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by Dave Goldman

New Economic Initiatives by Soviets Open Way Out of Depression for Europe

June 14 (IPS)—With something of a shock, Western Europe realized this week that the Soviet Union was the only national government in the industrialized world taking competent action on behalf of the world economy. The Soviets had announced their intention to do so in their call to "all peoples and governments" six weeks ago. But this week marked a turning point in the question of who makes policy, combining the most hubristic interventions the Soviets have yet made in the West with the most abominable display of stupidity and paralysis ever seen on the part of the top organs of the capitalist class

On June 12, Soviet Deputy Prime Minister Novikov bluntly ended several days of talks in Bonn with West German officials including Chancellor Schmidt and Foreign Miniter Genscher, by stating that orders to West German industry depended on German credits. "With a 2 billion deutschemark credit," Novikov claimed, "the Soviet Union could send more orders to West Germany." Trade between the two countries, the Soviet Minister predicted for newsmen, would reach a record 10 billion marks (about $4.5 billion) during 1975 if the West German government wanted it. Now, East bloc trade accounts for nearly 10 per cent of West Germany's exports.

At the same time, Soviet trade missions are deployed throughout the rest of the advanced industrial sector. Deputy foreign trade minister I.E. Wemichastnov spent two days in Tokyo this week speaking with a group of Japanese businessmen, reportedly to discuss new projects with the Japanese. In Moscow, a representative of Italy's largest auto manufacturer FIAT met with foreign trade minister Patolichev and top-level Soviet technical specialists.

These Soviet negotiators—in most cases, armed with immediate action proposals to increase trade—have been firmly backed by high-level statements from Moscow. On June 11, Soviet Premier Alexei Kosygin noted that Soviet peace initiatives "favorably influences our potential for economic growth." "The prospects for broad business cooperation," Kosygin stated, "which international detente opens up, correspond to the interests of all countries. The advanced capitalist countries gain from this no less than the socialist countries. And there has as yet appeared no country in the world, which would gain in its development by boycotting ties with the socialist states."

This method of trade negotiations—appealing directly to hard-pressed German trading interests in the middle of a fever-pitch—is something that capitalists are not accustomed to, and even such firm advocates of expanded Eastern ties as the West German financial daily Handesblatt bristled slightly at the Soviets' chutspah.

But the Soviets are explaining clearly and precisely why East-West trade has to increase. Soviet academician Vladimir Kotov, for example, set out the need for increasing shipments of Western European capital goods to the Soviet Union in a talk Wednesday before a business audience in Frankfurt. Such exports "should ensure that more finished and semi-finished goods could be delivered from the Soviet Union to West Germany," Kotov said, adding, "This in turn is the basis for the quick expansion of the trade volume of both countries." He added frankly that this plan "also could overcome the deficient quality of Soviet manufactured goods."

To make sure this last point was not lost to the non-Russian speaking German capitalist, the East German magazine Horizont this week featured an interview with the Soviet deputy chief of economic planning Inozemtsev. The Russian planner noted the extent to which the new Soviet five-year plan takes into account the interdependence of the world economy. Dismissing Western capitalist arguments that there is no depression collapse, Inozemtsev emphasized the economic stability of the East Bloc and offered the West a share in the East's industrial growth.

Past these efforts, through which the Soviets and their allies have set the terms of economic policy for their potential collaborators, the socialist bloc has evinced a genuine understanding of how to bring the institutions needed to reconstruct world trade into existence.

The annual report of the International Bank for Economic Cooperation, the central bank of the Soviet-led Council for Mutual Economic Assistance (COMECON), indicates how the Soviets intend to go about the creation of a transfer-ruble payments system for East-West trade and three-way development efforts in the underdeveloped sector. The report says:

"The present economic relations between the COMECON area and capitalist countries are becoming increasingly complex, including trade- and credit-relations as well as cooperation in production and in scientific and technical endeavors...Despite the troubled situation of the Western currency markets during 1974, and the serious crisis of confidence in the capitalist banking system in the middle of last year, IBEC further developed its operations in convertible currencies (i.e., Western curencies) to the equivalent of 52.8 billion transferable rubles (about $65 billion). This activity of the bank in the credit sector was expressed in a necessary growth of the bank's convertible-currency credits, and in its participation in joint banking ventures with France and Italy, among others."

That is, in cooperation with part of the Western banking system, in particular the large government-owned banks of France and Italy, the International Bank for Economic Cooperation has created a $65 billion credit pool for East-West trade. IBEC itself thus provides a bridge between the transfer-ruble trade within the COMECON and external trade still denominated in dollars or deutschemarks.

Since its founding in 1964, IBEC has functioned along roughly similar lines to the proposed International Development Bank, issuing book credits as needed on the basis of trade agreements between different country-members of the Soviet economic group. Its latest annual report indicates that it now has the capacity to link this to Western-currency credits, creating, in effect, a limited "convertibility" on a strictly trade-related basis between the CMEA trading currency, the transfer ruble, and Western currencies. Including Western central banks in the arrangements begun unilaterally by IBEC—as the Italian financial press has proposed—would put Western Europe on a ruble payments basis.

