



NEW SOLIDARITY International Press Service

SPECIAL REPORT

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WHAT IPS HAS SAID ON THE COLLAPSE OF THE HOUSE OF ROCKEFELLER

This week, first the Washington Post and then the New York Times fired salvos at the Rockefeller financial interests, revealing that Chase Manhattan and First National City, Rockefeller mainstays among the New York banks, were on the "trouble list" code-named "Victor" -- of the U.S. Controller of Currency office.

While such a move has enormous political significance (as explained elsewhere), the content of the "revelations" -- that the Rockefeller banks are bankrupt -- is "old news".

For the last seven months this wire service has provided a blow-by-blow description of the collapse of the House of Rockefeller. As early as last spring, IPS reported that the Rockefeller's entire empire was technically bankrupt and proceeded to cover -- in detail -- the progressively deteriorating condition of the New York banks throughout the summer and fall. In late November and early December, IPS published exclusive interviews with top Wall Street analysts who admitted that more than half of Chase Manhattan's loans were "soft" i.e. bad.

As a special feature to our subscribers IPS is reprinting excerpt from this coverage (NOTE: reprints of entire articles and reports are available on request from IPS free for our subscribers and slight charges to non-subscribers.

The IPS intelligence staff has assembled comments over the last week on the Post "revelations" from government officials, leading financial spokesman and analysts in Western Europe, North America and Asia. We are also printing a grid of these comments. (NOTE: For obvious reasons, some sources have asked to remain unnamed. In these cases, the name of the institution to which they are related is given for identification purposes.)

I. EXCERPTS FROM IPS

LAROCHE CALL: CREATE INT'L BANK TO REPLACE IMF

BONN, W. Germany, April 24 (IPS) -- In a Statement released here this morning, Lyndon H. LaRouche, the U.S. Labor Party's candidate for President in 1976, called for the creation of an International Development Bank to immediately replace the bankrupt U.S. dollar and the International Monetary Fund tied to that dollar ... LaRouche stated emphatically that due to current world debt-service and debt-rollover requirements -- debts owed predominantly to the Rockefeller faction of finance capital -- there is now "no safe middle path" between a strangulating, Weimar-style hyperinflation and an equally deadly, explosive depression collapse except for his proposal ...

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The LaRouche announcement was ironically followed by the most sweeping public confirmation to date of the dollar's inability to make any, even short term recovery as European traders, led by the French, dumped that currency massively on this morning's chaotic markets. This morning's evacuation of the dollar ... signifies that European financiers have lost all confidence in Rockefeller's ability to collect on his \$5 trillion in (total dollar-denominated) debt.

CALL FOR INT'L DEVELOPMENT BANK

New Solidarity publishes here (April 28, 1975) excerpts from USLP 1976 presidential candidate Lyndon LaRouche's call for an International Development Bank to replace the bankrupt International Monetary Fund and World Bank.

"We propose the immediate establishment of an International Development Bank as a three-way agreement among the three principal world sectors, the industrialized capitalist sector, the so-called development sector, and the socialist countries.

"To grasp the political feasibility of this proposal, the following points may be considered.

"Firstly, within a very short period -- barring thermonuclear war provoked by groups around Rockefeller -- the world will experience a financial catastrophe without precedent. Since -- as all informed observers now recognize -- the Rockefeller and allied forces are organically incapable of developing competent programs to deal with the present economic situation, the proposal identified here today will be the only practicable alternative for use by billions of people in desperate need of immediate and effective actions ...

"The fundamental issue between us and the rational capitalists will center on the issue of future repayment of the categories of debt put into a moratorium 'deep freeze.' This is an intriguing issue. First, without a debt moratorium the capitalist system will collapse into chaos within a short time anyway. However, if the moratorium is prolonged for several years, that continuation represents a de facto expropriation of major financial holdings. The solution to this paradox lies within the realm of democracy! Let us see how the majority of the population votes on the question of repayment of suspended debt two years ahead."

ROCKEFELLER BANKS HIT BY BIGGEST LAON DEFAULTS IN U.S. HISTORY

July 28 (IPS) -- David Rockefeller's faltering commercial banking system has been wracked by two of the biggest loan defaults in U.S. history, edging the dollar empire one step closer to a 1931 style breakdown crisis ...

