

Banking by Kathy Burdman

No mortgages yet from Merrill, Lynch

Treasury Secretary Regan has openly announced plans to restructure the banking system along British lines.

Treasury Secretary Donald Regan told the Senate Banking Committee April 28 that the condition of the nation's savings and loans (S&Ls) "does not warrant" any sort of legislation to help prevent the bankruptcies now threatening these institutions. Regan told the first round of oversight hearings on the state of the banking system that the Treasury is only "monitoring the situation."

Regan made his statement in spite of the fact that some 100 to 200 S&Ls are projected to go under this year in bankruptcies and forced mergers, and the industry is forecast to lose \$1.5 billion this year, a result worse than predictions made for the auto industry.

Regan actually went so far as to announce that the Treasury believes a purge of the ranks of the S&Ls would be good for the banking industry. "The administration and the Congress share the responsibility," he said, "to resist protecting the parochial interests of some institutions. We must place greater reliance on market force to determine the character and structure of our financial system."

The "parochial" interest of the S&Ls to which the secretary refers is the U.S. homebuilding industry, which could not survive without the savings and loans.

Senate Banking Committee Chairman Jake Garn (R-Utah) was so taken aback by Regan's comments that he asked the secretary if

American homebuyers were to depend in future on Wall Street giants, like the Secretary's former firm, for housing finance. "I never got a mortgage for my house from Merrill, Lynch," said Senator Garn. "That's right, Mr. Chairman—not yet," Regan snapped.

Although Merrill, Lynch will never make as many mortgages as the U.S. savings and loan system, Secretary Regan is not concerned about homebuyers. He simply wants the nation's biggest financial institutions to be totally deregulated, so that Merrill, Lynch, Citibank, and Prudential Insurance can take over not only the home mortgage market from failing S&Ls, but also expand out of New York and other major cities across state lines and take over entire sections of the regional U.S. banking system.

In short, as I charged in this space April 28, Regan is using the S&Ls' crisis as a "foot in the door" for regulatory and legislative changes to deregulate and *cartelize* the entire U.S. banking system. His model is Great Britain, where five huge commercial banks, not 20,000 as in the U.S., dominate the banking market, and 100 or so "building societies" exist, compared to the almost 500 S&Ls in the U.S.

The bankruptcy of several S&Ls is meant to trigger a controlled panic in which atmosphere Congress will be stampeded into revoking broad protective banking legislation now preventing such na-

tionwide cartelization.

Regan, in fact, specifically called for a congressional debate later this year on the "future" of these regulations, such as the McFadden Act and Douglas Amendment, which prohibit big commercial banks from going across state lines to buy smaller banks, and the Glass-Steagal act. Glass-Steagal separates banking from brokerage activities—and keeps Merrill, Lynch out of banking.

"There needs to be an early review of the current laws governing depository institutions," he told the Senate Banking Committee. "The delivery of their services must be as effective as possible, which may even involve *some consolidation of institutions.*" That is, change the laws and let the big institutions buy out the smaller.

The real need, said Regan, is for a top down "restructuring of financial markets and financial institutions." Americans can no longer afford to have specialized institutions, like S&Ls for mortgages, brokerages for stocks, and commercial banks for business loans. "It is a desirable objective to put all institutions on an equal competitive basis," Regan said. "At some point, all the institutions must have the same powers to perform the same types of business."

Already, Citibank and other financial giants are using Regan's free-for-all atmosphere to bend the regulations against interstate banking. Citibank, Chase Manhattan, and Manufacturers Hanover announced April 30 that during the month of April they had begun to solicit deposits from small depositors, in the form of \$2,000 to \$5,000 deposit certificates, with 14 percent interest rates, all around the nation.