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The acceleration of interest rates on the municipal bond market is adding to the pressure on U.S. cities to implement austerity. On May 26, for example, Cleveland was forced to postpone its $53 million bond issue because of the glut of unsold tax-exempt bond issues on the market, due to the incredibly heavy May calendar of more than $3 billion in state and local debt. Typical tax-exempt bonds have dropped $50 for every $1,000 since late April as a result.

The heavy calendar is due to the fact that the many cities and states who put off borrowing last year because of high interest rates can no longer postpone their borrowing needs. However, the Federal Reserve-instigated credit crunch now underway is already cutting off the flow of much-needed funds to states and municipalities — acting as an enforcer of austerity.

U.S. Credit Markets Buffeted By Rising Interest Rates-Speculative Spree Nearing End

NEW YORK, May 29 (NSIPS) — The speculative bubble otherwise known as the "U.S. recovery" threatened to burst this week as the stock, corporate bond, state and local tax-exempt and U.S. government securities markets all were buffeted by interest rates rising seemingly out of control. The threatened financial but evoked the most blood thirsty austerity calls and measures to date.

The paper-shufflers down on Wall St. were given no respite by the anxiously awaited weekly money supply statistics released Thursday, May 27, by the New York Federal Reserve Bank. Despite the fact that M1 dropped $1.5 billion and M2 declined $.8 billion (taken as an indication that the Fed will not feel any need to tighten credit), interest rates continued to climb on Friday May 28, with the key Federal funds rate reaching 5.75 per cent, .25 per cent over the Fed's assumed target of 5.5 per cent, despite two interventions by the Fed with repurchase agreements. Credit markets closed this week extremely quiet and demoralized, as the major New York banks announced they were raising the prime rate to 7 per cent on Friday. Most traders speculated whether the Federal Reserve would soon face reality and boost the politically important discount rate, which now stands .25 per cent below the Federal funds rate at 5.5 per cent.

Monday

The week opened as poorly as it closed for Wall Street. On Monday, May 24, a statement by Chemical Bank Chairman Donald Platten at a London press conference that he expected the prime rate to rise to about 8 per cent by year-end contributed to a 19.22 drop in the Dow Jones industrial average, the sharpest daily decline in more than a year. Continued disheartening news throughout the week brought the Dow down to a three-month low on Thursday.

The Money Manager, a leading Wall St. periodical, noted the confusion on Wall Street since the previous week the Federal funds rate "kept climbing even after the Federal Reserve trading desk intervened to provide reserves to the banking system." Aubrey Lanston, a major government securities dealer, made the same point in its weekly newsletter.

Tuesday

On Tuesday, May 25, the Morgan Guaranty monthly Survey noted the existence of "a vague sense of apprehension" on Wall St., citing the rubber strike, indicative of the fighting mood of the U.S. working class, at the head of its list of ills.

One medium-grade power company, after hearing that it would have to pay 9.76 per cent on a bond issue, up from 9 per cent available for similar issues three weeks earlier, criticized the "unrealistically high" interest rates and cancelled the entire issue, a good indication of the problem other triple-A companies will shortly find in trying to raise money. This, of course, aborts any hope of capital spending picking up significantly later in the year. Corporate bonds continued to fall in price, bringing their decline since mid-April to 4.25 points ($42.50 on every $1,000 face value).

A heavy slate of state, city and county tax-exempt bonds clogged up the market. New York's suburban Nassau County had to pay 1.5 per cent above the rate for an identically rated issue sold the same day, showing that anything remotely connected with the financial disaster known as Big MAC was again paying a heavy "New York penalty."

Wednesday

On Wednesday, May 26, the bad news continued to flow in for Wall Street. The world got a glimpse into the actual speculative fraud which is presently the total substance of economic activity when, in the most embarrassing case since the infamous D'Angelis "Salad Oil Swindle," short-sellers failed to meet obligations to deliver on 50 million pounds of Maine potatoes on the New York Mercantile Exchange.

The Treasury sold $2.9 billion in 52 week bills to feed the government's insatiable appetite for debt at an average return of 6.30 per cent, up from 5.64 per cent at the previous auction. The Money Manager had earlier noted that interest in next week's upcoming sale of 4 year notes was very low, and that the Fed had to pull some technical manipulations to help the sale of the Treasury's $2.25 billion in two year notes the week before. In line with rising interest rates, Richard Thomas, head of First National Bank of Chicago, outdid his New York counterpart at Chemical Bank by predicting that the prime rate would reach 8 and a half per cent by the end of the year.

Cleveland postponed its $53 million bond issue because of the glut of unsold tax-exempt bonds already on the market due to the incredibly heavy May sales calendar of slightly more than $3 billion in state and local debt. Typical tax-exempt bonds have dropped nearly $50 for every $1,000 of

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face value since late April. Financially-strapped cities are being given the choice of paying exhorbitant interest rates and cutting services to the bone, or slashing services that much deeper if they elect not to pay up.

