people they knew had been involved shortly. As with a similar prom-



ise in 1972, they quickly reneged. But the 1994 incident, Bratton notes, had already sent out two messages from the new mayor: "To the cops: I'll support you with the benefit of the doubt." To the city: "There's a new sheriff in town, and we're not going to tolerate disrespect for the police."

When the incident died down, the curtain went up on the next installment of New York's ongoing racial theater, still featuring the usual cast of characters. Congressman Rangel denounced Giuliani on television and warned that the new mayor would be unable to govern if he continued on his current path. The Reverend Wyatt T. Walker called Giuliani a "fascist" in a radio broadcast. C. Vernon Mason, of Tawana Brawley fame, a "lawyer specializing in grassy knoll defenses of crooks of color," denounced the police for an "attack" and a "siege" on a place of worship, arguing that the police would never have entered a white church. (The police had, however, done just that a few months earlier when they went into St. Patrick's Cathedral after a killer.)\*

Liberal opinion was aghast. Giuliani, it seemed was, as the Dinkins campaign had warned, threatening to produce a racial conflagration. One reporter confided that he was "never so afraid of the city going up in flames." But Giuliani, who had expected some sort of racial challenge to his fledgling mayoralty, refused to back off. A mayoral aide explained, "You can't just let community pressure change the facts. Once you do that" you don't have the rule of law.

After the election, Sharpton had engaged in some back-channel meetings with Rudy Washington, the new Commissioner of Business Services. But when Sharpton (described by the *Village Voice's* Wayne Barrett as the "portly prince of provocation") attempted to join a meeting between Bratton and the Nation of Islam leaders, he was turned away. Sharpton bellowed, "This is an insult and affront to our community." He threatened to have Giuliani "impeached by the early spring." In the wake of the incident, Sharpton became an even more frequent presence on the local cable news station NY1, where he was given a nearly nightly platform to denounce the mayor

\*The grassy knoll quotation comes from Richard Brookhiser. The police were attacked no matter what they did. Two years earlier, the police didn't move quickly after a rap concert at City College in Harlem had been wildly oversold. When nine people were crushed to death, the police were accused of racist inaction.

and assert contrary to the evidence that "the police had entered the mosque with their guns drawn."<sup>10</sup>

Giuliani aides met privately with Harlem leaders. But he was dismayed to find that, in what he saw as a breach of trust, the same political leaders who spoke reasonably in private turned around and spewed vitriol in public. Angered by these attacks, which implied that the new mayor could be rolled by public pressure, Giuliani said of Congressman Rangel, the most notorious offender, and his allies, that their relationship would have "to be a two-way street." Then he added imprudently, "They are going to have to learn to discipline themselves." Reporters repeatedly peppered the mayor with questions about how it was that he could refuse to meet with an important black leader like Sharpton. Giuliani responded, "I think you're making too much of Al Sharpton. I always thought you [reporters] made too much of Al Sharpton." Round one went decisively to Giuliani. But at a cost. Already demonized, he was disinvited to speak at a Harlem church and he was loudly booed a month later when he spoke in Brooklyn for Martin Luther King's birthday.<sup>11</sup>

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"If you want to understand how Rudy thinks about management," a long-time Giuliani associate once explained to me with a grin on his face, "you have to remember that at Yankee games he's the guy who's keeping score, writing down how each out, how each run scored, took place." Another aide put it this way: "He's not just watching the Yankees, he's thinking about how he would manage them." Giuliani loves baseball "because it brings together three things that he loves, statistics, teamwork and individual effort." Baseball spoke to Giuliani's mathematical and military cast of mind, or what former Deputy Mayor John Dyson described as his "Tinkers to Evers to Chance mentality," referring to the famous double-play combination renowned for precision teamwork.

"When Rudy read *The Godfather*," noted former Deputy Mayor Joe Lhota, "he studied it from the point of view of how to communicate effectively down to the lowest ranks of an organization, so that every foot soldier understood his marching orders." Lhota, who himself once diagrammed the organizational structure of *The Godfather* for a Harvard Business School seminar, says admiringly, "You could draw a clear line on an organization chart for

almost everything the Rudy administration did." That allowed the city government to speak clearly and with one voice. To make sure that the one voice reached down within the administration, the new mayor invited the leaders of every city agency to a weekend seminar at Gracie Mansion on the topic of "Reinventing Government." The speakers included Philadelphia Mayor Ed Rendell, who had rescued his city from the brink of bankruptcy; David Osborne of *Reinventing Government* fame; and Linda Wachner of Warnaco and Richard Parsons of the Dime Savings Bank who both talked about how they had turned around troubled companies with a particular focus on labor relations.

"Fascinated" by the way "the structure of an organization affects its performance," Giuliani quickly recognized the problem of a city government in which power was both too centralized and too diffused. His solution, in part, was to build on the lessons of his mentor, Judge Lloyd MacMahon, who "ran his office like a boot camp." Giuliani began each work day since 1981 when he had been at the Justice Department with an 8 a.m. meeting, an almost military-style briefing with his top staff in which the position of the enemy was evaluated and short- and long-term strategies for combat were considered. The importance of the "8 a.m. morning meeting," he wrote in his book *Leadership*, "cannot be overstated.... I consider it the cornerstone to efficient functioning."<sup>12</sup>

The 8 a.m. meeting, explained Deputy Mayor John Dyson, allowed the administration to cut through the bureaucratic process to get a great deal done fairly quickly. It gave all the deputy mayors and key staff daily access to Giuliani. With all the major players at the table, it allowed a proposed innovation to get a timely response and, if approved, it expedited its enactment. The morning meetings satisfied Giuliani's executive appetite for the details of a problem and his desire to follow through quickly with the resources needed to get the problem resolved.

The morning meeting was also a place for open and lively discussion. Abe Lackman, Giuliani's first budget director, remembers the mayor as "open-minded." Receptive to exploring ideas, "he was anything but dictatorial before a decision was made." When Giuliani wanted to add money to the Fire Department for new safety equipment and Lackman disagreed, the mayor didn't order the budget director to add the dollars. Instead he took him to visit a fireman who had been badly burned.

Bruce Bender, the right-hand man for the Council Speaker,

Democrat Peter Vallone, says that during their weekly meetings, "Rudy was a good listener. He would ask tough, to-the-point questions. But if you challenged him, if you made a strong argument backed up with evidence, he would change his mind even if that went against what his staff had recommended." One example came when Deputy Mayor Fran Reiter, the representative of Ray Harding's Liberal Party in Giuliani's cabinet, convinced the mayor not to save money by eliminating the city's Division of AIDS Services. Reiter argued cogently at a late-night dinner—Giuliani was always at work—that while the agency had its failings it was essential to help AIDS patients make their way through the maze of city offices. The mayor agreed and, though it was after midnight, called Lackman at home and told him, "Take it off the table."<sup>13</sup>

"Rudy," Lackman observed, "had a fascinating mind, he never took anything for granted, he always asked good questions." A junior aide was struck, sitting in on the meetings from the sidelines, on "how little" Giuliani was affected by political calculations: "The city really is his top priority." The identification of the man and the city was so complete, he explained, that Giuliani poured himself in to the city's problems "as if his own life depended on it." Giuliani kept a two-word plaque on his desk, in silent reproach to his predecessor: "I'm Responsible."

The meetings could be "fun," a chance, as one staffer put it, "to keep track of all the fights that had been picked with vested interests." But being held in a crisis atmosphere seven days a week could also be "brutal" for anyone hoping for a semi-normal life. This was of little concern to Giuliani, who could function at full speed on just a few hours of sleep. One staffer, desperate for time off, told the mayor that he was an orthodox Jew so he could skip the Saturday session.

Giuliani had tried persuading his friend Richard Parsons, who had headed his transition, to become Deputy Mayor for Economic Development. Parsons would have become the highest-ranking African-American in the administration. But Parsons, who had just become the CEO of Dime Savings bank, declined the job and took a less demanding post as chair of the city's Economic Development Corporation. Instead the Deputy Mayor slot went to John Dyson, a well-to-do Democratic businessman and former senatorial candidate from Dutchess County.

Dyson, trained as an economist, had served as Chairman of the New York State Power Authority under Cuomo; earlier he had been



the state's Agriculture and then Commerce Commissioner under the fiscally tightfisted Hugh Carey, a Democrat who had been the only genuinely successful New York governor since the spendthrift reign of Governor Nelson Rockefeller. Upon his appointment to the Giuliani administration, Dyson promised to "unfurl a new banner over our skyline that says, 'New York is open for business,'" and, he added, "not just big, politically well-connected business." He promised to cut taxes and red tape while bringing "an entrepreneurial spirit to government."<sup>14</sup>

Dyson saw strong similarities between Carey and Giuliani. Both men were willing to ignore the polls and take the heat for tough decisions based on what was good for the city or the state as a whole. Crucially, Carey and Giuliani, said Dyson, both understood that in New York "bloated, self-serving government is the problem not the solution."

The deputy mayor rankled many by describing the city through the eyes of a businessman who has a product that's not selling: "In New York City, we raised the price of our product, which is the taxes, the red tape, the regulations, very high. And at the same time, we lowered the quality. We've got to switch this around. We've got to lower the price, which is why we [have to] cut taxes. And we are bringing up the quality." "When we produce a better product at a lower price," he concluded, "people will be interested in buying New York again."<sup>15</sup>

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February 1994 was an extraordinary time in the political history of New York City. It began with the new mayor's unprecedented testimony in Albany, followed a day later with his first budget address. After this came his first State of the City speech and then a statement on the budget. Taken together, the four statements were a both a rallying cry and a battle plan to seize control of the sinking ship.

Giuliani's call in Albany for a state takeover of the city's Medicaid burden was unremarkable. New York is the only state in the country in which localities pay for a portion of Medicaid. But every mayor makes a forlorn plea for a takeover that is thoughtfully considered and rejected by whoever is sitting in the governor's chair.

But Giuliani's testimony before the Assembly Education Committee signaled a frontal challenge to the old order. Sheldon Silver of Manhattan's Lower East Side, the acting Assembly Speaker, asked the virtually scripted question of whether additional state money

would benefit New York's schoolchildren. In the standard performance, the mayor responds with a yes and then goes on to say that of course the problems are so intractable, the needs so great, that vastly more than the additional money offered will be needed. The questioner then gets to make a seemingly statesman-like gesture that allows him to support both more money and fiscal prudence.

But Giuliani responded by telling Silver: "The fact is the system is so disorganized, so disoriented toward administrative overhead and fat, that to give me enough money to really help children, you wouldn't have enough money to do that. The real thing that has to be done, and the way in which we can be honest with the people of New York, is to cut the living daylights out of the overhead in the system." Giuliani spoke of unleashing a "relentless campaign" to "literally crush the cost of bureaucracy in the school system." The stunned Silver was clearly unhappy since the teachers' union, which was counting on more money for the school system, was one of his principal backers.\*

Giuliani was genuinely repulsed by the self-serving and impenetrable bureaucracy at the Board of Education. But his immediate problem was run-away educational costs. If the city budget were to be balanced, then the bloat at the Board of Education would have to be lanced. Budget director Abe Lackman later explained that the "threat of a Financial Control Board takeover was a constant source of creativity."

