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Erratum: Due to an editorial error the pages of the U.S. Political Newsletter in this issue are misnumbered, skipping from 7A to 9A.

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NEW SOLIDARITY
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INTERNATIONAL MARKETS
NEWSLETTER

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RAMBOUILLET NATIONAL ECONOMIES BEAR BRUNT OF U.S. BANKING CRISIS

NEW YORK, Jan. 18 (IPS) -- The five nations who sat down with the U.S. at Rambouillet, Great Britain, West Germany, Italy, France, and Japan this week found their banking systems under a terminal strain and their economies in the throes of an industrial credit crunch as they are forced under the terms laid down in November to bear the brunt of the now-public U.S. banking crisis.

Since the first of the year, these countries central banks--especially those of West Germany and Japan (as well, as Switzerland and the Netherlands) have been forced to purchase more than $1 billion worth of dollars to support the bankrupt American currency. This operation has been carried out through the top down control of the U.S. Federal Reserve of the central bank coordination negotiated at Rambouillet.

The West German trade newspaper Handlesblatt charged Jan. 14 that in order to forestall a collapse of the dollar the (Fed-directed) central banks absorbed over $750 million in the first week of January alone with prior knowledge of the forthcoming Washington Post revelations on the extent of New York banks' loan losses.

The bank's support operations were the only basis for the Fed continuing to supply cheaps funds to the U.S. banking system to refinance its "soft" loans. This, in turn has caused a general fall in U.S. interest rates. Top New York bankers confirmed to IPS this week that without the support operation, the resultant drop in the U.S.-European rate differential would have added to the dollar's vulnerability. "(Fed Reserve Chairman Arthur Burns)will want to make sure that the Europeans supply funds to their banks at an equal rate (to that of the Fed)" one banker stated, in order to maintain the differential from the other end.

The carrying out of this Fed-directed policy translates into made-in-U.S.A. hyperinflation of European and Japanese banking systems, as their central banks are forced to print up sufficient marks and yen to both buy dollars and service their own banks Chase Manhattan-type difficulties to Third World tanker, municipal, and general Eurodollar loan refinancing. "Thats why Helmut Schmidt flew over here in a rage at the beginning of the New York City affair,"a noted international economist stated, "The Europeans are afraid that someone will take a good look at their debt."

The policy has necessitated the triaging of new loans (commercial and industrial or C & I loans) to industry, especially in the U.S. and for government services. This has created corporate difficulties in meeting debt service payments - leaving whole corporate sectors in a state of technical bankruptcy.

The Rambouillet Six must now hermetically seal off what remains of their productive sectors from the hyperinflationary disease within the banking system to forestall politically unacceptable rates of wholesale and retail inflation. This effort has produced insane economic policy debates, most which focus on this or that corporatist scheme and all of which are incompetent since they in no way deal with the problems of cancerous debt service itself or with the solution through general debt moratorium.

While some voices in this debate especially of the out-of-power opposition parties such as the French Gaullists and the U.S. Democrats -- are calling for extensive government spending and corporate subsidization to deal with unemployment; monetary authorities recoilling in horror from the thought of Weimar inflation this would produce, have opted across-the-board for austerity.

"European banks will see to it that new C & I loans are very carefully cut back.", one top banking source told IPS this week. "The BRD in 1976 will go for a British-style monetary contraction with drastically reduced lending on the corporate sector." British monetary growth for 1976 has been slashed to 4 per cent from 15 per cent in 1975.

Such traditionalist austerity approaches taken to avoid the debt moratorium has already begun to force cracks in whole banking systems in response to corporate contraction.

BRITAIN: CALL OUT THE RESERVES

In Britain, a situation of grave proportions developed this week when the Bank of England was forced to pay back its 1 per cent Special Deposit emergency reserves into the banking system. Months of squeezing out industry through a 17-20 per cent effective lendingrate (the 12 per cent prime rate described as being now "down" to 11 per cent) to create "excess" bank liquidity for British debt service and Eurodollar market support turned into a sudden and severe corporate liquidity crunch.

British industries, according to this weeks Morgan Guarantee World Financial Markets Newsletter have relied on their inventories throughout the last three months, rather than import raw materials for new production. Now with inventories used up, imports must begin again.

Coupled with upcoming payment deadlines for value added and income taxes, drove corporations heavily to the money markets only to find those markets glutted by huge government issues. With the corporations crowded out, the Bank of England was forced to release the Special Deposits to avoid an immediate and catastrophic collapse. The fact that deposits were released for only three weeks underscores both the transient nature of operation and points to the chronic weakness of the collapsed British sector.

BRD: BATTLE OF BRITAIN

The banks themselves are feeling a similar corporate squeeze directly in West Germany (BRD). The Jan. 15 Handlesblatt reported that the Pfalz Kreditbank, a consumer installment bank of considerable size, was closed this week by the government control board for "excessive indebtedness." This was the third West German secondary bank in the past week which either collapsed or was reported on the verge of collapsing.

The head of First National City Bank,N.A. in Frankfurt told IPS bluntly that even the "top addresses" (the big names) of the German banks are on the U.S. Controller of the Currency's infamous secret list of troubled banks. (see Domestic Newsletter) While the Jan. 15 Italian paper Corriere della Serra meanwhile predicted that an additional thirty (30!) BRD banks -- will soon follow the Pfaltz.

The Bundesbank report for December confirms that the awful state of the German banking system is a direct consequence of a British-style depletion of the corporate base of the banking system. Profits, the report declares, already too low to speak of, are continuing to evaporate: "The period seems to have come to an end, in which corporations, because of pronounced cuts in investment activity and decrease in inventory, could draw on liquidity from current earnings to redeem their bank debt or form financial reserves." This clearly identifies the fourth quarter spurt in bank lendings of over DM 11 billion, as based entirely upon the refinancing of the private sector.

As working class savings continued to decline due to prolonged unemployment,(this is reflected in the low growth rate of the broadly-defined money supply compared to the accelerating narrowly-defined money supply) West German banks were increasingly forced to draw their resources from the Bundesbank, borrowing ten-day money to make fairly long-term loans to their corporate customers. The banks are thus extremely sensitive to decline in corporate profits -- declines which current refinancing decisions and market conditions are making inevitable.

ITALY: IN THE BARREL AGAIN

In Italy, where the Bank of Italy has taken on the direct financial responsibility for the entire bankrupt corporate and banking sectors, the central bank reserves fell by $1 billion during 1975 to $1.2 billion.

If obligations of West German loans are taken into account, remaining reserves now total an incredible $700 million, the Italian paper Il Globo reported Jan. 16. Under these conditions, the U.S. Controller of the Currency has already warned against U.S. banks of new loans to Italian government agencies as well as banks and corporations.

TREASURY DUMPS KISSINGER COMMODITY STABILIZATION PROPOSAL

The Treasury Department this week threw out all the commodity concessions that had been held out by Secretary of State Henry Kissinger in an effort to keep the Third World from breaking with the dollar. Asst. Secretary of the Treasury Gerald Parsky announced Jan. 16 that the U.S. would not sign the recently negotiated cocoa price agreement and would in the future take a strong stance in opposition to all such commodity agreements.

The commodity stabilization agreements have been viewed by major Third World raw material exporters as a short-term solution to the general collapse of market prices and resultant substantial loss of income.

Simultaneously, a high Treasury official, who like Parsky is known to reflect the thinking of Treasury Secretary William Simon, told IPS that he did not believe the New York Times articles about "uncollectable Third World debt" -- implying that the Treasury stands committed to collect that debt at all costs.

The "carrot-and-stick" approach for dealing with the Third World has thus effectively been dropped by the Ford administration. Policy from here on out will be "the hardline" -- full collection of debt.

With the continued collapse of commodity prices due to a slackening of demand from the advanced sector,these developments can only accelerate Third World motion towards a full break with the dollar.

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DOMESTIC MARKETS

OUTBREAK OF CAPITALIST GANG WAR AS U.S. BANKS, ECONOMY DETERIORATE

New York, Jan. 18 (IPS) -- The U.S. capitalist class this week launched an austerity push unprecedented in American history -- albeit from two sides of the same austerity coin. The picture that has emerged is of two broad capitalist camps debating what kind of austerity and how it would enforce the collection of major categories of dollar denominated debt, imminently threatened with default.

At one end of the spectrum there is the conservative Ford Administration which has consolidated itself around what one Wall Street observer described as a policy of "cold turkey" for the economy: massive budget cuts, tax hikes, stripping down of regulatory agencies, and stepped up resistance to upcoming demands by labor for wage hikes.

At the other end is the east coast banking community hooked in the center and left-center factions within the Democratic Party who moved this week to eliminate Chase Manhattan's Chairman of the Board, David Rockefeller, and run the remains of the dollar empire through a top-down, Federal control over the U.S. banking system and a corporatist austerity scheme of public works jobs a la the 1933-36 New Deal.

The series of exposes by first the Washington Post and then the New York Times of the mismanagement and near-bankruptcy of the two key Rockefeller banks, Chase Manhattan and First National City, and the bungling of the US Comptroller of the Currency, can only be understood from the standpoint of this outbreak of capitalist gang war. (See next section: An Anatomy of a Capitalist Gang War.)

The backdrop to the emergence of these two apparently divergent capitalist tendencies is the accelerated simultaneous deterioration of the U.S. economy and banking system.

Statistics released by the Federal Reserve of New York this week show that over the latest two-week period, commercial and industrial (C&I) loans of the large New York banks reporting to the Fed have fallen by a whopping $1.4 billion. This loan contraction is directly related to the actual deterioration of the economy indicated by Commerce Dept. figures for November. Business inventories fell .3% (the first drop in 4 months), and business sales dropped by .5% the first drop in 8 months; what is doubly ominous about these trends is that sales turned downward faster than inventories.

