

# Media tributes for Victor Gotbaum, union leader who saved banks in 1975 New York City fiscal crisis

By Fred Mazelis  
13 April 2015

Victor Gotbaum, who served as head of New York City's District Council 37 of the American Federation of State, County and Municipal Employees (AFSCME) from 1965 until 1986, was the subject of a special editorial "appreciation" in the *New York Times* April 6, following his death at the age of 93.

Gotbaum retired from DC 37 almost 30 years ago and had not been in the public eye for some time, but the leading newspaper of the American bourgeoisie made sure to pay tribute to him for services rendered over a long period of time, most critically in the crisis of 1975, when the city was threatened with bankruptcy.

"Time and again Mr. Gotbaum, for all his ranting and Brooklyn bluster, proved himself a union boss whom city, state and federal leaders, and bankers, could respect, admire and even befriend," wrote the *Times*.

The *Times* is telling the truth. Gotbaum was indeed the friend of the rich and powerful, the bankers and their political stooges. He played an indispensable role in accomplishing what they could not have done themselves without provoking a social explosion—imposing the costs of the capitalist crisis onto the backs of city workers and all working people.

The New York City fiscal crisis of the mid-70s was the first big showdown between big business and the working class after the collapse of the postwar boom. The economic crisis deepened following the quadrupling of oil prices in late 1973. Recession and stagnation hit New York particularly sharply. The ruling class was determined to use this opportunity to go on the offensive in New York, to roll back the gains workers had made since the 1930s and to set an example for the rest of the country.

In the decade leading up to 1975, public employees had fought to defend and extend their hard-won gains. The city's transit workers had waged a bitter strike in 1966, and this was followed by strikes of sanitation workers and teachers in 1968. DC 37, an umbrella of union locals that included welfare workers, accountants and computer programmers, as well as workers at the city hospitals, the parks department and school lunch employees, became the largest of the public employee unions, growing to a membership of 110,000 by 1975.

The banks, holding billions of dollars in city debt, insisted on draconian measures. When New York Mayor Abraham Beame demanded, among a raft of austerity steps, a wage freeze and 38,000 layoffs, sentiment grew among city workers for militant

resistance, up to and including general strike action.

Gotbaum, however, "recognized the limits of confrontation," in the words of the *New York Times*. He became the main ally of the banks and their political representatives in imposing austerity. A key element in this conspiracy was his close working relationship with Felix Rohatyn of the Lazard Frères investment banking firm, now known as Lazard. Rohatyn had been named the head of the Municipal Assistance Corporation, established by the state to sell bonds to meet New York's debts.

Later, the state established the Emergency Financial Control Board, which took control of the city's budget and oversaw layoffs, pay freezes, and savage cuts in welfare and other social services. Libraries, hospitals and fire stations were closed down. Gotbaum agreed to the "deferral" of negotiated pay raises, which of course amounted to a pay cut at a time of accelerating inflation. He also pushed through the decision to invest \$3 billion of union pension funds to help avert a default.

As the *Bulletin*, the newspaper of the Workers League, the forerunner of the Socialist Equality Party, explained in its issue of October 28, 1975, Gotbaum was instrumental in heading off the movement for a general strike. His modus operandi was to begin with the "bluster" which the *Times* cynically recognizes as a useful tool, meanwhile engaging in secret negotiations with city officials and paving the way for one round of attacks after another. "Time and again the bankers have demanded more blood," as the *Bulletin* wrote, "and Gotbaum has given it."

Setting a crucial precedent for the future, Gotbaum framed his surrender of living standards and basic rights in the language of "public responsibility." As he dramatically proclaimed, "We could stop the collection of millions of dollars a day, turn off the water supply, pull out the ambulance drivers, leave Coney Island without lifeguards. We could rape the city. To me this would be disgraceful for any union to do it. I never think there's validity in destroying the city. I really believe that a union has a responsibility to the public."

Gotbaum conveniently obscured the basic class unity between city workers and the vast majority of the city's population. When he said "public" he really meant the profit system and its representatives. Then as now it was not the millionaires and billionaires who were called upon to exercise responsibility and to stop destroying the city to defend their profits, but the workers and

the poor, who paid through layoffs and social service cuts.

