Banking by Kathy Wolfe*

Paving the way to 'Fortress America'

The Fed is quietly putting in place major banking reforms to enforce U.S. austerity.

Federal Reserve Chairman Paul Volcker and the Swiss-based Bank for International Settlements are quietly putting the pieces of a sweeping U.S. banking reform into place. This will not only cartelize American banking on the British five-bank model, but will allow Dope, Inc. fingertip control over credit, to implement harsh austerity in the United States.

In particular, the reforms pave the way for European bankers' preferred option of a "Fortress America," the isolation of the U.S. economy from the world, which turns the rest of the Western economies over to Soviet domination. The reforms will promote this by allowing underground and offshore money to move onshore into the United States with impunity, being laundered in the process.

In addition to the Treasury's legalization of "non-bank banks"—out-of-state subsidiaries of New York giants—buying up the rest of the banking system, several smaller moves add up to a larger picture. These include the privatization of the Federal Deposit Insurance Corporation (FDIC), the privatization of the stock options market, new plans for writing off Ibero-American debt, the Chicago Board of Trade's reorganization of the commodity markets, and the reorganization of the gold banks.

Bank cartelization took a giant step on Jan. 14 when the Supreme Court decided to approve Citibank's challenge of protective regional U.S. banking laws. Regional banks in the northeast and southeast have had laws enacted between neighboring states to allow, for example, Massachusetts banks to expand into Connecticut, but not New York banks. Citibank challenged this as a violation of anti-trust laws, and may soon win the right to buy banks anywhere in the United States.

The move has already hurt the prices of several regional bank stocks that were supposed to have been merged under the local plans, making them juicy targets for Citibank itself. "Regional banking appears to be on ice" while the court deliberates, said James McDermott, director of research at Keefe, Bruyette bank stock analysts.

The big banks are also being given injections of liquidity by Fed Chairman Paul Volcker's recent lowering of interest rates. Citicorp and other megabanks "had a spectacular fourth quarter," McDermott pointed out on Jan. 15. As the cost of Fed funds dropped to 7-8%, the banks kept their price of funds lent high, pocketing the difference off consumer's and industry's back. Banks also speculated on the dollar rise. Falling rates also helped their bond-market earnings. Then, the U.S. Treasury gave Argentina $500 million to pay its pressing bank bills.

The result was that Citibank's earnings surged 30%; Bankers Trust rose 19%; Manny Hanny 23%; J.P. Morgan 33%; Chase 9%; and Security Pacific 13%. "This makes people a lot more optimistic about banks stocks in '85," said Merrill Lynch's James Wooden.

The big banks now have the cushion they need for Volcker's next step: forcing them to take significant losses in Ibero-America, and completing "Fortress America" disengagement of the U.S. banking system from the Third World. On Jan. 8, the Securities and Exchange Commission advised all U.S. banks to give detailed reports to shareholders on Argentine loans. Then, on Jan. 17, the Swiss-owned Republic New York and Dallas's Republic Bankcorp placed most Argentine loans on "non-accrual status," i.e., stated they are bad.

On another front, a push to allow the drug oligarchy to come onshore and buy up America occured when, in a 189-page "study," the Fed on Jan. 14 urged Congress to eliminate government limits on margin credit by banks and brokers for purchases of U.S. securities.

If Congress eliminates the margin safety rules, foreign dope money will flood into America and buy up half of U.S. industry, cheap, by borrowing on margin. Current margin limits are 50% of the value of shares. If the sky is the limit, there could be a boom in the stock markets—as America is bought out cheap.

The Treasury's Comptroller and the FDIC also announced this week a pending sweeping reform in U.S. bank deposit insurance which will make large deposits flow from smaller banks into the megabanks which the government consider's "too big to fail." The FDIC reform will halt the practise of insuring all depositors in a failed small bank, and add "risk premium" charges that riskier (smaller) banks must pay to the FDIC, reducing their profits. Eventually depositors will avoid regional banks altogether, making them ripe for takeovers.

* EIR *Banking columnist Kathy Burdman is assuming her married name, Wolfe.*

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