

## Banking by Kathy Burdman

### A deregulation blitzkrieg

*The "Thrift Institutions Restructuring Act of 1981" is about to be railroaded through by the Fed and Wall Street.*

**T**he financial world is changing rather dramatically," the Senate Banking Committee chairman Jake Garn told the press on Sept. 14. "There is now generally sentiment in Congress for going further," on sweeping new bank deregulation legislation.

The senator understates the matter. The conservative from Utah has not only reneged on his position, published in a Dec. 10, 1980 *EIR* interview, that the nation's savings and loan and regional banks must be protected from further deregulation. The entire U.S. Congress, unless halted by appropriately angered constituents, is about to cartelize the U.S. banking system.

Overseeing the proceedings are Federal Reserve Chairman Paul Volcker, Treasury Secretary Donald Regan, and Federal Home Loan Bank Board (FHLBB) chief Richard Pratt, who are working together to create an atmosphere of panic on Capitol Hill. "We're forcing the congressional leadership to face up to the fact that something must be done, because if something is not done, there are going to be a lot more bankruptcies and mergers of S&Ls," said an aide to Pratt.

He was referring to the major Sept. 8 FHLBB authorization of the merger of three S&Ls in three states that has created the country's first "super S&L." The bankrupt West Side Federal Savings & Loan and Washington Savings & Loan in

Miami were gobbled up by the Citizens Savings & Loan of San Francisco, creating a \$6.8 billion institution, all of whose mortgage holdings are now fully guaranteed by the FHLBB's Federal Savings & Loan Insurance Corporation (FSLIC) at taxpayers' expense.

"This is a precedent, because West Side and Washington were about to collapse," said the Bank Board source, "and now Congress has got to act if it wants to prevent more bankruptcies, before the FSLIC is forced to exhaust all funds." Any threat to the FSLIC would send millions of depositors nationally into a run on the S&Ls.

Next month, the New York Clearing House banks' giant CHIPS computer—as I emphasized last spring—moves its payments up by 16 hours and goes to "same-day settlement," sending banks around the world scrambling for U.S. federal funds (see *EIR*, May 5, 1981).

Interest rates on fed funds could rocket to 25 percent or above, Fed sources say, and if that happens dozens of S&Ls, among others, would be pulled under. "It would balloon the cost of S&Ls' jumbo deposit certificates past what they could pay," said Pratt's aide.

What do Volcker, Regan, and the hapless Mr. Pratt (once a pal of the S&Ls) want? They want to panic the Congress into carrying out the dirty work of Henry Reuss and William Proxmire; they want to cartelize the U.S. banking system

on the British model.

They want a new "omnibus banking deregulation" bill, more horrible than the Reuss/Proxmire March 1980 Deregulation Act which destroyed the S&Ls' profits and handed the banking system over to Volcker—and they say Congress will give it to them.

It's called the "Thrift Institutions Restructuring Act of 1981," and it would "rewrite the Federal Home Loan Act," which created the S&Ls, and as Mr. Pratt announced recently, move them out of home-mortgage lending altogether and shut down U.S. homebuilding. As I warned here on July 28, the act would force S&Ls into speculative real-estate ventures, international Eurodollar loans, commodity speculation, and every other nonproductive scam.

I say "force," because it's designed to go with Volcker's 20 percent-plus interest rates, which Volcker said Sept. 4 he intends to maintain for at least another two years. In that environment, only these kinds of speculative loans are profitable. Senator Garn and House Banking chief Fernand St. Germain (D-R.I.) plan to "ram the bill through before the next congressional recess, maybe as early as October," Pratt's aides say. Garn himself says he likes the bill.

As for Citibank and Chase, "they think it's great," Pratt's office says, because the New York commercial banks intend to demand their own deregulation bills on a quid pro quo basis. Jake Garn himself is "cooking up a commercial-bank deregulation bill" which will abrogate the McFadden Act and allow them to move across state lines and gobble up regional banks around the nation, my source said.