U.S. counterpart organizations. In addition, David Rockefeller's Chase Manhattan Bank - through its subsidiary, Resorts International, and in cooperation with the notorious swindler Bernie Cornfeld - started taking over a big chunk on the gambling and prostitution market throughout the Caribbean. The accumulated deposits from the illegal operations which the Mafia, CIA, FBI, and British Intelligence have been built up over the years constitute a serious part of the asset-base of the so-called Eurodollar market.

No law enforcement agency in the country can be taken seriously in its presumed efforts to crack "organized crime" so long as it overlooks this criminal collusion between the Mafia, the CIA, et al. under the supervision of Chase Manhattan.

**The Role of Arthur Burns**

Arthur Burns, the Chairman of the Federal Reserve is one of the most important sponsors and protectors of this filthy operation. In point of fact, his protection of this offshore fund conspiracy is in direct and clear conflict with the responsibilities and explicit tasks of the office with which he has been entrusted.

Dr. Burns' role has two parts. First, he has allowed and encouraged the formation of U.S. bank branch offices in the Caribbean—in direct conflict with the Federal Reserve Act. Secondly, Dr. Burns has since 1974 repeatedly assured New York bankers, on both private and public occasions, that he is fully committed to printing as much cash as needed to back up all the fictitious and illegal credit that is generated by their offshore Mafia and CIA-connected swindles.

The late Rep. Patman, discussing the matter before Congress back in April 1973, issued the following warnings: "I submit that such a policy (of Arthur Burns) on the part of the Board of Governors of the Federal Reserve System has made a mockery of the concept of regulatory authority. It has put bank profits before the public interest and seriously eroded the principles of commercial banking embodies in American law. It has created a monster—the multinational financial institution — whose operations are beyond the control not only of the Board but of any Government agency, domestic or foreign. Nevertheless, these institutions command resources which, if not controlled, can undermine and negate the financial and economic policies of any government."

Patman's warnings of 1973 have been proven correct in the eyes of even the more narrow-minded Congressmen. The fact that there is nothing left of any pretended U.S. government financial and economic policy today, is because no such policy is at all possible while the Caribbean banking conspiracy remains unliquidated.

When in 1973, Wright Patman moved to investigate the conspiracy and bring it under control, Arthur Burns refused to supply any data, challenging Mr. Patman to procure a subpoena to suspend the Bank Secrecy Act. Burns then arranged with Rep. Henry Reuss (D-Wisc) in the Banking Committee to block Patman's motion to obtain the subpoena. A while after the event, Henry Reuss replaced Patman as Chairman of the Banking and Currency Committee.

Throughout that same period, a number of West European Central Bank authorities were making serious attempts to put the Caribbean operation under regulatory control, but those efforts failed at the time because of Arthur Burns' opposition. With Congressional opposition defeated at the time, it became evident to the West Europeans that so long as Arthur Burns and the Federal Reserve were protecting the racket, no meaningful regulatory controls could be imposed.

It is now evident that Congress has all the ammunition needed to remove Burns from office and bust up the banking conspiracy. Considering the vast illegality characterizing credit-issuing operations since 1969 plus the scandalous association of the New York banks with the Mafia and CIA dirty tricks operations, a debt moratorium on New York bank held and Eurodollar-generated debt will merely be an act necessary to restore the law.

**to be continued**

# 'The New York Banks Are More Bankrupt Than New York City'

NEW YORK April 23 (IPS) — The Wall Street banking community under the leadership of Chase Manhattan Bank's David Rockefeller, Citibank's Waltern Wriston, and Morgan Guaranty's Elmore Patterson have the nerve to charge that New York City is a near bankrupt entity. By all standard accounting criteria, the New York commercial banks and their offshore Eurodollar branches are bankrupt. Roughly 50 per cent of their paper assets are bad, an amount which far exceeds their own capital base. Under capitalist banking law, when a bank's loan losses exceed its capital, it is technically bankrupt.

