

This week in history: June 8-14

8 June 2015

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25 years ago: Cost of S&L bailout mushrooms

The US Congressional Budget Office estimated on June 12, 1990, that as many as 1,700 out of the 2,500 savings and loan institutions in the United States would have to be liquidated as part of the federal bailout of the industry. The CBO report said that an additional \$100 billion might be required to cover the losses, on top of the \$166 billion appropriated by 1989 legislation. Counting interest payments, the total cost of the savings and loan debacle would approach \$1 trillion.

The mounting cost of the S&L collapse sparked another round of demands by Democratic and Republican politicians for emergency action to slash spending and reduce the federal budget deficit. Federal programs to provide medical care for the elderly, food for hungry children and income for the poor and unemployed, already drastically cut back during the 1980s, would be cut still further in order to finance the bailout.

The chairman of the Resolution Trust Corporation, the government agency set up to liquidate the S&Ls, told a congressional committee that the RTC would run out of money before the end of 1990, exhausting the \$50 billion it was appropriated for expenses through August 1992.

William Seidman, who was also chairman of the FDIC, the agency insuring banks, added that the crisis would spread from savings and loans to other financial institutions. “The problem is much broader than S&Ls,” he said, noting that the reserves of the FDIC, which insured \$18 trillion in bank deposits at the time, dropped to only \$13 billion. The ratio of 70 cents for every \$100 insured is barely half the level previously thought acceptable.

The savings and loan debacle dwarfed all previous examples of capitalist parasitism and swindling. Hundreds of billions of dollars were stolen from the savings and loan institutions after the deregulation of the market under the

Reagan administration. Vast sums were simply pocketed by managers through loans and kickbacks (60 percent of all the S&L failures examined at that point involved criminal misappropriation of funds).

More importantly, deregulation transformed the S&Ls from a quiet financial backwater, providing low-income loans for home buyers, into one of the central mechanisms for the speculative enrichment of the entire capitalist class.

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50 years ago: US begins active combat role in Vietnam

On June 8, 1965, State Department spokesmen confirmed that the Johnson administration had authorized American troops to actively support the combat operations of the South Vietnamese puppet army. Within a week of the announcement, US paratroopers were preparing to enter the struggle to defend Dongxoi, north of Saigon.

Government officials said that the expanded combat role for US soldiers was the result “of the best military judgment of what is required in the situation ahead.” Previously the Johnson administration had defended the official fiction that the American forces in Vietnam were only “advisers.” US troops, it was claimed, only opened fire if fired upon first. However, military units sent to garrison US installations were already patrolling far beyond the perimeters of the bases they were supposedly defending and engaging in combat with the liberation forces.

Under the new doctrine, American troops would serve as a “reserve” force, coming to the assistance of the troops of the South Vietnamese puppet government if they faced being overwhelmed. Government spokesmen denied any plans for offensive operations by US forces.

The move was prompted by growing concern over the successes of the National Liberation Front. A troop buildup had been continuing since March, with total strength reaching 52,000. The US military command admitted that the heavy bombing of North Vietnam and Laos had done little to diminish the military capabilities of the NLF.

President Johnson asserted that the right to order troops into combat without a congressional declaration of war rested on his powers as commander-in-chief. He further cited the August 1964 Gulf of Tonkin Resolution, which was overwhelmingly backed by both Democratic and Republican lawmakers.

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75 years ago: Mussolini declares war on Britain and France

The Italian fascist dictator Benito Mussolini declared war on Britain and France on June 10, 1940, as German imperialism stepped up its final offensive to the south against the Allied armies. Speaking from the balcony of the Palazzo Venezia, Mussolini declared, “We are taking up arms, after having solved the problem of our land frontiers, in order to establish our maritime frontiers. We want to break the territorial and military chains that bind us in our sea.”

When World War II began in 1939, Mussolini declared a policy of nonbelligerence. He anticipated a long war and wished to remain on the sidelines. But after the French and British forces collapsed under Germany’s May 1940 blitzkrieg, Mussolini expected the war to be over within weeks or months and reasoned that by allying himself with Hitler, he might be able to grab British holdings in the Mediterranean Sea, such as Malta, Suez or Gibraltar. “Italy needs a few hundred deaths to sit at the peace table,” he said.

Italy’s economic crisis and lack of raw materials drove it towards war on the one hand, but also found it ill-prepared to wage war as well. The fascist policy of national economic self-sufficiency and independence from the rest of the world was now taking its toll on both agriculture and industry.

Mussolini’s Ethiopian conquest and his support of Franco in the Spanish Civil War had left the Italian military disorganized and lacking in equipment. Of the 73 divisions Italy had on the eve of the war, only 19 were fully equipped. Also of decisive importance was the low morale of the Italian soldiers for entry into World War II.

Ten days after Mussolini’s declaration of war, Italian forces attacked the Alpine passes and entry points of the Cote d’Azur. But small groups of French soldiers at each location brought the Italian invasion to a standstill.

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100 years ago: Secretary of State Bryan resigns from Wilson administration

On June 8, 1915, William Jennings Bryan, three-time candidate for the presidency and a major figure behind the nomination of Woodrow Wilson at the 1912 Democratic Party convention, resigned as Secretary of State in a disagreement with Wilson and other cabinet members over US policy towards Germany.

Bryan’s departure created a sensation in Washington, where it was regarded as the most significant political resignation in a quarter-century, as well as in international diplomatic circles, where it was viewed as a sign of increasing US-German antagonisms, under conditions where the war in Europe between the Central Powers, Germany and Austria-Hungary, and the Triple Entente, Britain, France and Russia, was nearing the end of its first full year.

Bryan was widely regarded as the major opponent of worsening relations with Germany and of US intervention in the world war, and had been pilloried in the press over the previous months as a “peace-at-any-price” politician. His stepping down brought to a head a dispute within the administration that had emerged in the aftermath of the sinking of the passenger liner, RMS Lusitania.

Disagreements had emerged over the language of a note sent to the Kaiser’s regime in response to the loss of American lives on the British ship, which was sunk by German torpedoes. Bryan had urged caution, while others in the cabinet had called for a more belligerent approach. The May 13 note informed Germany that the US would not omit “any word or any act” to protect its rights.

On May 31, the German government replied that it would express regret and make indemnification if the facts warranted it in the case of attacks on American steamers, and repeated its assertion that the Lusitania was an armed vessel of the British Navy. Bryan’s resignation came over a note the Wilson government was preparing in reply to the May 31 communication, a note Bryan was convinced would help draw the US into a war with Germany.

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