Red alert

Unless halted, legislation now before Congress will legalize interstate banking and cartelize lending.

The Senate Banking Committee Chairman, Jake Garn (R-Utah), and House Banking Committee Chairman Fernand St. Germain (D-R.I.) are now moving legislation through Congress which will dismantle what remains of the American banking system by the end of 1981. Their stated aimed, as Garn told the Senate Oct. 7, is to complete the work begun by the Carter administration's March 1980 Omnibus Banking deregulation bill, which has already brought a third of the nation's savings and loans to the edge of bankruptcy.

Senator Garn openly characterized his legislation as the "logical followup" to the Carter bill, formally titled "The Depository Institutions Deregulation and Monetary Control Act," which Garn praised as "positive in its thrust to greater competition among institutions." The Republican Senator has apparently forgotten the fact that Jimmy Carter and his Fabian colleagues Henry Reuss, then House Banking Chairman, and Sen. William Proxmire, then Senate Banking chief, rammed that bill through with the explicit intention of deliberately shutting down thousands of American banks.

It was the Reuss-Proxmire Deregulation Act which first gave the power to Federal Reserve Chairman Paul Volcker to remove all interest-rate ceilings on the U.S. banking system. Volcker then jacked up U.S. interest rates to levels which have choked American bank lending for productive purposes for the past two years. It is this destruction of the demand for the *product*—credit—of the U.S. banking system, which has brought thousands of institutions to failure.

Garn and St. Germain are handing Volcker the banking system on a silver platter. His emergency takeover bill is almost sure to be rammed through the floor of the full House Oct. 22. The bill, "The Depository Insurance Flexibility Act of 1981," (H.R. 4603), was introduced Sept. 24 by St. Germain and ranking committee Republican, J. William Stanton of Ohio.

The bill provides the full requirement of Volcker's original "Regulators Emergency Bill," that in cases of bankruptcy, the Fed, the Federal Deposit Insurance Corporation, and the Federal S&L Insurance Corporation may have full "flexibility" to allow virtually any institution in the country to buy any failing bank or S&L. This means that Citibank, Chase Manhattan, and Bank of America will now be free to do as they have long desired and snap up thousands of banks and S&Ls. The stated desire of Volcker and the big banks in this endeavor is to consolidate in their cartelized hands the credit of the nation, and reduce credit to enforce "zero growth."

This Fabian cartelization is marketed under the "free market" cover of Treasury Secretary Donald Regan. Regan insists that the federal insurers conduct mergers rather than fulfill their mandate to save ailing banks, in order to "save money." "The need to minimize financial assistance required of the Federal insurance corporations small be the paramount consideration," H.R. 4603 states. This is the equivalent of taking out hospitalization on Grandma and then sending her up for euthanasia when the premiums get expensive.

Volcker's Bank Restructuring Act, under which the Fed proposed that S&Ls cease home lending and become commercial banks, is meanwhile being rammed through the Senate. Two bills, "The Financial Institutions Restructuring Act" (S. 1720) and "The Federal Deposity Consolidation Act," (S. 1721), were introduced Oct. 7 by Senator Garn. Instead of attacking Volcker, Garn states that the bills will actively force banks "to accommodate to [Volcker's] widely fluctuating interest rates."

Garn's first bill would fully deregulate S&Ls, to encourage them to cease home mortgage lending and move into real estate, mutual funds, and other speculative activities. Praising the bill in Oct. 19 Senate testimony, Treasury Secretary Donald Regan stated this bluntly. "I don't expect them to *immediately* turn away from housing," he said.

It also sweepingly preempts, by federal statute, all state usury ceilings—which will raise interest rates nationally. On top of this the Garn bill contains all the nationwide takeover provisions of St. Germain's bill in the House!

Garn's second bill would merge all the federal insurance funds, as a way to reduce their outlays.