From the Western side, this depends entirely on a political commitment from the capitalist countries to discipline themselves to working class terms. As one Italian commentator put it, "Measures will be required to dampen speculation" in the new currency arrangements. Payments in transfer rubles will necessarily be limited to central banks acting along the same lines as IBEC, issuing transfer-ruble payments to settle international trading balances and issuing Western currencies to local manufacturers.

Moreover, the Soviets are—less publicly—linking into Western motion towards the emergency resurrection of a gold payments system, as a storm shelter against the dollar collapse. On June 6, Kosygin met in Moscow with Swiss National Bank President Leitweiler, a top-level parley without precedent, according to Swiss sources. Swiss banking sources believe that the meeting, at which the two leaders "exchanged views on questions of economic relations," might have been a critical breakthrough for both sides. The Swiss are the most notoriously pro-gold of European countries, and house the world's largest gold market.

Comecon's transfer ruble, backed by 0.9 grams of gold, is the only major world currency supported by the metal. To the extent that European central banks revive gold exchanges to settle their accounts after this week's International Monetary Foulup (IMF) meeting, the move towards a ruble payments system is the self-evident next step.

Europe, Arabs Move Away from Dollar

June 12 (IPS) — Capitalist circles in Western Europe and the Arab world are tied up in a vast, confused motion towards a monetary situation which would exclude the U.S. dollar. No single capitalist group or country is yet willing to take the necessary steps to outlive the dollar empire, that is, freeze dollar debt payments and strike the necessary bargains with the Soviet Union. But the daily life of the capitalist class is increasingly devoted to pinning down positions and alliances for the credit storms underway: time is against the Rockefeller financial interests, the main dollar-creditor.

A haphazard financing arrangement now unites Europe, Japan, South Africa, some of the Persian Gulf oil states, and several key members of the non-aligned bloc. Central to this, as New Solidarity has reported, is the importance of gold as a transitional means of maintaining international payments at the point where the dollar-based currency structure breaks down.

Future for Sterling Interests

Gold market sources confirmed today that South Africa has made arrangements with a large oil-producing nation to sell its weekly gold mines' output directly, holding the new metal off the international markets. As the South African finance ministry had threatened last week, this measure is designed to retaliate against the U.S. Treasury's decision to auction off 500,000 ounces of gold in order to artificially depress the market price. By this means, one source said, France, South Africa, and certain Arab countries "are staging a political war against the dollar."

Meanwhile, British financial interests based on the old commodity and sterling-finance arrangements of the British colonies continued to expand links with the Arabs and nations within the third world group pushing for rapid development. Following the successful completion of a combined British-Malaysian takeover of London Tin, one of the leading firms trading in that industrial metal, another mining company, Lonrho, announced at its annual meeting this week that Arab interests had bought up 25 per cent of its stock.

The short-term aim of such arrangements is to enable holders of sterling, which must cease existence as an international currency within weeks, to obtain equity — property titles to real value — in raw-material interests related to development and gold. A collapse of sterling is not necessarily baneful to sterling interests, provided they have title to sufficient equity to restart production and trade once new monetary arrangements are put into operation. In this case they would be in a position similar to that of German industrialists who survived periodic national bankruptcy and reconstruction of credit arrangements, as a means of wiping out the fictitious-capital barriers to recovery. To a certain extent, the type of long-term trade arrangement which British Trade Minister Peter Shore, a representative of the Labour Party's left wing, has concluded with the Soviet Union constitute a very real type of "equity," as a basis for future credits under a transfer-ruble payments sytem.

Crisis Mongering

The prospect of such a development has worried the Rockefeller financier faction sufficiently to spark a revival of Eric Sevareid's campaign to sink Britain. In its hourly news bulletins today, Sevareid's radio station, WCBS, warned of a collapsing pound sterling — while foreign exchange traders reported moderate losses for the currency in quiet trading. A short-term disruption of sterling would tend to can existing negotiations between British firms and potential partners in countries like Malaysia, the home of the Haw Par interests who combined with City of London financiers to corral part of the tin market. According to a British specialist at the Hudson Institute, a frequent contractor for CIA studies, Sevareid and Company are conducting a "psychological warfare campaign to discredit Britain exactly as bankers and the press have done to New York City."

In a mimic of the Schachtian Municipal Assistance Corporation affair in New York, the Labour Party's central policy staff put forward a proposal to nationalize the British clearing banks, the keystones of finance in the United Kingdom. This move, which would put daily financial transactions under the thumb of Rockefeller agent Denis Healey, Britain's Chancellor of the Exchequer, met immediate condemnation from anti-Rockefeller Labour leftist Tony Benn in the British Parliament this week. An attempt to force a New York City solution upon Britain at this stage would backfire: the effect would be to give the Labour left and their potential allies in other parties the leverage to break the political balance between Benn and Co. and the British Rockefeller supporters in the former's favor.

