

Congress Gangs Up On Rocky's New York Banks

Oct. 26 (IPS) — Out of the chaotic Congressional hearings on Federal loan guarantees for New York City, there has emerged a clear consensus among U.S. capitalists that the Rockefeller Family and its Wall Street-based financial empire is going to be made to pay — financially and politically — for the default of the city. Coupling their proposals with explicit anti-Rockefeller statements, witnesses and legislators connected to Chicago-based industrial interests made it clear that “the real public enemy number one” is the debt owed to Rockefeller banks. This position ensures that the compromise motion expected from the hearings will deny David Rockefeller's request for a complete bailout for his shaky banking empire.

Faced with the probability that large chunks of their debt holdings will become worthless paper, the family went berserk — or as close to it as they could go during televised Congressional hearings. Wall Street banker George Ball, who speaks directly for David Rockefeller, announced that a default will so aid the left wing of the world communist movement that they will be able to destroy the anti-revolutionary “polycentrists” of the movement and lead a successful world revolution. Ball, like David Rockefeller only 48 hours before, warned of a “storm period ahead in relations with Moscow,” if default occurs.

The vehemence of the legislators' position, however, makes it likely that this threat of red scare hysteria will not be enough to swing Congress behind a bail-out of Rocky's holdings.

But the new-found consensus by the Chicago interests has merely cleared the decks for the larger debate problem: the New York banks will pay a price to keep the city's services going temporarily; but what about the trillions of dollars of Rockefeller debt which continues to strangle production and trade worldwide?

The upcoming compromise motion by the hearings is expected to reflect the Chicago faction's attempts to straddle the fence between a full-scale attack on

Rocky's Dollar Empire and these industrialists' deep fear of replacing it with a new production-based credit system. Exemplary is Sen. Adlai Stevenson III (D-Ill) who led the pack against Rocky's banks, but whose own debt “restructuring” plan will probably allow for additional “renegotiation” of workers' pensions.

Stevenson's position is necessarily temporary. No bail-out “balance” which includes austerity directed against workers' incomes can work, and will only increase the rapidity of new crises. Under these circumstances, the Chicago industrialists are expected to quickly progress to — at least — the more realistic position of Chicago mayor Richard Daley, who this week called for only those bail-out solutions that maintain services at all costs.

It was through Stevenson, their chief spokesman in Congress, that the Chicago faction turned the Senate Banking Committee hearings into an anti-Rockefeller forum. Midweek, Committee chairman Sen. William Proxmire (D-Wis.) moved to shut off debate and provoked what could only have been a planned outpouring of opposition. Stevenson charged that bankers across the country were opposed to the bailout, but they had been intimidated out of speaking by representatives of the New York banks.

The hearings were extended, and Stevenson set the tone with a diatribe against the New York bankers. Lectured on the “dishonor of default” by one such unfortunate, Stevenson shot back: “If there is any dishonor it is in the people who put the people of New York in this situation, and I don't want to help them avoid dishonor.” Ominously, Stevenson added, “Maybe we ought to loan Mayor Daley to New York City.”

A. Robert Abboud, Deputy Chairman of the Board of First National Bank of Chicago — and one of those intimidated, according to Stevenson — elaborated the Stevenson call for a debt

restructuring. The city should be forced into a Chapter 11 bankruptcy — a legal action that would allow the city to stave off the demands of its creditors and thereby freeing city revenues for essential services. In addition, Abboud proposed a 90-day U.S. Treasury loan to maintain services during the interim period, and relief beyond that period in the form of a 15-20 per cent cancellation of all outstanding New York City debt. The Chicago banker understood precisely that the rockefellers had the most to lose from such reorganization: He was overheard remarking moments before his testimony that New York Sen. Jacob Javits (the Senator from Chase Manhattan) “will hate what I have to say.”

Abboud was followed by the 68 year-old managing partner of Bacon, Wipple, a Chicago-based investment securities firm. Mr. Schank charged that the New York investors were willing to accept the risks of a default in exchange for unheard of interest rates, and therefore deserved no relief. He accused bankers of “scare tactics,” claiming that a default will mean no payrolls, no relief and no services. Schank then proceeded to the heart of the problem: “real public enemy number one,” he declared, is “debt” — the main obstacle to industrial growth.

Once the attack was launched such divisive political groupings as conservative Democrats and liberal Republicans began to coalesce around the Chicago forces. Senator Byrd (D-Va.) educated his fellow Congressmen as to the real meaning of a Federal bailout: “The 8 million citizens of New York will not get one thin dime by what is being proposed by the Senate Banking Committee. Those who will gain by it are those who hold the bonds and the New York City banks are the major bondholders.” Fellow Southern Democrat Senator Allen (D-Ala.) praised the New York legislative leaders in opposition to added taxes, because their attitude is “not austerity, not blood, sweat and tears.” Allen has threatened to filibuster any federal bailout.