Unlike any mayor since before La Guardia (with the partial exception of Ed Koch), Giuliani personally mastered the budget. With Lackman and Finance Commissioner Marc Shaw as his tutors, he spent long days studying the fine points of the city's finances. When he came to the podium at City Hall the day after his testimony in Albany, he was ready to speak without notes or teleprompters on a subject he had internalized.

\*The Board of Education Special Circular No. 12 regarding the teacher-mentoring program described part of the bureaucracy that Giuliani was challenging. The teacher-mentoring program was "a worthwhile \$11 million, three-person effort to have experienced teachers guide neophytes." The fourteen-page special circular was addressed to the following: "Community school board presidents, superintendents, UFT and CSA district representatives, principals, UFT chapter leaders, district business managers, directors of personnel, district directors of instruction and professional development, MTIP liaisons, SBM/SDM district liaisons and facilitators, deputy chancellors, executive directors, head of office." *Newsday* 2/2/94, 2/18/94.



The new mayor decided to protect the capital budget and the police. New York, largely a collection of islands, had once been the engineers' city. Woven together by bridges and tunnels, the city's interest in infrastructure had been displaced in the 1960s by the rise of social services spending and the fall of master urban planner Robert Moses. As welfare spending displaced infrastructure maintenance, let alone new construction for badly needed cross-harbor tunnels, the city engaged in "deferred maintenance," allowing bridges to corrode only to be forced to spend even more in the long run to repair the damage.

"Simply put," Giuliani told the TV and radio audience listening to his State of the City speech, "the crisis is this: as of July 1 New York City doesn't have enough money to meet its expenses. Our expense budget is short by \$2.3 billion, arguably the biggest deficit any administration has ever inherited. Without decisive action now, that gap will grow to \$3.4 billion by 1998, which would be a calamity for the people of New York City. I don't intend to let this happen." And then he laid out four propositions:

- ▲ First, we're going to cut the size of government so we live within our means. For the first time since the 1970s we'll propose an expense budget that actually decreases spending in real dollars.
- ▲ Second, we're going to cut taxes to attract jobs so our people can work.
- ▲ Third, we're going to consolidate or eliminate city departments and introduce competition with the delivery of services as part of our program to reinvent city government.
- ▲ And finally fourth, we're going to work with Governor Cuomo and the State Legislature to assure that the city gets a fair share of state revenue.

In the past, he noted sharply, "We have budgeted on the theory that we were unique." But the city, he insisted, could not—as the Lindsay, Beame, Koch and Dinkins mayoralties had unsuccessfully attempted—"tax its way out of recession." It couldn't once again hold the public sector harmless at the price of laying an even greater burden on the private sector, driving people and businesses out of New York. He said he would break that downward cycle by reducing the cost of government.

With one eye on competition from across the river where New Jersey Governor Christine Whitman had announced plans for a 30

percent income tax reduction over three years, Giuliani called for cuts in the commercial rent tax, a levy unique to Gotham, and the unincorporated business tax. In both cases, his aim was to meet the regional competition by helping to jump-start small businesses in the outer boros. To aid the Manhattan tourist industry, he promised to cooperate with Governor Cuomo to reduce the city's 21.5 percent tax on hotel rooms and to encourage new entry-level jobs; he also called for a reduction of the city's sales tax on clothes under \$100. Finally, Giuliani vowed not to use the future growth of revenue to increase city spending down the road. This was a promise he would prove unable to keep.

To reduce the cost of government, he said he would, on a competitive basis, bid out services formerly delivered only by government and sell off city assets the government should never have acquired in the first place. "Would you believe," he asked incredulously, his voice rising, his eyes looking straight into the television camera, "that the city now owns and operates more than 500 gasoline stations, only a portion of which are used to fuel emergency vehicles? To start with, we're going to close at least 85 of them."

Aside from the dismay expressed by the public-sector unions, the biggest reaction came from three elements in his plan. First, he proposed to cut \$291 million and 2,500 administrative positions at the Board of Education. He also planned to privatize two of the city Health and Hospitals Corporation's eleven public hospitals even as he guaranteed to continue providing health care for the poor. And finally, he proposed to fingerprint welfare recipients to eliminate fraud.

The mayor had offended virtually every interest group in town. The Citizens Budget Commission and other welfare advocates were opposed to fingerprinting welfare recipients. School Chancellor Cortines found the proposed education cuts "unrealistic." Councilwoman C. Virginia Fields, angry about the hospital cuts, went to the heart of the old order when she said, "It's not just a service issue; there is a jobs issue." The City Council's twenty-two-member Black and Latino Minority Caucus (out of a total of fifty-one councilmen) issued the mayor a 1960s-style list of non-negotiable demands. They threatened to block any budget Giuliani proposed unless he rolled back the cuts. Una Clarke, a prominent member of the Minority Caucus, said the budget plan was aimed at harming the poor and would create not "a leaner but a meaner city." Asked by the author

(who was one of her constituents) what should be cut, Clarke replied emphatically with one word: "POLICE."<sup>16</sup>

A day after the budget presentation, a small but revealing incident took place at City Hall. In the ongoing circus of continuous protests, this was a relatively quiet moment. Bella Abzug, the colorful and lively left-wing former congresswomen and senatorial candidate from Manhattan, was standing on the long wide steps of City Hall announcing her resignation from her unpaid position as chair of the Mayoral Committee on the Status of Women (not to be confused with the Mayor's Commission on Women). Her action, she said, was to protest the new administration's rude and "shocking treatment of her staff." When Giuliani began ascending the steps, she tried to hand her resignation to the new mayor who, barely taking notice of her, replied, "Why don't you send it in?" A few steps on he added, "I have a feeling when I get it I'll accept it." Watching the pas de deux, a bystander quipped, "in one era and out the other."<sup>17</sup>

Giuliani paid little attention to the daily demonstrations against his budget that created a carnival-like atmosphere on the steps of City Hall. But sniping from the schools chancellor was another matter. Ramon Cortines had become Chancellor in September 1993 after a long and bitter search to replace Joe Fernandez, who had been pushed out during the Dinkins years. Fernandez had lost the confidence of the public by supporting the so-called Rainbow Curriculum, a set of gay-friendly instructional materials aimed at the primary grades.

Cortines, who had been chosen by Board of Education members allied with Giuliani, had as the manager of the San Francisco schools earned a reputation as a low-key and competent but administratively limited leader. The school system he inherited, however, would have been ungovernable even had he been a great manager. The Bureau of Supplies was known as the Bureau of Surprise, and contract bid-rigging was a common practice. Local school boards operating with considerable autonomy had control over not only the hiring of everyone from principals to cafeteria workers but also millions of dollars in contracts as well. For the local boards operating mini-political machines, education was secondary to the patronage and contract possibilities offered by the schools. Politicians saw the local school boards as a source of cash and campaign workers. (Turnout in school board elections rarely exceeded 5 percent, so that people with a financial stake in the school boards dominated the vot-

ing.) In some cases, school board jobs and even principalships were offered for sale.

The school chancellor didn't have to answer to the mayor, but rather to the Board of Education. The district superintendents put in place by local boards didn't have to answer to the chancellor. And the school principals, who were tenured, didn't have to answer to the superintendents. Teachers, who were also largely tenured and protected by an extremely favorable contract, didn't have to answer to the principals—and of course students were rarely held accountable for their behavior.\*

The trouble between Giuliani and Cortines began early in the new administration when few thought the new mayor would be able to gain even minimal control over city bureaucracies long staffed by Democrats. The mayor and chancellor had an extended meeting in which the administration laid out the depth of the city's budget woes and the need to cut back the Board's byzantine bureaucracy. Cortines, according to Giuliani aides, said he understood the problem and raised no serious objections to the upcoming cuts. Then Cortines left the meeting and savaged Giuliani before the awaiting press. It was a breach of trust that was never healed.

Giuliani's anger was animated by the Board of Education's extraordinary indifference to its impact on the city's overall budget. The Board, knowing that it would always be funded, had been cavalier about filing reimbursement requests for money it was owed by Albany. City Hall was simply expected to pick up the slack. Subsequent to the nasty exchange between mayor and chancellor, Budget Director Lackman unleashed a numerical barrage. He noted that of the Board's 85,000 employees only 53,000 were teachers. Further, in the past twelve years school spending had risen 50 percent but 65

\*The best account of school corruption can be found in Lydia Segal's *Battling Corruption in America's Public Schools*. East New York was an impoverished, mostly black neighborhood, with a long history of failing schools and political intrigue. It was also a Wooten family fiefdom. Priscilla A. Wooten, then the local City Councilwoman, was chair of the Council's Education Committee, and two of her sisters held posts in District 19. One sister, Gloria B. Corley, had been a school board member since 1983, much of that time as president. As a member, she had a strong hand in selecting principals in the district—and complained bitterly after a 1996 state law forbade school boards to hire and fire principals. Another sister, Queenie Wooten, worked in the district office, in charge of facilities and intergovernmental relations. *New York Times* 12/5/02.



percent of the new dollars went to administration and only 18 percent to teachers.<sup>18</sup>

Giuliani responded to Cortines with a withering blast at the schools in his State of the City address. He attacked "the disgraceful elevation of the bureaucracy over the children." He noted that from 1980 to 1992 spending on administration grew twice as fast as overall school spending. To what end?, he asked. "The Board of Education has countless thousands of administrators.... There are so many that the chancellor has formed a search committee to find and count them," he jibed to laughter and applause. Then, trying to prepare parents for what was to come, he suggested, "Let's be honest. Money has become the biggest dodge for explaining the failure of our school system.... It's almost become a mantra: If we only had more money."

He drew the most applause when he praised Arlene Beckles, a heroic African-American police officer who, bedecked in curlers, had captured a gun-toting bandit who tried to rob her beauty parlor. But most of the speech was somber. Looking back with undisguised criticism at his predecessor, he talked of inheriting "a city filled with fear of crime," despair with public education, and even "helplessness" produced by policies that "taxed thoughtlessly and spent lavishly." He warned that this "state of the city has to end, because if it doesn't end, it will end our city.... Unless we correct what is wrong, we're facing disaster." To repair Gotham, he echoed the rhetoric of La Guardia and called for "non-partisan" government, praising the cooperation his "fusion" administration had received from Speaker Peter Vallone and the rest of the City Council. Returning to Beckles, he emphasized the importance of "merit," which, he said, means "fresh approaches, fresh ideas, because no party, no race, no religion has a corner" on virtue and intelligence.

Giuliani challenged the federal formulas that gave President Clinton's Arkansas 75 cents of every Medicaid dollar while New York got only 50 cents. But locally, he insisted, the solutions had to come through "reinventing government." To that end he announced that he had signed a contract with America Works, the successful for-profit job-placement agency, to find private-sector employment for welfare recipients. A watchful Stanley Hill, President of District Council 37 of the American Federation of State, County and Municipal workers, cautioned, "If you are reinventing government...you are talking about city workers." But Hill had undercut himself by

taking his top staff out of town to a Florida Disney World retreat where he said everyone was working very hard to figure out how to counter a Republican mayor.<sup>19</sup>

The day following his State of the City address, Giuliani again pounded away at his core themes when he presented the outlines of his four-year budget plan. In order to pay for a workforce far larger than most other cities, "New Yorkers," he reminded the listeners, "have to live with the burden of three of the four largest budgets in the nation [that is, the federal, New York State and New York City budgets]. Most American have to live with only one." He decried the fact that "Our government dominates the local economy" and promised to reduce 15,000 jobs permanently. Then, speaking directly to Eugene Keilin, he laid out part of his strategy for the reductions: "By committing to not rehire four of every five employees who leave the payroll, I will urge the MAC to make available \$200 million in MAC funds to cover the costs associated with severance.... If these funds are not available...then these reductions will be accomplished through attrition and layoffs." The implication was that if Keilin and MAC didn't cooperate, the firings would be on their head. And to make sure that the boom and bust cycle of the past didn't repeat itself, he promised to shrink the ability of government to overspend by keeping government expenditures on a short leash through "tax cuts in every year."

