

Who Is Back of F.H. LaGuardia?

The Capitalist Forces Behind the Candidate of the New York People's Front

How did LaGuardia get to be Mayor of New York? Who backed his candidacy? What interests put him into office, confident that he would represent them faithfully as the city's chief executive? These are questions that are never raised by the Browder-Thomas-ALP-Republican Party directorate that has formed the LaGuardia People's Front. Nevertheless, the answers to them are of profound weight to every worker in New York City. And it is possible to give the answers with exactness and precision.

New York's Big Business

First of all, it must be realized that New York City is one of the largest "businesses" in the world. Its regular budget is in the neighborhood of \$600,000,000 yearly. This figure, enormous as it is, includes only a part of its expenditures, for many of them, such as "capital improvements", unemployed relief, subways, water works, etc., are classified as non-budgetary. The expenditures far exceed those of any State in the Union (including New York State), and are in fact surpassed only by the greatest of the imperialist nations. The public debt of New York City runs into several billions of dollars, and it likewise is exceeded only by that of the chief imperialist nations. The number of New York City employees is greater than that of the soldiers in the United States regular army. The police force alone is over 20,000.

There are two key features in the financing of this mighty "business". In the first place, the overwhelming bulk of the normal income of the city is raised from the tax on real estate. Indeed, when the regular budget is drawn up, the rate of the real estate taxation is determined by the simple process of dividing the assessed valuation of all real property into the budgeted figure for expenditures. Secondly, capital funds for the city, together with funds to meet budgetary deficiencies (which occur every year, because of the peculiarities of the city's system of budgeting), to cover tax delinquencies, and to provide cash for current outlays in anticipation of tax collections, are obtained by the sale of city bonds and corporate stock. Much the greatest part of the bonds and stock is sold not to private investors but to the banks, particularly to the great New York banks. Every one of the large New York banks carries tens of millions of dollars of New York City securities in its portfolio.

The Budget Question

From these two key features, two important consequences follow: First, it is of major concern to the real estate operators to keep the budget of New York City down to the lowest possible figure, since every increase in the budget is automatically followed by a relative increase in the rate of real estate taxation. (Of course, in the long run much of the increased rate of taxation is passed on to tenants; but many of the tenants in New York are big corporations, and in any case passing the burden on is a drawn-out process which interferes at least temporarily and sometimes permanently with the profits from real estate operation). Secondly, the affairs of the big New York banks are inextricably tied up with the city's finances because of their heavy holdings in city bonds and stock. This is true in a double sense: On the one hand, since the big banks are the only

market for city securities, they milk the city by demanding, and getting, an unusually high rate of interest, and thereby making their financing of the city an extremely profitable investment for themselves. But, on the other hand, they must take care that the bonds and stock of the city are properly secured and financed—that the city does not go bankrupt—for a deterioration of the city's securities would have disastrous effects on the banks' own condition.

During the boom years, there was plenty of money in New York. The graft and inefficiency and generosity of Tammany, solidly in control of the city, was not felt deeply, and no one thought much about "civic reform" and "good government". But the heavy hand of the crisis and subsequent depression began to make itself increasingly felt.

Above all, so far as the "business" of the New York City was concerned, it was felt by the real estate operators and the big banks. The reasons for this are easy to understand. The real estate operators were faced by declining and disappearing rents and profits, by empty and half empty buildings, by the collapse of real estate speculation; but the rate of real estate taxation,

By James Burnham

far from declining, continued up with the still rising city budget. The real estate operators were thus in the middle of a fatal squeeze which, in fact, sent many of them into bankruptcy. The banks, on their side, were compelled to take up greater and greater amounts of city securities (to cover increasing tax delinquencies and budgetary deficiencies, as well as continuing capital expenditures) at the same time that the credit of the city was falling, with the resulting fall in the market prices of city securities and the threat of possible defaults in interest payment—both of which in turn undermined the banks' own credit.

