profit margins through self-defeating productivity drives and wage gouging and cutbacks on capital spending.

## DEBT REFINANCING - THE LAST TIME AROUND

The liquidity generated by the collapse of Department I (producer goods) is being used to refinance outstanding debt. The continuing decline of production-related loans primarily by the Rockefeller-controlled New York banks has "freed" liquidity for massive refinancing operation of the upwards of 50 per cent bad loans in those banks' portfolios.

The collapse of the airlines, which broke into the press this week, clearly illustrates bank policy on refinancing. The airlines' creditors, primarily banks and insurance companies, are in the process of finalizing plans to restructure the debt of Pan Am, Eastern, and TWA - the three major airlines which face default on loans in January.

According to industry analysts, the banks and insurance companies simply had no other choice, the alternative being the Hobson's choice of either major defaults or major write downs. With on-going operating losses continuing, there is no hope for recovery in airline profits, which means the creditors are apparently throwing more money down a sinkhole.

In the case of the Eastern bail out, where banks and insurance companies last week tentatively agreed to defer debt repayment of about $75 million due in early 1976 until 1977, the financial plans are tied to an extensive cost-cutting program, including a pay freeze for 1976 and deferral of one of three giant Lockheed Corp. L-1011s scheduled for delivery in the fourth quarter of this year. The eferral of the leasing of this $20 million aircraft, of course, means more bad news for bankrupt Lockheed as well.

In the Pan Am "crisis" 13 of the original 36 creditors who gave the airline a "last gasp" of $125 million in October 1974 have jumped ship and are refusing to go along with a new bail out. Likewise, the smaller members of TWA's creditor group have been the slowest to assent to that airline's two-year debt restructuring plan. The point here is clear: the smaller banks are in no position to refinance the loans.

## FORD IN THE VICE: "DAMNED IF I DO, DAMNED IF I DON'T"

The ultimate solution for the Rockefeller standpoint for airlines, railroads, and other bankrupt sectors is precisely federal bailout, which would secure the banks' loan assets. This is the same solution the banks have been fighting for with respect to their New York paper. Credit infusions into the banks, as Federal Reserve Chairman Burns has been doing, can only be a short-term solution for the banks, one which will clog the banks with a lot of reserves wh which the cannot turn into profit making assets.

On Thursday the Senate passed a $9.$ billion Conrail bill, on direct specifications from the Rockefeller banks. Not only does the bill include loans, grants and asset valuation $10 billion in excess of what the Administration has stated as acceptable, but it includes deregulation (of freight rates) which is even more unacceptable to the Ford Administration. Ford has been set up for thorough discreditation by Rockefeller forces over the rail legislation.

If Ford vetoes the bill, he will bring down the wrath not only of the Rockefeller-allied liberal Republicans and Democrats (similar to the banks' "New York bail out" allies), but also of the creditors. To convince Ford to change his mind the creditors have threatened to "pull the plug" on the Northeast rail lines through Chapter 11 liquidation, if they don't get what they want.

If Ford accepts the Senate Commerce Committee bill, he will, as the Wall Street Journal states, bring down the wrath of conservative Republican layers around Presidential aspirant and former California Gov. Ronald Reagn and likely lose early primaries to the latter.

Ford finds himself in an identical "damned if I do - damned if I don't" position on two other fronts, energy and taxes. If he signs the oil price rollback bill now before Congress, as inside Rockefeller man Federal Energy czar Frank Zarb is urging him to do, then Ford is set up for a two-pronged destabilization by the Reagan forces and the direct Rockefeller oil interests. The head of Standard Oil of Ohio (Soho) made this clear in stating that if Ford signed the bill, domestic and foreign demand for U.S. oil would jump dramatically while production would drop. This would lead to massive energy shortages and create the potential for an effective Arab oil embargo.

If Ford doesn't sign the bill, accepting Simon's counsel, the results will be automatic decontrol and price increases and the wrath of liberal democrats and the nation's industrial interests. The shock of the energy price rise would send the economy into an immediate tailspin, comparable to the economic collapse set off by the original October 1973 oil hoax.

The House this week approved legislation that will continue through next year $13 billion in tax reductions for individuals and corporations and simultaneously defeated Ford's demand for a budget ceiling of $395 billion. If Ford vetoes the bill, as Simon and Council of Economic Advisers head Greenspan are advising, there will be an instant increase in withholding taxes of upwards of $15 billion starting Jan. 1. Such an increase would collapse stagnating retail sales and set Ford up for discrediting on yet one more account.

The President's track record under similar conditions of stress in the New York City situation makes it likely that he will attempt to compromise his way out of each of the above predicaments. Whatever bailout and tax cut legislation finally emerges, it will do little save postpone disaster while alienating Ford from at least some of his "friends." Ford and his advisers have no idea how to restart the economy. When the plug is finally pulled, his political career will quickly go down the proverbial drain.

## THE EMPEROR'S NEW CLOTHES

As each of the pieces of the so-called New York City bailout package are put together in Albany and Washington, the New York banking community is growing more, not less anxious over the New York situation and its ramifications.

Evidently, the leading bankers are not all satisfied with