Elsewhere in Europe, the central banks of the European Economic Community are likely to ignore whatever decision emerges from the meeting this week of the International Monetary Fund (see article p. 2), and agree to trade gold freely among tremselves, the Italian financial press reports this week. Such an agreement, mooted since the dollar collapse began at the beginning of this year and delayed through pressure from Rockefeller allies in the German government, would provide Europe with an alternate payments mechanism in the context of a breakup of the dollar system, and function as a "foot-in-the-door" towards a European payments system based on the gold-backed transfer ruble of the Council for Mutual Economic Assistance.

Dollar Damned

In public, however, most European pressure for monetary changes to succeed the collapsing dollar structure has remained at the level of caterwauling about the chaos generated by the dollar collapse. At its annual meeting this week, the Basle, Switzerland-based Bank for International Settlement, the club of European central ban[illegible], called for a re[illegible] to fixed exchange rates. Exchange rates have floated more-or-less since the United States declared the dollar bankrupt and removed its gold backing on Aug. 15, 1971, allowing the dollar's parity to swing freely against that of other currencies. This week, European bankers and politicians, from Bank for International Settlements president Renee Larre to French Finance Minister Jean-Pierre Fourcade, damned the United States for allowing its currency problems to sabotage world trade.

The exchange-rates question has nothing in particular to do with the current crisis; the swinging dollar rate has made life impossible for trading firms for months. What Europe now confronts is a wave of moratoria and defaults on dollar debt, with a resulting breakdown of international payments generally.

Throughout the channels of world finance, bankers are pathetically attempting to work around the dollar collapse without pushing the mass of paper out of the way. A recent deal for shipment of 650,000 tons of coal from Japan to North Vietnam, for example, was financed with German marks through Japanese banks. Meanwhile, the Japanese opened their domestic money markets for the first time since 1973 to foreign borrowers, allowing a Finnish concern to obtain about $30 million worth of Japanese yen. An Arab consortium, meanwhile, lent 80 million German marks (about $33 million) to a Finnish industrial credit bank, while another Arab consortium, along with the French Rothschild group, lent $60 million to the Soviet-led Bank for International Economic Cooperation.

These loans and trade-financings have clear political motives: the Japanese are seeking to maintain exports by cooperating with the North Vietnamese, whatever the reaction from Washington. Both the Japanese and the Arabs are bailing Finland out of a temporary money squeeze — after Finland's Social-Democrat and Communist government turned down the International Monetary Fund's terms for an international loan. The IMF, which offered Finland roughly the same terms that the New York banks offered Mayor Beame, lost yet another notch of international standing as a result of Japanese and Arab intervention.

These maneuvers indicate the extent to which competent financial circles generally are aware that the dollar system is permanently shot. Added together, they do not constitute even a momentary solution. The European, Arab, and Third World circles who are capable of negotiating the creation of a new monetary system with the East Bloc are as yet running away from the dollar empire the way five-year-old children run away from home.

U.S. Commercial Bank Liquidity Worst in History

NEW YORK, June 14 (IPS)The vaunted "U.S. economic recovery," officially anticipated for the second half of this year, is a cure worse than the disease. It is a prescription for one more devastating ratchet in the depression collapse which has already sent more than 10 million workers to the unemployment lines and shut down 20 per cent of U.S. production. With commercial bank liquidity now worse than at any time in U.S. history — including the benchmark Great Depression years of 1929 and 1932 — there is absolutely no financial basis for recovery.

Despite seven months of full-scale depression, bank liquidity has not only not improved, but has actually worsened. In October, 1974 the capital to asset ratio of commercial banks was at an historically low level of 7.5 per cent. Immediately banks curtailed their own lending and investment activities drastically, as corporations cut back production. From January through April alone, total loans by all commercial banks dropped by a whopping $20 billion. Nonetheless, banks' capital-to-asset ratio has worsened considerably, now standing at a dangerous 6.95 per cent.

The ratio of capital to assets, a key measurement of bank liquidity or the ability to extend new credit, is the ratio of outstanding shares or equity to total "assets" or outstanding loans.

In every previous "recessionary downturn," it has been the commercial banks which, recouping their capital reserves in the twilight of slack business loan demand, have supplied approximately 40 per cent of the necessary credit to finance the subsequent recovery. But, as New Solidarity has documented extensively, this is no typical "recession."

No Room for Recovery

At a time when banks should be, as the American Banker recently put it, "stockpiling capital against the resurgence (in loan demand) to come," they are desperately trying to stave off their own dangerous insolvency. For instance, the banks' recent substantial earnings, earnings which they have enjoyed largely as a result of the wide spread between what they have to pay to borrow funds and their own lending rates which has prevailed for the past six months, have been channeled directly into the banks' loan-loss reserve accounts. In 1974 loan losses more than doubled over 1973, and this year's losses are expected to be far greater.