In the wake of his second budget presentation, Giuliani seemed to have won a major victory when Chancellor Cortines said he had "discovered" a lost continent of more than 3,500 Board of Education employees that had long been hidden within the city's infamous school bureaucracy. It turned out the Board had twice as many employees as had been claimed by Cortines.

On the same day as Cortines' "discovery," City Council Education Chair Herb Berman revealed that in the midst of the fiscal crisis, the city's thirty-two local school boards had spent \$2.2 million on conferences in Hawaii, Las Vegas and Puerto Rico. Marcia Kramer of the local CBS affiliate picked up the issue. Using a hidden camera, she recorded a municipal employee bragging that she went gambling in Vegas on city time. But the Cortines and Berman revelations did little to stem the interest groups' outcry against the mayor. These only intensified when, on the same day as the chancellor's revelation, the mayor pressed forward on the reform of the Health and Hospitals Corporation and its failed Kings County Hospital project.<sup>20</sup>



The city hospital system was breaking down. In October 1993, in the midst of the mayoral election campaign, the chair of the City Council's health committee predicted the "collapse of the entire city's [public] hospital system in two years."<sup>21</sup>

Most large cities have one public hospital. Many big cities have no public hospital, having closed them when the federal government stepped into health care in 1965 with the passage of Medicaid to help the poor and Medicare to aid the elderly. New York, however, never adapted to that change. Gotham's Health and Hospital Corporation (HHC) managed eleven acute care hospitals, five health-care facilities, and many neighborhood clinics in the five boros.

Riddled with political patronage, hamstrung by union inflexibility, and unable to bill their patients effectively, five of the eleven hospitals had either lost or nearly lost their accreditation since 1989. While the hospitals' quality declined, their employment rolls rose. In the last two years of Dinkins' term the number of managers had risen by 600 while the total hospital work force grew by 3,200. Management jobs were treated as sinecures. Managers who failed at one post were shifted to another, and then another.<sup>22</sup>

Facing a \$160 million deficit and amidst talk of layoffs, the HHC President Billy Jones, a Dinkins appointee, backed by the HHC Board, demanded an additional \$60 million subsidy from the city. "We have been led to believe that they will pay for it," Jones said. "I don't see this as a big problem." But Giuliani did. Referring to both the HHC and its board, he warned, "It was constituted by the city government; it could be reconstituted." Abe Lackman, Giuliani's budget director, wrote back to Jones telling him, "The city cannot afford to be a deep pocket for HHC." He ordered a halt to any new spending, including a proposed \$300,000 golden parachute for Jones himself. When the HHC balked at complying, the number two man in city government, Deputy Mayor for Operations Peter Powers, the mayor's boyhood friend, strode into a HHC meeting to block the severance package. Jones left with one-eighth of the severance payment he'd asked for and the Giuliani administration began a sweeping overhaul of the HHC's financial practices.<sup>23</sup>

Kings County Hospital in Brooklyn, the city's oldest acute care facility, exemplified the system. Giuliani described the hospital, built in the 1920s, as a "medical museum." With more than 1,200 beds organized in antiquated open wards, Kings County's 6,000 jobs

made it the largest employer in Brooklyn. One billion dollars had been allocated to rebuilding the antique hospital in a city already suffering financially from an overcapacity of hospital beds. But Louis Miranda, the new Giuliani appointee as chair of the Health and Hospitals Corporation Board, noted that after "six [HHC] chairmen, nine [HHC] presidents, twelve years and \$119 million in expenditures," there was only a huge hole in the ground to show for all the money expended. Miranda temporarily suspended construction.<sup>24</sup>

In reaction, angry demonstrations, hovering on the edge of violence, broke out in front of the HHC headquarters near City Hall. Marchers shouted, "JOBS NOT JAILS." Jesse Jackson came to town and compared Giuliani to George Wallace, the Alabama segregationist. Brooklyn political leaders led by Assemblyman Clarence Norman, chair of the Kings County Democratic Party, accused the new administration of racism. But Norman's law partner had been given a \$1.2 million contract to facilitate minority hiring even as the first \$119 million spent on the project had produced nothing more than four acres of excavated dirt, a parking lot and unusable architectural plans.

Speaking at the City Club, the new mayor rebutted Norman et al., insisting, "We have to have the courage to face down those who disguise patronage and power as 'health care for the poor.'" Turning the tables, he argued, "I'm the one fighting for the poor by improving education, safety and jobs. A city that shows it can create private jobs is going to turn around."<sup>25</sup>

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A mid-February poll in *Newsday* found that, after a month on the job, Giuliani was more popular than his policies. The city liked his take-charge style even if it cringed at the specifics of his "reinvention" and "restructuring." Giuliani would from time to time bash the bureaucracies in the language of the American victory in the Cold War. Speaking of the schools, he quipped, "If you give the Board of Education more money you end up with something like the old Soviet Union. If we were not in this addiction to more money, we'd acknowledge it's how government works that's the problem."<sup>26</sup>

For their part, his liberal rivals regularly attacked his "Reaganism," a virtual swear word in many New York circles. Public Advocate Mark Green said, "his bureaucracy-bashing is Reaganism

revisited." Sheldon Silver and Albany's minority caucus, led by the ethically challenged Assemblyman Larry Seabrook, boycotted a meeting with Giuliani as "a show of force" against what they described as Giuliani's "trickle-down Reaganite agenda." A host of columnists chimed in on cue talking about "Reaganomics redux," as well as "Rudynamics," while one academic accused Giuliani of turning the public sector into his "evil empire." (Privately, the Giuliani people noted that as a result of Reagan's deregulation of the financial markets, New York had boomed in the 1980s, allowing minority families to make major gains.)<sup>27</sup>

Giuliani was undeterred. When the sanitation union refused to cooperate on cost savings, the administration deployed "the nuclear bomb threat" of giving garbage collection over to private firms. When sanitation responded as if the threat was merely a bluff, Deputy Mayor Dyson responded, "If you don't work with me, you'll deal with guys who left a million a year law practices for the fun, as prosecutors, of putting guys in jail." But there were carrots as well. The unions were pleased to see that the Giuliani administration—while talking about both layoffs and, even more threatening, privatization—was also proposing some creative options.

Abe Lackman, who had been the budget expert of the Republican majority State Senate, was the second person hired by Giuliani. The son of Holocaust survivors, Lackman, who had been a Sixties radical, retained some of the against-the-current impulses of his youth. When he came on board, Giuliani had assumed that 12,000 to 20,000 layoffs were unavoidable. But Lackman laid out an alternative to massive layoffs. He proposed using MAC (Municipal Assistance Corporation) money derived from the city's sales tax to finance severance agreements with city workers. But he found MAC chair Eugene Keilin, a backer of the Kummerfeld Report, cool, at best, to the idea.

Lackman reasoned that the city needed to do more than just cut workers; it needed union cooperation to change some of the work and staffing rules to make city government more flexible. In the back of Lackman's mind was a case from the state's highest court known as the Triboro Decision. It said that if the city can't negotiate a new contract, all the terms and rules of the prior contract hold. Practically, that meant that if you wanted to change the city's rigid work rules you needed union cooperation. And to get union cooperation you needed to give something in return. That something

would develop into severance packages rather than outright layoffs even as the threat of privatization loomed in the background.

Here was the germ of what would become one of Giuliani's key policy choices. But it needed other players to push it through. One of them was labor negotiator Randy Levine. A native of East Flatbush and a graduate of Hofstra Law School, Levine was, like his long-time friend and Justice Department colleague Rudy Giuliani, a Yankee fan from Brooklyn.

Levine, who tends to focus relentlessly on the issue at hand, insisted on being "professional" in negotiations. "It's important," Levine explained, "to listen to what the other side has to say." "I never in my fourteen years [as a management lawyer] tried to break a union," he explained. When Stanley Hill, leader of the 130,000 workers in District Council 37 of AFSCME, checked Levine out, he found that Levine had a reputation for being "tough but fair." "I got a call from someone who told me, 'You can work with him,'" Hill said. "He works to solve problems and not to confront or undermine you."<sup>28</sup>

In *The Prince*, Machiavelli advises the new ruler to inflict whatever damage is required quickly both as an assertion of strength and as way of allowing the anger time to cool. In that vein, the new administration wanted to reduce the headcount quickly to maximize the budgetary savings and avoid further fights over job cuts. Levine, who had experience with the widespread private-sector labor force reductions during the 1991-1992 national recession, saw how he could make Lackman's alternative to layoffs work.

Rather than outright layoffs, those who agreed to the severance package would get both a lump-sum payment based on years of service and continued health benefits for a year. In return, the unions agreed to relax the civil service rules and allow the administration to move people to where they were needed in city government. Traditionally, for example, a redundant secretary working for the Department of Transportation couldn't be moved to, say, the Fire Department, where there was an opening. Instead, the city would have to go through an entire hiring procedure to bring a new secretary into the Fire Department. Now, in a process known as "broad banding," the unions allowed the city to move a secretary at Transportation to fill a hole at Fire without the cost of a new hire.

The unions were intrigued by the possibility of reducing the headcount by 9,500 workers through the severance package since



the rest of Giuliani's goal of a reduction of 15,000 in the city's head-count could be achieved by attrition. But Eugene Keilin, Governor Cuomo's choice to replace Felix Rohatyn as the head of the Municipal Assistance Corporation, balked. Keilin, an anti-racism activist in the 1960s whose father was a civil rights attorney, was a strong supporter of government social services. Keilin, who had made his money working with Felix Rohatyn in deals to restructure failing private-sector companies such as Weirton Steel and United Airlines, had his own strong ideas about how city government should be reorganized.

