Banking on chaos

The banks' alleged profits depend on the same international instability and turmoil which will destroy them.

Anyone who still doubts that the big U.S. banks are not really banks anymore, should take a look at the second quarter earnings reports of the six big U.S. derivatives banks. These banks (Citicorp, J.P. Morgan, Bankers Trust New York, Chemical Bank, Chase Manhattan, and BankAmerica), which together account for 90% of all the derivatives transactions conducted by U.S. banks, reported a record combined gross trading revenue of $2.2 billion during the quarter. Net profits on that revenue amounted to more than $900 million, or some 40% of the $2.2 billion in net income these banks reported for the quarter.

Citicorp led the pack with $572 million in gross trading revenue for the quarter, followed by J.P. Morgan with $520 million, Bankers Trust with $405 million, Chemical with $298 million, Chase with $187 million, and BankAmerica with $172 million.

The Citicorp and Morgan figures represent the highest quarterly gross trading revenues ever reported by U.S. banks, while the figures for each bank represent the highest quarterly gross trading figure ever reported by that institution.

The banks were quick to brag about their speculative activities. Morgan, whose $989 million in gross trading revenue for the first six months of 1993 was more than the $959 million in gross trading revenue reported for all of 1992, issued a press release citing "strong results in a diverse array of activities and locations, with notable strength in global debt trading and swaps."

"Results in the second quarter, like the first, were exceptional," the release quoted Morgan chairman Sir Dennis Weatherstone as saying. "Trading performance stood out, with substantial gains in trading of debt instruments and strong results in swaps and other derivative instruments."

Citicorp, which reported $1.029 billion in trading revenue in the first six months of 1993 compared to $581 million in the first six months of 1992, cited its "strong global trading results," including foreign exchange revenues of $352 million and securities trading revenues of $220 million for the quarter.

Bankers Trust, which makes 80% of its profits from trading, cited "exceptionally strong performances" by its derivatives operations. Bankers Trust reported gross trading revenue of $751 million for the first half of 1993, compared to $551 million for the same period in 1992.

These huge profits are both illusory and destructive: illusory, because they consist of pieces of a speculative bubble which is on the edge of inevitable collapse; and destructive, because they depend upon chaos and economic cannibalization.

"The bank's biggest fear would be a long period of calm and stability in the markets, which would lull companies and investors into slowing their trading activities," Michael G.J. Davis, the deputy head of Chase's risk management department, recently told the *New York Times*. "The worst thing for us is a marketplace where nothing happens."

Such criminal stupidity is not limited to Chase, by any means. The arrogant Bankers Trust, which barely bothers to pretend that it is still a bank, recently boasted that the decline in its loan portfolio was "good news."

The bankrupt big banks have, in fact, become increasingly dependent upon their derivatives income and a variety of government subsidies. Like drug addicts, they need increasingly bigger doses to maintain their illusions.

The speculation has become so blatant that even the *New York Times* recently observed that "the banking system is increasingly dependent upon the payoff from gambling in a vast global casino." Not that the *Times* is complaining, of course, since the derivatives bubble has been carefully orchestrated by the international banks, with the collusion of U.S. bank regulators.

The most egregious example of this collusion is Citicorp, which has been a virtual subsidiary of the Federal Reserve Bank of New York since late 1990. During this period of direct New York Fed control, Citicorp has not only speculated wildly for its own account, but has also helped fund the currency warfare operations of George Soros, a joint asset of the New York Fed and the Rothschilds.

Then there is the case of J.P. Morgan, best described as America's premier British bank. Morgan, which has played a pivotal role in the establishment of the derivatives market, recently deployed Douglas Harris, one of its derivatives experts, to the Office of the Comptroller of the Currency, where he will head up a task force on derivatives.

Don't expect a crackdown. Harris is one of the authors of a recent Group of 30 report on derivatives. The report, overseen by Morgan chairman Weatherstone and praised by the comptroller, says there's no need for derivatives regulation.