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week ended July 10 was further down 2.7 per cent from the week before, with operating capacity utilization dropping to 85.3 per cent.

No Solace Ahead

As a result of the decline in retail sales recently, wholesale inventories shot up $401 million in May. Besides backup from the retail sector, a large part of this increase, $264 million, was the result of speculative hedging on metals and metal products. Similarly, manufacturing inventories showed a positive swing of $1.08 billion from April, with $804 million of this accounted for by a buildup of inventories of materials, supplies and work in progress in anticipation of price inflation.

Although retail sales were reported by the Commerce Department to have risen 2.7 per cent during June, this figure is highly misleading. Other than the fact that the figure itself is very susceptible to large revisions (the reported May decline of 1.2 per cent was later revised to a 2.1 per cent decline), the reported rise of 2.2 per cent in non-durable sales is strictly due to the pushing ahead of summer clearance sales. The lead article in the July 19 Business Week quotes the vice-president of one Chicago store as saying, "A lot of people are dumping goods."

Otherwise, the retail sales figure was boosted by a reported 6 per cent rise in auto dollar sales, despite the fact that auto unit sales remained essentially flat in June. While auto analysts attribute this to the fact that large cars are in short supply and consequently people have stepped up their purchases of these higher priced models in anticipation of future shortages, its clear that auto sales are actually continuing to come in at very disappointing levels. Sales for the first ten days of July were at an 8.5 million annual rate, compared to March's 9.3 and June's 8.9.

No Consumer Demand

It would be foolish to expect any real strength in consumer demand. Since personal income figures are so weak. According to the highly unreliable figures of the Bureau of Labor Statistics, average hourly earnings of production or non-supervisory workers on private non-agricultural payrolls increased by only 1.5 per cent in constant dollars from May 1975 to May 1976 (the latest month available). With employment and hours weakening, its clear that there is no underlying basis for a real pickup in retail sales.

Money Supply Jumps

The latest reported jump in the money supply (M1 up $2.6 billion and M2 up $3.9 billion for the week ending July 7) has revived fears that Federal Reserve Chairman Arthur Burns' recent "loosening" of the credit spigot will result in jumps in the monetary aggregates, new inflation, and a jump in the interest rates soon thereafter. It is abundantly clear to anyone who cares to face the facts that the U.S. economy is spiralling downward at an accelerating rate, with small increases in industrial production bought only at the expense of much higher inflation. Such increases are certainly not worthy of being called a "recovery." The last time the industrial production index stagnated, back in October, Burns turned on the money spigot. Faced with the similar situation in a far worse overall economic climate, he again seems to be opting for the "diarrhea" treatment.

The Fed Chairman's actions are even more striking when one takes into account their occurrance at a time when the latest two-week figures for the BLS commodity spot market price index shows foodstuffs up from 213.7 to 223.6, industrial materials up from 208.9 to 216.3, etc.

How long this ridiculous spectacle will be tolerated by potentially sane industrial forces in the U.S. is the key question of the U.S. economy.

Banking Ctte Report Exposes Wall St.'s Fascist Programs

July 13 (NSIPS) — When former Banca D'Italia governor and NATO agent Guido Carli identified Wall Street's Eurodollar monster as the international monetary system in existence today, he was not exaggerating one bit. The recently released Congressional Report on International Banking affirms this fact in unmistakeable terms.

This article is the second in a two-part series on the report which was compiled by the staff of the U.S. House of Representatives' Committee on Banking. The first part reviewed the report's findings on the conspiracy involving Federal Reserve Chairman Arthur Burns and the New York banks to give finger-tip control over international allocation of credit to Wall Street via the lawless Eurodollar market, and to protect the dollar empire at the direct expense of the international economy. The comprehensive 447-page report is the best printed corroboration to date of the accuracy of the Labor Party's conclusions in its now famous report on the "Bermuda Triangle Banking Conspiracy."

The Eurodollar Market: A Historical Perspective

It is commonly believed that the Eurodollar market owes its existence to the need of the Soviet Union to find a safe depository outside the continental United States for its dollar-denominated foreign exchange holdings. Once this is recognized as a myth, the truth behind the creation of this paper tiger can be acknowledged. Even the widely held notion that the market's creation was the result of gigantic U.S. balance of payments deficits vis-a-vis Europe is only a half-truth.

As the Congressional staff report documents in great detail, the market was created in the 1960s by the Rockefeller-linked New York banks, with the support of the U.S. Federal Reserve Board and such Rockefeller proteges in Congress as Senator Jacob Javits of New York, for the sole purpose of demanding a "rate of return" on the mass of burgeoning dollar paper from the non-U.S. productive sector. This was necessitated by the growing inability of the increasingly illiquid U.S. based business sector to service the exponentially-expanding mass of dollar-denominated debt.

By 1967 the magnitude of dollar debt instruments seeking profits in Western Europe was so much in excess of that sector's capacity to absorb such instruments that a full-blown dollar crisis had erupted. Despite the forced devaluation of the French franc and an upvaluation of the West German mark — the fixing of new parities for these currencies against the dollar with the view of making them overvalued vis-a-vis their "market strengths" — a point had been reached by 1969 when under the then-existing international monetary arrangements, a dollar bust was unavoidable.

Caribbean "Shells"

That's when Arthus Burns, in a flagrant violation of the Federal Reserve Act of 1913 and despite opposition from Representative Wright Patman (D-Tex.), chairman of the House Banking Committee and Governors of the Fed, gave the go-ahead for the establishment of U.S. bank "shells" in the Caribbean. The monetary objectives were straightforward. These post-office box branches of U.S. banks could be used to make it more attractive for holders of greenbacks to maintain their holdings in dollars as they could earn inter-

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est rates higher than allowed under U.S. Regulation Q (ceiling on interest rates paid by state-side U.S. banks to their depositors) and even earn interest on demand deposits (checking accounts), U.S. banks, by merely maintaining a different set of books for the shell branches, were absolved of the 16 per cent or so reserve requirements on "domestic" deposits.

