Banking by Kathy Wolfe

Chapter 11 for the United States?

The Swiss, Citibank, and the IMF have started a run on U.S. S&Ls which could spell a "monetary Pearl Harbor."

The March 4 collapse of the $2 billion Ft. Lauderdale, Florida securities dealer, E.S.M., has caused runs on S&Ls which placed money with E.S.M. all over the United States.

E.S.M. took in some $1.6 billion from S&Ls, municipalities, and other customers,and closed with less than $1.3 billion in assets, leaving clients holding the bag for some $300-600 million.

First to go was the $1.8 billion Home State of Cincinnati. It was hit with a $20 million deposit-run March 9 after E.S.M. collapsed, and had to close. Home State and its owner, Marvin L. Warner, had put over $600 million into E.S.M. Securities, out of which Warner personally put in $37 million.

This caused a generalized run on all 71 state-chartered S&Ls in Ohio yesterday, including Charter Oak, Molitor, Midwest, and others in Cincinnati. Depositors feared the state insurance fund was inadequate to back up other S&Ls, after Home went under with $130 million in losses.

On March 15, Ohio Gov. Richard Celeste declared a three-day bank holiday for the state's S&Ls, closing them indefinitely as of this writing.

The shutdown of the weaker, productive sector of the U.S. banking system has been explicitly planned by the International Monetary Fund, as *EIR* has warned since February. On Feb. 12, we wrote: "*EIR* is expecting by March or April a rash of small and midsized bank bankruptcies due to collapse of the U.S. internal farm debt, U.S. oil and real estate sectors, on the Continental Illinois model. . . . The large banks, which are not hooked into the bankrupt productive domestic U.S. economy so completely, are now in a cash-rich position to buy up the thousands of regional banks about to gounder."

Citibank immediately bid for Home State and is now expected to buy the S&L, gaining a foothold in the Midwest. Suspiciously, the emergency forced two bills through the Ohio legislature, one of which will allow Citibank to buy up Home, because it allows banks in states contiguous, and then two states over (i.e., Pennsylvania, New York) to buy banks in Ohio.

The entire crisis seems to have been triggered by Swiss interests to turn the industrial heartland of the United States over to Citibank. Its new chairman, John Reed, is a director of the World Wildlife Fund, and as such, a close friend of Britain's Prince Philip and Holland's Prince Bernhard. The Fund and Citibank are committed to reducing credit in the United States, to reduce the American population.

E.S.M. itself was a pure dope-money laundry, the brainchild of Crédit Suisse-White Weld, the Swiss banking group which is accused by the U.S. government of taking billions in laundered money from the First National Bank of Boston. The March 17 *Houston Chronicle* reports that E.S.M. was founded by then White Weld head for Treasury "repos" (resale of securities) Alan Novick in 1976, with three local Florida brokers who lent their names, Ronnie Ewton (E), Robert Seneca (S), and George Mead (M). Novick was the brains behind E.S.M. until his death in November caused the firm to unravel.

E.S.M. was given most of its repo business by Jimmy Carter's ambassador to Switzerland, Marvin L. Warner, whose son-in-law is Stephen Arky, Miami lawyer for E.S.M. and chum of Ewton. Warner, an Alabama-born Democratic financier and owner of the Birmingham Stallions pro football team, set up S&Ls and commodity firms in Ohio and Illinois. Warner was chief fundraiser for Trilateral Jimmy's 1976 presidential campaign.

While he was in Switzerland, Warner steered billions in repo business to E.S.M. in Florida, including that of his own S&L, Home State Savings in Cincinnati, Ohio, and that of S&Ls in cities around the nation. Just before E.S.M. went under, Warner pulled his personal money out.

The situation could spread. E.S.M. has other creditor S&Ls such as American S&L of Miami and Sun Federal S&L of Tallahassee, Florida; First Federal S&L of Big Springs, Texas; Queen City S&L of Plainfield, New Jersey; and Midland Commodities of Chicago, Illinois. Generalized runs on S&Ls could start anytime in these states. Sources at Prudential Bache say the brokerage has made a round of calls to tell clients to "be ready to pull out of S&Ls at a moment's notice" in neighboring Pennsylvania and other states.

E.S.M. also took money from cities such as Toledo and Memphis as well as Beaumont, Texas, Clark County, Nevada, Tulsa, Oklahoma, and Tempe, Arizona. The securities of these cities were downgraded by Standard and Poor's March 8.

Moreover, an ostensibly unrelated run has begun on Financial Corp. of America, the country's largest S&L in California, which was losing $60 million in deposits a day the third week in March. *EIR* first exposed FCA's bankruptcy last summer. FCA has announced it expects to lose more than $700 million in 1984.