

# SEC Scandal: Factional Free-For-All Overtakes Lower Manhattan

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## BANKING

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*Rocky Fights Back*

With Wall Street an "every man for himself" disaster zone, the uneasy alliance between David Rockefeller's New York banks and the Lazard Freres-Rothschild financial interests is threatening to turn into a donnybrook.

Felix Rohatyn, the Lazard Freres investment bank's "fixer," has been taking public pot-shots at Rockefeller's heavy-handed bludgeoning of New York City, castigating the banks' lack of "responsibility" in the city's financial crisis. It is an open secret that Rohatyn, whose "fixer" role in bankrupt New York is modeled on the "wizardry" of Nazi Finance Minister Hjalmar Schacht, favors a sweeping bank reorganization which would create a fascist, austerity-based banking system — at the expense of much of David Rockefeller's financial power.

The fight is erupting on many levels. The New York press banner-headlines a new scandal virtually every day. One of the most serious is an impending report by the Securities Exchange Commission which tops an 18-month investigation of financial improprieties in the New York City crisis.

As of this writing, the primary target of the SEC probe appears to be David Rockefeller's New York banks. Drawing on a parallel investigation of these banks by William Haddad's State Legislative Oversight Committee, the SEC is considering pressing charges over the banks' fraudulent dumping of New York City securities in 1975, which triggered the unsalability of New York municipal bonds and resultant crisis. The State Assembly Banking Committee held hearings on this matter in early April, and Haddad subsequently subpoenaed the relevant documents of four New York banks and three investment houses, returnable this Thursday. The banks, with no intention of complying with the subpoenas and having stonewalled on similar SEC requests, now face imminent court action.

Rockefeller, however, seems to be fighting back. State Assembly Speaker Stanley Steingut, leader of the "old-line" Democrats with whom Haddad is presently allied, has once again been threatened with indictment for "corruption." When Haddad zeroed in on the commercial banks in April, Rockefeller dragged up the "redline" scandal, especially accusing Brooklyn savings banks for refusing to invest in deteriorating slum housing. These banks are a key power base of Steingut's machine, and the operation has significantly slowed Haddad's offensive. In addition, Rockefeller's New York City press has taken daily target practice on every aspect of city and state services — welfare and medical fraud, education waste, official corruption. On the same day the SEC probe broke into print, it was heavily pitted against a heavily publicized story that no less than 250 judges statewide had fixed traffic tickets!

For all the sound and fury, however, the Lazard Freres offensive against the Rockefeller banks is going nowhere. Weakly begun last winter by the U.S. House and Senate Banking Committees, the banking reorganization scheme is now totally stalled, for fear that Congressional conservatives will lay hands on the plan and turn it into an opportunity to implement some form of Third National Bank — ending *both* Rockefeller and Rohatyn's debt-collection austerity for good. As a result, the banking committees are in total disarray on the New York City issue: Reuss's House Committee is doing nothing, and Proxmire's Senate Committee is torpidly waiting for a staff report.

The chaos has Wall Street insiders terrified. "The party is over," moaned a senior official at the Citizens' Budget Commission, a top New York research outfit, to a Labor Party representative during discussion of the party's Third National Bank proposal. "We don't have the time to futz around like this. All hell is going to break loose and a lot of heads will roll. If the banks are going to get burned like you say, we better sit down and discuss how we get a whole new structure."