

# The Business/Labor Working Group

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In February 1976, New York Senator Jacob Javits summoned a group of public officials, including Governor Hugh Carey, New York City Mayor Abraham Beame, and some leading businessmen to his New York offices to discuss how to create jobs in the city. Since the recession of 1970–71, private-sector employment had fallen sharply, a trend greatly exacerbated by deep cuts to the public-sector work force during the previous year’s scrape with bankruptcy. As the city emerged from the brink of insolvency, with its fiscal hands tied as a result, Javits wanted to discuss ways to “improve the perceived and actual business climate” of the city—specifically, “to prepare an analysis of the measures required to keep business (and therefore employment) in the City” and to develop a plan “for New York City’s best prospects for economic development during the next 3 to 5 years.” Out of this meeting, Javits moved to organize a task force “aimed at improving the employment climate in New York City.”<sup>1</sup> Carey was initially “highly skeptical” of the task-force idea, but Javits and Beame were enthusiastic, and with their support, Chase Manhattan Bank Chairman David Rockefeller pushed the plan ahead.<sup>2</sup>

From these beginnings emerged the Business/Labor Working Group (B/LWG), a collection of business and private-sector union leaders which issued a widely-read set of recommendations in late 1976. The B/LWG was one of a handful of working groups and committees that formed in the mid-1970s, as New Yorkers struggled to develop a strategic vision for their city beyond the day-to-day struggle for solvency. They ranged from quasi-public task forces, like the Temporary Commission on City Finances and the Management Assistance Board, to organizations like the Coalition to Save New York and the B/LWG’s closest analogue, the Municipal Union-Financial Leadership Group. Collectively, these organizations represented an important element of the “crisis regime” that reshaped New York politics and government in the era of the city’s fiscal crisis, providing support for the austerity and deregulatory policies being advanced by the city’s elected officials and agencies such as the Emergency Financial Control Board and the Municipal Assistance Corporation. The B/LWG, Joshua Freeman

writes, provided a “corporatist gloss” on “an agenda of government aid to business.”<sup>3</sup> Kim Moody and Kim Phillips-Fein likewise treat the group as an example of how labor unions, a powerful force in New York politics from the New Deal on, found themselves conscripted into a business-driven agenda of austerity.<sup>4</sup>

Though scholars of New York City politics in the 1970s have recognized the B/LWG’s significance, they have yet to examine the group’s inner workings—to see how the group functioned, what points of tension existed, what alternatives were available, and how disparate interests and ideas clashed and aligned.<sup>5</sup> Using the Rockefeller Archive Center’s Warren T. Lindquist papers, this research report offers a more detailed account of the B/LWG’s origins and the variety of impulses that drove its members as they worked toward a comprehensive set of recommendations. In many respects, it affirms the familiar view of the B/LWG as an expression of the growing organizational power of big business in the era of the fiscal crisis. But it also sheds new light on the diversity of interests and attitudes within the group, the motives and political ideology of the city’s big business community, and, perhaps most importantly, the crucial role politicians played in the formation of the group and, later, in its permanent establishment as the New York City Partnership.

The B/LWG took shape in the month following the February 1976 meeting in Javits’ office. The senator’s staff played an important role in shaping the agenda and structure of the group,<sup>6</sup> and Javits himself helped bring together the group’s leadership and issued the invitation to the first meeting.<sup>7</sup> As the months progressed, however, the issues most important to Javits—the federalization of welfare and a federal urban policy friendlier to the older industrial cities of the Northeast and Midwest—became marginal to the group’s work as the group came to focus on issues where decisions could be taken at the city and state levels.

Both the framework for the group’s work and its underlying political vision came largely out of Rockefeller’s office. Karen Gerard, an economist at Rockefeller’s Chase Manhattan Bank, provided a survey of many of the city’s leading economic sectors — manufacturing, culture and tourism, finance, business services, health

and education, and construction. Broadly, Gerard wrote, New York could hope for “no magic growth industries.” What it needed was action targeted toward the particular needs of its leading industries and “an immediate psychological boost, with the community standing behind some major ‘symbolic’ project” such as a new convention center.<sup>8</sup> Out of Gerard’s survey grew the B/LWG’s general structure: a collection of thirteen working groups which would identify the obstacles and opportunities facing each of New York’s largest industries, and a steering group, headed by Rockefeller and Harry Van Arsdale, Jr., which would coordinate the working groups and work on issues that transcended particular industries.<sup>9</sup> Broadly, the group sought “to improve . . . on a comprehensive basis the actual and perceived business climate in New York City” and to develop “an overall economic policy as a framework for action.”<sup>10</sup>