A highly partisan Democrat, Keilin was said to loathe Giuliani. In late March, he took to the pages of the *New York Times* to deliver a message to the mayor. Giuliani had protected police, firefighter and teachers from cuts. But Keilin argued that "a sense of rough justice requires that there be no sanctuaries" from the budget ax. In practical terms, Keilin thought that there were substantial savings to be had from both police cuts and the "civilianization" of police work that could be done by clerks rather than uniformed officers. Two days later, the *Times* weighed in with an editorial backing Keilin. He also received strong support from the minority caucus on the city council who saw Giuliani as supporting the heavily white police force at the expense of the social service jobs held by black and Puerto Rican city employees.<sup>29</sup>

Lackman offered the administration's initial public reply, arguing that the proposed merger of the city's three police forces (Transit, Housing, and the NYPD) would guarantee considerable savings. This was met with considerable skepticism since other mayors had tried to merge the police forces and failed. But privately the Giuliani people were making a different case. Sergeants, they insisted, found that when they barked out an order to civilian employee, very little followed. Cops, they noted, had a far higher level of efficiency than run-of-the-mill city workers. Accustomed to working in a paramilitary organization, cops responded more quickly and effectively to what needed to be done.<sup>30</sup>

Giuliani wouldn't take Keilin's "no" for an answer. He told the press, "It's our [the city's] money. It's not his [Keilin's] money.... It isn't his role to be suggesting the budget priorities or the political priorities of the city." Giuliani threatened to make Keilin, and by extension Cuomo, the fall guy for any layoffs he might have to impose if MAC refused to allow the city to use its own money to finance the severance packages. Keilin caved.<sup>31</sup>

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As Giuliani approached his first hundred days in office during the second week of April 1994, he seemed to be doing reasonably well. Challenged by one of the worst winters in memory, one with more than a dozen extra-heavy snows including an all-out blizzard, Sanitation Commissioner Emily Lloyd efficiently cleared the streets, and the Arab man who killed a Hasidic boy on the approach to the Brooklyn Bridge was captured by Bratton's cops within twenty-four hours. The mayor, sensitive to the city's ethnic dynamics and aware that, as in the wake of the 1993 bombing of the World Trade Center, other terror plots might be underway, made a point of distinguishing the city's Arab population from the gunman's vicious deed.

There had been some significant mistakes. Giuliani's first Buildings Commissioner quit abruptly after news reports of dubious business practices. A riot in the Rikers Island prison complex made it clear that Anthony Schembri, his Corrections Commissioner (and the model for the TV show the "The Commish"), wasn't on top of his job. And sometimes Giuliani let his personal pique get the best of him. His disdain for Public Advocate Mark Green became clear when he summarily dismissed a reasoned proposal by Green for "managed competition" in the repair of police cars as "idiotic."

Giuliani's take-charge, in-your-face style drew hostility while his attacks on budget-busting bureaucrats and their programs drew a nearly endless round of protests. An average day might draw hospital workers holding a mock funeral to protest the possible privatization of public hospitals; parent groups angry about school funding cuts; and AIDS activists including the actress Rosie Perez shouting, "Wake up, baby! OK? Because if you cut this [AIDS funding], you're going to cut yourself."

Giuliani's poll numbers were twelve points below Dinkins at the same point. Still, he was gaining ground among some Democrats. When a reform Democratic leader took some shots at the mayor at his local clubhouse, he was, much to his surprise, shouted down by his members. And Speaker Vallone, the most powerful Democratic office holder in the city, introduced Giuliani to a Queens Civic Association, declaring, "I think we have the right person at the right time to lead us into the next century."

But Giuliani made only very limited headway among minority voters. Still angry over Dinkins' defeat, they had fresh reasons to dislike him. On top of the budget cuts in agencies with heavy minority



employment, he refused to build a new police academy in the heavily Latino South Bronx; eliminated Dinkins' offices of racial and ethnic affairs; and ended the city's 10 percent bonus for minority contractors. The press, accustomed to counting by race, picked up on these themes and repeatedly complained that Giuliani lacked the requisite number of minority hires

Giuliani saw his most important early accomplishment as having begun to change the tone and assumptions of city government. But the budget pressures cast a deepening shadow over the administration. Facing up to the fiscal situation, Giuliani had continued to pressure the Board of Education to make additional staff cuts. He called on the prominent lawyer Edward Costikyan to devise a plan to decentralize the Board of Education into five smaller and more accountable boro boards. Then, dissatisfied with the limited cuts Cortines had been willing to make, Giuliani appointed Herman Badillo as a fiscal monitor to investigate the board's finances. He said a monitor was essential to provide him with "accurate information" on the Board of Education's finances and bureaucracy.

The mayor was particularly angry with the Board's long-time budget director Leonard Hellenbrand who was the keeper of the Board's byzantine bookkeeping secrets. Hellenbrand, described by a political pro as "brilliant at hiding funds," was a master of moving money between the Board's thousands upon thousands of different ledger accounts to obscure just how much was being spent for what. For his part, Cortines denied that he knowingly misled the mayor. He later said he wanted to consolidate the Board's five different computer systems into one. But seeing the Badillo appointment as a vote of no-confidence, the decent but ineffectual Cortines threatened to resign, saying, "My integrity is not for sale." Giuliani heard the news of the threatened resignation while he was taping a very upbeat WCBS-Radio show on his first hundred days. Clearly annoyed, he described the threat on live radio as "peevish."<sup>32</sup>

The political establishment that had been shaken by Giuliani saw an opportunity to strike back by rallying around the chancellor's ire. In the words of one experienced Democrat, "Anyone with a hard-on for Giuliani got in their whacks." The mayor's "bullying style," his budget cuts and even the way he looked became the object of opprobrium. Parents' organizations and the press turned on Giuliani with a fury; he had few defenders. His critics assumed that they had Giuliani cornered; he couldn't, they reasoned, begin a politically

harrowing search for a new chancellor so soon after the bitter fight required to select Cortines only half a year earlier.

But Giuliani was more interested in bringing the deficits under control than calming the press. He characterized Cortines as having been "captured by the bureaucracy of the system," while Deputy Mayor Peter Powers made it clear that they were more than willing to begin the search for a new chancellor. Governor Cuomo and Speaker Vallone stepped in to mediate and eventually negotiated a compromise that left Badillo in place to oversee the Board of Education's finances and Cortines rescinding his resignation for the time being.<sup>33</sup>

The image of an implacable mayor immune to the ordinary rules of politics began to take hold. Journalist Andrew Kirtzman captured the popular sense of the scene: "Thousands of protestors, union members, politicians were fighting one man, who stood alone each day at the podium inside City Hall's Blue Room, a solitary figure facing a sea of skeptical reporters. He was an army of one."<sup>34</sup>

The imagery served the mayor well. But no mayor facing a budget crisis—not even a Rudy Giuliani or a Fiorello La Guardia—could bring the city's problems under control without the help of allies. Peter Vallone would prove to be the mayor's invaluable ally.

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On January 2, 1994, Vallone, having already attended early Mass, was in office working as usual at 8 a.m. when the new mayor, postponing his customary 8 a.m. meeting, walked into his office. Vallone was stunned. It was the first time a mayor had come over to the speaker's side of City Hall; other mayors expected the council leader to come to them. The two men, both Italian Catholics with an outer-boro mentality, had never really spoken. Giuliani asked Vallone why the speaker's side of the building was so clean and his own so dirty. Vallone explained who the new mayor had to talk to on the cleaning staff.

Vallone, a temperamental moderate even as Giuliani was an immoderate centrist, had been at work trying to draft compromise legislation that would allow horses to continue to be used for Central Park carriage rides while insuring a more humane treatment of the animals. The men quickly connected on a personal and a professional basis. "Rudy pitched in to help work on the legislative language," said Vallone, "and together we drafted the first piece of

legislation passed under the new mayor." It was the start of a relationship that pulled the city out of its fiscal morass by transcending partisanship.

Herb Berman of Brooklyn, a Vallone ally and the chair of the council's crucial finance committee, was afraid that the arrival of a Republican mayor would, notwithstanding his talk of non-partisanship, bring "Albany-style party bickering and gridlock to city government." Berman, who had been influenced by the intellectual ferment of the Dinkins years, saw politics in Albany as "an endlessly petty contest to embarrass the other party which should have no place in New York City where Republicans were so few that the primary divisions were between boros." Besides, he explained, given its fiscal woes, the city needed bipartisanship to survive. But he was afraid that Giuliani, who saw the council members as first cousins to the corrupt hacks he had put into jail as a prosecutor, would trigger a self-defeating partisan battle. The council could, if it were sufficiently angry with the new mayor, undermine the mayor's efforts to balance the budget as was required by law.

Vallone recognized the problem. The speaker, an enormously decent man, represented the heavily Greek and home-owning urban village of Astoria, Queens, which had gone heavily for Giuliani in the 1993 election. Vallone, who pushed for more cops and the constraints on property taxes that were strangling the neighborhoods, had been at almost constant odds with Dinkins. In his 1993 State of the City speech, Vallone anticipated some of the themes of the Giuliani years. He called for breaking up the Board of Education and the Metropolitan Transportation Authority, two of the area's most dysfunctional fiefdoms. "We will continue to demand help from Washington and Albany," he told the crowd gathered at City Hall, "but we will do what we can to help ourselves.... The city has not done a good job of encouraging business investment."

He saw that "Giuliani didn't know the members of the council from Adam." Similarly, he thought the "wild hostility" of some of the council could be tempered by meeting the mayor. So, Vallone brought each council member one-by-one to Gracie Mansion to talk with Giuliani. Each meeting began with the council member laying out his or her concerns for ten minutes; then Giuliani would respond. This at least partly "humanized the council members to the mayor and bridged some of the mutual hostility."

For his part, Giuliani went out of his way to keep Vallone and

his chief political aide Kevin McCabe in the loop. "They made a convivial group," noted journalist Andrew Kirtzman, "these four Catholic school guys from the boroughs. Giuliani, Powers and McCabe had all attended Bishop Loughlin High School in Queens while Vallone had gone to its Manhattan rival, Power Memorial." Giuliani extended himself to the council at large by holding an annual reception at Gracie Mansion, and he even showed up, briefly, for the council's annual outing.<sup>35</sup>

Vallone, who jealously guarded the council's newly found powers under the 1989 charter, was, like Giuliani, almost violently opposed to a Financial Control Board takeover of the city's finances. "I banged on the table in opposition during one meeting" out of four or five early meetings with the FCB. "My staff, he explained, referring in part to "brilliant" but largely unknown Bruce Bender, "was far stronger than the FCB crew." Still, Vallone recognized that the "FCB threat" was crucial in selling difficult budget decisions to a reluctant council.

Vallone depended heavily on the judgment of his staff to build a consensus. This was the way he worked: "First" he "had to be convinced of a policy by the staff," because he knew that "if the staff could convince me, I could convince the council." Then Vallone would sit down and reason with his key council allies such as Archie Spigner who represented the African-American homeowners of Jamaica, Queens, and Victor Robles, a Brooklyn Latino moderate. Then he "widened his circle" and asked his chief critics on the council, Ronnie Eldridge of Manhattan and Sal Albanese of Brooklyn, to weigh in. Finally he moved to secure support from every boro before he and Bender went to the mayor with the council's proposals.

The process didn't always work. There were tough institutional battles pitting the prerogatives of the council against the claims of the executive. At one point during the 1994 budget battle, for instance, Lackman cut off council computer access to the financial numbers. But remarkably for New York, the mayor and the speaker generally worked well together to face down the looming disaster.

But even with this team in place, there was rough financial sledding ahead. Trying to be upbeat, the mayor, referring to the severance agreements, pointed out that "we have achieved the part" of the fiscal plan that people said "could not be done." City Council Finance Chairman Herbert Berman agreed. He called the agreement a "major accomplishment." But Berman, aware of the dismal num-

bers that were largely hidden from the public, warned that “the budget itself has a long way to go.... People do not realize what a horrendous job it is going to be to close this budget gap.”

Berman was right. It wasn't until the second quarter of the 1996 fiscal year that the city would be able to see light at the end of the budgetary tunnel.