But these same New York commercial banks, continue to attack New York City for so-called fraudulent accounting practices, and have alleged it to be nearly bankrupt. The list of charges include the following: that New York City has been overspending relative to its income; that it has done so through a series of financial gimmicks, the most notable being the transfer of funds from the capital budget account to the current operating account; and that this has been carried out to accomodate huge payrolls, pension benefits, welfare handouts, and various other income support programs.

These are lies, but as detailed below, lies with a motive.

First, to the extent that New York City can be regarded as financially bankrupt this is entirely related to the burdensome debt obligations heaped upon New York City by the New York banks in search of tax-exempt investments. The debt service obligations of New York City on $13 billion in such debt represent 19 per cent of its entire 1976 budget. Wipe out this debt and New York City would have a current account surplus that would qualify it as the most financially sound public entity in the world!

Second, to the extent that New York City has suffered a loss of income this is related to bank-dictated budget cuts to service the above debt obligations. Such budget cuts this past year have collapsed income-earning power and balooned welfare costs.

Third, by normal criteria New York City is in fact **not bankrupt** at all.

Its assets represent the most sound assets of any public or private sector entity in the world. Among these assets include the best port facilities in the world, the most skilled concentration of labor in the world, and the most advanced scientific and cultural institutions in the world. It is merely the paper debt claims of the parasitical New York commercial banks that have frozen these assets into disuse and condemned them as idle scrap.

The motive behind the lies propagated by Wall Street's mouthpieces such as the New York Times and the Wall Street Journal is very simple: the only means by which these commercial banks can disguise their actual bankruptcy is by bankrupting the real assets of New York City — its services, workforce, and general infrastructure. In short, the real valuable assets of New York City are being bankrupted to support the bankrupt valueless paper assets of New York commercial banks!

The biggest lie, however, is that the New York commercial banking system can stand on its own two feet even with such liquidation of New York City and the rest of the world productive economy.

A mere glance at the assets and liabilities of the New York commercial banks leaves little dout that the scale of the lie is enormous.

By the estimates of New York bank analysts, roughly 50 per cent of the outstanding loans of the New York banks are "bad," i.e., earning no income. The foreign "Eurodollar" branches of the New York banks are a case in point. These branches have lent out roughly $220 billion, $120 billion of which is to the Third World and $90 billion of which is to Western Europe and Japan. About 70 per cent of these loans are not earning income and would be judged bankrupt by the Comptroller of the Currency if they were under his jurisdiction. The $120 billion in Eurodollar branch loans to the Third World are well-nigh unpayable due to the price and volume of collapse of Third World commodity exports. Of the $90 billion in loans to Western Europe and Japan, $28 billion are to Great Britain and Italy, both in a state of actual bankruptcy.

The plight of the parent New York-based commercial banks is no better. According to the Euro-market money chief of the Bank for International Settlements (BIS), "If you think that the Euro-market branches are exposed, it is nothing compared to the New York banks." This is not disputable. The outstanding loans of the major ten New York banks that report each week to the Federal Reserve Bank of New York are about $71.2 billion. Of this figure, approximately 40 per cent is in loans to bankrupt Real Eutate Investment Trusts (REITS) and illiquid companies such as W.T. Grants, Chrysler, the airlines industry, and construction.

New York commercial banks are not only not earning income on half of their loans but the collapse of trade and production prevents them from lending to those sectors from which they can expect repayment to offset their loan losses. During 1975 and the first quarter of 1976, loans outstanding of the New York banks have fallen by $12 billion or about 10 per cent. Almost the entire run-down of these loans were made by top rated corporations whose creditworthiness permitted it to borrow in the long-term corporate bond market and thus sidestep the banking system. This collapse of capital investments and normal inventory accumulation has accelerated this process even into the first quarter of this year. Thus, not only did the 1974-75 depression accelerate defaults and bloat the bad loan category of the New York bank loan portfolio, but simultaneously it sharply diminished the number and value of their good loans.

