

Introduction

Late one afternoon in May, 1980, Governor Hugh L. Carey and an assistant counsel were returning to his office after a public event marking the fifth anniversary of the court consent decree to close the Willowbrook Development Center in Staten Island, New York, a nightmarish institution for the developmentally disabled. Carey's aide, Clarence Sundram, knew that throughout his political career in Washington and Albany, the governor had dedicated himself to the needs of the disabled. As their car carried them back toward Manhattan, Carey turned to face Sundram, saying that while people would probably credit him first and foremost with rescuing the city and the state from the brink of bankruptcy during the great New York City fiscal crisis of 1975, he personally was proudest of signing the legal agreement that began the process of finally placing Willowbrook's poorly served residents in small neighborhood group homes and day care sites around the state. It was a long-overdue step that set a humane standard for the treatment of the retarded.

For any politician, merely rescuing New York from the cliff's edge of economic collapse would have been accomplishment enough. But Carey, frequently mistaken during his extensive career for a traditional Irish-American machine politician, harbored a principled and progressive sense of public responsibility and purpose. Unlike many contemporary politicians who inflate a kernel of achievement into an exaggerated resume while relying on armies of consultants, speechwriters, and pollsters, Carey led a substantial life. He grew up during the Great Depression, fought in World War II and helped liberate a Nazi death camp, and ran for Congress. His first campaign came the same year in which another liberal Irish Catholic, John Kennedy, captured the White House, and with the active help of his huge family—he and his wife, Helen, raised fourteen children—Carey defeated the popular Republican incumbent in his conservative Brooklyn, New York, district. He survived five more tough campaigns as he worked his way up the hierarchy of the House of Representatives to a seat on the powerful, tax-writing Ways and Means Committee. Confident in himself, and ambitious for more prominence, he ran for governor of New York in 1974; tripped up the Democratic nominee,

Howard Samuels; and went on to sweep virtually every county in the state in the general election, in which he defeated Republican governor Malcolm Wilson and ended sixteen consecutive years of GOP dominance in New York State. Carey's contributions in his two terms as governor came to encompass the first significant attempt to reform the state court system in decades; the cleanup of Love Canal, a milestone in the unfolding national focus on the environment; and the rehabilitation of New York City's deteriorated and graffiti-strewn subway fleet, among other notable accomplishments. He was, and remains, one of New York State's most effective yet least appreciated governors.

Our book seeks to set the record straight, placing the greatest emphasis on the 1975 fiscal crisis, which, at one hair-raising juncture, came within hours of causing America's largest city, and financial capital, to declare itself insolvent. Such an admission of gross political and governmental failure could have touched off social and economic distress and upheaval on a wide scale, not only within the city of nearly eight million people, but across a recession-mired nation already demoralized by the recently concluded Watergate scandal and Vietnam war, a \$30-billion-a-year misadventure. If what Carey came to label forcefully as "unthinkable"—a New York City bankruptcy—did occur, many world leaders feared nothing less than a disruption of the international banking system and the global economy.

It's also our hope that this book will help readers, including current and future policy makers and politicians, to recognize the enormous dangers of unrestrained public spending in deference to favored constituencies, election considerations, special interests, or outmoded habits and traditions. While many mechanisms for improved fiscal stewardship of New York—city and state—function to this day, including some imposed during Carey's tenure, they are in danger of losing their force and meaning and may be more easily evaded as government veterans of 1975 retire or die and as institutional memory fades. So it was during the fiscal crisis of the mid-1970s, which unfolded four decades after the Great Depression, and so it could well be the case again, now thirty-five years since the 1975 shocker. Indeed, the global economic slowdown of 2008 brought about a painful awareness that most households, companies, and governments harbor too much debt, thanks, in part, to the deregulated banking system, years of loose credit, and political and public complacency.

Commissioned by the Hugh L. Carey Institute for Government Reform, a center established in 2007 at Wagner College in Staten Island, *The Man Who Saved New York* is an unauthorized account portraying many vivid aspects of Carey's youth, military service, and political career against the backdrop of a changing and challenged city, state, and nation. While we do not pretend that the book represents the last word on Hugh Carey,

our research was helped in particular by ten extensive interviews with him, as well as with dozens of friends, observers, members of his family, and a gifted group of former aides, such as Stephen Berger, David Burke, John Dyson, David Garth, Peter Goldmark, Judah Gribetz, S, Michael Nadel, Carol Opton, Richard Ravitch, Tom Regan, Felix Rohatyn, Clarence Sundram and others, in both prominent and supporting roles, who Carey inspired to conduct some of the finest work of their careers, setting a modern standard for excellence in state government recruitment and results. That Carey's administration was virtually free of corruption scandals and patronage marks another feat in the checkered history of New York and other ethically challenged state governments.

In any narrative about the fiscal crisis, Carey, we found, belongs at the center, though most historical and analytical accounts of the period have not put him there. Indeed, the initial signs of the maelstrom stirred when he first arrived in Albany, New York, in January, 1975. By the end of that seminal year, with the crucial help of many in his administration and several business executives as well, he had braved a ferocious storm for which there were no parallels in American history except perhaps the Great Depression, and he surprised many by becoming a leader of resolute action and an astute, effective, and eloquent statesman.