## The Democratic Rudy?

In his first year in office, at the same time he was storming the citadels of New York City's Democratic Party establishment, Giuliani took pains to build a good working relationship with Governor Mario Cuomo and President Bill Clinton, both Democrats. In August 1994, Mayor “Rudy Dinkins,” or so he was described, took to the op-ed page of the *Washington Post* to argue on behalf of President Clinton's crime bill then being held hostage in the House to a mesalliance of anti-police liberals and anti-social program conservatives. Sounding like a conservative, Giuliani insisted, “The grim reality of crime in America requires a clear emphasis on stronger enforcement and more severe punishment.” But then, switching into a Dinkins-like mode, Giuliani praised the bill's programs including Midnight Basketball, an object of considerable derision. He claimed that Midnight Basketball offered “hope that in the future we can reduce the need for so many police and so many jails by funding proven prevention programs for young people, including sports programs, school programs and counseling.” As proof he mentioned the Beacon Schools, one of the few Dinkins initiatives he had continued, in which “thirty-seven schools are now kept open in the evening, offering programs for kids.... This bill would allow us to expand the program to help many more children.”

Giuliani's relationship with President Clinton was driven, like his links with Governor Mario Cuomo, by the relentless pressure of the city's massive budget gap. From the very first time that Giuliani met the president as mayor-elect in December 1993, fiscal issues had been paramount. Accompanied into the Oval Office by a very friendly Senator Moynihan, the mayor and the president spent forty



## Smart Policing

**T**hree months into office, Giuliani participated in a panel discussion on crime sponsored by the *New York Post* along with Mayors Thomas Menino of Boston and Sharon Pratt Kelly of the District of Columbia as well as Arthur Teele, Jr., Chair of the Miami Metro-Dade County Board of Commissioners. When asked by the moderator what they would do if they were offered a pot of money with no strings attached, Kelly warned against the “simplistic” assumption that law enforcement could do very much about crime, since wrongdoing was a matter of economic distress. Menino seconded her, saying that he would reduce crime “through job training and education” and mocked those who thought “\$4.75 an hour jobs at McDonald’s” might be a path out of poverty. Teele argued that children who grow up in single-parent families and drug-infested homes “are just as much a victim as the people they pull a gun on and rob.” All three argued that government social programs were the key to crime reduction. Their comments represented the conventional wisdom of the day, which had been summed up by Mount Holyoke Professor Richard Moran: “there is no law enforcement solution to the crime problem.”<sup>1</sup>

When Giuliani stepped to the podium, he took exception to all the others’ arguments. He said he would use much of the money for law enforcement. In a direct challenge not only to liberal but also to policing orthodoxy, he pointed out that “a lack of jobs per se can’t explain” wrongdoing since crime in the twentieth century was at its lowest in the 1930s during the years of the Great Depression. “The economy,” Giuliani noted, “has been weak and the economy has been strong and it bears no relationship to the crime rate.” He was

right—crime exploded during the economic boom of the 1960s and 1980s. Criminals, like all individuals, even those designated as victims, Giuliani asserted, have to be held individually accountable.

In a city whose political culture had been defined since the 1960s by the intersection of big government and personal license, or what might be described as “dependent individualism,” the mayor insisted that “we’re fooling people if we suggest” that the solutions to our “very deep-seated problems are going to be found in government social programs. We constantly present the false impression that government can solve problems that government in America was designed not to solve.” Government, he said, couldn’t serve as a substitute for the family in instilling the values of citizenship. He lamented the loss of civic education in the schools which he saw as part of a larger pattern in which the institutions that socialized the young had lost their authority. “Families,” he explained “are significantly less important.... Religion has less influence.... Communities don’t mean what they meant thirty or forty years ago.”

Cautious, even pessimistic, he suggested that it could take up to a decade before churches and communities could reduce crime by reasserting their moral authority. In the interim, making an analogy with Reagan’s military buildup that helped win the Cold War, he argued, “We need more protection, we need more police, we need more jails and prisons, in order to offer a reasonable degree of safety to people so we can get through the period of time we’re in now.”

“At the core,” he insisted, “the struggle to rebuild the city is philosophical,” a matter of common beliefs. He lamented the loss of the shared values he saw as essential for a lawful society. “It’s shared values that hold us together.... It’s all about, ultimately, individual responsibility.”

His voice rising, his arms punching the air for emphasis, he went on: “People are wrongly taught that there is something wrong with ‘authority.’... We see only the oppressive side of authority.” But proper authority, he insisted, protects freedom while freedom in the absence of responsible individuals descends into anarchy. What was needed, he argued, was a balance between rights and responsibilities, between what we want to do and our obligations to others.

The mayor’s remarks drew grimaces from his fellow panel members and applause from most of the audience. Norman Siegel of the New York Civil Liberties Union said it was “frightening... radical...scary stuff.... This is the real Rudy Giuliani. I’m not sure people knew who they were electing.”<sup>2</sup>

Confident though he was in his own abilities, Giuliani saw many more years of a rising prison population before crime could even begin to be controlled. But he was wrong on both counts. In the course of the next two years, the New York Police Department under Bill Bratton, a man with a strikingly similar managerial style, brought crime under control without resorting, as did much of the U.S., to rising rates of incarceration.

The Police Department Bratton inherited was, thanks to earlier reforms, already in many respects the finest in the country. But it was not a crime-fighting organization. Bratton benefited from studying the careers of his predecessors starting with Lindsay’s last police commissioner, Patrick Murphy. Commissioner Murphy downgraded the policing of what were then described as “victimless crimes” such as gambling, prostitution, public drinking and urination. But that tactic didn’t constrain more serious crimes as Murphy had forecast. The number of murders in New York grew four-fold between 1961 and 1972, a rate of increase second only to Detroit. Crime metastasized during the economic boom of the 1960s when the black male unemployment rate in New York City was but 4 percent. Murphy and many other police chiefs had promoted the claim that crime was largely an involuntary expression of poverty, poor housing and racism. If that were true, there was little reason to hold the police accountable for the growing mayhem.

But the police could be held accountable for corruption. Reviled by the rank and file for his role in the Harlem mosque incident and rocked by the Serpico scandals, Murphy pushed data-gathering and statistics with an eye to constraining corruption by holding precinct commanders liable for misdeeds on their watch. The message conveyed to the average cop was keep clean and you’ll be all right even if you don’t do very much about crime. The unofficial motto of the NYPD became “don’t get involved.”<sup>3</sup>

Ben Ward, appointed by Mayor Koch as the city’s first African-American police commissioner, wanted to fight crime. After taking office in 1983, he quickly reversed the Murphy approach and began arresting people for “quality of life crimes” such as drug-dealing, gambling and prostitution. But in the absence of access to information on an arrestee’s criminal record, the police had no idea if the person arraigned for a minor crime was the same individual wanted for a major crime. Ward’s campaign had only a limited effect. Even as the economy boomed in the mid-1980s, major crime, driven in



part by the crack epidemic, grew to record levels. One incident in particular—the murder of rookie patrolman Edward Byrne while he was standing guard at the home of a witness who had agreed to testify against a drug gang—symbolized the city's loss of control over its own streets.

Ward had tried to take the initiative. In 1984 Ward and Giuliani, then a U.S. Attorney, cooperated to launch Operation Pressure Point. They flooded high-crime neighborhoods like Washington Heights, the East Village and the Lower East Side with officers. Ward placed cops on almost every corner and kept them there round the clock. Operation Pressure Point arrested a massive number of offenders, but it had a scant overall effect. The courts were too overwhelmed to process most of the cases and the dealers moved just far enough away from the sweeps not to be bothered.\*

Dinkins' first police commissioner, Lee Brown, was an innovator who wanted to break with the failed command-and-control model of reactive "911 policing" in which law enforcement was called into motion only after a crime had occurred. A clear failure, it cut off the cops patrolling in air-conditioned cars from the citizenry that needed to be protected and it led to an arrest in only 3 percent of calls. Under 911 policing, the rate of violent crime quadrupled between 1966 and 1990.

Brown, who had a Ph.D. in criminology, proposed a new set of strategies. First, he wanted to decentralize the police bureaucracy by creating mini-chiefs with clear areas of geographic responsibility. Secondly, working with Deputy Commissioner Jeremy Travis, he strengthened civil enforcement so that the District Attorney worked with the NYPD to shut down properties used as crack houses. Finally, where Ben Ward had made some tentative stabs at community policing, Brown sharply increased the number of police walking neighborhood beats. Brown, who was mocked as "out of town Brown" for his many speaking trips—he was away during both the Washington Heights and Crown Heights riots—was far more effective as a thinker and a promoter than as a manager. The department produced a 114-page booklet on community policing and radio ads announcing, "The beat cop is back." While the *New York Times*

\*In the words of a conversation I overheard between two lowlifes near my Cooper Union office in the East Village, "Man, this is fuckincredible. Avenue A is crawling with cops, but ain't shit bothernus here."

wrote adoring articles on community policing, in practice there was very little in the way of implementation. In the precincts, officers joked about "the community policing show." And when an annual award for community policing went to a CPOP (community police) officer who had saved twenty-five wedding dresses from a fire, it became a standing joke in the department, where the CPOPs were known alternatively as "scarecrows" or "social workers." Morale was terrible. The authority of leadership was so low that one cop felt emboldened to sue Dinkins and Brown for forcing him to patrol in drug-ridden Tompkins Square Park because he claimed it was a health hazard.<sup>5</sup>

Brown's successor for the final year of the Dinkins administration was Ray Kelly, the officer who had seized the initiative from the dithering Dinkins and brought the Crown Heights' riots to an end. Kelly's report on community policing was scathing. The CPOP officers tended to work bankers' hours, rarely shared information with the rest of the department, and in general had little effect. Kelly's assessment was later seconded by Bratton who noted that the implicit assumption behind community policing, that more cops on the streets meant less crime, was wrong. There were, Bratton explained, "no concrete means by which they [the CPOPs] were supposed to address crime.... They were simply supposed to go out on their beats and somehow improve their communities." In Chicago, the city that had invested the most in community policing, there had been no effect on crime; in fact, a few years later, Chicago, with one third of the population of New York, surpassed Gotham in the number of murders.<sup>5</sup>

Kelly, a far better administrator than Brown, never had much of chance to drive the department although he did make a start in curbing the squeegees. Just before he took command, the newspapers had been filled with the case of Michael Dowd, a crooked cop caught up in the drug trade. A commission headed by Dinkins' Deputy Mayor for Criminal Justice Milton Mollen was appointed to deal with corruption, and crime fighting again had to play second fiddle.

Bratton's philosophy was shaped in part by absorbing the lessons of why prior innovations had failed. He told the citizens, "My number one priority is fear reduction." He told the aggressive panhandlers, "Get off drugs, get off the booze, get off your ass and get a job." He told cops that their job would no longer be defined by what

they shouldn't be doing. As one of his closest aides, Jack Maple, lamented, active cops who made a lot of collars were considered a problem by the brass who then had to process the paperwork. "Nobody ever got in trouble," groused Maple, "because crime numbers on their watch went up."<sup>6</sup>

In 1993 the average cop made less than dozen arrests during the year. That was about to change. Bratton tapped into the latent energy of the department's "crime fighters." He announced that for the first time since the Lindsay/Murphy years uniformed cops could make drug arrests.