Although it is difficult to judge from one month's trend, it appears that this represents the beginning of a self-feeding collapse: cutbacks in inventories cause cutbacks in production and employment, which in turn cause cutbacks in sales, which causes a new round of cutbacks in inventories. The entire process then starts over again, only at a much lower level of economic activity.

The sharp drop in C&I loans is also exacerbating the liquidity problems of the already shaky Rockefeller New York banks. These banks, like most other financial intermediaries, generate income through loans and invstments. With the percentage of income needed to cover loan losses amounting to upwards of 50 per cent of their loan portfolios, the survival of these institutions is now based on the imperative of increasings. The abrupt collapse of the so-called recovery and the accompanying overall decline in economic activity however has thoroughly undermined the income-generating capabilities of the banking system.

C&I loans, which normally represent the most profitable assets of the banking system, have contracted dramatically. The time span of this contraction is now the longest in the entire post-war period. What loan requests are being made, one Wall Street bank analyst noted this week, are by the high risk corporations which the banks will not -- and cannot -- approve except for refinancing purposes. Under normal circumstances, when loan business shrinks banks switch their funds into such investments as Treasury bills. This is exactly what banks have done over the past year and with profitable returns.

Circumstances are no longer normal. Interest rates on Treasury bills have dropped to a level where they do not even cover the administrative costs involved in their purchase. For example, interest rates on 3-month Treasury Notes are only 22 basis points (a basis point is one one-hundredth of a percentage point) above what banks pay for overnight money from the Fed used to purchase them. This evaporation of arbitrage leaves banks no choice but to invest their excess funds in Treasury bills AT A LOSS.

According to one top investment banker, this will mean unprecedented earning losses over this year, placing the large New York banks in the desperate situation in which they will be unable to cover their loan losses from current income.

1929 AGAIN...

The crisis in the banking system merely reflects the outburst of a massive credit crunch. The crisis was reflected this week by developments in the stock market where the credit bubble burst over 35 years ago. This week alone the stock market experienced record trading and a concomitant jump in market prices. The massive spillover of speculative funds into the stock market which resulted in a record 36 million in shares trading hands on Thursday is a direct result of the collapse of all profitable production-related investment outlets, while the profitability of investments such as Treasury bills, commercial paper and inter-bank loans has also collapsed. The stock market has therefore become the only potential source of quick profit -- profit which is based entirely on a speculative gasp associated with the collapse of interest rates and production. While moron economists point to the "bull market" as a sign of recovery, one should locate what is going on by recalling the sequence of events leading to the "1929 bust": production collapses, interest rates collapse, stock market bubble, stock market burst -- followed by 10 years of depression, five years of world war.

HERBERT HOOVER FORD

The President, meanwhile, seems to be trying to outdo the incompetence of Herbert Hoover on the eve of the last depression. The New York Times and the Wall Street Journal reported this week that Ford's Jan.]9 State of the Union Address and accompanying Economic Report of the President will propose the following insane austerity policy:

* Federal budget cuts which in real terms will amount to $70 billion or one-sixth of the last year's budget expenditures. According to yesterday's Wall Street Journal's Washington Wire, this was a triumph of the conservative economic troika -- Treasury Secretary Simon, Council of Economic Advisors head Greenspan and Budget Director Lynn, a trio known primarily for their economic incompetence.
* An increase in social security taxes by more than 10 per cent -- the brunt of which will fall on lower income brackets.
* The gradual dismantling of the entire set of regulatory structures established since the New Deal. According to the Jan. 16 New York Times, the Economic Report of the President will call into question both the "utility" and "effectiveness" of the major federal health and safety programs such as the Occupational Safety and Health Administration, the Environmental Protection Agency, and the Food and Drug Administration. The speech will also call for the removal of regulatory controls over the airline, railroad and trucking industries, with an eye toward streamlining and rationalization of the entire transportation sector along the lines of proposals recently put forward by Transportation Secretary Coleman.

The implementation of the Ford program -- if one could call this collection of Hooveresque policy initiatives program -- would result in the complete destruction of the productive labor force, both current and potential.

Earlier in the week, Ford's out-of-government economic advisor, Paul McCracken, insisted that if this year's wage hikes are even equal to this past year's inflation rate then it will weaken, if not cripple, the economic "recovery". Taken together with parts of Ford's economic report (which blames most industrial accidents on the "behavioral problems" of workers) the Ford Administration is going for straight out, no-holds-barred austerity in the tradition of John D. Rockefeller I.

THE ANATOMY OF A CAPITALIST ECONOMIC GANG-WAR

Full-scale political economic warfare erupted this week amongst the dominant American capitalist factions as a Democratic Party-allied coalition of New York investment bankers, liberal press, politicians and academics opened fire on the Rockefeller family machine's economic base -- the Chase Manhattan and First National City banks.

The manifest intention of these liberal factioneers is to thoroughly roast Rockefeller, decisively ripping away that family's hegemony over U.S. financial institutions,and themselves take control of the nation's financial levers with the principal goal of reorganizing the nation's banking system under top-down controls coherent with a corporatist approach to the economy as a whole.

There is no mistaking the strictly coordinated deployment to this end of the liberal corporatists over the past week.

On Sunday, Jan. 11, the offensive was launched on the front page of the Washington Post. In banner headlines -- "Citibank, Chase Manhattan on U.S. 'Problem' List" -- with flanking portraits of Citibank chairman Walter Wriston and Chase chairman David Rockefeller, the Washington Post revealed the otherwise classified information that both banks had been placed on a "secret list of problem banks" by U.S. Comptroller of the Currency Smith.

Emphasizing both bankers' refusal to discuss the report, the Post prominently featured David Rockefeller's response to the surprise attack: "If you have the information, you're not entitled to it," the stung Rockefeller snapped.

In more than one hundred inches of copy, the Post made what was generally common knowledge on Wall Street as to the technical insolvency of both major Rockefeller banks a matter of public discussion. With portfolios stuffed with loans to bankrupt Real Estate Investment Trusts (REITs), cash-strapped third world countries, debt-smothered municipalities, both banks have "classified" assets substantially in excess of the 80 per cent classified-asset-to-gross-capital-funds-ratio that marks the dividing line between solvency and "approaching insolvency." When such a line is passed, "drastic action" is recommended by federal bank regulators. As of last July, according to the Post, federal bank examiners reported that Citibank held classified assets amounting to more than 114 per cent of capital and in an eralier report Chase Manhattan held similar assets "of substandard quality or of doubtful collectability" amounting to 97 per cent of capital.

Taking clear aim, the Post stressed two additional points in the leaked bank examiners' reports -- the proliferated reliance on the Citibank-concocted Certificate of Deposit (CD) gimmick as a source of funds when liquidity-squeezed corporations began drawing down cash balances, and the "poor" management at Chase Manhattan where operating conditions were termed "horrendous" by the examiners. David Rockefeller was further given the opportunity to hang himself on just this score. Confronted with the bank examiners' obliging efforts to absolve him by citing his extensive responsibilities and traveling, Rockefeller protested to the Post: "That's just factually not so. . . I'm very deeply involved in the day-today management of the bank."

Significantly, on Jan. 12 the New York Times picked up the ball, giving full unadulterated coverage to the Post's "expose."

IPS investigators early in the week quickly established that not only was the Post expose the opening salvo in a calculated Watergating drive against the Rockefeller family, but that the revolt is being directed by, among others, some of Rockefeller's own next door neighbors on Wall Street and includes in its ranks, officers of Chase Manhattan itself!

The Post's Watergating expose bears the distinct fingerprints of sections of the New York financial establishment. Sources close to the Washington Post claim that Chase Manhattan and Citibank were the only two large commercial banks on the leaked "problem" list, a claim which could only apply to a list originated in the New York branch of the federal Comptroller's office: any national list compiled in Washington would necessarily include other major commercial banks outside New York.

At the same time, Chase and Citibank are the only nationally-chartered banks in New York -- other known failing New York-based entities such as Chemical Bank and Bankers Trust being state-chartered -- a fact which further points to the New York office of the Comptroller as the source of the leak.

While spokesmen for the Washington office of the Comptroller evinced genuine panic and paranoia regarding the Post affair (of which an included feature was a direct attack on the incompetence of that office in handling the situation), spokesmen at the Comptroller's New York office refused to either confirm or deny their involvement in the Watergating operation.

It is well known that sections of the New York financial establishment, in particular the investment banking houses including Lazard Freres, Brown Brothers, Harriman and Lehman Brothers, maintain active connections to the "liberal" Democratic Party apparatus. These people are otherwise in a position to have access to the appropriately embarrass pieces of "dirty laundry" of designated opponents which now include the Rockefellers. Their channels of information are likely to include the Comptroller's New York office.

Additionally, New York financial sources confirm that there are indeed ongoing moves within Chase Manhattan's top echelons to remove David Rockefeller. This "inside" story, significantly, was first reported several months ago by the Washington Post-connected Newsweek magazine and later picked up by several European journals.

"Top people I talk to at Chase don't hide the fact that he (David Rockefeller) isn't a great leader and can't run the bank," the source told IPS. He emphasized that such a palace revolt could only come from the highest layers.

A member of the Chase Board of Directors with strong Democratic Party connections, contacted by IPS, refused to deny the connection between the Washington Post expose and moves within Chase to dump Rockefeller. "If I knew about such maneuvers I wouldn't tell you anyway," he stated.