Even these record loan defaults (\$1 billion of MAC bonds and \$641 million REIT default to Bankers Trust credit group) represent merely the tip of the iceberg ... including \$20 billion in shaky real estate and construction, \$6-8 billion to the insolvent tanker industry, and an undisclosed amount to hard pressed industries and municipalities.

A recent survey by a top consulting firm with direct connections to White House economic officialdom concluded modestly that 30 per cent of all bank loans were soft ...

WM. MCCHESNY MARTIN PREDICTS GOLD BLOC, 20 CENT DOLLAR AT IMF

Sept. 5 (IPS) -- William McChesny Martin, former Chairman of the U.S. Federal Reserve System and currently on the board of directors of nine major U.S. corporations ... said in an informal interview with IPS today "It terrifies me, but now it looks like gold backed currency blocs will develop ... Now we have a situation where 250 banks in this country are being watched closely for failure ... We'll soon have a 20 cent dollar."

U.S. BANKS ARE TOTALLY BUSTED!

Sept. 11 (IPS) -- Hysterical scare stories peddled by Congressmen, state officials, and the financial press that a New York City default or debt moratorium would collapse the Wall Street commercial banks are a coverup for the truth. These financial institutions are already bankrupt and on the edge of a 1933 style breakdown panic.

New York commercial banks are broke -- staying afloat by a purely speculative and short-lived scheme fueled by the bankruptcy of the Federal government itself. Over the last ten days the Federal Reserve has flooded the banking system with funds through the purchase of government securities from the banks. These additional bank reserves have been lent out to banks on a 24 hour basis only and are in turn invested at much higher yields in short term Treasury notes.

The circulation of these Treasury bills with profits spinning off the banking system bears a marked resemblance to the Mefo bill system created by Hitler's Finance Minister Hjalmar Schacht, with one exception: Mefo bills were baked up by Nazi stormtroopers who guaranteed the looting of the German working class, Rockefeller's paper is backed up by nothing more than the income generating capacity of the Bureau of Engraving printing press.

This is the last profit making operation of the banking system to cover its mass of bad loans on non-productive investment now estimated at half its portfolio.

Since the beginning of 1975, the banking system has been in a technical state of bankruptcy, its bad loans in excess of its own equity base ...

EUROPE RAPED TO ROLL OVER DEBT

Oct. 1 (IPS) -- According to Eurodollar market operators in New York City, the \$220 billion pool of funds which makes up the shakiest part of the dollar monetary system is getting new cash injections "due to the collapse of bank lending in Western Europe," in the view of Lloyds Bank International ...

U.S. BANKS AND INDUSTRY COLLAPSE

Oct. 5 (IPS) -- Shaken by a series of corporate failures and a withdrawal in interest free deposits ... the illiquid New York based commercial banking system this week passed into a state of complete collapse ... Among those in the know, it can no longer be denied that the dollar-based banking system has entered the deepest illiquidity crisis in capitalist history.

WALL STREET ANALYSTS WARN: NEW YORK BANKS ON THE BRINK

Oct. 29 (IPS) -- The Rockefeller banking empire is teetering on the brink of collapse, according to top Wall Street financial analysts reached here yesterday. One reputable source turned over to IPS the list of blue-ribbon New York banks that will blow on the basis of a New York City default alone. In the order they will go under, they are: Marine Midland, Chase Manhattan and Bankers Trust. According to the source, First National City, Morgan Guaranty, and Manufacturers Hanover are relatively safe for the moment.

... The situation is so desperate that in his second public address in the space of a week -- unprecedented in the post war period -- David Rockefeller laid bare the tip of the iceberg of his bank's loan losses ... Rockefeller's willingness to ... reveal even one fiftieth of his loan losses indicates the problem has passed the point where it can be concealed and that his family wants a federal bailout of the banks or else.

NEW YORK BANK LIQUIDITY: IT'S WORSE THAN YOU DARE TO BELIEVE

Nov. 28 (IPS) -- IPS learned from one of our most knowledgeable banking sources this week that on the basis of a new study he had undertaken he had concluded that the proportion of bad loans in the portfolios of Chemical, Chase Manhattan, Bankers Trust and Marine Midland is not the 40 per cent we had previously thought but lies between 50 per cent and 70 per cent. His study took into account loans to New York City, Big MAC, REIT, W.T. Grants and other bankrupt corporations, and Third World countries, but not tanker loans, loans to bankrupt bank holding companies on the Eurodollar market, or losses associated with leasing operations.