Under the old regime, "when night fell the NYPD went home, shootings peaked between 8 p.m. and 4 a.m. but the narcotics division closed up at 7 p.m.; the warrant squad didn't begin work until 8 a.m. and never worked weekends." That all changed under Bratton.<sup>7</sup>

The new commissioner communicated a revolutionary goal: "winning the war on crime." A ramrod of a leader, he was offering the rank and file a new deal. If they wanted to be crime fighters, he'd back them up to the hilt—as long as they were clean. At the same time as he used the Mollen report on police corruption to clean house, he also encouraged the time-servers and "empty-suits" to depart by promoting young risk-takers, like forty-five-year-old John Timoney, to the top leadership positions. Timoney, like Bratton, was a well-read, college-educated, thinking man's cop. Born in Ireland, Timoney captured the new spirit when he talked of how "we didn't do any police work for twenty-five years.... We spent the last twenty-five years doing nothing but worrying about corruption." Bratton gave cops the chance "to smoke out the phonies who claimed the department does not let us do our job while they were using this as curtain for inaction."<sup>8</sup>

This was all part of what Bratton, borrowing his terminology from management reformers, called "reengineering" the police department. Reengineering was a break from the military model of 911 policing. The NYPD, Bratton observed "was divided into little fiefdoms.... The organization was very military-oriented, with a strict chain of command, and information didn't flow easily from one bureau to another." That had to change. "What I was trying to do," said Bratton, "was similar to what Lee Iacocca had done with Chrysler."<sup>9</sup>

Just as Giuliani made sure his staff read David Osborne's *Rein-*

*venting Government*, Bratton, dubbed "the CEO Cop," made Michael Hammer and James Champy's book *Reengineering the Corporation* required reading. With the success of American corporations in remaking themselves during the 1980s in mind, he created a dozen "reengineering teams" to reconsider all the major operational assumptions that had gone into the organization of the department. But even before the reports were in, he committed himself, corporate style, to what public-sector managers were loathe to do—setting a target of 10 percent crime reduction for 1994.

In corporate jargon, Bratton flattened the hierarchies and created what is known as a loose/tight organization in which subordinates are given autonomy within a shared framework but then have no excuses if they fail to produce. He streamlined the out-sized command and control mechanism of One Police Plaza, the massive paper-processing headquarters run on a civil service mentality. He eliminated many of the intermediate layers of authority and pushed resources and responsibility down to the precinct commanders. They in turn were given a great deal more discretion on how to operate with the understanding that their careers depended on reducing crime without relying on rough stuff.

Behind this new framework was an increased access to information. Traditionally the department was not only hierarchical but also sharply segmented. "The biggest lie in law enforcement," noted Jack Maple, "is we work closely together." Every specialized bureau guarded its secrets—robbery, auto crime, homicide each had their own cache of information that it treated as scarce capital it wasn't willing to share. But, said Maple, "the McDaddy of all blue walls of silence is the one that normally separates the Narcotics Division from the Detective Bureau." Almost no one had access to all of the department's nineteen separate data systems, partly on the grounds that corrupt cops might sell the information back to the criminals, but mostly because catching crooks was not the department's top priority. Bratton began to change that. Information, instead of moving up and down the hierarchy, began to move "laterally across bureau and division boundaries."<sup>10</sup>

The precinct commanders, armed with better intelligence, in turn conveyed Bratton's messages to the rank and file about active "broken windows" policing which took seriously neighborhood complaints about the disorder created by so-called victimless crimes. The regular cop too was given greater discretion to police disorder.



derly situations by diffusing them with cajolery or bluff if possible before they escalated to the point where arrests had to be made. This greatly increased interaction between cops and would-be criminals produced extraordinary results. In one case a young Midtown cop earned the moniker of "Strategy Man" because he took down a whole ring of criminals by following up on an open-beer violation. In another, the search of a van used for prostitution turned up twenty-seven pipe bombs and other weapons.<sup>11</sup>

Within a few months the department was better at sharing information, but then the problem was the information once gathered was often out of date. Collecting crime data was considered a menial clerical task. "As far as the department had been concerned," Bratton explained, "statistics were not for use in combating crime, they were only for keeping score at the end of the year. Even then, the only statistics they paid attention to were the robberies. But even that was smoke and mirrors.... Nobody used them for anything."<sup>12</sup>

Jack Maple, like Bratton the son of a working-class civil-service family, wanted to change that. He was an incredible character. While working with the Transit Police, he began to sport a bow tie, homburg and spectator shoes. He claims that he got the idea for up-to-the-minute data-gathering in early 1994 while soaking up a few at Elaine's, a tony East Side watering hole.

Maple asked for all the stats for East New York, the crime-ridden 75th Precinct, to be mapped with pins, gradually moving to computerized map projections on which various kinds of info could be superimposed on top of each other. "For the first time," noted police historian Eli Silverman, "all the crime and arrest data that were floating in the vast NYPD universe were brought together." Here was the basis of what became CompStat. Together with broken windows policing, CompStat's daily computerized mapping of criminal incidents worked "a revolutionary change in policing."<sup>13</sup>

CompStat became the means to solve problem first by sharing information and then by searching for patterns. At the 8 a.m. CompStat meeting, which took place at the same time as the Giuliani morning meeting, the previous day's crime statistics were made visible to the department's leadership. For the first time the precinct commanders could plan their daily operations on the basis of up-to-the-minute crime information mapped out geographically by category. This gave the NYPD a means to overcome the problem of "displacement." When Ben Ward and Rudy Giuliani went on their

TNT (Tactical Narcotics Teams) raids, the crime just moved a few blocks over. With up-to-the-minute mapping, the open-air drug markets were disrupted time and again until they either dried up or were driven indoors where they did less damage.\*

CompStat gave precinct commanders direct access to the brass and broke through the traditionally rigid layers of authority. It had the effect, as one Brooklyn precinct commander said, of putting the department leadership "more and more on the same wavelength." But it also put the precinct commanders in a tough spot. If there had been a surge of muggings or burglaries on a particular block, they were expected to analyze the problem and explain what they intended to do about it with the understanding that if it wasn't resolved, they would be called on the carpet. CompStat and "reengineering," says Eli Silverman, "acted like a booster cable to the NYPD's battery, providing the cranking power need to activate decentralization and command accountability."<sup>14</sup>

The results were extraordinary. In Dinkins' last year, crime dropped by 7 percent without any general reduction in fear since most of the decline was concentrated in midtown and areas where Business Improvement Districts had begun to restore order. In 1994 crime dropped 12 percent followed by 16 percent declines in 1995 and 1996. The biggest declines came in crime-ridden outer-boro neighborhoods. Overall, New York's decline in crime accounted for more than 60 percent of the national decline.

As fear declined even more rapidly than crime, the effect on daily life was palpable. A virtuous cycle was set in motion in which people spent more time in public places, and, as good uses of public space drove out bad, more people were drawn back into the public life of the city.

*Time* magazine, whose 1990 cover story THE ROTTING OF THE BIG APPLE had produced enormous dismay, trumpeted the change by placing Bratton on its cover. As murder rates plunged to a twenty-five-year low in the first half of 1995, *New York* magazine got carried away with a cover story on THE END OF CRIME AS WE KNOW IT, but the improvement was palpable.

\* Police Strategy Paper No. 3 issued in April 1994 looked back on the TNT raids and concluded that the areas targeted were "too large" and so "never could be secured, [meaning] crack activity was only displaced," rather than eliminated. It also noted that the raids "became predictable to criminals." Municipal Archives.

By 1995, noted the *Boston Globe's* Fred Kaplan, on 105th Street and Amsterdam Avenue in Harlem, where there had been a funeral a week, people were sitting out on the stoops once again. And eighteen-year-old Presley Navarete noticed, "I hardly hear gunshots anymore.... It's all because of the cops, the cops are everywhere." The director of the neighborhood youth center, reported Kaplan, saw a new day in Harlem in which "the sun even seemed brighter; the air seemed lighter."<sup>15</sup>

Bratton explained what had happened: "we changed behavior." That meant 163,428 fewer felonies between the start of 1994 and the end of 1996, a year that saw the city's lowest number of crime complaints in more than a quarter century. The big crime, murder, dropped 16 percent in 1996 and has fallen nearly half since 1993. Senator Moynihan's fears of the seemingly inexorable impact of the underclass turned out to be unfounded.\*

\*What was good for the city was bad for root-cause criminologists, conservatives who had predicted the coming a new generation of fatherless "superpredators," and die-hard Dinkins supporters. Jack Maple had fun with the criminologists invested in root-cause arguments. "They're all going to be up there with their wizard hats on, you know, the ones with the half-moons." Many of the Rudy-haters argued that it was all a mirage or a matter of national trends or...Criminologist with professional reputations began a still ongoing effort to explain away the success.

Here are their favorites explanations, and what's wrong with them, in descending order of significance:

1) *The economy*: But crime dropped before the economy rose. The economic recovery, which began in 1992 nationally, didn't arrive in New York until the last quarter of 1995. The unemployment rate of 8.5%, which was well above the national average of 5.4%, continued to grow until 1997. Nationally, crime dropped just 5% between 1993 and 1996 while falling 35% in Gotham. The city accounted for one-third of the national decline even though it was only 2.5% of the population.

2) *Imprisonment*: While the prison population grew 43% nationally from 1993-1998, the New York State prison population increased by just 8.5%, the third slowest rate in the country.

3) *The big brother effect*: The claim: Younger brothers watching their older siblings suffer from crack addiction and the violence of the crack trade turned away from drugs and gangs. There's some truth to this, but this was both a limited explanation and, to the extent it applied, not confined to New York. If this was a major cause of the crime collapse, crime rates should have been collapsing across the U.S., where mostly they were going down just slightly.

4) *It's true, BUT...* Michael Massing, often a thoughtful writer on criminal justice matters, predicted a vast crime surge because New York wasn't spending enough on social services. The drug trade, said Massing, is on the rebound. He approvingly quoted a middle-aged black man who saw that "Crime is going to go up .... They're hounding people off welfare. These people are not going to starve. They'll steal." The reality was simpler. The effect of a more active police force stopping and frisking suspects meant that fewer people were willing to carry guns. Fewer people carrying guns meant fewer murders and so on.

## Work Is the Best Social Policy

**M**ost New Yorkers learned about the mayor's plans for welfare reform in an appropriately Gotham-like manner. In October 1994 police were in the process of booking a man named Herbert Steed on charges of bilking 225 African tourists out of \$800,000 when they discovered that he had a welfare ID card in his pocket. Steed, it turned out, was living in a \$4,000-a-month apartment in the Trump Tower, owned a bevy of luxury cars and was negotiating for the purchase of an English manor house on Long Island Sound. He was also receiving \$352 a month in welfare relief benefit on the grounds that he had no income and no assets while living in a tiny Queens flat.

Steed was by no means the biggest offender. The previous year, a woman who collected welfare under fifteen different names and for seventy-three fictitious children pleaded guilty to collecting \$450,000 in welfare payments from 1987 to 1994. But Steed was the most notorious and most egregious offender. Giuliani seized on Steed's case to prepare the public for the coming welfare reforms he would outline at the onset of his second year in office.

