

U.S. Banks Are Totally Busted!

Sept. 10 (IPS)—Hysterical scare stories peddled by Congressmen, State officials, and the financial press that a New York City default or debt moratoria would collapse the Wall Street commercial banks are a cover-up job 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 backed 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.

Last Straw

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 of its portfolio.

To make the working class pay for their losses on non-productive investment, the New York banks have declared that New York City is bankrupt. The U.S. Labor Party is calling for the

creation of a Special Commission to investigate this scandal.

Since the beginning of this year, the banking system has been in a technical state of bankruptcy, its bad loans in excess of its own equity base, and has survived a full-blown collapse by two actions. First, complicity with Federal Reserve Board Chairman Arthur Burns, the Federal Examiner, and bank accountants have illegally concealed the extent of these loan losses on a scale which makes the hidden deficits of New York City a business boom by comparison. Second, to shore up liquidity, the banks maintained their loan rate at more than 1.5 per cent above their payments — an interest spread twice the post-war average.

These actions have run their course. It is common knowledge that the New York banks are wracked by bad loans, and considered a poor credit risk. First National City Bank this week paid 0.375 per cent more on its iou notes than the debt-ridden Ford Motor Company. In addition, New York banks have offered higher interest rates on deposits than on loans. But still, according to a top investment house representative, no one is taking the offer.

At the same time, loans for production are drying up. Since the first of the year commercial and industrial loans of the nation's commercial banks have fallen by a record \$24 billion with no end in sight.

Under these circumstances Burns has offered the commercial banks a profitable new activity involving the accumulation of Treasury debt. But the Treasury itself is bankrupt. Until last week the Treasury had been financing its deficit through a \$6 billion drawdown of its account with the Fed. That account is now depleted.