Underscoring the deliberate "campaign" nature of the Washington Post expose, sources close to the Post's management told IPS, "Sure, this stuff is not new to the experts, but it is to the public. Does the public know about this? Banking is so arcane, it needs to be fleshed out for the public."

He might as well have recited the ABCs of successful faction fighting -- get the dirt out in the open. Pressed by IPS on the actually conscious tactic implied in the Post-initiated operation, this source coyly proferred the classic Watergaters' "go-ahead." "Let me say this," he told IPS, "keep up the parlor talk."

On Wednesday, Jan. 14, the Washington Post published the second installment of the Chase-Citibank expose with similar front-page flair. This time, they focussed on the most vulnerable point in the Rockefeller financial machine, the foreign operations of both banks. As the Post pointed out, foreign deposits last year accounted for fully two-thirds of all deposits in both banks -- a devastating measure of the degree to which the top New York banks are rooted in the quicksand Eurodollar market.

In addition, Post reporter Ronald Kessler revealed, Citibank's largest single depositor -- with $1.7 billion or $1 out of every $25 on deposit in the nation's second largest bank -- is Kuwait. Kuwait has recently strengthened its relations with the Soviet Union and Kuwaiti officials have publicly expressed "doubts about the future of economic and political relations with the U.S.," Kessler adds pointedly. He noted that "bank examiners expressed concern last year that the oil-rich Kuwaitis could adversely affect Citibank by withdrawing their money."

Citing bank examiners' reports, the Washington Post noted that both banks have massive loans to public and private entities in Japan and Italy -- both in notoriously precarious financial condition. Citibank has upwards of $4.5 billion in loans to Japan alone -- or, 173 per cent of the bank's gross capital funds. Chase Manhattan holds more than $2.5 billion in loans to Japan, or 121 per cent of its total capital. Chase and Citibank together have more than $1.4 billion in loans outstanding to the Italian government. Twisting the proverbial knife, the Post noted wryly, "Concentration of loans in one geographic area or industry is considered to be risky for a bank because a downturn in one sector may affect the entire bank."

On Thursday, Jan. 15, the New York Times, in a major front-page feature, announced that 1975 bad loan figures for the major New York banks are the "highest in U.S. banking history." The article zeroed in on Chase and Citibank and noted that both banks are now reporting 1975 results amidst "widespread speculation" about their "problem loans." The Times emphasizes that a key "problem area" is loans to developing countries.

Significantly, the Times, like the Washington Post, greatly understated the actual magnitude of these loans held by Chase and Citibank, a distortion which underlines the deliberate coordination of the Washington Post-initiated campaign to preserve the dollar empire and reorganize the banking system -- without Rockefeller.

THE NEW "NEW DEAL"

Within days of the first Washington Post article, key "liberal" Democrats within Congress went into motion. Rep. Henry Reuss (D.-Wisc), chairman of the House Banking and Currency Committee, Sen. William Proxmire (D.-Wisc), Reuss's counterpart in the Senate, and Rep. Benjamin Rosenthal (D.-N.Y.), chairman of the House committee on governmental operations used the Post revelations to motivate an attack on the "competence" of the federal bank regulatory apparatus and the Comptroller of the Currency in particular. They called for hearings on the entire matter of bank regulation to begin immediately when Congress reconvenes on Jan. 19.

As reflected in this congressional activity, as well as in statements during the week by well-known academic spokesmen for the would-be "New Dealers" in the Democratic Party the assault on Rockefeller and the targetting of the bank regulatory apparatus, are the drivewheel for these forces' efforts to clear the way for the imposition of a corporatist, top-down rationalization of the banking system.

Rep. Reuss has in fact proposed just such a major overhaul of the entire federal bank regulatory structure, the explicit subject of upcoming congressional hearings.

Washington Post financial columnist Hobart Rowen, in an op-ed column on Thursday, Jan. 15, used the evidence presented in the Post revelations to call for a reorganization of the banking regulations. Rowen was echoed by John Kenneth Galbraith, the well-known liberal Democratic exponent of corporatist schemes.

The overhaul plan, detailed in the Financial Institutions and the Nation's Economy report (known as the FINE study), calls for a centralization of the present bank regulatory structure and its transformation into a more public, corporatist body.

According to the FINE study, the present three regulatory agencies -- the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve -- would be collapsed into a single federal Depository Institutions Commission. The new Commission would be given sweeping powers to oversee and regulate the entire banking system, approximating top-down control.

The Federal Reserve Board, according to the FINE study proposals, would be stripped of its regulatory powers and transformed into a highly centralized, corporatist agency with a democratic facade. Its present Board of Directors, which represents the regional federal banks, would be eliminated and replaced by a new advisory board and a Board of Governors. Each reserve bank governor would be stripped of influence over monetary policy and subordinated to the Advisory Committee and the Board of Governors. The Advisory Committee would consist of 20 to 30 representatives of labor, farm, industrial and education sectors.

According to a spokesman for the Comptroller of the Currency contacted by IPS, the Washington Post exposures and the included allusions to negligence on the part of the Comptroller's office are being used to push for a centralized banking structure as proposed in the FINE study.

Dominated by its conservative, Nixon-appointed chief, James Smith, the Comptroller's office is an obvious point of generic resistance to the type of corporatist scheme advocated in the FINE study. That hapless office gives every indication of being in over its head, under a state of seige by the liberal democrats and New York investment houses whose Watergating of Rockefeller must necessarily extend to associated conservative layers otherwise ill disposed to the prescribed regimen of top-down corporatist controls.

Presented merely with an analysis of recent history along these lines, a spokesman for that office responded, "It's nice to hear that there are people around here who sympathize with us. What you say has occurred to many of us around here. Speculation along these lines is rampant."

What remains to be pointed out is the relevant if highly ironical historical analogy to the last great capitalist depression crisis. In the early 1930's, in the face of a massive if ultimately less decisive economic crisis, it was the ascending Rockefeller faction which mobilized the press, congressional and related institutional machinery to crush the financial hegemony of the staid and unquestionably dominant Morgan financier family and establish themselves as the determining masters of a new world order defined by U.S. imperialism. In as much as the evolution of the world economy and strategic correlation of forces over the past forty years precludes a successful mere repetition of such maneuvers, the fact that the analogy is nonetheless relevant merely dramatizes the criminally narrow parameters of the capitalist worldview per se.

JITTERS OVER NEW YORK DEBT

Over the last two days, the pages of the New York Times have reflected the ever-growing concern of all New York banking circles over the New York debt situation. The laundry list of unresolved problems includes: the debt of state agencies, which have over the last few weeks narrowly averted defaults; the rapidly approaching spring date when the state must go back into the all but dead municipal market for some $4 billion, and finally the existence of a debt moratorium on $1.6 billion in New York City debt with all its dangerous implications. The line coming down from the Times is that the push for austerity at both the state and city levels must be accelerated. The bankers realize that without the new austerity measures, a significant chunk of bank assets are worthless pieces of paper that would have to be wiped from their books.

New York's Gov. Hugh Carey is coming under mounting pressure to deliver the austerity goods. In an article which was called "extremely exaggerated" by public relations people at Lazard Freres, Municipal Assistance Corporation Chairman Felix Rohaytn's base of operations, the Times implied that Rohaytn, on request from Carey, was about to take on the job of directing the rescue of the four bankrupt state agencies. Last month Carey first floated a $2.5 billion plan that would complete all construction projects and pay off all notes that come due this year... and which depends on bank participation and a balanced state budget.

According to the Times, MAC chairman Rohaytn and the rest of the MAC board are "reassessing" their role, considering making recommendations on long-term financial planning, including tax breaks for business and the introduction of massive volunteer programs to cut down on labor costs.

In addition, a report by Arthur Andersen and Co., the accounting company hired by Simon last December in connection with the Treasury's seasonal financing of New York City, has been given publicity. Andersen found that projected city spending cuts are running behind projections and that further cuts will be required if revenue growth fails to come up to expectations. The dismal report seemed to find reason to criticize virtually everything that the city and state were doing including the accounting practices of the city comptroller's office and the state handling of the pension funds (which were donated to purchase worthless MAC securities). The report concludes by casting doubt on whether the city would actually be able to meet its end of the Federal financing plan -- i.e. whether the necessary "economies" can be imposed to enable the state to pay back the $2.5 billion in federal loans.

By stating things that most of the bankers already knew but were afraid to say out loud, the report produced considerable nervousness among bond traders and other purveyors of New York securities. This nervousness was in turn directed into armtwisting of appropriate government officials to get some motion on austerity. Mayor Beame, seeing the wolves at his door once again, tried to put them off with reassurances: "We're cutting and will continue to cut; besides this report is based on old information -- we've done better recently."

But the bankers and their sympathizers in the press were not about to take the heat off. A front page Times article reported that the City Comptroller's office had prepared a "confidential report" that showed that the situation was indeed bleak, confirming the major premise of the Andersen report: revenue losses would force an additional budget cut of $80 million/year for the three years of the Federal financing plan.

When contacted by IPS,the Comptroller's office claimed that despite the implications in the article, it had not leaked the report to the Times and didn't know who had.

The significant point here is that both Rockefeller banks and the Eastern banking houses that this week declared factional war on them, have converged on an identical policy concerning New York's debt question, and for the same reason. If New York State enters the dead municipal market for a whopping $4 billion and finds no takers, then the effective value of all New York securities will again plummet to zero, and the elaborate financing plan which was designed to prevent the effects of a default, will be worthless as well. Under such circumstances it would rapidly become impossible for the banks to continue to carry New York City and State debt on their books, forcing a write off in the magnitude of 10 billion. Such a write off would not only sink Rockefeller and his New York banks but the investment houses as well. Austerity that would cut back the need for short term borrowing through reducing spending levels and show a commitment to pay back existing debts, is the only thing that these incompetent bankers see as a solution. Su ch a "policy" represents a case study in the incompetence reference in earlier sections of the newsletter.