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While Giuliani was preparing Gotham for welfare reform, in Washington, the Republicans, led by the mercurial Newt Gingrich of Georgia had captured the House of Representatives for the first time in forty-two years. Gingrich and his supporters had run on a proposed "Contract with America," in which individual accountability would replace welfare-state paternalism as the guiding philosophy of government. In Albany Mario Cuomo, the leading spokesman for



American liberalism, had been replaced by Republican George Pataki, who won on a platform that called for tax reductions.<sup>1</sup>

Giuliani, who had governed in his first year by cooperating with Cuomo and Clinton, was intellectually well prepared for the shift to the right. He quickly redirected his administration to take advantage of the new political landscape. His ambitious 1995 State of the City address laid out two closely connected propositions. He called for both a radical restructuring of New York's relationship with Washington and Albany and a radical restructuring of welfare. Speaking before the National Press Club in Washington on behalf of America's cities, Giuliani called on Washington to "set us free, free to solve our own problems, free to spend our own money in our own way." Giuliani saw that it was not only the poor but city government itself that was caught in the trap of dependency. New York, he argued, needed to become independent of Washington and its subsidies for welfare programs just as welfare recipients need to become independent of government subsidies.<sup>2</sup>

At the outset of his career, Giuliani had been weak on oratorical skills. An admiring colleague in the federal attorney's office remembers that the staff felt like "they need to take a few stiff drinks" before they listened to his "robotic" performances. But after two runs at the mayor's office, he finally found his voice with his second State of the City speech. Speaking in whole paragraphs, without notes, and in the voice of the self-sufficient middle-class, he delivered a commanding performance.

"The old agenda," said Giuliani, "was based on looking to others for solutions to our problems. The new urban agenda should declare that we can solve our own problems." "We are," he went on, "the experts on urban life...on its problems...and its promise." For too long, he explained, cities were "defined by their problems." Instead, cities "should be defined by their assets."

The city, he explained, picking up Senator Moynihan's theme, was trapped in a losing game in which year after year it transferred far more in taxes to Washington than it ever received in benefits. This worked for the liberal interest groups since the money from Washington was sent to the social service industry and government workers who dominated local politics even as it gave some of the very wealthy a chance to bask in the glow of their generous willingness to pay the highest taxes in the U.S. The losers in this game, however, were the aspiring poor, would-be entrepreneurs and the middle class who could afford neither the gestures of the rich nor the cost of the public sector.

New York's vast alternative economy, organized around social service and non-profit jobs directly and indirectly subsidized by the city and its taxpayers, was dedicated to maintaining this political and social status quo. Giuliani looked back to an older and more elevated view of the city's economy that saw it as an engine of opportunity. Cities, he explained, don't "generate poverty; they generate wealth, which attracts poor people seeking to ascend into the middle class.... It's our goal to increase that number. Let's seize this opportunity," he concluded, "to show Albany, Washington, and the world how a modern American city operates: independently, without constraint or overbearing direction from state and federal authorities."

Turning to the city's fiscal problem, he laid the budget crunch at the door of social spending. If New York, he stressed, didn't spend "ten times as much [per capita] on welfare, and four-and-a-half times as much on health care, if our expenditures were in line with the average" of the ten largest cities, "we would enjoy a \$6 billion surplus, instead of a structural deficit of more than \$2 billion."

Welfare, he noted, drained the city of not only money but also social capital. It robbed people of "dignity and hope, all of which can be found in a job." Instead of welfare as an entitlement, he spoke of organizing the city's aid to the poor around the idea of reciprocity. "For every benefit," he said, "there is an obligation, for every right, a duty." In practice that meant that able-bodied people on welfare would be expected to work for the city in return for their benefits. Tying the major strands of the speech together, he said: "We are asking of New York City precisely what we are asking of those on welfare—self-reliance."

In February, Giuliani went to Albany to make his case before the state legislature and the newly elected governor, fellow Republican George Pataki, who was still smarting over Giuliani's support for Mario Cuomo.

Pataki had his own woes. During Cuomo's last five years in office the state had lost 550,000 jobs while the welfare rolls had grown by 435,000, or nearly a third, to reach 1.65 million. Cuomo, like Dinkins, had exacerbated the recession with tax increases, arguing that "taxes do not matter for business location decisions." But they did. And the problem of New York's tax burden could only grow as the incoming Republican governors in New Jersey and Connecticut, Christie Whitman and John Rowland respectively, beckoned to New York's businesses with planned tax cuts. Pataki proposed substantial cuts in the income tax, and he proposed to pay for them by reducing New York's Medicaid spending (the highest in

the nation) as well as welfare reforms including fingerprinting some beneficiaries to reduce fraud. Councilwoman Una Clarke referred to the finger-imaging as "Branding the Slaves"—a characterization that carried some weight in local newspapers until it was pointed out that city managers and commissioners were already fingerprinted as part of their contract with the city.<sup>3</sup>

Giuliani disconcerted the state legislators by breaking with the tradition of mayors coming to Albany to beg for help. The mayor described the Pataki cuts as "an excellent opportunity...to manage government more efficiently." As if this weren't enough, he told the legislators, most of whom were recipients of campaign funds from the powerful teachers' unions, that "it would be a waste" to give city schools more aid. New funds would only be squandered. His priority, he said, was mayoral control over the schools so that they could be better managed. Franz Leichter, a liberal legislator from Manhattan was "frankly flabbergasted.... In all my years here, it's the first time I've ever heard a mayor come up here and not plead for more financial aid."<sup>4</sup>

Back in Gotham, Giuliani's proposed city budget called for spending 2.3 percent (\$1.4 billion) less in the coming fiscal year as well as small tax cuts on clothing, condos and co-ops. By comparison, the biggest cut during the 1970s fiscal crisis had been a mere half a percent. Trimming taxes was meant to suggest a better future ahead. But for the politicians representing the public sector—that is, virtually the entire political class of New York—it was salt in the wounds of the largest spending cut since 1933 when the city was in the midst of the Depression and Mayor Jimmy Walker and his mistress were about to flee rather than risk jail. If enacted, Giuliani's budget would be the first time in the modern history of New York that spending was cut two years in row.

Giuliani made it clear: "We must choose between pulling ourselves into the late twentieth century or remaining mired in the tired and abandoned policies of the Great Society" of the 1960s. Still, the mayor was quick to point out that even after this "slashing" Gotham "would still be providing more money in each of these [social, health and education] programs than any other city in America." The future, he insisted, was in private-sector jobs.

Chancellor Cortines, facing a 7 percent cut, unloaded on Giuliani: "Kiss the ring and we'll give you another buck, but if you complain you may not get the money you need." Kenneth Raske, spokesman for the city's hospital industry, argued against cutting one

of New York's growth industries. (In the previous fifteen years, health care, which was growing twice as fast as Wall Street, had added more than 100,000 jobs, most of them publically subsidized through a massive expansion of the state's Medicare program.) Columnist Jack Newfield took up Raske's cry, claiming, "This is like the government of Texas attacking the oil industry in the name of economic growth."<sup>5</sup>

What Raske and Newfield were defending was described by Richard Schwartz, a senior Giuliani advisor, as "leaky bucket economics." The city hospitals were overstaffed; they employed about three times as many workers per patient than the city's private hospitals. They were, Schwartz said, "the most inefficient job creation programs in America."

You take someone's dollar from a paycheck, you send it to Washington, Washington sends it to Albany, Albany sends it to New York City, the city matches it with 50 cents, Albany matches it with 50 cents, then New York transfers that money to the corporate headquarters of the HHC [Health and Hospitals Corporation], which then transfers the money to the HHC hospital, then finally that money translates...into a [make work] job."<sup>6</sup>

But even this was a success compared to the city's welfare and social services industry. With less than 3 percent of the national population, New York spent more than one-fifth of all local social service dollars in the country and six times the per capita local government average on Medicaid, welfare, homeless services and foster care. What did it get in return? Adjusted for the cost of living, Gotham, despite its vast expenditures, suffered from a poverty rate almost as high as benighted Mississippi.

Senator Moynihan was puzzled by the fact that record levels of family breakdown were not regarded as a calamity for municipal government. But family breakdowns supported a vast network of job opportunities. New York was spending about two and half times as much on administering welfare as other high benefit states like Connecticut, Massachusetts and California.\*

\*Welfare administration supported a wide array of job titles. John McKnight of Northwestern University listed the new cadre of social service jobs. They included but were not limited to:

job trainers, street gang workers, land clearance experts, urban education specialists, environmental aides, urban environmental specialists, legal assistance



For the new alternative economy New York had created to replace departing private-sector jobs, the more dysfunctional the family, the better. Broken families served as Keynesian multipliers by generating immediate social spending. Welfare and Medicaid were seen as something akin to free money, since city monies spent on them generated matching state and federal funds, pumping up the local economy. Leave aside the cost in local and state taxes—let alone despair and desperation. In mining for Washington's fool's gold, New York had created a vast alternative economy.

Social services had become big business and the key to a politics that revolved around serving and expanding what counted as poverty. In 1993 alone, New York City awarded 30,000 social service contracts worth nearly \$3 billion. State and federal contracts brought in another \$4 billion to the social service industry. The District of Columbia aside, New York had the highest proportion of government workers to the total work force of any U.S. city. While the city's private-sector job base shrunk by 10 percent between 1984 and 1994, social service jobs increased by 60 percent to 150,000, a growth of 55,000 jobs. Overall, publicly funded jobs in government, health care and private social services accounted for a third of all employment in Brooklyn and just under half in the Bronx. More than one million people in the city—one-third of all employment—worked in government, health and social services.

The social services industry, along with aligned public-sector unions and non-profits, dominated the permanent Democratic majorities in the city council, the state assembly, and the day-to-day politics of the city. And when it was challenged politically, "the new Tammany," as *Crain's* described it, could count on its allies on the courts who had been chosen by those same politicians.

The difference between the old and the new Tammany was that the old party bosses were openly self-interested and even somewhat accountable. Before La Guardia's reforms, Tammany's patronage

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lawyers, library consultants, job locators, public health physicians, parole consultants, nurses, public housing officials, teachers aides, civil rights watchdogs, employment counselors, prevention specialists, police trainers, urban housing specialists, rat abatement experts, vocational counselors, literacy specialists, drug counselors, defensible space architects, and the administrators, auditors, lawyers and consultants to support them all.

Fred Siegel, *The Future Once Happened Here*, New York: Free Press, 1997: 205-206.

operation was accountable to the election results. When their failures were sufficiently egregious, Tammany was thrown out of office. It was subject to regular attacks from crusading newspapers and reformers. The new Tammany, by contrast, was wrapped in a cloth of sanctimony. It professed to represent the interests of the poor. Protected in part by civil service and union power, it was immune to elections, and rather than being subject to scrutiny by the press it was mostly treated as a sacred cow. The most basic form of political accountability, the ability to "throw the bums out," was lost to an interest group political monopoly more suffocating than Tammany at its worst.