Since October, the big New York commercial banks alone have liquidated close to $5 billion in loans to commerce and industry and another $1 billion in municipal securities. With the available cash they have purchased nearly $3 billion in Treasury securities — and used the remainder to pay their own huge short-term liabilities!

At the same time, the primary means of building capital reserves — marketing their own stocks in the back equity market — has virtually dried up. With $11 billion tied up in the technically bankrupt Real Estate Investment Trusts, and the spate of large bank failures over the past year, the banks have a difficult job selling themselves to prospective shareholders.

No Investment

For just this reason, i.e. the banks' own self-acknowledged massive illiquidity, commercial banks have not moved to increase their lending even though they have relaxed interest rates considerably, in what would normally signal an invitation to corporate and other borrowers.

With bank illiquidity already at the danger-level and with an upcoming regimen of $25 to $30 billion in Treasury securities to absorb in order to finance the federal deficit — an amount four times greater than the commercial banks have purchased in previous "post-downturn" periods! — there is simply no room for financing a recovery. From the banks' precarious standpoint, the next safest thing to taking in the Treasury's dirty laundry is increasing their holdings of long-term austerity-based municipal bonds backed up by the fascist dictatorship of a big MAC. This not only further undermines the basis for an actual "recovery," but guarantees that should "recovery"-motivated loan demand begin in earnest the banking system will be blown sky-high.

As a participant at the recent conference of commercial bankers in Amsterdam (see p.), cynically observed, "Enjoy the recession, the boom will be terrible."

Europeans Give Rocky Nothing at IMF Meeting

PARIS, June 11 (IPS) — Yesterday Denis Healey, British Chancellor of the Exchequer, told a press conference here that with international confidence "very precarious," the consequences of failure to settle the issues before the International Monetary Fund (IMF) meeting in that city would be "very grave." Today, not unexpectedly, and after many meetings, none of the perennial issues of monetary reform were settled.

However, representing the United States, Treasury Secretary Simon supported the amendment of the IMF articles to declare "stable but adjustable exchange rates" as the "ultimate" goal of the fund. Simon's declaration is unlikely to lead anywhere, but it represents a verbal concession to building European pressures for an end to the "freely floating" dollar.

The Europeans who are fed up with supporting an increasingly worthless dollar have adopted "stable but adjustable rates" as their battle cry and have begun telling the U.S. to keep the dollar in line itself. As long as massive international dollar debts cripple production and world trade, however, no currency stability is possible. Despite the wreckage of their own economies, the Europeans are not ready to take so big a step as fully breaking with the dollar. The European insistence on "stable but adjustable exchange rates" at the IMF was a vote of no confidence in the dollar and U.S. monetary policy.

The gold issue was a similar story. In spite of premature euphoria in the U.S. press today that the U.S. and France were about to reach an historic compromise on gold, UPI would only have had to edit its dispatch of three years earlier to report the final stalemate on the issue today. Since August 1971, when the inflated dollar was formally severed from its gold backing, the U.S. has been trying to get gold out of the international monetary system. As long as gold remains a monetary asset and the dollar is worthless, there is the danger that everyone will bail out of the dollar for gold — just as the Arabs threaten to do now. For just as long, the French have fought to keep gold in.

Yesterday the latest attempt of the U.S. to get rid of gold fell flat on its face. The Group of 24 developing nations of the IMF rejected all proposals for selling the fund's gold and using the proceeds to aid developing nations. The U.S. had hoped this gimmick would win the support of the developing nations to its strategy of phasing out gold.

At the end of today's meeting the U.S. and France were as far apart as ever on the gold question, and to the dismay of the U.S., gold is very much on the agenda in the weeks ahead. Gold analysts told IPS today that the French are expected to buy up a significant chunk of the U.S. gold that will be sold at the end of the month. However, in itself the French insistence on keeping gold in the monetary system is a negative position, a vote against the dollar and Rockefeller.

Bankers Rule in New York City

NEW YORK, June 11 (IPS) — After two weeks of intensive brainwashing operations against legislative bodies in New York state and city, a bankers' dictatorship is now in effect in New York City.

Through a committee composed mainly of key Rockefeller-allied bankers and corporate officials known as the Big MAC (Municipal Assistance Corporation), the bankers have gained immediate access to the city's sales tax and stock transfer tax revenues — a sum totalling more than $1 billion. They will use this money to guarantee the debt service on interest on bonds they will float to banks at enormous interest charges. More significantly, Big MAC has the authority to review the city's budget and set levels of austerity severe enough to make it creditworthy. If the bankers disapprove of the actions of the city government, they have, as yet unspecified, legal recourse.