In the historical literature on the B/LWG, David Rockefeller is typically treated as an antagonist of New York’s local social welfare state. But although the group did ultimately lend support to the austerity regime, Rockefeller and his aides, Warren Lindquist and Chase Manhattan Vice President John Davies, were more interested in spending money than in saving it. Rockefeller and his aides perceived a fundamental political struggle for control at the local and state levels—not so much between proponents of austerity and advocates of a generous social policy, but between the champions and opponents of growth. They saw as their adversaries, not only big-spending New Deal- and Great Society liberals, but also the champions of community power and control. New York’s fundamental problem, Lindquist wrote to Rockefeller and Davies, was this: “the real tho unstated policy of the city” was to permit “special, self-interested groups . . . to frustrate the pursuit of the long-term general interest.” The political clout of local groups, Lindquist wrote, not only hurt “the general investment climate” but also “individual potential growth situations”—citing instances such as the Morningside Heights Institutional Growth Plan.<sup>11</sup>

Driven by this political vision, the B/LWG coordinating group focused primarily on projects and policies they believed would facilitate growth. They concerned themselves occasionally with symbolic issues—urging Carey to lift New York’s ban on the Concorde jet, for instance.<sup>12</sup> But they focused above all on two issues. The

first was public investment. The group gave “highest priority to pushing two massive public works projects”<sup>13</sup>: a new convention center and the massive highway-and-redevelopment project known as Westway. Rockefeller and Van Arsdale played a central role in lobbying Secretary of Transportation William T. Coleman, Jr. to secure the federal government’s support for the project, claiming that it would deliver a boost in confidence which would lead to more than \$7 billion in new private-sector investment in the city.<sup>14</sup> When Coleman announced the federal government’s “final approval” for the ill-destined project in early 1977, Rockefeller and Van Arsdale joined him, Carey, and Beame at the press conference.<sup>15</sup>

The second issue was rent regulation. No topic stirred up passions during the group’s meetings like rent regulation; as soon as the subject arose in the final B/LWG meeting, the “topic led to a general discussion of the basic ills of the city and the downward spirals connected with it and covered everything from Culture to Education to Tourism.”<sup>16</sup> The push for rent deregulation was led not by real estate developers, but by Peter Brennan, the president of the New York Building and Construction Trades Council and until recently the U.S. Secretary of Labor under Nixon and Ford; Brennan and Rockefeller’s aides alike saw deregulation as a source of investment in the city’s housing stock, badly needed in a city that had already lost 2 million units to abandonment and arson, and which was continuing to lose about 30,000 units per year.<sup>17</sup> By abolishing the existing system of rent regulation and transitioning to housing subsidies (perhaps through an expansion of the federal Section 8 program), the B/LWG claimed, the city could not only create jobs in rehabilitation and new construction, but could also make neighborhoods more attractive to middle-class residents, which in turn would stimulate additional development. Housing rehabilitation, the steering committee argued, “can and should be a major growth area,” a rich source of construction jobs with ample linkages. But more, “Without a satisfactory housing inventory, we cannot hope to retain what remains of the middle-income wage earner, or to create the solid housing market that must be a basis for successful new construction.”<sup>18</sup> The quest for middle-class residents was paramount to Rockefeller’s aides. Lindquist forwarded Rockefeller a *New York Times* story on the plight of some Greenwich Village brownstoners whose rental income was

“drastically inadequate”; “This underlies the necessity of dealing with rent control as a fundamental frustration to the city’s economic regeneration,” he wrote. “This situation is silly [and] intolerable.”<sup>19</sup>

If public investment and rent deregulation represented the heart of the steering group’s developmentalist agenda, a diverse range of other policy preferences made their way into the B/LWG’s reports through the working groups. As Joshua Freeman notes, the Education working group represented the clearest case of working group members seizing the opportunity to advance their own self-interested agenda; a group headed by NYU President John Sawhill called bluntly for the City University of New York to focus on community-college education and leave four-year college and graduate education to the city’s private colleges and universities—and to stop paying competitive salaries to faculty members, to boot.<sup>20</sup> The Garment Industry task force, co-chaired by Sol Chaikin of the International Ladies Garment Workers’ Union and Murray Finley of the Amalgamated Clothing Workers’ Union, called for heightened trade regulations to protect American manufacturers as well as measures to alleviate costs—such as the tax burden posed by New York State’s unemployment insurance law and the high costs of utilities.<sup>21</sup> The Retail group, led by G. G. Michelson of Macy’s, paid particular attention to quality of life issues—especially street crime and housing abandonment.<sup>22</sup> The Finance and Business Services groups advanced a largely-familiar collection of tax reduction proposals. In advocating for these policies, Karen Gerard frankly suggested that, while “a relationship” between New York’s tax burden and the health of the local economy “has not been statistically proved, there is no reason to reject what common sense would suggest”—namely, that taxes were making it difficult for the city to compete for investment.<sup>23</sup> Robert Tisch’s Tourism group asked little beyond construction of the convention center, additional funding for the New York Convention and Visitors Bureau, and additional efforts to curtail street crime and hustles. Their report stood out in its optimism. The tourism industry, the working group wrote, was on its way to becoming “an asset of unequalled importance,” a source of both “fresh money” and jobs for both high-skilled and low-skilled workers. And whereas the city was struggling to hold its corporate headquarters and its garment manufacturers, the group wrote, “tourism is the one industry which won’t leave New York — in many