The defenders of what Giuliani derisively described as "the compassion industry" reacted ferociously to his budget plans. *Newsday* columnist Jimmy Breslin thought the mayor was consumed with a "mad desire to get at the poor because he is a prosecutor and being poor is a felony." The Reverend Calvin Butts said the poor would "be forced into the streets, they'll be forced into crime, they'll get sick and die." Public Advocate Mark Green compared Giuliani to Herbert Hoover and then quoted FDR: "Better the occasional faults of a government that lives in a spirit of charity than the constant omission of government frozen in its own indifference."<sup>7</sup>

But for all the angry ranting, some liberals like then-Congressman Charles Schumer saw that "we Democrats ran out of philosophical steam."

Moynihan concurred: "Liberalism faltered when it turned out it could not cope with truth." Rather than face up to the failings of the social programs they had championed, Democrats, he said, had "rewarded the articulation of moral purpose more than the achievement of practical good."<sup>8</sup>

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No place in America had resisted welfare reform more ferociously than New York. No place needed it more. Between 1989 and 1995, more than 270,000 New Yorkers had been added to the welfare rolls, creating a total greater than in all but the two worst years of the Great Depression. That left Gotham with an unsustainable ratio of one adult welfare recipient for every seven workers, at a time when the national ratio was one to twenty-eight.

The 1988 Federal Family Support Act authored by Senator Moynihan tried to push the states into either more job placement, or

failing that, into more job training. Other states, like Wisconsin, which took the lead in welfare reform, assumed that there was no substitute for work itself. In New York City and State the number of welfare recipients actually placed in jobs went down as the social service industry ginned up a vast job-raining apparatus which succeeded in creating jobs for the job trainers but little else.

But then again, no place in America has been so strongly resistant to the importance of work. Other than Philadelphia, the city whose liberal traditions are most like New York's, the Big Apple has had the lowest male labor force participation rate in the United States. African-Americans and Puerto Ricans were actively discouraged from entering the work force by a system of income, food and housing subsidies that often paid more than entry-level jobs. The concept of "dead-end jobs," so crucial to the growth of welfare in the first place, had a death grip on the minds of the city's social activists.

Placing welfare clients in low-wage jobs, complained Megan McLaughlin of the Federation of Protestant Welfare Agencies, "merely shifts people to the ranks of the working poor, trapping them in dead-end jobs." The city's training programs for welfare had to be extensive and elaborate if they were to prepare welfare recipients for jobs that were, as was their due, financially and personally satisfying from the beginning. Dedicated to ending not welfare but welfare reform, activists like Maureen Lane had contempt for low-end labor. "Work," she argued, "is not a substitute for welfare because it either pays too little or takes jobs from union members."<sup>9</sup>

But many of the new immigrants who poured into the city during the 1970s and 1980s were more than willing to take entry-level jobs. New York in the 1980s received 854,000 newcomers to America, the largest influx of immigrants since the imposition of immigration restrictions in 1924. Of the city's 7.3 million people in 1995, 2.1 were foreign-born. Forty per cent of the city households spoke a language other than English at home.

Many of the new immigrants, white and non-white, were moving up. In 1994 the ethnic group with the highest median household income in the city was Filipinos with \$46,754. American-born whites were a distant second with \$38,382, followed by Indians. In 1990, median family income for American-born blacks, more than a third of whom worked in government, was \$21,548, compared to \$30,000 for African-born blacks and more still for blacks born in

Jamaica. American-born blacks had a higher poverty rate than any largely black immigrant group except Dominicans.<sup>10</sup>

The new immigrants were succeeding not because the low-end jobs they often occupied were growing but because between 1970 and 1990 New York lost unskilled white workers faster than it lost unskilled jobs. African-Americans, however, never competed for those jobs. Black labor force participation rates plummeted while the opportunities were taken by the new arrivals, including African immigrants, instead. There was a growing black middle-class as native-born black workers moved up into better paying public-sector jobs. But another, smaller segment of black workers dropped out of the labor force altogether. The so-called "dead-end jobs"—taxi, restaurant, hotel, garment and cleaning work—which were once major sources of black employment, were increasingly filled by immigrants.<sup>11</sup>

"The problem," explained Senator Moynihan, the principal author of the 1988 legislation, "was that hugely influential voices were invariably raised against [reform] efforts, calling them punitive coercive, mean." In practice, this meant that the same anti-poverty lawyers who had done so much to create the welfare explosion of the 1960s and their heirs fought along with their many friends in the courts and the legislature to limit work requirements for welfare recipients. By 1993, New York ranked forty-third in the percentage of adult welfare recipients with jobs, thirty-second in paternity established, but second in the percentage of participants in vocational training/skills training programs.<sup>12</sup>

Until the mid-1990s, the Democratic majority in the New York State Assembly, dominated by representatives of the social services industry, blocked any welfare reform. As one disgruntled member put it, "people up here just don't think there's a problem." They had good company in Governor Cuomo, who resolutely insisted that female-headed teenage families just weren't a problem: "if you took a fifteen-year-old with a child, but put her in a clean apartment, got her a diploma, gave her the hope of a job...that would change everything." If we did all this, concluded Cuomo, "the fact that she had a baby at fifteen wouldn't produce *any* disorientation at all, and the hope that comes from new context would solve the problem."<sup>13</sup>

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Machiavelli, steeped in the classic Greek and Roman writings on cit-



izenship, spoke of "pious cruelty" and "the bad use of compassion." An effective Prince will, he noted, "by making an example or two...prove more compassionate than those who being too compassionate allow disorders which lead to murder and rapine." Looking to make "an example or two," Giuliani made it clear that New York couldn't "sustain a million people on welfare. You can't do it from the point of view of the amount of misery and hopelessness that it causes."<sup>14</sup>

Unlike other localities looking at welfare reform, Giuliani didn't request permission from the Federal government to break with the provisions of Senator Moynihan's 1988 Family Support Act. What Giuliani changed, explained Baruch College professor Tom Main, "was not welfare law but welfare administration." Giuliani advisors such as Anthony Coles were armed with both the knowledge of an earlier, though largely forgotten, welfare reform that had shown signs of success and by the vast new powers afforded the mayor by the 1989 charter changes.

In the late 1970s, Mayor Koch, with the city still struggling to escape from its 1975 fiscal implosion and well aware of widespread fraud, allowed his welfare commissioner Blanche Bernstein to tighten the requirements for receiving aid. She found that every minor hurdle—such as requiring people to pick up their checks in person—produced major reductions in the caseload. And when in a test Bernstein required a group of able-bodied people receiving benefits to show up for workfare jobs, as many as 40 percent never appeared.

Bernstein's reforms generated an outpouring of vitriol. She was regularly picketed by protesters accusing of her of racism and worse. Congressman Charles Rangel charged the Koch administration of "planned genocide." Koch caved in and fired Bernstein. He replaced her with Stanley Brezenoff, a self-described "unabashed liberal" who saw welfare as a success. Asked later about his view of the world, Brezenoff responded, "I'm not going to say people aren't responsible for their actions, but..."<sup>15</sup>

Koch had to deal with a Board of Estimate; Giuliani didn't. Freed from the Board by the 1989 charter reform, Giuliani had only to face a council with quite limited budget powers. And in dealing with the council in his second year, Giuliani discovered a powerful weapon. The mayor and the council alone had the power to set the revenue estimate, the framework in which all discussions of spending

had to take place. By lowballing the expected revenue for the coming year, the mayor was able to keep the council, strong supporters of social services industry spending, on the defensive.

Finally, Giuliani, with the help of Randy Levine, split the labor/liberal coalition that could have thwarted welfare reform. His chief weapon was not, as generally assumed, the threat to lay off union workers. (Dismissed workers can no longer vote in the union election, but they can vote against the mayor.) The unions in general—and the largest single bargaining agent for city workers, District Council 37 of the American Federation of State Count and Municipal Employees (AFSCME)—were thrown off balance by Giuliani's plan to privatize city services. By the end of his first year in office, the Giuliani administration was well on its way to replacing city workers for repaving work in Queens and maintaining Parks Department buildings in Manhattan. There were also plans to privatize the city's warehouse and leasing operation as well as two of its thirteen hospitals.<sup>16</sup>

Faced with the threat of privatization, District Council 37, led by Stanley Hill, agreed to allow the city to use welfare recipients to work off their benefits by helping to clean the parks. In return Hill got a no-layoff promise for all but his hospital workers as well as no pay hike for two years, but then a 13 percent pay hike over the final three years of the five-year contract. Workfare (or WEP, the Work Experience Program) would double the Parks Department's labor force by the end of 1995, making the parks cleaner while saving the city about \$600 million even as it gave welfare recipients a way to earn their benefits.

Richard Schwartz, who ran the city's workfare program, organized it around the idea of "job readiness," a concept he borrowed from America Works, which makes sure people who had never developed regular habits learned to get to work on time and dressed properly. At America Works, a for-profit company, if a client couldn't consistently come on time to learn "job readiness," they couldn't be in the program. Peter Cove and his partner Lee Bowes taught their welfare clients the sort of things that are passed along routinely in the course of a less isolated existence. They showed their clients how to dress for work, adapt to a routine and how to respond when given instructions by a supervisor. The actual jobs skills were left to the companies that did the hiring. What companies wanted were people who were reliably ready for work.

Workfare had been tried in New York on a small scale in the mid-1980s without success. But the program had been isolated from larger social trends.

In the early 1990s, a far larger program was accompanied by not only a new resolve born of fiscal necessity but a new set of public assumptions that couldn't be dismissed as merely reactionary Republicanism.

It was President Clinton who appealed to the country's core values of work, self-sufficiency, responsibility, and reciprocity. Clinton, a Democrat, spoke of "a hand up, not a hand out" as he appealed to the Congress to "end welfare as we know it." Giuliani, operating in the space that Clinton had opened, spoke of replacing "entitlement" with "enablement" by "return[ing] work to the center of city life." Intentionally inverting New York's standard rhetoric, Giuliani insisted that "moving people from welfare to work is both progressive in political philosophy...and demonstrates true faith and belief in people's abilities."<sup>17</sup>

Workfare in New York served to reduce the welfare rolls at both the front and back end. It encouraged people to find work on their own rather than clean the parks. At the same time workfare laborers contributed markedly to the improvement of the parks and the cash-strapped city's overall well-being. Still, for those who used welfare in the old-fashioned way as low-end unemployment insurance, cleaning the parks chafed.

"There is no reason," Blanche Bernstein had explained a decade earlier, "to believe that the poor are less adept at manipulating welfare than the rich are at manipulating the income tax system." Giuliani took that insight to heart. Well aware of the fact that a random check of welfare recipients in nearby Newark, New Jersey found that 23 percent were also receiving New York City benefits, the administration began to make home visits to some would-be clients while fingerprinting everyone in the program. Just these changes doubled the rate of those ruled ineligible to receive welfare. The upshot of workfare and the eligibility reviews was that by the end of 1996, with the city still in recession, the welfare rolls had declined by 18 percent from 1.16 million to 950,000. But that was only the beginning. The revision of the rules also began to change the way people thought about work versus welfare.<sup>18</sup>

When *New York Times* columnist Joyce Purnick visited workfare mothers on the job, she was taken by their generally optimistic

mood. Elizabeth Elder, a twenty-nine-year-old mother of four, at her job cleaning a Bronx park, told Purnick, "They should have done this a long time ago. If they had there wouldn't be children having children." If the rules had been stricter when she was younger, Elder went on, she might have "thought twice" about some of the choices she had made.<sup>19</sup>