

Banking by Kathy Wolfe

Secret plan to give S&Ls to Citibank

Savings and loans are going under by the dozens, while Jim Baker and Paul Volcker applaud.

A secret report proposing wholesale cartelization of the U.S. banking system is being circulated by Treasury Secretary James Baker III, who supports selling thousands of failing S&Ls and regional banks to the New York money-center giants. His accomplice, Fed Chairman Paul Volcker, testified twice in Congress during April that major cartelization laws should be passed.

Baker and Volcker are taking deliberate advantage of the collapse of U.S. S&Ls and regional banks, engineered by Citibank and the Swiss, since the Swiss-linked ESM brokerage in Florida went under in March, bringing down dozens of S&Ls.

As the London *Economist* bragged March 23, thousands of these institutions will be going under, and the opportunity should be used to have Citibank take them over. In an editorial, "More Bank Failures to Come," they write: "Since America will have to dispense through failure or merger with several thousand banks and S&Ls in the next decade, financial markets will be jolted regularly by local panics and crashes [emphasis added]."

The Brits noted that the Fed will be able to bail out Citibank et al.; the local, productive banks are the ones to be shut down.

Indeed, the \$3 billion Beverly Hills Savings & Loan was closed April 20 by the government and taken over, as was the \$2 billion Bell Savings & Loan April 25, both in California. Both will be sold off to major banks.

The secret Baker report was recently leaked to the press by Washington columnist Jack Anderson, who said it was circulated to the top 100 admin-

istration policymakers. It predicts:

- Shutdown of smaller institutions. "Those institutions that are not well managed may be pressured into excessive risk. . . . The gap between good and bad banks will widen, while the number of problem banks and bank failures will remain above recent historical levels."

- Massive cartelization takeovers. "The trend toward industry consolidation will increase . . . the number of banks will decline."

- Wholesale interstate banking. "An increasing number of states will reduce restrictions on branching and bank holding company expansion. Interstate banking will become a reality."

- Major expansion of powers for the largest banks into insurance, real estate, and stock brokering. "Banking deregulation and market forces will continue to erode the traditional separations of banking and other financial service."

- A collapse of profits for other banks and higher capital to loan ratios enforced by the Fed, forcing cutbacks in loans to the economy. "Overall bank profitability will decline, and capital will rise."

House Banking Committee Chairman Fernand St Germain (D-R.I.) and his Senate counterpart, Jake Garn (R-Utah), convened a set of hearings April 17-25 to make the Baker plan into a new Omnibus Bank Bill.

St Germain told the hearings that the Ohio and nationwide S&L crisis "shows" that time has come for a top-down rewrite of U.S. bank legislation. "Confidence will only be further eroded if we allow a crazy-quilt financial system of half-baked institutions

to spread across the nation lacking essential regulation and control," he said. "The Congress should get on with the business of considering change on its merits rather than through loopholes."

Fed Chairman Volcker, in testimony at St Germain's hearings, called upon Congress to pass laws for wholesale interstate banking and bank-powers expansion. "The time has come for Congress to authorize some interstate banking," he stated. "I hope the Congress will also deal in this session with . . . powers of banking holding companies."

Volcker came out in support of Citibank's current challenge to regional banking zones, by saying that states could only set up protective local zones for three years. After that, he said, Citibank and friends should be allowed into any state in the union.

Baker's pal, Comptroller of the Currency C. Todd Conover, judging the EMS scandal to Citibank's advantage, told the House Commerce Committee March 29, "National banks were warned in 1977 against making the types of transactions being offered by EMS." Conover is seeking expanded power against S&Ls to soften them up for Citibank.

In the Senate, Jake Garn is holding hearings on FDIC's new bill (S.760), cracking down on S&Ls and regionals and expanding FDIC's powers to jail bankers and take over banks.

Meanwhile the shutdown of S&Ls continues apace. The \$3 billion Beverly Hills S&L April 20 announced a 1984 loss of \$100 million due to bad real estate loans; and was taken over by the Federal Savings & Loan Insurance Corp. (FSLIC). This is the largest such S&L failure in months.

FSLIC, however, is almost out of funds and cannot bail them out, and so announced that the government may have to sell off some of the S&Ls' assets.