Cash Flows to New York; Workers Feel Squeeze

July 11 (IPS) — As of this week, every municipal worker in the country must know precisely who is responsible for his impending wage cut or layoff. David Rockefeller has applied the knife to the city bond market, demanding, in effect, that cities pay interest on their outstanding paper in blood. Adding insult to injury, bankers refused to finance bond issues in New York and Chicago this week unless they received an extra pint.

Every farmer must know who is swinging the scythe against him. Regional banks are being strangled by Rockefeller. Rockefeller's Federal Reserve Bank of New York shut down trade this week in trade-related short-term paper — bankers' acceptances — leaving regional banks without cash and stuck with a mass of paper which they had planned to unload in the New York market. No loans to farmers.

Every construction worker must know why banks won't loan to construction companies — even to finance already-contracted work. Last week, three banks in Philadelphia withdrew from the Rockefeller-dominated Federal Reserve System, the nation's central banking machine, because the Fed did not allow them sufficient funds to operate.

Instead, these banks will attempt to operate under Pennsylvania state law — which demands only half as much cash on hand as the Fed does — and will apply for "corresponding bank" relationships with Chase Manhattan, among others.

But a spokesman for the Philadelphia Federal Reserve Bank confirmed what this newspaper has already reported: that correspondent bank relationships are in tatters, as the New York banking giants toss scraps of loans only to the most determined regional bankers.

The spokesman added that while the dollar amount under Fed control has risen, the number of banks with membership in the Fed system is dropping — indicating a massive shakeout of smaller banks, and the concentration of all financial power with David Rockefeller.

Barring a campaign to cancel debt payments to banks from municipalities and farms across the country, the Rockefeller hatchet job will threaten food shortages, hospital closures, shutting down of transportation, breakdown of sewer systems — in short, it will begin to murder people within weeks.

Tuesday afternoon, July 9, the City of New York put a record $438 million bond issue up for competitive bidding. There was one offer: from David Rockefeller. Chase Manhattan suggested an all-time record 7.92 per cent rate, on a **tax free** municipal issue.

New York comptroller Harrison Goldin went home and promptly telephoned key state and city fiscal officers around the country for a "Washington lobby" — despite the fact that all the money in the world is flowing into New York!

Yesterday, Rockefeller's Chicago partners, Continental Illinois and Chicago First National, did not even bid for a piddling $40 million of Chicago city bonds. One bank that did make an offer asked, in effect, for seven per cent plus Lake Michigan.

As IPS reported in the last issue, banks have dumped the tax benefits available in the municipal bond market, in favor of tax-sheltered investments in slave-labor "energy" projects in the Rockies and elsewhere. The demise of the bond market **at this moment** is not the "automatic" result of "inflation." It is a conscious Rockefeller policy. According to market sources, the rejection of the small Chicago bond issue slams the door on all city borrowing in the period ahead.

Regional Banks Not Accepted

Rockefeller is conducting a three-pronged offensive against regional money centers through the Treasury, the Federal Reserve System, and the New York banks themselves.

A new provocation hit regional banks this week, with the New York Federal Reserve Bank's refusal to increase its quota of bankers' acceptances, the most important means of financing international shipment of goods. An acceptance is a 30 to 90 day IOU sent to the shipper of goods by the recipient of goods, whose payment is guaranteed, or "accepted," by a bank. The IOU then bears interest at top market rates until maturity.

Normally, companies turn this paper into ready cash by discounting it with a bank or a dealer. Dealers then sell the acceptance to anyone who wants to invest cash in paper maturing in 90 days or less, or pass the paper directly to the Federal Reserve.

For the past several weeks, the Rockefeller-run liquidity squeeze has overturned the "secondary" market in acceptances, leaving the Fed itself to transform this paper into cash, a fundamental part of the credit process. But the Fed — despite its willingness to pump money into New York banks for as long as and in whatever amounts they demand — has refused to discount more than its usual quota of acceptances!

This is a direct assault on world trade, as well as an assault on regional banks, which are now stuck with masses of paper they can't transform into cash.

Even worse, the regional banks' main outlet for their acceptances, Metropolitan Discount, shut down this week in response to the Federal Reserve squeeze job.

According to market sources, the regional banks moved heavily into the $11.7 billion bankers' acceptance market at the beginning of the year. Now, sources say, they are sitting on a mass of paper they can't trade — and are shut out of the market by Rockefeller.

Rumors continue to proliferate that more than a dozen regional banks are on the verge of collapse. IPS intelligence has learned that these rumors are turned out by the Chase Manhattan machine — after David Rockefeller checks off his blacklist.

Spokesman for Fidelity National Bank in Philadelphia, for example, told IPS that rumors of its imment failure were "just adverse publicity conjured up by someone in New York City." Spokesmen added that Fidelity had merely made provision for an increase in loan delinquencies at a subsidiary finance company. "But the market is so jittery," sources added, "that rumors spread like wildfire," with the occasional help of Rockefeller.

Stock Collapse

Meanwhile, New York banks cut loans to stockbrokers last week by more than 30 per cent of the total volume of such loans outstanding, forcing them to liquidate securities on hand in return for ready cash. The immediate result was a fall in the Dow Jones average of the New York stock exchange on Monday by 21 points, or about 5 per cent of total market value.

As in the case of the bond market, funds are being drained off the securities market, in order to concentrate financial firepower in the Rockefeller empire.

A spokesman for Chase Manhattan bank denied that Rockefeller has a conscious hand in this process. "What if Mr. Rockefeller bankrupted everyone else and had all the money in the world himself? What would he buy with it?" Every construction worker, municipal employee, auto worker, welfare victim, and farmer in the country should already know the answer.