Anchoring the policy of Gotbaum and the rest of the union bureaucracy was its slavish support for the Democratic Party. This included Beame's campaign for mayor in 1973, as well as the effort by Democratic gubernatorial candidate Hugh Carey a year later.

Victor Gotbaum was well suited for his 1975 role, which in no way represented a shift in his loyalties and political outlook. Born in Brooklyn in 1921, he graduated from Brooklyn College in 1948, and then went on to obtain a master's degree in international relations at Columbia University. By the early 1950s—more than 60 years ago—Gotbaum was already working for the US State Department, followed by the Labor Department. His next career move was into the trade unions in 1955, at the very moment that the merger of the American Federation of Labor and the Congress of Industrial Organizations signaled the consolidation of the reactionary anti-communist bureaucracy.

As he climbed the rungs of the labor bureaucracy, Gotbaum stood on the liberal side of the political spectrum. In the late 1960s he was a critic of the Vietnam war, but only because he sought, as part of wide sections of the Democratic Party, to stabilize the capitalist system then under siege by the movement of millions of workers and youth in the nation's factories, urban centers and schools.

Gotbaum's efforts set the stage for the collaboration of the unions in the restructuring of class relations over the next four decades. The events in New York City proved to be the opening shot of an unrelenting class war against the jobs and living standards of US workers. Behind this was the drive by the financial and corporate elite—and both big business parties—to shift the burden of the global economic decline of American capitalism onto the backs of the working class.

After New York City came the deregulation of the airlines and other sections of industry, accelerated by the Carter administration, the bailout of Chrysler and the accompanying attacks on members of the United Auto Workers and Reagan's firing of the striking PATCO air traffic controllers and the wave of union busting, plant closings and mass layoffs in the 1980s. This continued through the financial crisis of 2008 and the acceleration of the social counterrevolution that followed.

The bankruptcy tool has repeatedly been used in the auto, airline, trucking and steel industries, as well as in major cities, most prominently Detroit, to cut the wages of younger workers in half, to deprive thousands of families of the most basic rights to water and other necessities, and to reduce older workers and retirees to destitution.

There is a direct connection between Gotbaum's role in the near-bankruptcy of New York in the 1970s and the role of the unions in the bankruptcy from which Detroit recently exited after 21 months. In the former auto capital, which once boasted of the highest per capita income in the US, unelected Emergency Manager Kevyn Orr worked together with Republican Governor Snyder, local and state Democrats, and AFSMCE and the other unions, to evade pension obligations, in violation of the state's own constitution, and to impose other drastic attacks. Detroit's finances still remain under the control of the state government.

Gotbaum was certainly far from the first union official to betray his members, but his record in the 1970s did mark a significant turning point in the degeneration of the trade unions. The organizations which had grown rapidly as the result of the class battles of the 1930s and 40s had long since been housebroken, but now, in response to the deepening crisis of the profit system, they were no longer able to bargain for a few crumbs in exchange for disciplining the rank and file.

The remorseless logic of the class struggle and the decline of American capitalism transformed the union over which Gotbaum presided, along with the entire AFL-CIO, into adjuncts of big business and the capitalist state. These organizations function, in corporatist fashion, to defend the "national interest"—in other words the needs of American capitalism.

One of Gotbaum's closest friends over the years has been investment banker Felix Rohatyn, who declared after his work together with his union colleague in the 1970s that he would willingly agree to Gotbaum being the executor of his own will.

Also revealing is the fact that Joshua Gotbaum, one of three sons of the late union chief, has served in the administrations of each of the three Democratic presidents since the late 1970s. The younger Gotbaum first apprenticed in the Carter White House, just a few short years after his father's yeoman work for the bankers in New York. After the Democrats lost the presidency, Joshua Gotbaum got a job at Lazard, none other than his father's friend's banking firm, where he worked between 1981-1994. This was followed by a stint in the Clinton administration, including as an assistant secretary of defense, and later the post of head of the federal Pension Benefit Guaranty Corporation under Obama.

Perhaps the most fitting epitaph for Victor Gotbaum would be to point out that the 40-year period since he set the precedent of union "responsibility" coincides exactly with the greatest increase in inequality that has been recorded in US history.

To contact the WSWWS and the  
Socialist Equality Party visit:

<http://www.wsws.org>