These facts are well-known throughout the investment community.

EURO-MARKET ON VERGE OF COMPLETE COLLAPSE

Dec. 6 (IPS) -- Over the past two quarters the New York banks have attempted to prop the (Euro-dollar) market up via a massive re-financing of the unpayable Third World debt, at the expense of credits to U.S., European and Japanese industrial production.

Not a penny of these Third World Credits will go to production, only to refinance old debt, and each loan is tied to ... brutal austerity.

On the other hand, the credit strangulation of the advanced sector has already precipitated a second collapse of world production and trade beginning this October ...

Under such conditions, Rockefeller's refinancing gimmicks are predestined to fail. The idling of the advanced sector's industrial capacity only undermines the ability of the entire world economy to pay its debt ...

THE FINANCIAL BACKGROUND TO HILEX 75

Dec. 13 (IPS) -- An approximately \$40 billion in short term international trading credits to Third World countries -- owed principally to the leading Rockefeller banks and their overseas branches -- went illiquid as of the June 30, 1975 rollover deadline. Since the deadline large portions of the mass of debt have been refinanced in the Eurodollar market with 24 hour to 7 day funds. This refinancing burden, on top of \$30-40 billion in illiquid medium term bank credits of Third World countries, now threatens to detonate the entire international banking system.

FINANCIERS MUST ACCEPT TRANSFER RUBLE OR INCINERATION WITH THEIR PAPER

Dec. 21 (IPS) -- Current depressed levels of production and employment make a debt - "Gotterdamerung" inevitable by the March rollover period ..."

TO LIE OR NOT TO LIE

Jan. 2 (IPS) -- The American Institute of Certified Public Accountants has proposed new accounting rules, which, if adopted, would have a dramatic effect on the year end earning statements of the New York banks in particular; the rules, adopted to deal with the moratorium on New York City notes, would force the banks to write the securities down to market value.

Federal Reserve Chairman Arthur Burns and the three federal bank regulatory agencies, however, are continuing to defend the banks' rights to keep bloated assets on the books at face value. They have written to the accountants institute insisting that the MAC bonds will "ultimately be paid in full" and that there is no need for a writedown.

... If the accountants were to apply (the new rules) to the banks loan assets, a full 50 per cent of the assets would have to be written off at once.

One top New York bank analyst suddenly remembered this week that nearly all the "several hundreds of millions of dollars" of New York bank loans for investments in the British real estate market were paying absolutely no interest at all. "These loans are being carried on the banks' books at full value," he noted, "How much longer can that last?"

ROCKY'S BANKS SPECULATE ON THEIR OWN FUNERAL

Jan. 10 (IPS) -- Last week's unprecedented \$3.5 billion outflow from New York into the Eurodollar market is as clear an indication as any that there is no way to support the rollover requirements arising

out of the \$72 billion of expected Lesser Developed Countries balance of payments deficits on current account in 1976, except a wildly hyperinflationary monetary policy in the U.S. This would especially be so if the Arabs and the Western Europeans stick to their guns and refuse to hyperinflate to support the dollar ...

At least until late February, loan demand in the U.S. is expected to be flat enough to allow New York banks to concentrate solely on the refinancing of Third World debts on the Eurodollar market via Fed Funds at 4.75 per cent. Currently the differential between Fed Funds and 6 month Eurodollar interbank rates is 1.5 per cent, with the added advantage of greatly reduced reserve requirements in the "free-for-all" Eurodollar market. Come March, the refinancing pressure of U.S. corporations added to the \$45 billion projected financing needs of the U.S. Treasury for the first half of 1976 will turn into a full-fledged hyper-inflationary upward spiral.

In the interim, with zero ability to generate operating income domestically, the massive pumping of funds into the highly risk Eurodollar interbank market to the most illiquid banks in the world is tantamount to Rockefeller speculating on his own funeral.

II GRID OF RESPONSE TO WASHINGTON POST ARTICLES

SWITZERLAND

Credit Suisse - "This is no news to the experts. It may abort the recovery."

