

Testimony Of The U.S. Labor Party To The Senate Banking Committee

Hearings On S-684 (The Federal Bank Commission Act Of 1977),

March 18, 1977

BANKING

In the considered opinion of the National Executive Committee of the U.S. Labor Party there are two salient features of S-684 which should inform legislative discussion of that act.

First and foremost, the proposed act is in composition fraudulent and politically dishonest. The act proposes, in effect, a legislative overhaul of U.S. banking and administrative procedures unparalleled since the days of the Roosevelt Administration and perhaps since the creation of the Federal Reserve System itself. That overhaul in turn is intended to maintain the political integrity of the nation's actually illiquid major commercial banks through the operations of the Treasury Department and Federal Reserve Board, while sacrificing those of the nation's banking and credit institutions whose primary orientation has been to service industry and agriculture.

In that respect the S-684 proposes to reorganize the nation's banking institutions and administration along lines pioneered by the Reichsbank under the leadership of Nazi so-called economist Dr. Hjalmar Schacht in both Weimar and Nazi Germany. Were such a purpose to be stated openly as the avowed intention of the proposed measures, instead of the proffered populist-tinged motivation of better regulation and control, it is doubtful that the proposed act would find the support necessary to ensure its passage. To the extent that such a purpose is not acknowledged openly by the framers of the proposed legislation, then S-684 must be classed as a political fraud and deception, depending for its anticipated success on the manipulation of ignorance and prejudice to avoid open discussion of the vital policy questions which face the nation's population and its legislative body today. Such methods and tactics are, of course, consonant with the political methods of the regime which S-684 seeks to emulate. They are, however, fundamentally irreconcilable with the constitutionally defined political democratic processes of this republic.

The second salient feature of the proposed legislation which should be considered in any assessment of its content is equally straightforward. The measures proposed in the act are incompetent to deal with the nation's fundamental economic problems.

It is the case that the nation's banks are grievously overextended in their lending operations in relation to their capitalization. It is the case that even the nation's

premier commercial banking institutions are, by any sound economic and financial principles, bankrupt and awaiting only the advent of that political decision which would liberate the nation and much of the world's industrial, agricultural and scientific potentials from the burden of attempting to sustain the unsustainable by repaying unrepayable debts.

Is this state of affairs to be held to the account of the so-called regulatory agencies in order to preserve those institutions, including such commercial banks as Chase Manhattan among others, which have demonstrated their fundamental incompetence in their balance sheets and current operations which jeopardize the very future and well-being of the world? Such an approach would be a travesty.

The attached document demonstrates the evolution of the present bankruptcy of the nation's banking institutions. This document demonstrates that the present situation is not the result of negligence by one or another regulatory agency, but is rather the result of a conscious policy which has been pursued with ruthlessness especially since August 15, 1971. Such a policy was the result of collusion between the Chairman of the Federal Reserve System and its Board of Governors and the management of the nation's flagship private banking institutions. Under such a regime the nation's credit has been destroyed through manipulations of the national debt in order to maintain a semblance of political integrity for the nation's largest private banks, including Chase Manhattan, Citibank, Bankers Trust, Chemical Bank and others. Any legislation which does not address that problem will merely aggravate the present horrendous situation.

Enactment of S-684 will merely hasten that process. Under the regulatory reforms proposed, the full power of the nation's credit issuing agencies will be directed to support and underwrite the nation's most bankrupt and illiquid institutions, triaging credit allocations from other, actually productive, sectors of the economy such as industry and agriculture to achieve that end. Under the intended regime, the proposed Federal Bank Commission will in fact become the liquidator of all that is productive and necessary for the well-being of the domestic population and economy.

Such a financial reorganization is the complement to the energy and public work programs offered for discussion by the present Administration. Taken as a whole such policies seek to replicate in this nation the policies of Nazi Germany, as is attested by the Administration's support for the anti-human ideology of conservation and zero-growth. It is not necessary to state

that were such policies, and the consequences of such policies, to be defined for what they are, the nation would rise in revulsion against those who propose for them the treatment accorded to travellers in Himmler's cattle trucks.