However, scream as these fools may for austerity, the political base required to enforce the "necessary" cuts no longer exists and hence the stalling by such formerly reliable souls as Carey.

Most politicians recognize that in an election year one must have something else to offer voters than a diet of "cold turkey."

Two weeks ago,Carey was talking tough austerity, telling the state that what was needed was a dose of "pain" -- budget cuts and increased taxes -- to balance the budget. Then this week, he announced that he would seek no new taxes and few "new" cuts, a move which prompted the Times articles.

But the confusion doesn't stop there. The Governor's advisors have indicated that he would like to place a whopping transportation bond issue on the November ballot which observers have noted would put people to work on "New Deal-WPA" projects filling potholes etc. Such proposals cohere with general Democratic Party policy -- austerity then New Deal slave labor programs.

The Times, which supports such measures in the current factional allignments, was not satisfied. Speaking for the Eastern Patricians, they reminded Carey that words aren't enough, that he must get on the ball and swing his austerity axe, now!

All of this raises another interesting question. Suppose Carey goes along with demands to accelerate the austerity drive, as most people expect. What then if the legislature refuses to go along and calls for an extension of the debt moratorium to cover other debts? Few bankers cared to either speculate -- or think about the consequences of such a move.

PENSIONS CONFERENCE DRAWS MANAGERS FROM ACROSS COUNTRY

The corporate pension managers who gathered in New York last week for the institutional Investor-sponsored Pensions Conference spent most of their time listening to presentations on investment strategy, which avoided all reference to the state of the economy! Typical was one panel discussion which centered on finding the right "asset allocation model,", as if that were the answer to everything. Only occasionally did reality creep into the discussions, when the problem of underfunded pension funds and the high number of terminations of small pension funds in 1975 due to "adverse business conditions" came up. Government officials from the Pension Benefit Guarantee Corp., set up under the Pension Reform Act of 1974 to deal with terminating funds, reported that their surveys show that companies are using the multitudinous regulations on funding, reporting, disclosure, fiduciary responsibility, etc. set up by the Act to terminate fixed benefit plans and switch into profit sharing plans, where the company reduces its liabilities and its cash outlay on employee benefits. Under fixed benefit plans, companies must pay out fixed benefits regardless of their financial situation.

At the only forum which addressed the capitalist crisis head on, Bert Metzger, director of the Profit Sharing Research Foundation, and Shelly Lush, director of the Canadian counterpart organization and also chairman of Supreme Aluminum Industries Ltd., were on hand to sell the idea of profit-sharing to the corporate managers. Mr. Lush advertised to his audience that his company's profit-sharing program -- the only type of "benefit" program they offer -- had turned his employees into "motivated capitalists, interested in the same things that management is." Given the liquidity crisis facing U.S. corporations, it will not take much to sell the idea of profit sharing to them; however, working class acceptance of this looting operation is no sure thing.

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U.S. POLITICAL
NEWSLETTER

EASTERN PATRICIANS LAUNCH OPEN WARFARE ON ROCKEFELLER

Jan. 18 (IPS) -- The emergence of open factional warfare against the Rockefeller brothers dominated the political events of the past week in the U.S. with front-page New York Times and Washington Post coverage of the bankruptcy of the Rockefeller group banks, as well as mounting attacks on Secretary of State Henry Kissinger and the Rockefeller-linked "old boys" group in the CIA establishment. IPS has learned that behind these exposes lies a cabal Eastern Patricians typified by former New York Gov. Averell Harriman and joined by political figures and think-tank layers formerly associated with the old Kennedy family machine, like Arthur Waskow's Washington-based Institute for Policy Studies.

As evidenced by their own programmatic output, however, this Eastern patrician layer is no more competent to conceptualize how the fast-dying world economy can be saved than are the Rockefellers. beginning with statements by Harriman one month ago, certified by the New York Times last week, and the public proposals of Keynesian economists John K. Galbraith and Rep. Henry Reuss (D.-Wisc) this week, this patrician faction has merely resurrected the 1933-36 "New Deal" of Franklin D. Roosevelt proposing to carry it through to its logical, fascist conclusions. While intent upon eliminating the Rockefellers as a power-factor, the Harriman-linked cabal is also committed to defending the Dollar Empire and the non-Rockefeller portion of its burdensome debt-holdings through massive austerity under New Deal-type corporatist structures in the advanced sector. The incompetence of this program has thus far prevented the eastern patricians and their allies in the White House and Chicago industrialist circles from delivering the decisive blow to the Rockefeller circle... for fear of then having to shoulder the burden of the collapsing economy themselves.

EXPOSE ROCKEFELLER BANKRUPTCY

Their first major salvo against the Rockefeller interests came in the Jan. 11 Washington Post, with Hobart Rowen's sudden disclosure that both Chase Manhattan Bank and First National City Bank were on the Comptroller of the Currency's "problem list" of banks with poor liquidity who had overextended themselves. Already common knowledge among financial observers, the Post's page-one announcement of the Rockefeller banks' plight was a clear political factional move -- as confirmed to IPS by Post editors and related political and financial sources.

The Jan. 14 Washington Post followed up the Rowen exposure with the revelation that Chase and Citibank were both currently kept afloat only by huge foreign deposits -- with Citibank, in particular, bankrupt but for $1.7 billion on deposit from the sheikdom of Kuwait. The article further revealed that Citibank had made foreign loans 73 per cent in excess of its gross capital funds while Chase Manhattan had $2.4 billion in loans outstanding to Japan -- this alone, 21 per cent more than its gross capital funds.

The following day's New York Times joined in the factional attack with two front page articles: "The American banking system, already plagued by bad real estate, corporate and municipal loans in this country," said the first Times article, "is faced with the possibility of new problems abroad -- the billions of dollars that banks have lent to developing nations" -- a direct reference to imminent Third World debt moratoria which will destroy the Rockefellers.

The second front-page feature also hit the Rockefellers hard: "The nation's banks are expected to write off at least $3 billion in bad loans for 1975, the highest in banking history," wrote Terry Robards. "And a group of seven major New York banks will probably account for at least 40 per cent of the total."

A well-informed source, close to leading Chicago banks, told IPS that such articles had not been printed since the 1940's, when the Rockefeller banks raided the Morgan interests: "Those articles against Morgan were inspired by Nelson Aldrich; now it's Nelson Rockefeller's turn to get it."

"NEW DEAL" FASCISM -- F.I.N.E.

By Jan. 15, the fact that the Harriman and related New York financial and political interests were behind these articles emerged sharply, as Kennedy family mouthpiece John Kenneth Galbraith issued a call for the Democratic Party to adopt a full "New Deal"-type policy to ensure victory in the November elections. Galbraith was quoted to this effect in James Reston's Jan. 15 New York Times column. That same day, IPS learned that Rep. Henry Reuss (D.-Wisc), whose chief aide is Michael Galbraith, was the primary sponsor of a newly-issued Congressional report, entitled "Financial Institutions and the Nation's Economy" (F.I.N.E.). This report, on which Sen. William Proxmire (D.-Wisc) plans to hold extensive hearings when Congress reconvenes Jan. 19, is a blueprint for the imposition of a centralized, corporatist credit apparatus for massive regimented austerity in the U.S. -- without the Rockefeller banks.

Congressman Henry Reuss has proposed a major overhaul of the entire Federal Bank regulatory structure, which will be the subject of intensive hearings in the House and Senate when they reconvene.

The overhaul plan, detailed in the F.I.N.E. report, calls for a centralization of the present bank regulatory structure and its transformation into a more public, corporatist body.

The chief purpose of the F.I.N.E. study and various press and political attacks on bank regulatory agencies in connection with Rockefeller bankruptcy is to kick the Rockefeller brothers out of the banking system under the aegis of corporatist liberal Democrats and New York investment banks.

According to the F.I.N.E. study, the present three regulatory agencies -- the Comptroller of the Currency, the Federal Deposit

Insurance Corporation, and the Federal Reserve -- would be collapsed into a single Federal Depository Institutions Commission. The new Commission would be given sweeping powers to oversee and regulate the entire banking system, approximating near top-down control modelled on FDR's pre-1936 NRA.

The Federal Reserve Board, according to the F.I.N.E. study proposals, would be stripped of its regulatory powers and transformed into a highly centralized, corporatist agency with a democratic facade. Its present Board of Directors which represents the regional Federal banks, would be eliminated and replaced by a new advisory body and Board of Governors. Each reserve bank President would be stripped of influence over monetary policy and subordinated to the advisory committee and the Board of Governors. The advisory committee would consist of 20 to 30 representatives of labor, farm, industry and education sectors.

By the circuitous route of Keynesian fantasy, the F.I.N.E. study proposes to prepare for the same Schachtian economic holocaust which the Rockefellers would approach by more direct routes. Precisely because of their awareness of this gaping hole in their plans which only an International Development Bank program can fill, the Eastern patricians leave Rockefeller and Kissinger in power even as they dismantle their machine.

DEFUSING THE MIDEAST

Elsewhere on their front pages, the Times, the Post, et al., revealed clearly the Eastern Patricians' motive for their sweeping attacks on Rockefeller economic power -- an acute, realistic fear that the Rockefeller machine behind Henry Kissinger is on the verge of detonating a new conflict in the Middle East, and with it, a general thermonuclear conflagration.