Neue Zuricher Zeitung - "I must play down the Washington Post article -- if I believed what you say I would have to jump out a window." (editor)

WEST GERMANY

Citibank - "Come on, many of the best German names are also classified by the controller as potentially risky."

Chase Manhattan - "Everybody knows we've got lousy loans."

Bayerische Hypobank - "No, there cannot be a dollar crisis."

Bankhaus Trinkhaus - "David Rockefeller is unable to manage Chase."

Bundesbank - "I like the IDB ... I agree on the basis of your policy ... I see also the necessity for new solutions ... but I don't see an immediate turn around, the possibility for it, we must go step by step in your direction, not with the big measures you want ... sure their ideas are nonsense, but you must understand, there are fears, people don't see clearly ..." (economist)

Bundesbank - "You know that we do not comment on political events, so as not to disturb the markets." (official)

ITALY

Banca Commercio e Industria - "The Washington Post is a scandal-mongering paper ... we have full confidence in Chase ... We have deposits there ... Sure, moratorium would be good, if they make a moratorium it's okay for us."

ITALY (Continued)

Banca Nacional Del Lavor Maiocchi - "Sure we see it's a political move, I know the Chicago banks are against New York ... it's a financial Watergate. About Andreotti's moratorium something came to our ears ... a moratorium depends only on how it's done."
ENI/SNAM subsidiary - "The dollar should be replaced with a trade and development system." (top executives)

BRITAIN

Sal Oppenheim (British Rothschild) - "That's no news, a year ago it was brand new but now..."

FRANCE

Credit Lyonnaise - "The IDB would completely change the world, but it would need a complete shakeup in the international political balance of forces, and I don't know how to do that ..."
Les Echoes (French financial daily) - "Aaaah it's you, everybody's talking about you."

JAPAN

Nomura Research Securities - "If that is true, then the effect is serious. This may mean a financial collapse. I hope we have the means to stop it. This is a serious problem."
Sumitomo Bank - "I wonder why the articles were printed. If they were to provide valuable information, that is very nice, but I wonder if that is why. If you remember the Post first printed the articles on Watergate. I wonder if this is for a political purpose... I don't know what it is, but I wonder if there is one."

UNITED STATES

Borg Worner - "I think these revelations are tragic. Those New York banks could go under."

A New York trader - "It's one thing to panic over Franklin National but another thing to panic over the second and third largest banks. Where do you make deposits and investments if they go?"

Brookings Institution - "I know the Post doesn't just print anything without confirmation -- someone inside must be feeding it to them."

House Banking Subcommittee - "One thing I do know is that somebody has determined to punish the large New York banks ... You are the umpteenth one who has called me trying to find out who is behind this ... One thing is quite obvious to me -- that it has hurt the chances of success of our work in trying to integrate the three banking regulatory agencies ... Maybe your conspiracy theory is right but I don't think so."

Salomon Bros. - "Top people I talk to at Chase don't hide the fact that he (David Rockefeller) is not a great leader and can't run the banks."

U.S. (continued)

Loeb Rhoades - "These are serious problems. Action is desirable... there has got to be some kind of plan to facilitate the growth of the Lesser Developed Countries which will also assist the industrialized countries to grow. This problem requires investigation, effort by government leaders to face the issue ... No, I don't know of any such willingness in the government ... Just let me see that IDB proposal, I'll discuss it in my next committee meeting, I may want to get our economists in on it ..."

U.S. Controller of the Currency's office, on being informed the Rockefeller brothers were attempting to "Watergate" Controller of the Currency James Smith for leaking the story. "It's nice to hear that there are people here who sympathize with us. What you say has occurred to many of us here."

Manufacturers Hanover - "Solution? They'll have to monetize the debt -- in a big way."

THE WORLD BANK

World Bank spokesman - "The Third World? You bail them out and you bail them out, you keep refinancing all the time and at some point you hope to make some progress and get your money back, but you never get out of it, you just bail them out ... but continuing to print money is certainly not healthy ... I honestly don't know what to do about all this. Lots of people on the staff of the OECD don't they feel very uncertain. Please send me your material. I agree that we are running serious risks with the magnitude of the problem."

A FINAL WORD FROM THE WASHINGTON POST

Washington Post reporter - "Sure this stuff is not new to the experts, but not to the public. Does the public know about this? Banking is so arcane, it has to be fleshed out for the public."