The New York banks have tried to offset this contraction in loans through arbitrage practices, principally by means of putting their extra or surplus finds into government securities such as three-month Treasury bills. Last fall, the New York banks borrowed overnight funds on the inter-bank lending market and reinvested them at higher interest rate returns in such Treasury securities. However, the rush into Treasury securities by the New York banks, and other financial institutions such as insurance companies and mutual savings bnks, intersecting a growth in uninvestable and unlendable funds — due to the collapse of the housing and real estate markets, has depressed rates to below the level necessary to cover for the costs of borrowing money. In short, the New York commercial banks cannot earn income, and when such institutions cannot earn income in the face of such loans, they are bankrupt and should be recognized as such.

Even under normal bankruptcy law, the banks would now be considered bankrupt. By capitalist bankruptcy law and by the criteria of the Comptroller of the Currency, if the loan losses of the commercial banks exceeds its gross capital base (equity account plus loan loss reserve) it is subject to bankruptcy proceedings. Figures published by the Federal Reserve Bank of New York show that at the end of the first quarter 1976, the gross capital base of the ten major reporting New York banks was $12.4 billion. If one simply compares the bad loans associated with real estate and construction, this alone exceeds their entire capital base. New York banks are thus covering their losses with customer deposits — i.e. money that is not theirs. The term for such practices in criminal court is thievery.

The magnitude of this swindle is on record in the weekly New York Clearing House Report of the top 11 New York clearing house banks. The total net domestic deposits of these banks are $74.3 billion. These deposits provide the funds with which loans in this amount are made to various sectors. This seems normal and is in accordance wtih conservative fractional reserve requirement practices. However, through double bookkeeping entries, these same deposits are entered on the balance sheets of the Eurodollar branches of these same banks and show up as deposits in foreign branches. In turn, because of the unregulated nature of the Eurodollar market, these branches can create almost unlimited amounts of additional deposits by lending and relending these original deposits.

According to Clearing House report, even before such inter-bank lending among these branches occur, their deposit base is $77.8 billion. Half of these deposits are bookkeeping entries of their New York parent banks. After inter-bank lending multiplies this deposit base it is conservatively estimated at $320 billion. As shown above, roughly 70 per cent or $225 billion of the $320 billion in loans and investments of the New York banks and their offshore branches are bad. Thus if one takes the original $74.3 billion in deposits and deducts $21.7 billion which is inter-bank deposits and their double entries, the original deposit base of the New York banks is $52.6 billion.

Add to this half of the $77.8 billion in deposits at their Eurodollar branches, which represent Arab and related petrodollar deposits, and the sum total of the deposit base of the entire New York banking system is $91.5 billion. These deposits, which themselves do not belong to the banks but are borrowed money, are not even sufficient to cover the $220 billion in bad loans.

The banks' own money not only cannot cover their loan losses but neither can their borrowed money — a reality which did not even stalk the New York banking community on the eve of the 1933 bank collapse. In sum, the banks are bankrupt on a scale incomparable in modern financial history.

To maintain even a semblance of existence as a banking system, the New York banks have charged that the major economic entities of the world are bankrupt and have dictated de facto bankrupt liquidation proceedings: slash services, employment and production to free up sufficient liquidity to service debt payments due to the New York banks. These banks have thus become parasites, in the process of destroying their victims. The destruction of their victims, like New York City, means their own destruction as well, a fact which they have not yet come to recognize.

There is nothing in capitalists' customs and banking practices to discourage the victims of the New York banks and the Eurodollar banks from treating them as bankrupt. This means, as the first step to orderly liquidation proceedings, imposing a moratorium on further debt service payments to these institutions. As a second step it means bringing into existence alternative institutions which will serve the purpose for which banks were originally called into existence — to make credit available for the expansion of world trade and production. Both of these steps are embodied in well-known U.S. Labor Party legislative proposals.

# Economic Collapse Destroys Myth Of 'Swedish Way'

STOCKHOLM, April 22 (IPS) — The Swedish Way is internationally publicized as a model of enlightened social services. Now medieval hordes of rats have invaded the town of Ljusdal because, like other Swedish municipalities, it could not afford to maintain garbage treatment. The Swedish Way is supposed to guarantee the security of full employment. So far it has indeed done this. A two-tiered labor force now exists on the Third Reich principle, dividing the population into a dwindling number of older, skilled workers and a growing mass of robot-like laborers.

During 1975 Swedish industrial output collapsed in major sectors in line with the international collapse of exports. The economy, hailed as a model of autarkic "self-sufficiency" is one of the world's most export dependent.

Production of timber, pulp, paper and iron ore dropped by as much as 30 per cent in major categories.

Under these depression conditions, the collapse of employment has been so far prevented only by massive inventory stockpiling, soaring in some cases up to 57 per cent of total sales. The Schachtian state has intervened, using the funds looted through the highest worker taxation in the world, to provide huge inventory stockpiles subsidy with an election-year promise that companies not lay off employees.

This bubble is about to burst. An indication of the actual severity of the real economic collapse is evident from the fact that leaf-raking public works employment has risen by more than 30 per cent since last February. Over the last three months the state has additionally given major subsidies to municipalities to hire unemployed youth in slave labor road-building and other jobs. The widely-touted, so-called State retraining programs such as AMU — with as much as 40 per cent is "non-occupational training"—in fact are centers for mass "soft" brainwashing. In order to ensure that the worker never leaves the controlled environment of the company, major in-plant worker "re-education" programs have lately been started, described by one high Swedish labor expert as being, "not designed to really upgrade the workers, you know," but to "teach them civics until the economy improves."

All this is occurring in a country where, as of 1970, over two-thirds of the working-age population had only a seven-year primary school education. Official projections are that by 1985 the majority will still be at this level.

### Rats

Rats first became visible on the sanitary perimeters around 1973 when the construction industry collapsed. The State Pension Fund, based on geometrically escalating funding from payroll taxes, recycling funds out of potential industrial investment into construction boondoggles, had billions in paper tied up in the building sector. Taxpayers were looted first to pay to erect apartments that no worker could afford to occupy. Now they effectively pay the rent on these empty units. In addition the population has been subjected over the last decade to a 200 per cent overall rent increase across the country, subsidizing real estate debt on deteriorating buildings for the most part. With workers' income taxes effectively taking 50 per cent of wages to subsidize among other things the highest per capita military economy in Europe; with food prices among the world's highest, ordinary meat costing as much as $4.50 per lb. (36 Kr.-Kilo), the highly-touted "workers' paradise" is a criminal fraud — a model for Schachtian fascism. State health services, which even before the present collapse meant waiting lines of one year or longer for medical services, now have been hit with municipal budget and service cuts to the point where it is not uncommon to find hospital patients stacked up in the hallways of overcrowded and inadequately staffed hospitals.

### Sorcerer's Apprentice

The 1975 collapse in world trade put the entire Swedish economy into the situation of the construction sector: producing unsaleable commodities at state expense, which then wait in overfilled warehouses for the "upswing" in West Germany and the USA. Through huge state inventory subsidies, totalling more than 4 billion Kr. out of special tax "reserves," the enormity of the collapse has been allowed to accelerate along with the cultivated illusion that all is not so bad as the rest of Europe. "After all we still have jobs ..." As a result of this policy, total industrial inventories grew 40 per cent over the last year. The large Sandviken Steel Co., for example, reports that inventories have soared from 42 per cent of sales to more than 57 per cent currently, with no relief in sight.

The limits of this peculiar method of maintaining employment have become obvious, however, at a time when export