

The case against Paul Volcker

Death warrants have already been served against home building and other consumer-oriented sections of the economy by major commercial banks, well-informed commercial bankers told us this week. The banks have instituted a policy of "triage"—letting the worst casualties die unaided—after Federal Reserve Chairman Paul A. Volcker met with bank senior management last week. In one banker's words, the still crashing stock and bond markets are victims of a deliberate Volcker policy of "controlled chaos," to deliver a "traumatic shock" to the U.S. economy and force the amputation of major areas.

Meanwhile, the White House denied that it would respond to growing public anger against the Fed chairman's war on the U.S. economy. In response to a question from this press service, presidential spokesman Jody Powell declared on Oct. 22 that he saw "no prospect" that Carter would change his policy of support for the Fed or want to see its chairman changed.

Powell's disclaimer came just after another presidential aide, Stu Eizenstat, was chased from New Hampshire where he went to stump for Carter's re-election among presumed Carter supporters, all of them angered by the Volcker moves. And the first effects of Volcker's "triage" were being felt across the country.

- In the boardrooms of major commercial banks, senior executives gathered on orders from Volcker to set up "priority lists" of customers for triage. According to bankers, the first to go will be consumer loans, homebuilding loans, and real estate loans, as well as loans to small and medium-sized firms generally.

- Ford and General Motors announced another 19,000 auto layoffs—bringing the current level of

auto layoffs to two-thirds of the 1975 high-water mark for auto unemployment—and auto sales began to plummet. In many areas of the country, banks called auto dealers to tell them not to send customers around any longer for auto financing terms.

- The nation's third largest savings and loan association ordered its officers to refuse all new applications for home mortgages, while savings banks around the country began to shut their lending windows. According to informed New York City investment bank sources, the Federal Deposit Insurance Corporation, which regulates savings banks, has already drawn up plans to merge several large savings institutions into commercial banks. This would mark the end of the homebuilding industry.

- States and municipalities canceled large offerings of securities on the tax-exempt bond market, after the bond market continued in chaos. The value of all holdings of fixed-interest securities has fallen by more than 8 percent in the past two weeks, an unprecedented collapse.

There are already numerous signs that the administration and its backers plan to attempt to blame the

devastation of the economy on that perennial bogeyman, the Organization of Petroleum Exporting Countries. The current front-running contenders to challenge Carter in the Democratic and Republican parties, Ted Kennedy and John Connally, have both given their approval to the same Volcker measures that are costing the Carter-Mondale team its campaign in New Hampshire. In the 1980 presidential sweepstakes, only one leading voice has been raised to challenge the continued sojourn of Chairman Volcker in his Federal Reserve office. That is Lyndon LaRouche, Jr., who is running a strong race in the Democratic Party primary in New Hampshire.

LaRouche is calling on Congress to impeach Volcker for manifest abuse of his office. We think this step is not only necessary but urgent. Only weeks remain before, under Volcker's regimen, the bottom third drops out of the economy. And it is expected that many politicians, particularly among the urban and labor Democratic machines that dominate U.S. cities, will see things LaRouche's way.

—Nora Hamerman

The Week in Brief

The European Community Foreign Ministers, during a two day informal session Oct. 21-22, resolved to step up emergency food aid to Kampuchea. The meeting occurred in the midst of Chinese Premier Hua Guofeng's visit to France. The ministers indicated that they would recognize the new Kampuchean government of Heng Samrin, which is allied to Vietnam.

Irish Foreign Minister Michael O'Kennedy, the current president of the EC Council of Ministers, declared after the meeting that: "We want to get this aid to people who are starving. We will be dropping food from airplanes and we will not now be concerned whose planes they are."

That statement has been inter-