Jimmy Carter returns to Washington

Treasury Secretary Donald Regan seeks to ram through the entire banking program of the disgraced Democrat.

Eight months ago I wrote in this space that with the Reagan administration, the American banking system could expect a new era of hope, in which the banking deregulation programs meant to turn the U.S. into a British-style bank cartel would be swept well away from Washington along with the Jimmy Carter presidency.

I would like to say now that I was wrong.

Jimmy Carter's ugly grin is back in Washington, planted firmly at the U.S. Treasury Building. Treasury Secretary Donald Regan last week announced a straight British banking reorganization of the United States which makes the infamous "Eizenstat Report" seem all-American.

As I also related in this space (*EIR*, Feb. 3, 1981), the Carter administration's Eizenstat Report on banking deregulation called for a severe weakening of the nation's protective banking regulations which currently prevent Citibank and other New York banking giants from going across state lines and buying up the rest of the nation's 21,000 banks and savings and loans.

The Carter report, issued in January, was titled "Report to the President: Geographical Restrictions on Commercial Banking in the United States," and called for congressional review and eventual "relaxation" of all the nation's protective banking regulations. It criticized ceilings on interest rates, the Glass-Steagal Act, which keeps commercial banks out of the brokerage business and vice versa, and the McFadden Act and Douglas Amendment to the Bank Holding Company Act, which prevent all-state expansion by the New York and California superbanks.

Don Regan, in a major speech on banking deregulation to the Chicago Civic Federation Sept. 14, has gone far beyond such Carter-era niceties as presidential reports. Regan is calling not for review but for abolition of most of the nation's banking regulations. As I reported last week, he intends to "ram through" legislation to that effect this year.

Regan began: "When all the basic banking laws were passed, Charles Lindbergh was flying the Spirit of St. Louis. . . . The financial markets have changed radically. But the regulatory regimen imposed on those markets has changed little."

Out front, Regan is calling openly for the institution in the U.S. of British "national banking," in which Citibank, David Rockefeller's Chase Manhattan, and other giants would be allowed to cartelize the banking system into a mere few hundred superbanks. Regan denounced the McFadden Act, which prohibits interstate banking, for having "balkanized our financial system. Such artificial geographic constraints run counter to the nature of a modern financial services industry," he stated. "It's clear to any observer that geographic restrictions reduce competition among financial institutions and impair the industry's efficiency."

Regan actually sanctioned the fact that this will cause "undue concentrations of financial power," saying the "question is moot" since giants like Merrill Lynch are moving interstate already.

The second change Regan wants made goes hand in glove with his firm personal support for the high interest-rate policy of Federal Reserve Chairman Paul Adolph Volcker.

Regan called for a removal of all remaining usury regulations holding ceilings on interest rates. Regan predicted a continuing, indefinite high interest-rate regime in the U.S., and said that under those conditions the nation's S&Ls must be fully deregulated, and "allowed" to pay 20 percent or greater interest rates. In order to stay alive, he added, the S&Ls of course will have to also be deregulated out of their main business, which is home-mortgage lending, because you can't make 20 percent-plus on all mortgages. S&Ls will make mortgages only for those who can afford them.

Not only should the Home Owners Loan Act of 1933 which created the S&Ls be removed, he said, but the Glass-Steagal Act of 1934 should be done away with. Glass-Steagal currently is supposed to keep Regan's shop, Merrill Lynch, out of banking, and keep Citibank out of the brokerage business while keeping both out of the savings and loans' mortgage business. This is "outmoded," Regan said.