respects, it is New York.”<sup>24</sup>

As the B/LWG prepared to issue its report, several members of both the city government and the corporate world urged Rockefeller and Van Arsdale to continue the group’s operations. Deputy Mayor for Economic Development Osborn Elliott made it clear that he viewed the group as a valuable extension of his own agency’s governing capacity—not only might it provide his fledgling office with a valuable source of “expertise, contacts, and resources,” but labor’s involvement in the group represented an “extremely important feature,” a valuable political resource.<sup>25</sup> Rockefeller and his aides considered a variety of options for continuing the group—as an ongoing office within the Office of Economic Development, or housed within an established organization such as the New York Chamber of Commerce and Industry or the Association for a Better New York (or under the joint auspices of both).<sup>26</sup> Ultimately, the B/LWG expired following the release of its report in January 1977.<sup>27</sup>

But by then, the B/LWG had launched the idea of a more fully institutionalized business presence in city governance. The very qualities Elliott had lauded the B/LWG for possessing, the city and state governing regimes now felt sorely lacking. “If I have a problem, I don’t have a group to go to as it is now,” Elliott’s successor, Peter J. Solomon, lamented.<sup>28</sup> Governor Carey, in particular, “complained bitterly about the lack of organized support he received ... from the New York business community in trying to push through” the Westway project.<sup>29</sup> With the encouragement of Carey and New York City Mayor Edward Koch, Rockefeller joined with B/LWG alumni Richard Shinn and William Ellinghaus to establish the New York City Partnership. Shorn of labor involvement, the new group set out, not only to establish a unified voice for the city’s largest businesses, but also to provide “a new model for social problem-solving,” institutionalizing and disseminating the idea of public-private partnerships that would sweep American cities in the last two decades of the 20<sup>th</sup> century.<sup>30</sup> Looking back years later, Rockefeller described the B/LWG as “the predecessor really of the Partnership.”<sup>31</sup>

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<sup>1</sup> Jacob K. Javits, Undated invitation draft, Warren T. Lindquist Papers, FA102, Series 2, Box 64, Folder 518, Rockefeller Archive Center (RAC).

<sup>2</sup> “Memorandum of Conversation,” March 23, 1976, Lindquist Papers, FA102, Series 2, Box 64, Folder 518, RAC.

<sup>3</sup> Joshua B. Freeman, *Working-Class New York: Life and Labor Since World War II* (New York: New Press, 2000), 278.

<sup>4</sup> Kim Moody, *From Welfare State to Real Estate: Regime Change in New York City, 1974 to the Present* (New York: New Press, 2007), 48–49; Kim Phillips-Fein, *Fear City: New York’s Fiscal Crisis and the Rise of Austerity Politics* (New York: Metropolitan Books, 2017), 264. See also Martin Shefter’s similar framing of the Municipal Union–Financial Leadership Group in Shefter, *Political Crisis/Fiscal Crisis: The Collapses and Revival of New York City* (New York: Columbia University Press, 1992 [3<sup>rd</sup> ed.]), 163–166.

<sup>5</sup> To date, only three primary documents have been cited: the group’s summary report and notes from two of its monthly meetings. Freeman, *Working-Class New York*, 388, n 49.

<sup>6</sup> Krumbhaar to Rich Berman, Davies, and Lindquist, March 18, 1976; Davies to Rockefeller, A. Wright Elliott, Lindquist, and Gerard, March 19, 1976; Berman to Davies and Lindquist, March 18, 1976; Berman to Davies and Lindquist, March 15, 1976; all in Lindquist Papers, FA102, Series 2, Box 64, Folder 518, RAC.

<sup>7</sup> Davies to Rockefeller, March 8, 1976, Lindquist Papers, FA102, Series 2, Box 64, Folder 518, RAC.

<sup>8</sup> Karen Gerard, “Potential Growth Industries for New York City,” memo for Davies, March 4, 1976, Lindquist Papers, FA102, Series 2, Box 64, Folder 518, RAC.