For the New York banks, however, there were other benefits. As documented in the Bermuda Triangle brief, the bigger banks with actual branch operations in the Caribbean could use these branches as repositories of illegal funds and for the conduiting of CIA and other dirty tricks money without fear of U.S. government authorities looking into their Caribbean branch books.

The sum total of the 1969 decision to create the Caribbean banking monster was the birth of the "hot dollar." From then on, there has been a definitive shift in the ratio of short-term to long-term dollars (since most Caribbean deposits were short-term money) and a concomitant quantum leap in the ratio of speculative to productive investments. And hence, the takeoff of worldwide inflation!

But the birth of the illegitimate Caribbean "offshore" banking network hardly marked the end of the troubles of the Dollar Empire. If anything, the increase in the ratio of the banking system's cost of money to the price it charged and the dramatic increase in the ratio of short-term liabilities to medium-term assets (the banks were increasingly borrowing 30-60-90 day money and making 5-year or more loans) became a self-feeding cycle that prompted the banks to dramatically and continuously expand the total volume of credit outstanding in order to maintain their previous levels of looting income.

Captive Central Banks

The dollar continued to plummet. The central banks of Western Europe and Japan, captives of the dollar-based international monetary system, bought up billions and billions of dollars as an avalanche of greenbacks came rushing in in the form of Eurodollar credits bidding up real estate and rents sky-high while U.S multinationals bought up whole sectors of their economies with Eurodollars.

The U.S. Treasury and the Federal Reserve Board forced arbitrary upvaluations and devaluations of European currencies, forced the West Germans and the Dutch to float their currencies against the dollar, and finally when nothing else worked, abandoned the dollar's convertibility into gold in August 1971. With the Western Europeans increasingly reluctant to absorb more worthless dollars in their central banks coffers and two U.S. dollar devaluations later (Dec. 1971 by 8.6 percent and Feb. 1973 by 10 percent), the New York bankers and their Washington, D.C., orderlies forced the abandonment of fixed currency parities altogether. In other words, the Eurodollar market became **the** international monetary system.

Whereas until this point the central banks of Western Europe and Japan had to "agree" to any realignments of their currencies and had some semblance of control over the total amount of credit within their economies via regulations on dollar inflows, the establishment of floating currency rates on March 1973 rendered them mere adjuncts of the Eurodollar money markets. From here on, the handful of New York-headquartered banks which "make" the currency markets according to the Congressional Report, could go on unimpeded creating the two-tiers of European currencies essential for the defense of the dollar. All this the Eurodollar market branches of New York banks could do, merely because they controlled the allocation of international finance.

With no European country imposing restrictions on the flow of money between the branch of a New York bank outside its borders and one within, these unchecked flows devastated productive economies while simultaneously fueling worldwide inflation. Irrespective of whether they country maintained low or high interest rates, its currency flowed out either as capital flight money, as in the case of "second tier" Great Britain, Italy and France or due to the attractiveness of its low interest rates, as in the case of "first tier" West Germany, Switzerland, etc. In both cases, Europe's currencies joined the "hot" money Eurodollar pool and hence became a prop for the dollar. No matter if the currency were being dumped or purchased speculatively, the result was the destruction of the European and Japanese trade-dependent economies.

By October 1973, Rockefeller's Dollar Empire had so bled the U.S., Western European and Japanese economies dry that only Schachtian austerity in the industrialized capitalist sector and new looting pastures in the Third World could keep the Dollar Empire afloat. That's when the Rockefeller oil cartel-engineered "Great Oil Hoax" was launched with its all-too-well-known international ramifications.

Domestic Monetary Policy

In domestic monetary policy, Arthur Burns has manipulated U.S. interest rates to maintain them at a level higher than the so-called forces of domestic demand and supply for credit would warrant. Not only has this resulted in the gradual shifting of funds out of the long-term capital markets (long-term bonds, etc.) and into the short-term sector, but it has resulted in the capture of domestic credit from regional banks, savings and loan associations, pension trusts and other financial and non-financial corporations by the so-called Fed Funds market. As the Congressional Report correctly points out, this process has resulted in the concentration of credit in the handful of New York banks who have then channeled this credit out of the productive U.S. economy and into the Eurodollar "hot money" pool.

Here the funds have multiplied by the Eurodollar market's magical "n" multiplier and have been "profitably" invested in debt refinancing, commodity speculation, real estate boondoggles or the pool of European currencies that now constitute roughly 30 percent of the trillion dollar Eurodollar market. The similar siphoning off of funds by these same banks from the smaller U.S. and foreign banks in the "offshore" markets via interbank borrowings, completes the process of giving the seven Rockefeller-Morgan-linked New York banks virtual finger-tip control over the allocation of international credit.

As the case of the Franklin National Bank bankruptcy shows, the Federal Deposit Insurance Corporation (FDIC) that is supposed to protect workers' deposits, is now nothing but an agency whose grossly inadequate resources have been tied-up in buying up the unsecured loans of large banks. Arthur Burns arranged for the FDIC to take over Franklin Nation's unsecured (and hence, mostly uncollectable) portfolio. Burns has repeatedly stated that he would bailout the bankrupt New York banks, with their $250 billion in uncollectable loans to the Third World alone, no matter what the cost.

Should the Eurodollar market continue much longer, an ecological holocaust would be that cost. The first step to reverse the process of Rockefeller's credit triage of the international productive economy and the hyperinflationary speculative activity of the Eurodollar market is the immediate investigation and dismantling of Wall Street's Bermuda Triangle Conspiracy.