The LaGuardia Administration was conceived and born out of this background. The large real estate operators and the big banks took the leadership in the decision that Tammany had to go; that "good government" had to be introduced; that the budget had to be lowered (which meant necessarily the lowering of salaries and wages, the only item capable of any considerable reduction—it of course did not occur to the banks to advocate lowering the nearly two hundred millions of dollars of yearly in-

terest payments); that an "efficient" Executive had to be put in.

The campaign of the banks and real estate operators was carefully and systematically planned. It was they, of course, who brought about the "Seabury investigations", designed to discredit publicly Walker and Tammany in general. Seabury himself represents as attorney a number of the largest corporations. At the conclusion of the investigations, he "declined" to accept any fee, though it was offered to him, for what he said was a purely altruistic "public service". It is reported that within two weeks after the investigations closed, his law office had more than a dozen new corporate accounts.

The real estate operators worked especially through the so-called Citizens' Budget Commission. This Commission, headed by an able publicist named Peter Grimm, was financed by "voluntary contributions" from those devoted to the "public welfare". The great majority of these contributions came—as the Commission itself will admit—from the real estate operators. The Commission acted as a pressure group, for "economy" and "efficiency" in the City Administra-

tion, both in general publicity, and at the Board of Estimate meeting where, in accordance with the City Charter, all bills must be aired in a public hearing before they can be passed. For several years, there was not a single public meeting of the Board of Estimate from which Grimm or his associates were absent.

Banks Apply Pressure

Meanwhile the banks applied their own pressure in their own way. They steadily raised the interest rates at which they would lend money to the Tammany Administration. They enlisted all their big customers in the "reform movement". Finally, when a large sum for a "revolving fund" became necessary in order to meet current expenditures including many wage and salary payments, the banks absolutely refused to make an agreement with the Administration.

At the same time, Tammany had still further discredited itself through the year's Administration of the utterly stupid and incompetent O'Brien and Tammany's brazen error in re-nominating O'Brien, and had not yet healed the breach with the Catholic hierarchy which had grown up at the time of Walker's public marital scandal.

The scene was ripe. Everything was set for a fusion movement, under slogans of "good government" and "end Tammany corruption" which would remodel the City Administration more completely in the image of the banks and real estate operators. The Fusion Party was formed. LaGuardia was nominated. Peter Grimm was prominent as toastmaster and leading speaker at banquets and rallies in the campaign. The Union League Club, with its might roster of wealthy Republicans, got behind the movement. The directors of the two great banking groups—the "Morgan" banks headed by the Guaranty Trust Company, and the "Rockefeller" banks headed by the Chase National Bank—joined in almost to a man. Throughout the city, the "respectable citizens" took the stump, in public and in private, for LaGuardia. Many of the machine politicians of the Republican Party were disgruntled: for years they had been quite content to remain as a minority group in the city, because of the patronage deals which Tammany had always arranged with them. But they were overcome by the social power and prestige of the LaGuardia backers.

Unity At Last!

The respectable citizens succeeded. And they were not slow in showing their delight. Within a few weeks, the Banker's Agreement, refused to Tammany, was signed with LaGuardia. The city securities went up more than ten per cent in market price. The budget was slashed heavily and more heavily, with dismissals and wage reductions. The Citizens' Budget Commission no longer appeared to disrupt public Board of Estimate meetings—it now met beforehand, in confidential session, with the members of the Administration. LaGuardia began and successfully pushed through his drive for that favorite of the bankers, the City sales Tax. The directors of the Guaranty Trust and the Chase sat back again in the Union League Club, with a long toast to good government and LaGuardia Socialism.

Ask Aid of Yipsels in New York Fight

To all Circles:

To all members:

Dear comrades—

By the action of the rightwing—Clarity combination in moving the expulsion of eleven members of the Appeal Association in the New York League, with charges against others held in absence for one week, the New York District Executive Committee has ceased to exist as a legal body. In solidarity with those whom Clarity sought to expel, the left wing members of the former DEC, who represent the largest section of the League membership, have constituted themselves as a Provisional DEC. This Provisional Committee will function until arrangements can be made for the election of a regular committee.

To Disregard Rump DEC

All circles are hereby informed that the Clarity-right wing membership of the former DEC, if it continues in session as a DEC, is to be considered as meeting in rump session. By taking illegal action against the left wing, the former DEC, which in its actions and majority has ceased to represent the League membership, can no longer sit as the legitimate leadership of the League. The Provisional Committee, composed of comrades who received the greatest number of votes in the last elections and who have behind them the decisive majority of the League membership, informs all members and circles that they are to disregard any instructions forwarded to them by the rump Clarity-right wing DEC. It further informs all members that a general membership meeting of the League will be held Thursday, August 26, at Stuyvesant Casino, at which the Provisional Committee will submit its actions for approval.

All circles are instructed to hereafter turn over all finances and reports to the Provisional Committee. The P. C. is to be informed of all elections for national convention delegates in order that it may provide the cir-

cle with election supervisors. Where a majority in any particular circle, in support of the right wing-Clarity bloc, refuses to recognize the decisions authority of the P. C., the minority is instructed to constitute itself as a functioning group, to elect delegates and to otherwise function as a circle. Circles are likewise instructed to send fraternal delegates to the conference of left wing party branches, called for August 28, on the basis of one for every 10 members or fraction thereof.

Split Created by Right-Center Bloc

These actions are taken by the left wing comrades of the former DEC as the sole means whereby our League of revolutionary young socialists may be preserved from disintegration and capitulation to the political agents of Stalinism. Were these comrades to have acted otherwise in the face of the right wing Clarity expulsion drive, they would have betrayed the trust which the majority of militants in our League entrusted to them. When at the DEC meeting of August 20, the right wing-Clarity bloc voted the expulsion of eleven left wingers, and announced that all members of the Appeal group were to be similarly expelled, it created a thoroughgoing split in the organization. Revolutionary militants on the one side, Right wing-centrist capitulators on the other.

This attempt at expulsion, taken less than two weeks before the national convention, was designed to keep formal control of the League in the hands of this bloc. The Clarity caucus had cast about for a pretext whereby to effect a mass expulsion, and fixed upon the charge of selling the Socialist Appeal, which the comrades do not deny for they have every right to do so. This action is only the culmination of a series of illegal acts executed by the Clarity-right wing majority of the DEC, each more flagrant than the preceding one. There was:

1) The dropping of the four

Yipsels, rejected by the Altman-controlled party, in violation of a long since established League precedent that Yipsels rejected by the Party are not to be dropped until appeal had been made to and settled by the higher party bodies.

2) The expulsion of comrade Bergner from the YPSL with no quorum presented at the DEC, and before his hearings were ended.

3) The falsification of League records by Irving Barshop, so as to gerrymander the national convention.

4) The rescinding of a referendum on the four rejected Yipsels, though the referendum had been duly ordered by one-third of the DEC, as per the Constitution.

And now, to climax the complete disregard for League democracy, and all socialist precedent, the attempted mass expulsion of over one half of the N. Y. League.

Clarity Imitates Old Guard

The charge of selling the Socialist Appeal collapses in the light of previous experiences in the Party. In the fight against the Old Guard, months before branches were suspended or charters lifted, the Militants published the Socialist Call as a public organ, attacking the Old Guard as anti-organizational and splitters. It was not the official organ of either the N. Y. Local or the national Party. It appeared as a public faction organ, calling itself an organ of Militant Socialism. Today, after mass expulsion have begun, after the leaders of the national organization have openly announced their support of the split drive, the left wing has decided to publish the Socialist Appeal. Need it be added that the Socialist Call is now a faction organ of the Clarity caucus? The Socialist Appeal proves that the voice of revolutionary socialism cannot be stifled either by the Old Guard, or the new Old Guard.

The Clarity mass expulsion drive means that the mass ex-

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