monthly payment for purchasers of new or used housing rose 38 percent—nearly 20 percent a year.

By March 1980 the annual income needed to buy an "average" home was $34,300. In California, the required income was estimated to be over $50,000. Yet the average household income nationally—including second and third incomes—is only $20,000 a year.

As a result, there has been a huge drop in mortgages issued. Robert O'Brien, President of the Carteret Savings and Loan in New Jersey, reports that the normal rate for his state is 36,000 a year but the present rate is 9,000. One medium sized S&L in New York City issued no home mortgages at all for nine months, concentrating instead on home improvement and "energy saving" loans.

S&Ls trapped

The desperate inflationary squeeze on the housing industry had prompted many savings and loan bankers to support the Reuss Omnibus Banking Bill passed March 30, which created the DIDC, in the hope that they would survive by gaining access to functions previously only allowed the commercial banks—trust accounts, Negotiable Orders of Withdrawal, and regular checking accounts.

The DIDC then pulled the rug from under the S&Ls by equalizing interest rates before they could diversify. A disastrous liquidity squeeze has followed.

Senator William Proxmire (D-Wisc.), a strong advocate of eliminating savings banks, has pending in committee his "failing bank" legislation which would abrogate the McFadden Act ban on major interstate bank takeovers.

According to David Cohen of Schroder Bank in New York, the "one-banking system" is not far away. "The only S&Ls left will be the rural ones; the urban S&Ls will either become "family center banks" or go into a broader mortgage market that includes commercial and industrial real estate."

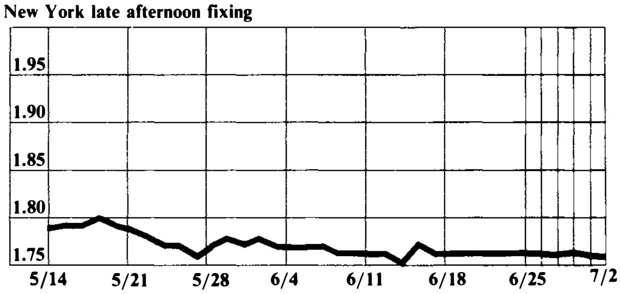
Such "family center banks," however, with many fewer branches and less expertise, will fall easy prey to the money-center giants like Citibank or Bank of America, while mortgage institutions enter competition with mortgage trusts and insurance companies. Cohen estimates that 10 percent of the S&Ls will be merged, acquired, or will fail by the end of 1981.

A special report by the *Executive Intelligence Review* documents Citibank's leading role in shifting the economy to a low-growth "service" orientation over the past two decades, and the bank's close coordination with the regulatory agencies in pursuit of the "one-banking" strategy. Now available for $250, the report is titled "Citibank Strategy for the 80s: Restructuring the U.S. Banking System." For information, call *EIR* at (212) 247-8820.

Foreign Exchange

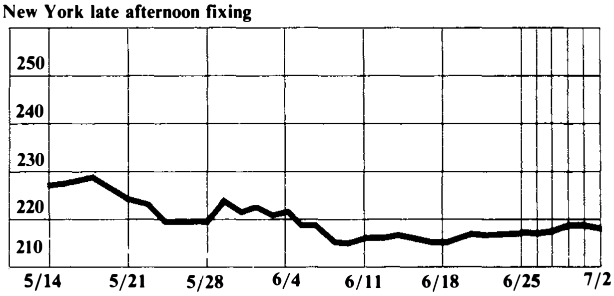
The dollar in deutschemarks

New York late afternoon fixing



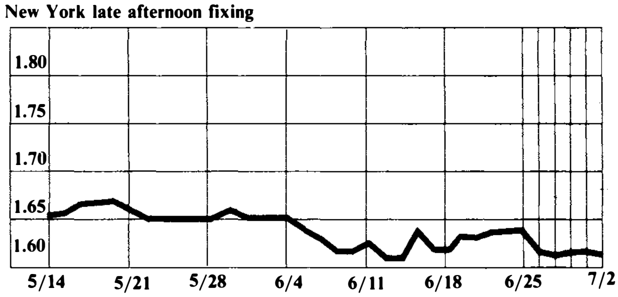
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing