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 the status of their glutted portfolios of New York State and City paper. As one leading financial source stated this week, "There's nothing to feel good about. We haven't been paid back yet. Certainly with all the iron-clad assurances about the austerity to be imposed on the New York City and State, there is every reason to believe that the more than $20 billion in outstanding New York paper will be paid back... or will it."

As most bankers are quick to point out, despite the austerity measures now in effect and those promised, there is still a long way to go before the banks can feel easy. Significantly, there is a growing opposition among broad sectors of the population to the "let's cut out throats for the sake of the debt" attitude being demanded by the New York bankers.

At the recent session, no one has wanted to swallow the bankers' bitter pill; loyal allies of the banks including Gov. Carey have simply been unable to deliver the votes and the whole austerity question has been put off until January. Even the $205 million city tax increase passed by the legislators requires additional action before it goes into effect.

And then of course there is still the problem of the debt moratorium that the legislator went ahead and passed on $1.3 billion city notes. Each time the words are brought up with the nervous bankers, they produce the same reaction: "Don't talk about that. It's just a formality." The banks are clearly nervous that some one may get the idea to extend the moratorium and junk the whole austerity package.

The banks had thought they could encourage people to accept a voluntary swap for high yielding MAC notes and avoid the precedent of having a substantial moratorium go into effect next week. Some financial sources report that less than 5 per cent of all note holders have agreed to the swap. Other sources put the number agreeing as less than 1 per cent.

With this overwhelming affirmation of the inherent valueness of MAC and city paper, no one is talking - even under their breath - about the possibility of marketing any new city or State paper.

Despite this, many bankers greeted the near passage of the Ford Plan with hosanas. However, in public the bankers tell a different story. "The city and state are on their way toward a sound fiscal policy. There is no chance of a default now the dan ger is over," and so on.

At this point the New York banks are hanging on by a thread They are severely overexposed - and not just on actual bankruptcy. Almost anything, any tremor, could trigger a total collapse.

In such an environment, the distraught bankers tend to psychologically console themselves by lying that "a collapse could never occur" - while they gaze over the precipice.

"It's just like the children's fairy tale the Emperor's New Clothes," an analyst said yesterday, "You know that one. Everybody knew the Emperor had no clothes on, but nobody had the guts to say so. Well, everyone know how bad shape the New York banks are in and everyone knows that the bailout plan won't help. I'm afraid that we're going to be found out soon."