When he was a boy growing up during the 1930s, Hugh Carey's parents, like many descendants of Irish immigrants to America, deeply admired President Franklin D. Roosevelt, who championed the destitute masses and favored them with jobs, emergency food, and hope when, in New York, even the vaunted Tammany Hall political machine could no longer offer people a reliable hedge against impoverishment. As an adult, working with his brothers in the petroleum business as their father had done, Carey was swept up by all the euphoria surrounding John F. Kennedy's presidential campaign. The winds of liberalism and political change that were stirring in the early 1960s helped Carey unseat the undefeated conservative New York congressman Francis Dorn. At the time, the novice politician and his wife were raising their growing family, and their sons and daughters donned handmade costumes, sang, and pitched in to win the hearts, and votes, of many Dorn supporters. In the best tradition of the Kennedy years, Carey, who with his square build, bushy eyebrows, and disapproving stare resembled an Irish cop, cultivated lasting friendships in Washington with many of its most formidable leaders. He also acted to assist the powerless, such as the developmentally disabled, forging the first trade school for the deaf, in Rochester, New York. During his fourteen years in Washington, Carey promoted federal funding of educational opportunities for all, balancing political confrontation and compromise as the pivotal backer of the landmark U.S. Education Act of 1965. This was perhaps his most important and enduring

congressional success, as it marked the first time the federal government provided significant funding for schools, both public and parochial.

An engaging storyteller, with a flair for spontaneous and exuberant performance, Carey did not, all the same, choose at any point to write his own book about his life and career; his zone of comfort and proven strengths lay squarely within the realm of the spoken word. It was also the case that some of Carey's gubernatorial advisers were unusually adept at managing the media and getting their own voices across in the press; Carey rarely got in their way, once explaining (to Felix Rohatyn), "When you're right, I get all the credit, but when you're wrong, I get only half the blame." Carey, too, tended to be self-effacing in formal appearances, and he relied heavily on David Burke and Judah Gribetz, among other behind-the-scenes actors, to help translate his free-flowing instincts and opinions into public statements and political action.

Yet it was Carey who, jeopardizing his own political popularity, enlisted the state government in a string of calculated financial and political risks on imperiled New York City's behalf; compelled an often implacable Mayor Abe Beame to slash and reorder city spending; placed the city's financial house under stern state supervision; and somehow prevailed on a reluctant President Gerald Ford and recalcitrant Congress to buoy up the city in late 1975 with billions of dollars in desperately needed seasonal treasury loans.

In the crusade to keep the city from defaulting on its debts to bondholders and other current obligations, Carey sought to temper the indignant demands of the nation's top banks headquartered in Manhattan, who, he well knew, had long indulged the city's insatiable appetite for borrowing and wielded enormous clout. He secured the crucial help, too, of the city's municipal labor unions, whose leaders bought potentially worthless bonds to keep the city from defaulting and their labor contracts from becoming null and void. And he resisted the voices, whether Democrat or Republican, left or right, of those who for ideological reasons supported or at least were not as distressed as Carey by the prospect of a New York City bankruptcy.

When the city finally balanced its budget according to a federal timetable, it was able to receive, from President Jimmy Carter, guaranteed federal backing for additional borrowing in the municipal bond market. It thus was able to secure continued access to the credit market—the assurance of financing—to pay off its mountainous debts, and won a chance to rebuild its frayed civic fabric under state-imposed constraints, however slowly and painfully.

Carey's politics throughout his political career remained those of a pragmatist. Drawing on the memory of his late father's struggles with creditors during the depths of the 1930s, he fostered the conditions and climate in which traditional adversaries could cooperate across lines of suspicion,

or at the very least make grudging tradeoffs to keep New York City from going under. All parties in the difficult negotiations recognized that if the city's operations came to a standstill, everyone would have been hurt, and anyone who refused to cooperate with the governor's program would be saddled with the blame.

Less well known, but equally important, was the Carey administration's effort, in the wake of securing seasonal loans from the Ford administration, to keep four large public authorities of New York State from collapsing. Had these troubled statewide agencies' relationship with the municipal credit market been severed, as it very nearly was in 1976, when all New York-labeled debt paper, city and state, was considered risky and suspect, then the municipal credit market might have turned away from doing business with the entire apparatus of state government. Then, New York State would not have been able to allocate annually scheduled aid to all of its localities, and all the local units of government, including the recently assisted New York City, would have almost certainly collapsed.

The country at the outset of Carey's two terms was nearing the end of a liberalism once assiduously cultivated by FDR, Kennedy, and Lyndon B. Johnson. It was the start of a conservative reaction that would sweep the nation, culminating in the 1980 election of Ronald Reagan, more than two years before Carey left Albany. Labor's membership outside of municipal unions had begun to slip nationwide, while corporate power was on the verge of exponential growth. New York City's middle and working classes and unions had in fact flourished in the post-World War II liberal era, but by the mid-1970s, the prosperity they advanced and participated in was under siege from all sides. Factories were departing for domestic and foreign sites that offered tax cuts, cheaper wages, and union-free shops. Rail yards and ports were closing. Vast droves of New Yorkers were fleeing the five boroughs for the neighboring suburbs and the fast-growing, federally subsidized Sunbelt states. The New York City fiscal crisis of 1975 crept up as many Americans felt hostile toward a metropolis with a huge municipal workforce. As it unfolded on the state, national, and international stage, it marked a major turning point in the country's political direction.

For this reason and others, Carey's task of fending off the disaster was more fraught and difficult than imaginable. His ultimate success was nothing short of remarkable, as it was a feat that arose from his experience in Congress, his grasp of business matters, an admirable mix of skilled, independent-minded advisers, and relentless efforts to convert traditional adversaries—labor and business, Republicans and Democrats, upstate and big-city state legislators—into supporters in the cause of saving a great and troubled metropolis.

When he left office at the end of 1982, with anti-tax fury and Reaganomics the new political forces in the country, he left his city and state in a far better place than he had found it.

Seymour P. Lachman
Robert Polner