This nation needs an effective banking and credit program: a program and instrumentality through which the nation's credit may be restored at the expense of those now bankrupt and illiquid Euro-market commercial banks; a program of capital formation on a sufficiently massive scale to begin to redress the nation's chronic crisis in energy, and related scientific and technical research as well as reversing the chronic stagnation and decay which has beset our manufacturing and

industrial capacities. To that end we append the USLP's draft Act to Create the Third Bank of the United States and Restore the Nation's Credit.

Open public discussion of the measures therein proposed together with their implementation will create the conditions in which the nation's population can be mobilized to overcome the present crisis, and the global dangers of thermonuclear war and general economic collapse such a crisis implies. Such measures will enable the republic and its population to play their full part in the reconstruction of the world economy. Anything other than this will lead in short order to the kind of disaster from which the human race will not recover.

Bergland Wheat Cartel Scheme Draws Domestic Fire

AGRICULTURE

Late reports indicate that after floating the scheme several weeks ago Carter Agriculture Secretary Bergland has enlisted the Canadians to do the leg work on the plan to set up a wheat cartel. Canadian officials, according to sources there, are dutifully pulling the Australians, also major wheat producers, into line on the issue. These developments are underway under cover of noisy public pronouncements that Canada had made no agreement with the U.S. following Secretary Bergland's meeting with Otto Lang where the proposal to put the international wheat trade under Trilateral Commission executive control was first put on the table.

Bergland's current "low profile," replete with State Department and Treasury "differences" and general confusion on the issue, while their Canadian footsoldiers go about the preliminary dirty work, is a telling measure of the hearty domestic opposition to virtually every facet of the insane scheme. On March 15 at a Washington meeting on wheat Senator Robert Dole (R-Kan) blasted the Bergland plan in no uncertain terms, days after Chicago Board of Trade president Warren Lebeck issued a similarly scathing denunciation of the proposal.

Dole went right to the heart of the matter, from the standpoint of U.S. agricultural producers, correctly declaring that the plan is "fundamentally just another form of export control."

In specific, Dole added, there is "serious question" whether such a scheme would compel the Soviet Union to cancel its five-year agreement for regular purchase of U.S. wheat and corn. The US-USSR agreement is based on U.S. adherence to "free trade" principles, specifically prohibiting any use of government authority to bar or delimit specific shipments during the course of the agreement.

Chicago Board of Trade president Lebeck made the same point in a March 7 statement appropriately titled: "The Wheat Cartel: An Idea Whose Time Has Come." Lebeck's thorough refutation of all the premises of the

cartel plan — from price and supply stabilization to greater efficiency in production and marketing — included significant reference to the fact that it was just such mercantilist trading policies *against* which the American Revolution was fought!

Dole and Lebeck are by no means offering up some iconoclastic "opinions" on the matter. They are speaking directly for the bulk of the American agricultural producers — from farmers to agribusinessmen — throughout the Midwest. American farm producers are keenly aware that the very existence of the world's most productive agricultural sector, and its great potential for even further expansion, rests on expanding exports to the entire world. They are not about to tolerate Trilateral interference in the mutual lifelines between the U.S. and agricultural importers in both the industrial and developing sectors — despite the fact that Bergland and Co. are cynically promoting their scheme as a means to raise farm prices at a time when heavily-indebted grain producers in particular are suffering real cash-flow problems.

Significantly, Senator Thomas Eagleton (D-Mo), with roots in the same Midwestern constituency represented by Senator Dole, has recently introduced legislation providing for a three-year deferral of principal and interest payments on outstanding farm loans. Such proposals, by contrast with the Bergland-Trilateral cartel, are genuinely in the interest of hard-pressed farm producers and consumers alike.

The groundswell of opposition to a proposal which the Carter regime is still reluctant to take official responsibility for pushing is, as might be expected, by no means confined to the U.S. A dejected spokesman for the Treasury's Office of raw materials reportedly bemoaned the fact to journalists this week that wheat growers at the conference addressed by Senator Dole were "*not* very receptive," adding that member countries of the International Wheat Agreement, which resumes negotiations in London in June, were also "*not* very favorable."

The wheat cartel program has been elaborately worked out well ahead of time and deliberately initiated.