On Monday, New York City Councilman Luis A. Olmedo (D-Brooklyn) filed a resolution in the City Council calling for an 18-month moratorium on the payment of all debt service to the banks. He has called a press conference for tomorrow morning to begin the drive for its implementation. Olmedo's action intersects growing support for the debt moratorium both in the city and nationwide, and follows the introduction of similar resolutions in Boston, Buffalo and Seattle. Hearings on the resolution are scheduled for June 17 in Buffalo and June 24 in Boston.

Big MAC is the model for bankers rule for debt strapped municipalities. If it can be successfully implemented in New York City, then Big MAC becomes a critical foot-in-the-door for total fascist political and economic rule both in this country and in Europe.

If Olmedo's resolution is passed, with mass support around the country, and a debt moratorium implemented here, the final underpinnings will be knocked from under Rockefeller's collapsing dollar empire.

New York's Governor Carey, the Rockefeller agent who authored the MAC plan and who rammed it through the state legislature two days ago, has stated that MAC is "only a beginning step towards the solution of the city's debt crisis." While MAC will roll over only one-half the city's short term debt or some $3 billion over the next three months, the city is still faced with an enlarging budget gap which will cause more than 51,000 layoffs and drastic cutbacks in all city services. If the MAC has trouble marketing its bonds, as bond traders have indicated it will, it will demand even greater cutbacks — and the enforcement powers needed to secure the loot.

The Labor Party legal staffs, with sympathetic members of the state legislature and City Council are investigating ways to have big MAC declared unconstitutional. An injunction against the unlawful deprivation of New York citizens of their rights to sanitation, housing, health services, decent transit, etc. is also being prepared.

The Bankers Rule

Given its powers by an enabling act passed at an all-night legislative session Monday and signed into law by Governor Carey only yesterday, Big MAC has already assumed defacto control of the city. To meet the near $800 million in short term debt which came due this morning, the city mortgaged its future. It took $151 million in cash out of operating revenues; $100 million was borrowed from the banks in short term notes due in 90 days. Discussions with the controllers office revealed that Big MAC will not assume this debt, necessitating a triage of services and jobs by that amount. $51.5 million was looted from already depleted municipal workers pension funds; $26 million from pre-paid real estate taxes; $200 million in state advances for welfare and education. To show their confidence in the looting possibilities of the Big MAC, the banks contributed a mere $280 million by purchasing revenue anticipation notes.

With its debt requirements expanding exponentially and city revenues being diverted to the Big MAC's accounts, the city may soon meet its payroll with the payment of worthless script.

Both the state government and the banks had previously denied additional credit to the city, and used the point to force hesitant city officials, including Mayor Beame, to accept the bankers' rule. As a leading banker from Morgan Guaranty Trust described the situation: "We never really told the city that it could not have any additional credit. We merely demanded that they go along with certain of our recommendations...Now they seem to want to play ball."

Calls today to the offices of the Mayor, Controller and Budget today about the effect of Big MAC on city fiscal policy produced a similar response: "How do we know? Talk to Mr. Smiley of Macy's or Mr. Rohatyn of Lazard Freres" — the latter is a member of the Big MAC's executive board. One city official said, "The MAC Board will meet Friday....they'll tell us what is going on, maybe."

According to Beame, who spoke at a press conference yesterday, Big MAC will not do anything to lessen the city's already existing $641 million dollar budget gap. "No way," Beame replied, "My 'crisis budget' is still in effect." The so-called crisis budget calls for the elimination of $641 million worth of services and jobs making the city into an uninhabitable breeding ground for disease. Big MAC will in fact widen the budget gap. The funneling of $880 million in city revenues directly into the banks' coffers will result in a net loss of income, estimated today by leading financial sources, of at least $200 million. At least one source indicated that Big MAC could increase the deficit by more than $900 million.

Authority to Triage

The bankers have already determined how that budget gap will be reduced. One banker described the 50,000 layoffs and cutbacks in Beame's crisis budget as "a drop-in-the-bucket" compared to the budget cuts the Big MAC will demand and attempt to carry out.

Bond traders described the MAC bonds as "worthless pieces of paper." One bond trader from a large New York brokerage house said that there would not be a market for MAC bonds unless further cutbacks are enforced.

"The problem is Beame," he ranted, "Beame and his god damn ties to the unions. The MAC bonds will be saleable only if we can force things down Beame's throat like more layoffs, a transit fare hike, tuitions at the city university, take the unions' pension fund and get it invested..." Another banker told IPS that the current holders of city bonds "won't accept MAC bonds as payment for their interest: "These guys (the bond holders) are chewing their fingernails and are adamant about receiving immediate payment in cash...they will have to find the money somewhere." If at any point the city refuses to go along with the bankers' recommendations, several bankers announced that they will force compliance — but withholding additional funds — or any other means necessary.

Two weeks ago, IPS learned that the Federal Office of Preparedness (OP) was "closely monitoring" the New York budget crisis for the point at which a "military intervention" might become necessary.

At the press conference yesterday, an emotionally exhausted Beame became irritated at reporters who asked questions about how the city plans to roll-over the additional $3 billion debt that comes due this year. "Give this thing (Big MAC) a chance to work...we haven't sacrificed anything."

CIA Report Demands Police State

June 15 — The release last week of the Rockefeller Commission report on the CIA gives the American working class the immediate capability to throw Nelson Rockefeller out of the Vice-Presidency under Article II of the House Report on Impeachment of Richard Nixon, issued last August. The Rockefeller report, calling for centralization of the CIA and all intelligence agencies' activities in the Executive branch and the continuation of illegal CIA domestic operations, opens Rockefeller's drive to create a police state in the USA.

On June 30 Nelson Rockefeller will release a second-phase police-state recommendation — that of the Murphy Commission for the Reorganization of the Government for Foreign Affairs, on which he sits.

Already, in New York City Nelson Rockefeller has set up David Rockefeller's bankers' rule through the Municipal Assistance Corporation. On this count, he is also impeachable.

Article II of the House Impeachment Report charges Nixon with "misusing the Federal Bureau of Investigation, the Secret Service," etc., for surveillance directed by him and, most important, charges Nixon with "knowingly misusing executive power by interfering with agencies of the executive branch, including the FBI...and the CIA." On those same grounds Rockefeller is impeachable on the evidence of his own report, which calls for legitimation of executive interference in the CIA.

Rockefeller proposes establishing "a single and exclusive high-level channel... for transmission of all White House staff requests to the CIA... between an officer of the National Security Staff designated by the President and the office of the Director (of Central Intelligence)....The functions of the President's Foreign Intelligence Advisory Board should be expanded to include oversight of the CIA... (and) access to all information in the CIA.

Rockefeller's Murphy Commission report, of which New Solidarity has obtained an advance copy, recommends that the Director of Central Intelligence (whose office is to be expanded to include direct liaison with the military) establish an office in or near the White House, have "immediate contact with the President," and have his staffs "similarly...lodged in the executive office of the President." The recommendations would in effect merge the CIA, FBI, domestic law enforcement, and the Armed Forces under central control by the "Director"-White House complex.

The National Security Act of 1947, the enabling legislation of the CIA, prohibits the CIA from domestic "police...law-enforcement power or internal-security functions." The Vice-President, sworn to uphold the law, flouts it by recommending in his report that the CIA "provide guidance and assistance" to other agencies "in protecting against unauthorized disclosures within their own agencies." In other words, the charge against Nixon: creation of CIA plumbers units forbidden by the enabling legislation.

Admits Gestapo Operations

The Rockefeller report admits, approves, and would continue CIA domestic operations — all of them illegal. It admits the CIA brainwashes U.S. citizens, infiltrates political organizations in the U.S., collaborates with the FBI and local police on domestic operations. The Vice-President's report is a carte blanche for centralized continuation of these operations.

The Rockefeller report lies that the National Security Act "does not preclude the CIA" from working with "intelligence evaluation aspects" and sums up: "The great majority of CIA domestic activities comply with its statutory authority." The CIA may continue illegal operations against U.S. citizens unhindered if citizens' activities present "a clear danger to Agency installations, operations, or personnel" and if the Director makes a "written determination" to that effect! According to Nelson Rockefeller, this throws a net so wide it includes what speakers at "peaceful meetings of...dissident groups" say if "it relates to disruptive or violent activity which may be directed against the Agency." The Vice-President recommends subverting the Bill of Rights.

Rockefeller's public call for a police state supplies all the evidence necessary to force Congress to start impeachment proceedings and kick him out of office at once.

Schmidt Leads Puppets in Europe To Early Grave

BONN, BRD, June 11 (IPS) — It is becoming increasingly probable that the Schmidt government of West Germany — Rocky's linchpin satrapy in Western Europe — will not last more than a few weeks. The process leading to Helmut Schmidt's ouster, after barely over a year as head of Rockefeller's Occupation régime, is now all but irreversible.

The fall of Schmidt would seal the fate of every social-fascist Second International regime in Europe — from Scandinavia to Britain.

Within the last three days, the anti-Schmidt Ruhr "Smokestack Barons" have succeeded in consolidating the opposition Christian Democrats (CDU and Bavarian Christian Socialist Union) on a parliamentary strategy to topple Schmidt.

The rising anti-Schmidt groundswell has brought an open split in the ruling Social Democracy, with leading SPD Parliamentary leaders, Herbert Wehner and Buchstaller of the right-wing Kanal faction publicly disassociating themselves from the defense and foreign policies of the agent Schmidt government. This indicates the existence of strong "behind the scenes" motion on the part of the SPD Kanal faction in Parliament and the various regional-metropolitan porkbarrel based machines it controls, to link up with the CDU-industrialist opposition.

To round off the tightening noose around Schmidt, his junior coalition partner, the liberal Free Democratic Party (FDP) is making public statements proving its readiness to jump off the sinking ship at the first available opportunity.

The showdown debate on which the fate of Schmidt hangs must begin by June 16. Yesterday, here in Bonn, a meeting of the combined Presidiums of the CDU-CSU — directly following strategy sessions of the parliamentary leaderships of both parties — produced a joint communique which states: "The CDU/CSU have engaged in thorough consultations concerning the political situation and...on strategy. In both areas agreement was reached, also concerning further moves in the handling of these questions...."

One day prior, the official spokesman for the CDU Executive laid out precisely what this strategy would be:

•Within the parliamentary debate that the CDU is already forcing (on Economic Policy), the CDU will raise an "urgency motion" which the Minister of Economics must answer.

•If unsatisfactory to the CDU, his answer will be declared so, causing the CDU to call an extraordinary debate (Aktuelle Stunde) on Economic Policy, a type of debate that would normally culminate in a no-confidence resolution against the government.

The probability of the Schmidt government's early demise is already provoking breaking developments among lesser Rockefeller satrapies in the Low Countries:

This afternoon, the Belgian government of Henry Kissinger's protege Leo Tindemans faces a vote of no-confidence around the issue of defense police and Belgium's decision to purchase the jet-fighter YF-16. The vote will be extremely close, and even if Tindemans should squeak through, his position in the next few weeks is nearly untenable — as all knowledgeable politicians in Belgium openly concede.

•The Dutch Progressive Radical Party has opened a parliamentary debate — also on NATO defense policy and the YF-16 purchase.

The developing German situation is now having a tremendous impact on Gaullist and Italian Christian Democratic bourgeois factional opponents of Rockefeller, especially in light of the upcoming National Congress of the Gaullist UDR Party June 16, and the June 15 nationwide regional elections in Italy.

Events directly preceeding yesterday's CDU/CSU Presidium meeting witnessed the rout of the party's corporatist, pro-Schmidt and anti-Schlotbarone wing, as key sections of the Party machine swung into line behind Schlotbarone-Stoltenberg motor force. Under the code of blasting Mitbestimmung (co-determination) and other key phrases of the corporatist planks of Rockefeller agents in the CDU, typified by CDU General-Secretary Biedenkopf and Party Treasurer Kiep, one ranking figure after another in the CDU lined up behind the Stoltenberg-Smokestack Baron steamroller.

The climax was reached on Monday when:

•Karl Carstens, CDU Parliamentary leader and hitherto a key Rockefeller agent in the Party jumped ship and publicly declared support for Stoltenberg's economic policy, calling Stoltenberg's inclusion in "the new cabinet" a must — a statement which received widespread press coverage.

•Open statements of support by key southwest CDU leader, Filbinger, for Stoltenberg's policies and corresponding hatred of Biedenkopf's corporatist dribble. The same day, the Stuttgart-based Badische Zeitung published a call for expanded East-West trade by the Stuttgart Chamber of Industry and Commerce — the representative institution for West Germany's powerful southwest industrialist lobby.

Lines Drawn for Bundestag Debate

The latest actions of the Schmidt government have assured that the showdown will occur — barring a last-minute Schmidt capitulation. The Federal Cabinet has announced a 25-point "Development Policy" whose core is the slashing of development funds from 6 billion DM to 3 billion and "the Federal government will promote labor-intensive technologies (sic) for developing countries...to solve their employment problems." The CDU deputy, Todenhoefer, whose 44 questions on economic policy posed to the government sparked the Bundestag debate, had warned that the CDU would draw the line over any moves to cut development funds — and had retorted with a call for a massive increase for such funds. Todenhoefer has already blasted the cabinet's decision.

SPD Leaders Bolting From Schmidt Policy

The factional situation in the SPD has now busted wide open. The Kanal must stay in government at all costs to preserve their regional and urban porkbarrels and are thus now openly attacking Schmidt and SPD corporatists, in readiness of striking up a deal with a new CDU-smokestack baron regime. In addition to the code-worded factional attacks against SPD corporatist features, the kanal faction is using the issues of defense and foreign policy towards the Soviet Bloc to blast Schmidt and nuclear war maniac Defense Minister, Georg Leber, for their confrontation stance with the Soviet Union. These are issues which the CDU must — for reasons of their right wing base — relatively softpeddle in public.

On the national level the irreparable rupture in SPD ranks has emerged in near-simultaneous blasts at the Schmidt government's defense and foreign policy by SPD Parliamentary leader, Herbert Wehner, and the SPD Chairman of the Bundestag Defense Committee, Buchstaller. Wehner, speaking on Deutsche Welle Radio, endorsed speedily and successful call to the Soviet-sponsored European Security and Cooperation Conference — with meaningful results. In this regard Wehner directly echoed the Soviet stance.

