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the third quarter from principally New York banks. Second, there will be a heavy Treasury financing of between $15 and $20 billion in the third quarter.

The moment that everyone stops being euphoric and starts borrowing — 4 to 6 weeks from now — the apparent deluge of liquidity will turn into a terrific shortage.

The real economy of the U.S. has not been fundamentally improved. The decline in commerce and industry loans of the ten leading New York banks is down $1.9 billion since the first of this year, and what borrowing is going on is largely invested in very cautious industrial inventory build-up.

The possible important exception to this is indicated by the rapid growth in retail sales of 2.7 percent in February and 2.4 percent in March. But this is largely premised on the phenomenal expansion of consumer credit, which lept by $2.3 billion in February and a large amount in March to finance auto purchases. As most analysts admitted, the purchase of autos in March was based on consumers hedging against expected increases in auto prices. Confirming this is the pattern of long loan terms taken out to pay for the autos — mostly four to five years — showing a tightness in the consumer purchaser's financial position. The traditional 36 month car loan now accounts for only 23 percent of the loans made, according to a survey of the American Bankers Association.

The auto boomlet may have come to a sharp halt. American new car production fell to a 7.5 million annual rate for the Arpil 1-10 period, from the 10.2 million level in March, according to auto industry reports.

More ominous is the Carter energy plan. The price of gasoline will shoot up to as high as $1.25 per gallon under the program, and taxes on heavy models of cars may rise to as much as $2,500 per car. Coupled with Carter's proposed cutback of foreign petroleum imports to the U.S., this spells the death-knell for the auto industry.

Carter Prepares New Anti-Trust Attacks On Industry

CORPORATE AFFAIRS

Donald Farmer, a senior staff member of the Anti-Trust Division of the Justice Department, has confirmed that Attorney General Griffin Bell has ordered a comprehensive reorganization and upgrading of the Administration's ability to use the threat of the anti-trust laws against corporations resisting Carter's energy program. Farmer named "auto, steel, heavy electrical, and certain chemical giants" as likely targets. He added that the Justice staff is working overtime to draft the plan.

According to the *Wall Street Journal* which leaked the plan in two articles on April 9 and 10, Attorney General Bell is planning to consolidate the anti-trust authority of the Federal Trade Commission within the Anti-Trust Division of the Justice Department to provide greater political coordination, and additional power to this new unit. According to the *Journal* the scheme includes:

— Granting the Anti-Trust Division "rule making" authority to produce Lockheed-type hearings. According to reliable sources, the rules would include limits on the size of any corporate share of any industry, on the basis of which court action enforcing divestiture orders would ensue.

— Creation of a court specifically to hear Anti-Trust cases.

— Special procedures to expedite trial procedure.

— Amend the Sherman Anti-trust Act to ease the burden of proof.

According to Farmer, this policy had been championed by former Senator Philip Hart, and will now be backed by Senator Edward Kennedy, who presently chairs the Anti-Trust subcommittee of the Senate Judiciary Committee. The General Counsel of the subcommittee has indicated that Kennedy has been closely coordinating his work with the head of Ralph Nader's "Congress Watch," Mark Green.

GAO Report Finds No Hope For NYC

SPECIAL REPORT

A rapid-fire release of studies, legislative actions and policy recommendations is preparing New York City and State for more drastic austerity measures than have already been implemented. In a study of New York City's economy, released two weeks ago by the General Accounting Office (GAO) and endorsed by the *New York Times*, all the hoopla about bad bookkeeping and impecunious borrowing is purposefully deemphasized. Instead, the study soberly admits that two more years of severe cutbacks, and extended austerity cannot possibly put the city on anything near a sound financial footing.

> "The picture that emerges is that the City acting alone is severely constrained. It has made many of the 'easier' cuts and is close to the point at which it cannot cut or even hold the line without help from other levels of government. If the city cuts certain

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