The real blockbuster Wednesday, however, came when Moody's suddenly lowered its ratings of Big MAC paper an unprecedented three levels, from A to B, saying that it was questionable whether the Big MAC would be repaid, a fact known to every credible investor since the worthless bonds were first issued last year. The next day, MAC bonds dropped an astounding 7 full points, i.e. 7 per cent.

Thursday

Thursday, May 27, Wall Streeters woke up to read the lead in the Wall Street Journal announcing that "consumer confidence" had plummeted due to fear of rising inflation, according to reports by the Conference Board, Sindlinger and Company and the Roper Organization. Buying plans for cars, homes and appliances reached the lowest level since last spring, especially among high-income households, the big spenders who have been the backbone of the "consumer-led recovery." This before the full effects of plummeting stock market portfolios.

Newspaper readers also read that the Dodge Division of McGraw Hill reports that "the housing cycle has gone about as far as it can until there is some improvement in the still dormant apartment market." And the U.S. League of Savings Associations reported that the rate of growth of savings deposits was slowing down from the highs in recent months. Taken in the context of rising interest rates, these reports provided further evidence that housing, like the capital goods sector, will never even enter this "recovery," and that the basis for the upturn in industrial production to date, primarily massive consumer credit creation and resulting speculative inventory building, has run its course.

Thursday afternoon at 4:00 p.m., the New York Fed released its weekly banking statistics. Commercial and industrial loans rose by $42 million, only the third increase this year, following a total $4.7 billion decrease since January 1. If C and I loans were to continue to rise, the only effect would be to put further upward pressure on interest rates. However, business has so far financed a substantial inventory accumulation out of internal funds, and with the meaning more speed-up and other "cost-cutting" measures at the corporate level.
measures at the corporate level.

Depsite the reported money supply decline, the money supply is still increasing well above the target rates set by the Federal Open Market Committee April 22. The minutes of that meeting, released last week, noted that "during the discussion the view was expressed that an appreciable tightening in money market conditions in the period immediately ahead would be premature. . . . Financial markets are particularly sensitive at this time, and any appreciable tightening in money market conditions could have a substantial effect on short-term interest rates and could adversely affect flows of time and savings deposits at both banks and nonbank thrift institutions."

That is, a rise in rates would threaten to collapse the paper credit markets, the most frightening prospects for Mr. Burns' lower Manhattan masters. Based on this week's evidence, we can only conclude that that is indeed what is happening.

Agents Push Nazi Labor Bills Through Congress Under Wraps

May 29 (NSIPS) — Working quickly and with deliberate secrecy, Congressional fascists moved this week to legislate a Nazi Labor Front for U.S. workers before the so-called recovery collapses. Senator Hubert Humphrey gave his go-ahead May 25 to revise the discredited Humphrey-Hawkins slave labor bill by removing the bill's guarantee for a minimum wage by reinstating the bill's self-policing provisions. The same day, a bill creating a Young Adult Conservation Corps, modeled on the 1930s Civilian Conservation Corps, was rushed through the House, 291 to 70, in an operation its sponsors touted as the "best kept secret in D.C."

The push to legislate slave labor as quickly as possible is fielded by the corporatist networks in Congress, and the major congressional think tanks and counterinsurgency groups — all headed up personally by Vice President Nelson Rockefeller. Their time is limited and their maneuvering is necessarily secret because the fascist Humphrey-Hawkins bill was so widely discredited by the U.S. Labor Party throughout the working class as a deadly replay of Schachtian economics. Any open congressional lobbying or publicity on the new legislative plans would soon wreck the Rockefeller operation to get slave labor off the ground before the bottom falls out of the paper economy.

Rockefeller was so desperate to find a credible public face to push his youth work-camp plan that he summoned Chicago poverty pimp Jesse Jackson to his office early May 25 to map out a strategy for a "Universal Youth Service." The superfly minister appeared before the Joint Economic Committee hearings in Congress the next day to echo the "Strength through Joy" philosophy of Hitler: "Congress is drunk with material concerns. We need a spiritual regeneration. Less is better."

Today on the nationally televised NBC-TV show Meet the Press, Rockefeller's Slave labor preacher endorsed the just passed Young Adult Conservation Corps bill and announced that e would make youth slave labor the number one national political issue in is networks. Jackson also said that the presidential candidates should pay more attention to slave-labor legislation.

The New Humphrey-Hawkins Bill

The revisions hastily incorporated into the final edition of the Humphrey-Hawkins bill were pushed through by the Brookings Institution, Rocky's proxy, Senator William