<sup>9</sup> “New York City Economic Development Task Force: A Suggested Agenda” [n.d.]; “Agenda: Meeting on New York Economic Development, March 29, 1976”; both in Lindquist Papers, FA102, Series 2, Box 64, Folder 518, RAC. The working groups were: Health and Medicine, Real Estate, Garment and Textiles, Corporate Headquarters, Finance, Retail, Education, Culture, Printing, Communications, Port and International Trade, Tourism and Culture, and Business Services.

<sup>10</sup> “New York City Economic Development Task Force: A Suggested Agenda” [n.d.].

<sup>11</sup> Lindquist to Rockefeller and Davies, March 4, 1976, Lindquist Papers, FA102, Series 2, Box 64, Folder 518, RAC.

<sup>12</sup> David Rockefeller and Harry Van Arsdale to Hugh Carey, Feb. 23, 1977, Lindquist Papers, FA102, Series 2, Box 64, Folder 532, RAC.

<sup>13</sup> Freeman, *Working-Class New York*, 278.

<sup>14</sup> Rockefeller and Van Arsdale to Coleman, Dec. 30, 1976, Lindquist Papers, FA102, Series 2, Box 64, Folder 532, RAC.

<sup>15</sup> Charles J. Orlebeke, *New Life at Ground Zero: New York, Home Ownership, and the Future of American Cities* (Albany, NY: Rockefeller Institute Press, 1997), 14.

<sup>16</sup> Business/Labor Working Group, Coordinating Group, “Meeting Notes, November 23, 1976, 2:00 p.m.,” Lindquist Papers, FA102, Series 2, Box 64, Folder 532, RAC.

<sup>17</sup> “New York City Economic Development Task Force: A Suggested Agenda.”

<sup>18</sup> Ibid.

<sup>19</sup> Lindquist to Rockefeller, June 25, 1976, Lindquist Papers, Series 2, FA102, Box 65, Folder 548, RAC. See Alan Oser, “Costs Squeeze Some Brownstone Owners,” *New York Times*, June 25, 1976.

<sup>20</sup> “Position Paper—Higher Education Subcommittee of Business / Labor Group,” Lindquist Papers, Series 2, FA102, Box 64, Folder 531, RAC. See Freeman, *Working-Class New York*, 278.

<sup>21</sup> “Report of the Needle Trades Working Group,” Lindquist Papers, FA102, Series 2, Box 64, Folder 532, RAC.

<sup>22</sup> “Summary of Comments of Retail Labor/Management Working Group Meeting on August 19, 1976,” Lindquist Papers, FA102, Series 2, Box 64, Folder 532, RAC.



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<sup>23</sup> “Tax Recommendations of the Special Task Force on Taxation to the Council on the Economy of New York,” “Report of the Needle Trades Working Group,” Lindquist Papers, FA102, Series 2, Box 64, Folder 530, RAC.

<sup>24</sup> “Tourism as an Economic Force in New York City and Its Potential for Growth: A Study and Summary By the Subcommittee on Tourism of the Business/Labor Working Group of the New York State Council on the Economy,” Lindquist Papers, FA102, Series 2, Box 64, Folder 531, RAC.

<sup>25</sup> Osborn Elliott to David Rockefeller, Nov. 22, 1976, Lindquist Papers, FA102, Series 2, Box 64, Folder 532, RAC. See also Victor Marrero to Rockefeller, April 18, 1977, in Lindquist Papers, FA102, Series 2, Box 64, Folder 534, RAC.

<sup>26</sup> “B/LWG Implementation: Some Possible Options” (draft) [n.d.]; Edmund Pratt to David Rockefeller, May 24, 1977; “Draft: Steering Committee Meeting, May 11, 1977 (Assn. for a Better New York)”; in Lindquist Papers, FA102, Series 2, Box 64, Folder 534, RAC.

<sup>27</sup> For press coverage of the release, see “Economic Recovery Plan Offered,” *New York Times*, Jan. 29, 1977. Mayor Beame, who attended the news conference, pointedly refused to endorse the report’s call for the abolition of rent control.

<sup>28</sup> “Top New York Executives Plan Coalition to Exert More Influence,” *New York Times*, Dec. 19, 1979.

<sup>29</sup> Ibid.

<sup>30</sup> Miriam Greenberg, *Branding New York: How a City in Crisis Was Sold to the World* (New York: Routledge, 2008), 233 – 236, 302 n 5 (quoted at 233). Cf. David Rockefeller, “Ingredients for Successful Partnerships: The New York City Case,” in Perry Davis, ed., *Public-Private Partnerships: Improving Urban Life* (New York: Academy of Political Science, 1986).

<sup>31</sup> Orlebeke, *New Life at Ground Zero*, 43.