The Jan. 13 New York Times carriedan op-ed column by Arthur Waskow of the Institute for Policy Studies declaring that the Palestine Liberation Organization (PLO) should be recognized by Israel in return for PLO recognition of Israeli sovereignty -- thereby indicating the Patricians' negotiating position.

Contacted by Long Island Newsday, J.K. Galbraith reported that he was fully aware and fully behind the Waskow proposal. Galbraith confirmed that international forces were now driving to implement the Institute for Policy Studies proposal, including the layers grouped around former Israeli Foreign Minister Abba Eban, moderate Lebanese leader Raymonde Edde, and Couve de Murville in France. This grouping has "extensive ties in the U.S. -- too extensive to go into", according to Galbraith.

The Chicago Tribune this week carried a front-page story on the UN Security Council Debate on the Middle East, under the noteworthy headline: "PLO Gets Role in UN; Defeat for U.S." -- 4 Bombs Found." Tribune reporter Egeldoff quoted extensively from Soviet Ambassador Malik's attack on the raving remarks by U.N. Ambassador Daniel Moynihan denouncing "totalitarianism": Malik accused Moynihan of "gangsterism in politics."

The Jan. 15 Newsday has carried both a lead editorial on the Mideast war danger and a guest op-ed column by Soviet Mideast expert Kislov, also proposing mutual recognition by the PLO and Israel as prerequisite to a real Mideast peace. The Newsday editorial attacks Israel for sabotaging such efforts, and backs the Soviets' call for a Geneva peace conference to defuse the situation.

Similarly, New York Times magnate C.L. Sulzberger devoted his Jan. 14 column to warnings of the dangers of nuclear war inherent in Lebanon's civil strife. Sulzberger observes that everyone seems to want peace, but "someone" is preventing it.

KISSINGER: ON THE CHOPPING BLOCK

In coverage of the Secretary of State's Jan. 14 press conference, the New York Times editors pointedly include Kissinger's offhand complaint that no reporter had even bothered to ask him if he was behind the new SALT II developments. The Times' headline made the point: "Henry Agrees to Go to Moscow."

Elsewhere in the same Jan. 15 edition, the Times makes a clear reference to Kissinger's responsibility for international terrorist attrocities, with a front page article mooting that the defeated "National Front" (FNLA), backed in Angola by CIA and the U.S. State Department, may have plans to turn to international terrorism.

Anthony Lewis' Jan. 14 column, similarly, blasts Kissinger as "hysterical, irrational, and egocentric" for his handling of both Angola and the Middle East. Lewis accuses Kissinger of using Angola to coax Israeli hawks toward war.

Not the least of the Times' attacks on Secretary Kissinger is the Jan. 15 revelation that upon being fired from his job as National Security Advisor at the White House last November, Kissinger took with him all written transcripts of his telephone conversations. If former President Nixon has been denied his White House papers, writes columnist and former Nixon aide William Safire, then Kissinger must be forced to return his tapes and transcripts.

The revelation of Kissinger's kleptomania of the White House documents occurred after most domestic press carried Watergate-style stories on an affidavit from the Secretary of State revealing that he had routinely ordered his secretaries to listen in on his telephone conversations and to produce record transcripts.

However, while the press mouthpieces for the patricians continue their jabs at the now easy target of the Secretary of State, they have yet to move in for the knockout blow -- his impeachment, firing or forced resignation from office. The anti-Rockefeller groupings are operating under the mistaken impression that they impose their policy on Kissinger. Though isolated and under attack, Kissinger is still capable of creating a nuclear confrontation that can lead to the annihilation of the human race.

FORD TO TAKE COMMAND OF CIA

At a Jan. 14 breakfast briefing for reporters, Senator Frank Church levelled a broadside attack on Kissinger for having "imposed" his Angola policy on a "reluctant" CIA -- a statement timed to coincide with the now-public drive of the White House to reorganize the CIA establishment out from under the control of Kissinger and Nelson Rockefeller.

On Jan. 16, President Ford announced that Henry Kissinger had been "relieved" of his position as Chairman of the National Security Council's 40 Committee -- the agency with final control over all CIA covert operations. High administration sources have also leaked the news that Kissinger is about to be removed from the National Security Council's Special Action Group and from the SALT II Verifications Panel. No mention was made of his dismissal as Secretary of State.

Even as Kissinger remains in office, according to inside sources the President's Commission on the Reorganization of the Government -- widely known as the Rumsfeld Commission -- is now intent upon restoring the CIA to the 1947 principles by which the agency was to coordinate the intelligence gathering activity of other agencies and nothing else. One aide to a U.S. Senator told IPS this week that President Ford was committed to breaking up the "old boy network" at the Agency, developed by Rockefeller associate Allen Dulles. The President himself will make a speech next month outlining his plan to bring the CIA under control.

The Rumsfeld Commission's Reorganization proposals are now the subject of a momentous behind-the-scenes showdown developing between the Administration and the Rockefellers' "Invisible Government" apparatus. In a lengthy meeting on Saturday, Jan. 10, Ford reportedly revealed to both Kissinger and Vice-President Nelson Rockefeller, as well as the heads of the intelligence agencies, his plans through the Rumsfeld Commission to bring the CIA under the tight control of the Presidency. It is speculated that Kissinger was also informed then that he would be dismissed from his 40 Committee position.

In a related action apparently designed to protect the President during this dangerous undertaking, a Syracuse Radio station was given the story of Vice President Nelson Rockefeller's perjury before Senate Confirmation heraings, when he denied compiling extensive political police files while New York State Governor. WSYR carried extensive reports on this subject throughout the day and evening of Jan. 10, including the report that the House Judiciary Committee was in receipt of U.S. Labor Party charges of perjury and Long Island Newsday's documentation of them. The Jan. 11 Newsday carried a strongly-worded column by Patrick Owens which challenged the New York State Legislature to pursue the issue of Rockefeller's perjury and prosecute the Vice-President for "creating the trappings of a police state" in New York.

THE NIXON CONNECTION

The Jan. 16 Chicago Tribune has confirmed that Ford, in pursuing his drive to take direct control of the intelligence community, enjoys the help of Nixon and Kennedy forces. "Former Administration officials" -- Rumsfeld, Bush, the Institute for Policy Studies under Waskow -- are aiding the President's attempt to take direct, personal command of the CIA as an expedient way of checking and dismantling the Rockefeller machine.

In an IPS interview several days ago, a close personal friend and advisor to former President Nixon declared point blank: "Nixon was gotten out for the same reason that Kennedy was killed" -- and he and his associates were going to do something about it. In this connection, lawyer Fred Thompson, former minority (Republican) counsel for the Watergate hearings, has published a book on Nixon's downfall, reportedly detailing extensive CIA involvement in the Watergate affair.

The battle for the CIA, according to Intelligence Community Analyst Fletcher Prouty, involves several factions within the agency itself -- those tied to Rockefeller and oil, an incipient groups now gathering around Kennedy, and a faction tied to Howard Hughes and the aeronautics-electronics industries -- traditionally supporters of Nixon.

CONGRESS RECONVENES: IMPEACHMENT, FASCIST AUSTERITY ON THE AGENDA

One more Rockefeller stalwart was shown the door this week with the resignation of Labor Secretary John Dunlop, following the President's veto last week of his corporatist bill for the construction industry. Dunlop was the champion of Rockefeller's "Fascism with a Democratic Face" policies.

When Congress reconvenes next week, the issues they will have to take up all imply either the impeachment of Henry Kissinger and Rockefeller himself, or the implementation of fascist austerity -- with or without its "democratic face."

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WHAT IPS HAS SAID ON THE COLLAPSE OF THE HOUSE OF ROCKEFELLER

This week, first the Washington Post and then the New York Times fired salvos at the Rockefeller financial interests, revealing that Chase Manhattan and First National City, Rockefeller mainstays among the New York banks, were on the "trouble list" code-named "Victor" -- of the U.S. Controller of Currency office.

While such a move has enormous political significance (as explained elsewhere), the content of the "revelations" -- that the Rockefeller banks are bankrupt -- is "old news".

For the last seven months this wire service has provided a blow-by-blow description of the collapse of the House of Rockefeller. As early as last spring, IPS reported that the Rockefeller's entire empire was technically bankrupt and proceeded to cover -- in detail -- the progressively deteriorating condition of the New York banks throughout the summer and fall. In late November and early December, IPS published exclusive interviews with top Wall Street analysts who admitted that more than half of Chase Manhattan's loans were "soft" i.e. bad.

As a special feature to our subscribers IPS is reprinting excerpt from this coverage (NOTE: reprints of entire articles and reports are available on request from IPS free for our subscribers and slight charges to non-subscribers.

The IPS intelligence staff has assembled comments over the last week on the Post "revelations" from government officials, leading financial spokesman and analysts in Western Europe, North America and Asia. We are also printing a grid of these comments. (NOTE: For obvious reasons, some sources have asked to remain unamed. In these cases, the name of the institution to which they are related is given for identification purposes.)

I. EXCERPTS FROM IPS

LAROUCHE CALL: CREATE INT'L BANK TO REPLACE IMF

BONN, W. Germany, April 24 (IPS) -- In a Statement released here this morning, Lyndon H. LaRouche, the U.S. Labor Party's candidate for President in 1976, called for the creation of an International Development Bank to immediately replace the bankrupt U.S. dollar and the International Monetary Fund tied to that dollar ... LaRouche stated emphatically that due to current world debt-service and debt-rollover requirements -- debts owed predominantly to the Rockefeller faction of finance capital -- there is now "no safe middle path" between a strangulating, Weimar-style hyperinflation and an equally deadly, explosive depression collapse except for his proposal ...

The LaRouche announcement was ironically followed by the most sweeping public confirmation to date of the dollar's inability to make any, even short term recovery as European traders, led by the French, dumped that currency massively on this morning's chaotic markets. This morning's evacuation of the dollar ... signifies that European financiers have lost all confidence in Rockefeller's ability to collect on his $5 trillion in (total dollar-denominated) debt.

CALL FOR INT'L DEVELOPMENT BANK

New Solidarity publishes here (April 28, 1975) excerts from USLP 1976 presidential candidate Lyndon LaRouche's call for an International Development Bank to replace the bankrupt International Monetary Fund and World Bank.

"We propose the immediate establishment of an International Development Bank as a three-way agreement among the three principal world sectors, the industrialized capitalist sector, the so-called development sector, and the socialist countries.

"To grasp the political feasibility of this proposal, the following points may be considered.

"Firstly, within a very short period -- barring thermonuclear war provoked by groups around Rockefeller -- the world will experience a financial catastrophe without precedent. Since -- as all informed observers now recognize -- the Rockefeller and allied forces are organically incapable of developing competent programs to deal with the present economic situation, the proposal identified here today will be the only practicable alternative for use by billions of people in desperate need of immediate and effective actions ...

"The fundamental issue between us and the rational capitalists will center on the issue of future repayment of the categories of debt put into a moratorium 'deep freeze.' This is an intriguing issue. First, without a debt moratorium the capitalist system will collapse into chaos within a short time anyway. However, if the moratorium is prolonged for several years, that continuation represents a de facto expropriation of major financial holdings. The solution to this paradox lies within the realm of democracy! Let us see how the majority of the population votes on the question of repayment of suspended debt two years ahead."

ROCKEFELLER BANKS HIT BY BIGGEST LAON DEFAULTS IN U.S. HISTORY

July 28 (IPS) -- David Rockefeller's faltering commercial banking system has been wracked by two of the biggest loan defaults in U.S. history, edging the dollar empire one step closer to a 1931 style breakdown crisis ...

Even these record loan defaults ($1 billion of MAC bonds and $641 million REIT default to Bankers Trust credit group) represent merely the tip of the iceberg ... including $20 billion in shaky real estate and construction, $6-8 billion to the insolvent tanker industry, and an undisclosed amount to hard pressed industries and municipalities.

A recent survey by a top consulting firm with direct connections to White House economic officialdom concluded modestly that 30 per cent of all bank loans were soft ...

WM. MCCHESNY MARTIN PREDICTS GOLD BLOC, 20 CENT DOLLAR AT IMF

Sept. 5 (IPS) -- William McChesny Martin, former Chairman of the U.S. Federal Reserve System and currently on the board of directors of nine major U.S. corporations ... said in an informal interview with IPS today "It terrifies me, but now it looks like gold backed currency blocs will develop ... Now we have a situation where 250 banks in this country are being watched closely for failure ... We'll soon have a 20 cent dollar."

U.S. BANKS ARE TOTALLY BUSTED!

Sept. 11 (IPS) -- Hysterical scare stories peddled by Congressmen, state officials, and the financial press that a New York City default or debt moratorium would collapse the Wall Street commercial banks are a coverup for the truth. These financial institutions are <u>already</u> bankrupt and on the edge of a 1933 style breakdown panic.

New York commercial banks are broke -- staying afloat by a purely speculative and short-lived scheme fueled by the bankruptcy of the Federal government itself. Over the last ten days the Federal Reserve has flooded the banking system with funds through the purchase of government securities from the banks. These additional bank reserves have been lent out to banks on a 24 hour basis only and are in turn invested at much higher yields in short term Treasury notes.

The circulation of these Treasury bills with profits spinning off the banking system bears a marked resemblance to the Mefo bill system created by Hitler's Finance Minister Hjalmar Schacht, with one exception: Mefo bills were baked up by Nazi stormtroopers who guaranteed the looting of the German working class, Rockefeller's paper is backed up by nothing more than the income generating capacity of the Bureau of Engraving printing press.

This is the last profit making operation of the banking system to cover its mass of bad loans on non-productive investment now estimated at half its portfolio.

Since the beginning of 1975, the banking system has been in a technical state of bankruptcy, its bad loans in excess of its own equity base ...

EUROPE RAPED TO ROLL OVER DEBT

Oct. 1 (IPS) -- According to Eurodollar market operators in New York City, the $220 billion pool of funds which makes up the shakiest part of the dollar monetary system is getting new cash injections "due to the collapse of bank lending in Western Europe," in the view of Lloyds Bank International ...

U.S. BANKS AND INDUSTRY COLLAPSE

Oct. 5 (IPS) -- Shaken by a series of corporate failures and a withdrawal in interest free deposits ... the illiquid New York based commercial banking system this week passed into a state of complete collapse ... Among those in the know, it can no longer be denied that the dollar-based banking system has entered the deepest illiquidity crisis in capitalist history.

WALL STREET ANALYSTS WARN: NEW YORK BANKS ON THE BRINK

Oct. 29 (IPS) -- The Rockefeller banking empire is teetering on the brink of collapse, according to top Wall Street financial analysts reached here yesterday. One reputable source turned over to IPS the list of blue-ribbon New York banks that will blow on the basis of a New York City default alone. In the order they will go under, they are: Marine Midland, Chase Manhattan and Bankers Trust. According to the source, First National City, Morgan Guaranty, and Manufactureres Hanover are relatively safe for the moment.

... The situation is so desperate that in his second public address in the space of a week -- unprecedented in the post war period -- David Rockefeller laid bare the tip of the iceberg of his bank's loan losses ... Rockefeller's willingness to ... reveal even one fiftieth of his loan losses indicates the problem has passed the point where it can be concealed and that his family wants a federal bailout of the banks or else.

NEW YORK BANK LIQUIDITY: IT'S WORSE THAN YOU DARE TO BELIEVE

Nov. 28 (IPS) -- IPS learned from one of our most knowledgeable banking sources this week that on the basis of a new study he had undertaken he had concluded that the proportion of bad loans in the portfolios of Chemical, Chase Manhattan, Bankers Trust and Marine Midland is not the 40 per cent we had previously thought but lies between 50 per cent and 70 per cent. His study took into account loans to New York City, Big MAC, REIT, W.T. Grants and other bankrupt corporations, and Third World countries, but not tanker loans, loans to bankrupt bank holding companies on the Eurodollar market, or losses associated with leasing operations.

These facts are well-known throughout the investment community.

EURO-MARKET ON VERGE OF COMPLETE COLLAPSE

Dec. 6 (IPS) -- Over the past two quarters the New York banks have attempted to prop the (Euro-dollar) market up via a massive re-financing of the unpayable Third World debt, at the expense of credits to U.S., European and Japanese industrial production.

Not a penny of these Third World Credits will go to production, only to refinance old debt, and each loan is tied to ... brutal austerity.

On the other hand, the credit strangulation of the advanced sector has already precipitated a second collapse of world production and trade beginning this October ...

Under such conditions, Rockefeller's refinancing gimmicks are predestined to fail. The idling of the advanced sector's industrial capacity only undermines the ability of the entire world economy to pay its debt ...

THE FINANCIAL BACKGROUND TO HILEX 75

Dec. 13 (IPS) -- An approximately $40 billion in short term international trading credits to Third World countries -- owed principally to the leading Rockefeller banks and their overseas branches -- went illiquid as of the June 30, 1975 rollover deadline. Since the deadline large portions of the mass of debt have been refinanced in the Eurodollar market with 24 hour to 7 day funds. This refinancing burden, on top of $30-40 billion in illiquid medium term bank credits of Third World countries, now threatens to detonate the entire international banking system.

FINANCIERS MUST ACCEPT TRANSFER RUBLE OR INCINERATION WITH THEIR PAPER

Dec. 21 (IPS -- Current depressed levels of production and employment make a debt - "Gotterdamerung" inevitable by the March rollover period ..."

TO LIE OR NOT TO LIE

Jan. 2 (IPS) -- The American Institute of Certified Public Accountants has proposed new accounting rules, which, if adopted, would have a dramatic effect on the year end earning statements of the New York banks in particular; the rules, adopted to deal with the moratorium on New York City notes, would force the banks to write the securities down to market value.

Federal Reserve Chairman Arthur Burns and the three federal bank regulatory agencies, however, are continuing to defend the banks' rights to keep bloated assets on the books at face value. They have written to the accountants institute insisting that the MAC bonds will "ultimately be paid in full" and that there is no need for a writedown.

... If the accountants were to apply (the new rules) to the banks loan assets, a full 50 per cent of the assets would have to be written off at once.

One top New York bank analyst suddenly remembered this week that nearly all the "several hundreds of millions of dollars" of New York bank loans for investments in the British real estate market were paying absolutely no interest at all. "These loans are being carried on the banks' books at full value," he noted, "How much longer can that last?"

ROCKY'S BANKS SPECULATE ON THEIR OWN FUNERAL

Jan. 10 (IPS) -- Last week's unprecedented $3.5 billion outflow from New York into the Eurodollar market is as clear an indication as any that there is no way to support the rollover requirements arising out of the $72 billion of expected Lesser Developed Countries balance of payments deficits on current account in 1976, except a wildly hyperinflationary monetary policy in the U.S. This would especially be so if the Arabs and the Western Europeans stick to their guns and refuse to hyperinflate to support the dollar ...

