

"New York City: A Federal Responsibility," New York City, New York, November 23, 1975

Remarks to Jonathan Bingham Conference, Bronx Community College

I. Introduction

It is nice to be here in the Bronx today. Your Congressman is one of my oldest and closest friends in the House of Representatives. I have always benefited from his wise counsel on foreign affairs, urban issues, and any number of other matters.

I am here today to talk about what is foremost on your minds--our efforts in Washington to prevent a default by the city of New York. As you know, House action on the New York bill has now been delayed until after Thanksgiving. It seems the State of New York was waiting for the President to do something and the President was waiting for the State to do something--and the other shoe never dropped. But the delay gives us a little more time to rally support and to explain to the American people why the fate of New York City is a federal responsibility.

II. The Problem

I am sure many of you are familiar with the causes of the present crisis--the roots of the problem--but I think it is important to review these, for herein lies the long term solutions.

Fiscal mismanagement--well certainly there has been some financial mismanagement, and we can't ignore or condone such practices. New accounting procedures and a commitment to a balanced budget are necessary and are being implemented--but let's not overlook the fact that not only the city but the state and the banks have had a role in the old procedures--and certainly tolerated them.

The basic problem, however, runs much deeper than that. New York, more than any other city in this country, has assimilated waves of rural and foreign immigrants. Many of these people were poor, undereducated, elderly and many didn't speak English. But this city has always provided a haven for people of all cultures and economic status--and the result has necessarily been an overwhelming demand for the city's services.

Another cause of the problem has been the flight to the suburbs by the middle and upper income groups. This has kept the city's tax base from growing as rapidly as its revenue requirements. The loss of revenue to the suburbs has really hurt the city.

And New York is one of several places where not only the state government but also local governments contribute to Medicaid, Medicare and to welfare payments. New York City's share is correspondingly the highest in the country--the city pays half of the state's share of these burdens. The city has attempted to provide its poor and millions of others who have come here a decent support program--and that is commendable.

Indeed, New York has provided a better level--but certainly not an extravagant level--of services for its people including a great city university system--of which this community college is a fine example. And it has also shouldered a great financial burden in keeping New York City the cultural and financial center of the Nation.

So the burdens have been great and have all, in part, contributed to the financial crisis. But in my opinion, New York has now done about everything it can possibly do to solve its problems without federal help. It is now time for federal leadership.

This crisis **can** be resolved if the President will stop playing politics and support a federal guarantee to carry the city through an interim period. The legislation now before the Congress has strict standards which the city and state must meet, under some federal oversight, to assure that the city reforms its fiscal ways. These provisions make it extremely doubtful that American taxpayers will ever be out a nickel. Certainly there is an element of risk, but I for one think that is a risk well worth taking. **Why?**

Because we cannot sit idly by and see this country's greatest city go bankrupt without lifting a federal finger.

From here, New York and the fate of all our cities is important to us as a nation. It is important to people in Arizona, to those in Iowa and to those in Wisconsin.

As my good friend and colleague from Wisconsin, Congressman Obey put it recently: "It would be inconsistent and, in a sense, hypocritical of me not to bring the same national view to the problems of New York which I ask other members to bring to the problems of dairy farmers."

Congressman Obey represents dairy farmers--and he expects his friends from New York to understand their problems and their need for federal help from time to time. And I hope my colleagues from western states who represent, as I do, ranchers and

copper miners and farmers, will also support this legislation. Just as it is in the interest of New Yorkers to aid western counties that also have a weak tax base because the land is owned by the federal government and is in National Parks or National Forests, westerners must understand the tax problems of their fellow citizens in the cities.

So we have mutual concerns and we must work together. The President would like to divide us North against South and West against East, farmer and suburbanite against city dweller. Well I think the polls are showing he was wrong about the American people. They **do** understand the need to help out the cities in time of crisis.

The President would be better off to spend his time closely analyzing the projected effect of default on the national economy and on our economic recovery. There are many ominous predictions if New York defaults, including: 300,000 jobs lost; a drop in federal tax revenues of \$3.5 billion and corresponding higher federal expenditures for food stamps, unemployment compensation, etc.; \$2 billion less in other federal revenues because of tax write-offs by holders of New York City bonds after default.

The effect on the municipal bond market and the cost of borrowing for other cities has already been felt and will be even more serious if New York defaults. The truth is, we don't know all the possible ripple effects on the economy, the effect on banks, on all business and personal finances, but they are certainly going to spread beyond the boundaries of New York City.

All of which points up the absurdity of the President's position: No help now, but federal expenditures, he agrees, will be necessary after default to keep us from chaos. Of course, no one can predict with any certainty what will happen--there **could** be chaos, years of litigation and uncertainty. And one can imagine a meeting of creditors in Yankee Stadium.

III. Long Term Solutions

Behind the President's rhetoric, his irrelevant scoldings and very faulty economic judgment, is one other central truth: We have no national urban policy to deal with the growing problems of our cities. And New York City is the first but by no means the only victim.

Let me set forth what I think should be the key elements of a national urban policy which should be given priority:

First, a solid national commitment to rebuild, reinvigorate and revitalize our nation's cities. We can again make our cities livable--places where Americans want to work and live.

We need changes in the tax laws to promote rehabilitation of neighborhoods rather than continuing the present incentive for destroying neighborhoods. Neighborhood preservation and rehabilitation is essential and long overdue. Essential too is a commitment to ending red lining by lenders in inner city neighborhoods.

Second, New York would not be in this mess if we had an administration pledged to full employment. The fiscal problems at every level of government cannot improve when millions of people are out of work, consuming public services and paying no taxes. An economy of full employment is obtainable; not just an idle dream.

Third, we must federalize the welfare system. The duty of caring for the nation's poor is a national responsibility; the present system has overburdened those jurisdictions which attempt to provide adequate levels of support. We need legislation to establish a uniform 75 percent federal share for states' Medicaid and aid to families with dependent children. This would recognize the federal responsibility for a welfare burden over which the states have little or no control. If we can pay 90% of the costs for new highways, we can do this much for the needy.

Fourth, we need national health insurance. This is the only way to make adequate decent health care available to all--and it too will stabilize and control costs among the federal, state and private concerns. I am tired of apologizing for the fact that we are the only major industrialized country without it.

If we had federalized welfare and national health insurance New York would be showing a surplus this year instead of fighting off a default.

Finally, we need to make some adjustments in our general revenue sharing program. The per capita ceiling and the per capita floor should be repealed, so that more funds would go to the most desperate cities rather than to more prosperous communities. Indeed under the existing program, coupled with the Nixon-Ford cutbacks in categorical aid programs for social services, jurisdictions are now spending less than half of one percent on programs for the elderly--and only 4 percent of revenue sharing funds are expended for all services for the poor and elderly combined.

These are the long term policy changes I see as necessary.

The problems of New York are the problems of every city--they are not the problems only of New Yorkers, but of every American.

I hope and believe the majority of the Congress and the President will come to understand this and respond in time. So I leave you with these thoughts and a pledge

to go back to Washington and help your fine Congressman pass the New York legislation.