Wehner also emphasizd — in an obvious blast at Schmidt — that "no obstacles on the path of further normalizing relations with Eastern Europe could be permitted." Buchstaller, in a direct reference to the Schmidt government's criminal all-out support of Schlesinger's nuclear war confrontation policy, stated bluntly that the choice lies between peaceful co-existence and the danger of war breaking out. Buchstaller's resolution of the choice: "I'm for peaceful coexistence." These moves, considering the positions of Wehner and Buchstaller, indicate the parliamentary clout available to the Kanal in combination with the CDU, to topple Schmidt in the coming showdown.

FDP Smells the Wind

In parallel developments, leading FDP'ers starting with Foreign Minister Genscher and Economics Minister Friderichs, have assumed positions to expedite their departure from the Schmidt bunker before the roof collapses. Genscher's rapid "transformation" shows how fast the situation is moving. Until last weekend, Genscher, as Foreign Minister, unfailingly launched provocation upon provocation against the East bloc, particularly the Soviet Union and East Germany. Like the proverbial "bull in the china shop," the Foreign Minister consistently found his specialty for provocation in Berlin. Genscher is now quoted as saying "I want to free myself from the reputation of being a Berlin cold warrior," and has warned West Berlin Mayor, Schuetz, "not to overreact to Soviet statements." Genscher has also joined the "winning side" by contributing his own attacks against Mitbestimmung.

In related developments, FDP Economics Minister Friderichs' Ministry is now lavishing praise on expanded East-West trade, following a meeting of the joint Soviet-West German Economic Commission.

The Schmidt government's early fall combined with the SPD factional break-up and the ensuing chain of reaction throughout Western Europe, especially among Second International regimes is creating ripe conditions for an early European Labor Committee consolidation of mass left Social Democratic working class forces. Current gains to this end will expand exponentially once the programless left Social Democracies are driven into opposition, as Smokestack Baron regimes spring up in Europe. Schmidt's fall will also provide a decisive impetus to the anti-Rockefeller factional drives in Italy, France and Great Britain to dump Moro, Giscard, and Wilson respectively — if one or more of them should not fall even before Schmidt does.

Bare Rockefeller Watergate of Industry

June 11 (IPS) — The Watergate Prosecutor's mandate to investigate "the conduct of the 1972 elections" is a license declaring open season on the conservative business layers. The Watergate Prosecutor is presently investigating at least 20 corporations for so-called illegal campaign contributions.

Among those targeted are: American Airlines, Carnation, Goodyear Tire and Rubber, Greyhound, Time Oil Co., Ashland Oil, Braniff airways, Gulf Oil, and Phillips Petroleum.

The aim of this terror operation is to hamstring potential opposition to Rockefeller policies of economic triage and holocaust.

In a bid to institutionalize the "dirty tricks" operation, Charles Percy, the well-known liberal Republican-on-the-make and a member of the Senate Foreign Relations subcommittee on Multinational Corporations, explicitly demanded an extra-legal lynch law approach involving public scandal as the control on corporate "greed" in a statement released to the press on Monday.

At the same time, spokesmen for Gulf Oil Company, one of the main targets of the Watertgate prosecutor's office-Sucurities and Exchange Commission (SEC) one-two punch, told IPS that there was "no question" that the effect of the watergating had been to muzzle that company's normal participation in public discussion of economic policy.

"I'm convinced that creative minds in the name of greed, can concoct schemes faster than we could legislate against them," Percy declared. "Therefore, I would rather rely on public exposure, a free press and public indignation to control these excesses than on a mass of regulations and government controls..." he said.

Senator Percy is not parading his "moral indignation" for nothing. IPS learned this week from sources in New York that one of Ralph Nader's many front groups, always eager to be of service to the corridors of power, is preparing a report for Rockefeller agent Attorney General Edward Levi advising him to deputize a permanent "White Collar Strike Force." A spokesman for the Corporate Accountability Research Group is reported to have bemoaned his own organization's lack of subpoena powers.

Crime in the Suites

In a related development, Tuesday's Washington Post features a front-page item heralding a Supreme Court decision reaffirming the criminal liability of corporate executives who "fail to prevent or correct conditions that bring their companies afoul of the law." In itself the case is insignificant, but the Post gives it away: "It came at a time when...insufficient attention is being paid to 'crime in the suites'," a clear reference to the phoney Rockefeller-directed corporate terror drive.

A spokesman for Gulf Oil Company, whose non-Rockefeller management have been tied up in the Watergating scandal for two years, acknowledged that the idea of being targeted "has credibility to it." Another Gulf source, contacted this week confirmed that the Gulf "scandal" had resulted from what was "definitely" an SEC "leak." Gulf had submitted a report to the SEC as ordered, in full legal confidentiality. Gulf is one of the last bastion's of the Mellon family's interests, a long-time factional opponent of the Rockefellers.

"Of course, we have great concerns about international economic policy," the Gulf representative told IPS, "but you are right...we haven't the time, nor the inclination for that matter, under these circumstances to raise our voice on those issues." That is precisely the nature of the controlled environment the watergating is designed to create.