At least until late February, loan demand in the U.S. is expected to be flat enough to allow New York banks to concentrate solely on the refinancing of Third World debts on the Eurodollar market via Fed Funds at 4.75 per cent. Currently the differential between Fed Funds and 6 month Eurodollar interbank rates is 1.5 per cent, with the added advantage of greatly reduced reserve requirements in the "free-for-all" Eurodollar market. Come March, the refinancing pressure of U.S. corporations added to the $45 billion projected financing needs of the U.S. Treasury for the first half of 1976 will turn into a full-fledged hyper-inflationary upward spiral.

In the interim, with zero ability to generate operating income domestically, the massive pumping of funds into the highly risk Eurodollar interbank market to the most illiquid banks in the world is tantamount to Rockefeller speculating on his own funeral.

II GRID OF RESPONSE TO WASHINGTON POST ARTICLES

SWITZERLAND

Credit Suisse - "This is no news to the experts. It may abort the recovery."
Neue Zuricher Zeitung - "I must play down the Washington Post article -- if I believed what you way I would have to jump out a window." (editor)

WEST GERMANY

Citibank - "Come on, many of the best German names are also classified by the controller as potentially risky."
Chase Manhattan - "Everybody knows we've got lousy loans."
Bayerische Hypobank - "No, there cannot be a dollar crisis."
Bankhaus Trinkhaus - "David Rockefeller is unable to manage Chase."
Bundesbank - "I like the IDB ... I agree on the basis of your policy ... I see also the necessity for new solutions ... but I don't see an immediate turn around, the possibility for it, we must go step by step in your direction, not with the big measures you want ... sure their ideas are nonsense, but you must understand, there are fears, people don't see clearly ..." (economist)
Bundesbank - "You know that we do not comment on political events, so as not to distrub the markets." (official)

ITALY

Banca Commercio e Industria - "The Washington Post is a scandal-mongering paper ... we have full confidence in Chase ... We have deposits there ... Sure, moratorium would be good, if they make a moratorium it's okay for us.

ITALY (Continued)

Banca Nacional Del Lavor Maiocchi - "Sure we see it's a political move, I know the Chicago banks are against New York ... it's a financial Watergate. About Andreotti's moratorium something came to our ears ... a moratorium depends only on how it's done."
ENI/SNAM subsidiary -"The dollar should be replaced with a trade and development system." (top executives)

BRITAIN

Sal Oppenheim (British Rothschild) - "That's no news, a year ago it was brand new but now..."

FRANCE

Credit Lyonnaise - "The IDB would completely change the world, but it would need a complete shakeup in the international political balance of forces, and I don't know how to do that ..."
Les Echoes (French financial daily) - "Aaaah it's you, everybody's talking about you."

JAPAN

Nomura Research Securities - "If that is true, then the effect is serious. This may mean a financial collapse. I hope we have the means to stop it. This is a serious problem."
Sumitomo Bank - "I wonder why the articles were printed. If they were to provide valuable information, that is very nice, but I wonder if that is why. If you remember the Post first printed the articles on Watergate. I wonder if this is for a political purpose... I don't know what it is, but I wonder if there is one."

UNITED STATES

Borg Worner - "I think these revelations are tragic. Those New York banks could go under."
A New York trader - "It's one thing to panic over Franklin National but another thing to panic over the second and third largest banks. Where do you make deposits and investments if they go?"
Brookings Institution - "I know the Post doesn't just print anything without confirmation -- someone inside must be feeding it to them."
House Banking Subcommittee - "One thing I do know is that somebody has determined to punish the large New York banks ... You are the umpteenth one who has called me trying to find out who is behind this ... One thing is quite obvious to me -- that it has hurt the chances of success of our work in trying to integrate the three banking regulatory agencies ... Maybe your conspiracy theory is right but I don't think so."
Salomon Bros. - "Top people I talk to at Chase don't hide the fact that he (David Rockefeller) is not a great leader and can't run the banks."

U.S. (continued)

Loeb Rhoades - "These are serious problems. Action is desirable... there has got to be some kind of plan to facilitate the growth of the Lesser Developed Countries which will also assist the industrialized countries to grow. This problem requires investigation, effort by government leaders to face the issue ... No, I don't know of any such willingness in the government ... Just let me see that IDB proposal, I'll discuss it in my next committee meeting, I may want to get our economists in on it ..."
U.S. Controller of the Currency's office, on being informed the Rockefeller brothers were attempting to "Watergate" Controller of the Currency James Smith for leaking the story. "It's nice to hear that there are people here who sympathize with us. What you say has occurred to many of us here."
Manufacturers Hanover - "Solution? They'll have to monetize the debt -- in a big way."

THE WORLD BANK

World Bank spokesman - "The Third World? You bail them out and you bail them out, you keep refinancing all the time and at some point you hope to make some progress and get your money back, but you never get out of it, you just bail them out ... but continuing to print money is certainly not healthy ... I honestly don't know what to do about all this. Lots of people on the staff of the OECD don't they feel very uncertain. Please send me your material. I agree that we are running serious risks with the magnitude of the problem."

A FINAL WORD FROM THE WASHINGTON POST

Washington Post reporter - "Sure this stuff is not new to the experts, but not to the public. Does the public know about this? Banking is so arcane, it has to be fleshed out for the public."

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THE MIDDLE EAST CRISIS

Jan. 17 (IPS) -- The explosive Middle East war crisis escalated dramatically this week, fueled by provocative military actions by Henry Kissinger's agent cliques in Israel and Lebanon. In Lebanon, the CIA-backed Christian-extremist Falangist militia and their allies in the Lebanese army pushed the civil war in that country to extremes of violence in what is increasingly an open effort to use the full force of the army and the right-wing militia to crush the Lebanese left and the Palestinian movement based in Lebanon. The Lebanese civil war, which was triggered ten months ago on orders from Kissinger, now threatens to provoke both Israeli and Syrian military intervention and spark a U.S.-Soviet nuclear showdown.

In Israel, a "practice" mobilization of Israeli troops and reserves took place Jan. 14, raising an atmosphere of war emergency in Israel's cowed population.

A day earlier, Israeli jets screamed over the skies of Beirut, raising tensions in war-wracked Lebanon to the breaking point. In response to the Israeli provocation, the fascist-controlled Lebanese army was placed on alert, and rumors of a Christian-extremist military coup in Lebanon circulated widely.

At the same time, however, a full-scale factional battle is raging within Israel and the United States over continued American support for Kissinger's step-by-step diplomacy and the intransigent Israeli refusal -- backed by the Sate Department -- to deal with the Palestine Liberation Organization. This internal struggle within U.S. and Israeli policy-making circles, which reflects a broader conflict within key bourgeois layers over detente and the imminent threat of nuclear war stemming from the Mideast conflict, threatens to break the control exercised by the Rockefeller interests over the Middle East war machine.

In particular, pressure is rapidly building for a sharp change in the nature of Israeli-PLO relations, with both the U.S.-based so-called "Jewish lobby" and Israeli politics already beginning to reflect that shift. Abba Eban, leader of the Israeli doves, arrived in New York yesterday for an extended stay in the U.S. for consultations with U.S. government and American Jewish community leaders.

Within top U.S. policy circles, a strong reaction is building to the Kissinger policy of inciting civil war in Lebanon, which, as those circles know, is pushing the Middle East to the brink of thermonuclear war. Increasingly, the weight of leading U.S. political figures and editors is being thrown behind an alternate strategy of attempting to strike a "deal" with the USSR that would preserve the remains of U.S. interests in the oil-rich Middle East. The Kissinger policy, formalized in the disastrous Sinai pact of September 1975, is to seek the exclusion of the Soviets from the Middle East through a personalized "shuttle" diplomacy backed by nuclear brinkmanship. A top editor of one of the leading U.S. bourgeois daily newspapers admitted to IPS that he has come to favor the creation of a Palestian state on the West Bank, however risky a policy that may be, because Kissinger's insistence on destroying the PLO and backing the Israeli warhawks may lead to nuclear war "within days or weeks."

LEBANON: OVER THE BRINK

In Lebanon, Air Force jets yesterday bombed and strafed military positions held by the Lebanese left-Palestinian coalition. The Air Force attacked also several Palestinian refugee camps including the besieged Tal Zaatar camp in eastern Beirut. In carrying out the air raids, the Air Force acted against the orders of Prime Minister Karami, who is also defense minister, confirming that the right-wing Christian junta led by President Frangieh, Interior Minister Chamoun, and Falangist leader Pierre Gemayel has taken over effective control of the Christian-dominated Lebanese army, and is preparing an all-out assault to destroy the Palestinian presence in Lebanon.

Throughout Lebanon, the most intense fighting of the ten-month civil war occurred this week, with the week's casualty toll rising to as many as 1000 killed and many more wounded. Food supplies are extremely scarce as regular means of transport have ceased to exist and Lebanon's main port and industrial center in Beirut has been demolished. Major factories and warehouses have been set on fire by looters and terrorists, and a dangerous threat of famine looms across the country.

The air attack ordered by Chamoun puts intense pressure on the 20,000-man armed contingent of Palestinian commandos in Lebanon to join a counterattack, a move that is certain to draw the entire Lebanese army into the war. Earlier this week, PLO chief Arafat warned that the Middle East was on the verge of a "total explosion" as a result of the escalating Lebanese crisis.

The unprecedented deployment of the Air Force in the Lebanese war came only hours after a visit to Lebanon by the Syrian Chief of Staff and former head of Syrian Military Intelligence, Mikmat Chehabi. Chehabi, as a member of Syrian dictator Hafez Assad's "inner circle," is one of the key coordinators of both sides of the Lebanese conflict. Through ties to the Falangists and Fragieh, the Syrian leadership coordinates continual provocations throughout Lebanon, and supplies arms and information to Lebanese Military Intelligence, whose director, Jules Bustani, has been named by Iraq and by the Lebanese left as the chief organizer of both "left" and right-wing terror. On Jan. 19, President Frangieh will visit Damascus for talks with Assad.

