**Banking** by Kathy Burdman

# Paul Volcker to the rescue

*The Fed Chairman is using impending S&L wipe-outs to cartelize U.S. banking on behalf of "insurance solvency."*

No small panic state among savers and bank analysts was created by a front page lead in the *Wall Street Journal* Dec. 29 which "revealed" that some 1,400 of the nation's savings and loan institutions are either already bankrupt or on the verge of failure.

According to a semi-secret computer data printout by the Federal Home Loan Bank Board (FHLBB), over 200 S&Ls are now on a "disaster list" at the Board, classified as legally bankrupt with their capital totally wiped out. The same computer study shows an additional 300 S&Ls close to failure, and indicates that yet another 900 S&Ls will go under in 1982. That's a total of 1,400, or almost a quarter of the nation's 5,000 S&Ls, on the edge of extinction.

Federal Reserve Chairman Paul Volcker duly announced days later that he is moving to rescue the hapless S&Ls from this calamity. In a letter to the Federal Deposit Insurance Corporation, Volcker revealed that the Fed will now allow the big commercial banks to buy up failing S&Ls a nickel on the dollar on a national level.

Volcker has declared Fed dictatorship over the U.S. banking system, which will impose upon the United States an Anglo-Canadian-style bank cartel. The idea is to reduce the huge U.S. banking system of over 15,000 commercial banks and 5,000 savings institutions to a cartel of a mere few hundred big-city banks, as in Britain, where five commercials and a dozen savings banks maintain a tight rein on credit to industry. Volcker moved without Congress, under the vague "emergency" powers of the Fed, despite the fact that Congress has repeatedly killed the "Volcker" or "Regulators" bill, which would formally authorize just such banking deregulation.

Volcker has deliberately created the S&L crisis, to impose his sort of rescue operation. First of all it is Volcker personally who has seen to it that the S&Ls are in fact bankrupt. During the past two years, Volcker has forced S&Ls to pay 15 to 17 percent on their deposits, while they could only earn an average 8 percent on their mortgage loans. The gaping difference has caused huge real losses, the Home Loan Bank Board announced publicly last week: over $10 billion during 1981. Much of this has come directly out of some S&Ls' capital; over $4.3 billion in "net worth" (capital) has been lost during 1982.

Volcker's policy has been deliberately aimed at "triage" of S&Ls aimed ultimately at reducing U.S. population growth by destroying the home-mortgage market financed by S&Ls. Fewer homes available mean fewer babies born.

Second, Volcker has deliberately made a series of "controlled leaks" to the financial press, to create a public clamor for action on the crisis. According to the Fed's theory of "absorbable shocks," the public can take unlimited reports about bank failures and refuse to panic into a mass run on the banks, provided they believe the Fed stands ready to save the day.

Volcker and the FDIC first leaked the bankruptcy of New York's Greenwich Savings Bank, and of several other large savings institutions, late last year. Then they warned that the federal insurance kitties may soon be exhausted by the pending failures. The FHLBB computer printout shows that S&Ls worth $35 billion are on the edge, which would rapidly exhaust the Federal Savings and Loan Insurance Corporation; the Federal Deposit Insurance Corporation faces similar threats. Small depositors began to sweat.

It was then that FDIC President William Isaac wrote to Volcker Dec. 23 asking for "emergency action" to "save the federal deposit insurance system." Volcker responded with his new policy. He announced to Isaac that the Fed is now "prepared to consider merger of a failing S&L into a commercial bank" in order to "reduce the costs and risks involved" to the federal insurance system.

Volcker's action will create an instant bank cartel by fiat. It not only circumvents anti-trust law, which now prevents big commercial banks from owning S&Ls and their home-mortgage business. It also violates the McFadden Act, which now prohibits big banks from moving across state lines to grab control over banking deposits and loans in other states.

There is a real solution to the real crisis: get interest rates down fast, and get Volcker out. That is the question now facing Congress.