At the same time, Syria is giving overt support to the countermoves of the Moslem establishment in Lebanon, including Karami and Kamal Jumblatt, leader of the Progressive Socialist Party.

Syria's aim is to force either partition or outright annexation of Lebanon by Syria. Until now, Lebanon has given free rein to Arab socialists and communists who, through their connections with opposition forces in Syria, have so far prevented Assad from consolidating his shaky domestic rule sufficiently for him to pursue a "Sinai"-type agreement with Israel via Kissinger's diplomacy. The Assad government is seeking to smash the chief source (other than Iraq) of domestic opposition: the Lebanese left and the Palestinian movement.

As a result of Syrian intervention, the possibility of a "Christian" state being formed in central Lebanon and "Moslem" state with Syrian military backing in the north and west has become very real -- with the threat also that Israel would seize the opportunity to occupy part of southern Lebanon. On Jan. 16, the East German Communist party newspaper Neues Deutschland charged that the Lebanese civil war was being fomented by imperialist forces "who seek to distract attention from the necessity for a fundamental solution to the Middle East conflict." These forces "at the same time are seeking to deal a decisive blow to the Palestinian resistance ... and with reactionary Christians set up a separate state."

The threat that the Lebanese civil war might provoke Syrian and Israeli involvement, raising the immediate danger of a U.S.-Soviet confrontation, was expressed nervously this week by a former leading supporter of the Kissinger Middle East policy.

Writing in the Jan. 14 New York Times, C.L. Sulzberger warns terrifyingly that if no solution is found, "Israeli tanks will slice across southern Lebanon to destroy the refugee camps and head for Syria, or Syrian tanks will rumble over the Hauran passes and push toward Haifa." Sulzberger also noted with admiration recent efforts by Gaullist leader Maurice Couve de Murville to regulate the Lebanese crisis, and then -- in an indirect attack on Kissinger-- notes that the agreements worked out by Couve in December collapsed after an "unusual bombing raid by Israel" and a series of suspicious provocations of the Lebanese sects.

Falangist leader Pierre Gemayal is rabidly seeking to provoke a crisis that would force a "total explosion." According to L'Humanite, newspaper of the French Communist Party, the Falangist press in Beirut has said bluntly, "Lebanon is where the Palestinian resistance will die." Gemayel reportedly said that his forces will not halt provocations "until the Palestinians are disarmed and the army is in control of the camps."

ROCKEFELLER'S "JEWISH CONNECTION" UNDER FIRE

The raging civil war in Lebanon and the debate at the UN have catalyzed anti-Rockefeller forces into efforts to consolidate the dove wing of Israeli political stratum and liberal American Jews into a pro-peace coalition headed by Abba Eban.

On the U.S. side, the Rockefeller machine is under attack. Philip Klutznick, a leading Chicago businessman and a personal friend of Abba Eban, was yesterday named co-director of the presidential campaign of Sargent Shriver. Shriver, who is closely tied to the Kennedy wing of the Democratic party, has thus become a key link connecting pro-peace forces in Israel to anti-Rockefeller capitalist circles in the U.S. Eban, who is in the U.S. for several weeks, is expected to meet with his supporters in the American Jewish community.

Simultaneously, the rabid right-wing Israel Miller was ousted from his position of the Conference of Presidents of Major American Jewish Organizations, the general staff of the Israel lobby in the U.S. Miller, who strongly backed the policies of Kissinger and the Israeli warhawks led by Moshe Dayan and Defense Minister Shimon Peres, was replaced by Rabbi Schindler, who is known to be much more conciliatory on the issues of the Palestinians and the Arab territory occupied by Israel in 1967.

At the same time a full-scale press attack has opened up on Sen. Javits (R-NY), well known as a leading ally of the Rockefeller oil interests who gives consistent support to the Dayan-Peres hardline position. Javits is being ousted by the press for his wife's employment at $67,000 a year as a registered foreign agent for the Iranian national airline. The charges were initially leaked in the New York-based Village Voice by Jack Newfield, an open worshipper of the Kennedy clan.

ISRAEL: DOVE EBAN CONSIDERED FOR GOV'T; PERES UPS TERROR

Israeli Prime Minister Yitzhak Rabin this week publicly revealed his consideration of former Foreign Minister Abba Eban, widely known as an advocate of Mideast peace, to the post of Deputy Foreign Minister. Rabin's announcement is a deliberate attempt to hold together his now splintering government under heavy pressure from the left wing of the Labour Party to break Israeli intransigence on the Palestinian question. At the same time, Moshe Dayan and Defense Minister Shimon Peres have escalated a terrorist campaign aimed exclusively at provoking the conditions for the imposition of a military government to drive the Israeli population into war.

Rabin, the Gerald Ford of Israel, hopes that by bringing Eban into the government he will rally a pro-peace base behind his regime and forestall the possibility of an early election which would topple the government.

Esrael, under heavy fire internationally for stalling any progress towards peace in the Middle East, is now faced with political isolation which only exacerbates its crippling economic situation. Burdened with a 38 per cent inflation rate and a $4 billion deficit, its social and economic fabric is rapidly unravelling. In such a situation many Israelis are seeing the necessity of a Middle East Peace as an urgent precondition to solve those overwhelming economic problems. The Jan. 13 Washington Post reported that the Palestinian issue would determine the results of an election if held at the present time.

In a number of interviews conducted by IPS this week, well informed sources, shared the consensus that the move to bring Eban into the government is calculated by Rabin to undercut an early election which"would be swept by a peace program," and would finish off the Rabin government and the long standing Israeli war machine.

What holds Rabin back from moving ahead on a settlement with the Palestinians, one source confirmed, is the threat of chaos in Israel leading to civil war, triggered by the Dayan-controlled right-wing fanatic religious gangs such as Gush Emunin and Likud thugs. Only under such conditions, he indicated, could Dayan, severely discredited for his role in the Yom Kippur war, "ride like a knight on a white horse" to take over the government.

Dayan-ally Defense Minister Peres, a more "formidable" opponent than Dayan, has launched a bid for the premiership with Dayan's soon-to-be-published private newspaper as the covert vehicle for the Peres offensive.

In the last week a number of suspicious bombings and fires, as in the bombing of a Jerusalem supermarket, have provided the pretext for a massive step-up in domestic security and militarization of the country. A few days before the Jerusalem bombing, Israel's crack border guard was redeployed to Tel Aviv and Jerusalem in expectation of Arab terrorist attacks. Similarly yesterday security was tightened at both city's airports. Such operations are designed to exacerbate Israeli paranoia of Arab guerrilla attacks and under cut any moves towards peace.

However, criticism of Israel's hard line which both Peres and Dayan most clearly represent has emanated most unexpectedly from former Military Intelligence director Harkoby, a known leading reactionary, and former intelligence officer General Aharon Yariv who recently stated that Israeli intransigence may impair U.S.-Israeli relations affecting U.S. arms deliveries.

MOYNIHAN BOMBS AT UN DEBATE

At the United Nations Security Council debate on the Middle East, Britain, France, Japan, and Sweden have formally joined the Arab states and the USSR in supporting the "rights of the Palestinians," thus completing the isolation of the U.S. position in the Council. Israel is boycotting the UN debate entirely and the U.S. delegation has let it be known that it will veto any resolution that contradicts the Israeli position of not recognizing the PLO.

The isolation of the two countries has given a sharp spur to the forces in both which are seeking to break with the Kissinger-Dayan clique.

War-mongering speeches by the U.S. and Israeli representatives challenged the opening of the Security Council debate, which began in New York Jan. 12. By a vote of 11-1, with only the U.S. delegation opposed, the Security Council decided to invite the PLO to participate in the debate. Israel, which is boycotting the debate, defiantly charged that Syria and the PLO are using the Security Council talks as "a preparatory arena for a future war."

In an effort to sabotage the UN talks -- which the Soviet Union and the Arab states say will create the preconditions for convening the long-postponed Geneva Peace Conference -- U.S. Ambassador Daniel Moynihan denounced the Security Council debate as reflecting a "totalitarian conspiracy" to replace negotiations by "the rule of an extra-legal, semi-secret apparat." While Moynihan did not mention the Soviet Union by name, it was clear that he was referring to that country.

Soviet UN Ambassador Yakov Malik answered Moynihan's provocations by characterizing the attempts to sabotage a Mideast peace as "gangsterism in politics."

As Moynihan spoke, a powerful bomb was discovered and defused outside the Iraq Mission to the UN. Three other bombs -- the work of the FBI-controlled "Jewish Defense League" -- were also defused in the UN complex itself.

Such crude efforts by the besieged Rockefeller brothers and Henry "Black September" Kissinger are far from sufficient, however, to forestall the growing international motion for a settlement of the explosive Middle East crisis. Both within Israel itself, where the fanatic Zionist warhawks around Dayan and Peres are under strong attack, and in the U.S., growing opposition to the Rockefeller policy in the Middle East has almost reached the necessary critical mass necessary to collapse the hardline Israeli military government and force the U.S. Administration to support the Soviet call for a Geneva parley.

In a statement that was obviously addressed to the Ford Administration as well as to Israel, the Soviet newspaper Izvestia noted the growing sentiment in Israel for a peace solution. "If in Tel Aviv they think that they can delay indefinitely a solution of the question of a peaceful settlement in the Middle East," wrote Izvestia Jan. 10, "then they are severely mistaken ... This must be understood and seen also by the most thick-headed among leading Israelis."