

A balanced budget

The U.S. budget deficit was \$144 billion as of Oct. 1, 1987. As of Oct. 1, 1988, all outstanding FSLIC notes will be counted as part of the federal government's budget deficit. With the loose cannons of the FHLBB, the previous year's deficit could be doubled. However, for Chairman Wall, this serves as an incentive to keep on writing notes. "This [the inclusion of FSLIC debt in the budget deficit—ed.] is one of the monkeys on our back that is moving us to do deals."

And the bailouts are just beginning. The figures being discussed for such actions, are also only the minimal amounts. Take the five actions in August. On Aug. 18, an investment group, Gibson Group/LSST Financial Services, acquired 12 insolvent thrifts in Texas. They contributed \$48 million, and the FSLIC is providing \$1.3 billion. On Aug. 19, eight insolvent Texas units were consolidated, including Sunbelt Savings. The cost used by the FSLIC to bring its total to date to \$11 billion, is \$2.5 billion. However, FSLIC itself has said that the cost could easily go to \$5-6 billion.

On Aug. 23, a holding company headed by former Treasury Secretary William Simon agreed to pay \$207.5 million for Bell Savings of San Mateo, California, plus the outstanding stock of Western Federal Savings, also from California. FSLIC is providing over half a billion dollars. On Aug. 26, FHLBB announced five separate transactions, in which it will inject \$1 billion into 10 savings units that will be merged into healthy institutions. That's the other part of this ingenious scheme—merging disaster thrifts with marginally healthy institutions. This has gone over so big with the thrifts that still can stand, that many are threatening to leave to join the Federal Deposit Insurance Corporation. (William Seidman, FDIC's Chairman, has looked disparagingly at any such mooted moves. He has enough problems of his own. *EIR* has counted 281 bank failures for 1988 alone, as of Sept. 2, 1988.)

The last transaction, announced on Aug. 31, was to consolidate 14 of Oklahoma's S&Ls into six larger ones. Although the announced figure was \$1.2 billion, it was then mentioned that in fact it will probably be closer to \$2 billion. Another bailout is being rumored for the troubled American Savings and Loan Association of Stockton, California. Wall is projecting that by the end of September, the bill could be as high as \$20 billion. In other words, the grand total for papering over this mess is approximately \$200 billion.

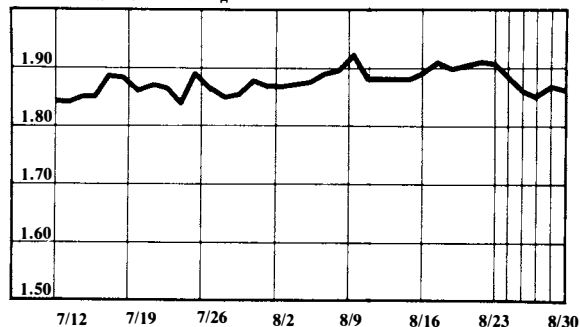
One year ago, this author wrote an article on the S&L industry, stating, "The situation in the financial community has reached the height of absurdity. In a scene reminiscent of 'The Emperor's New Clothes,' M. Danny Wall, the new chief regulator of the FHLBB, has been foisted on the American public to reassure us all that there is no problem with the S&Ls of the country."

The idea that 12 months and billions of dollars later, this madman is still in D.C. issuing promissory notes on a song, is more than the American population should tolerate.

Currency Rates

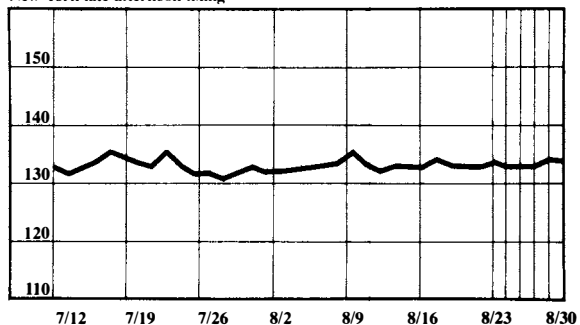
The dollar in deutschmarks

New York late afternoon fixing



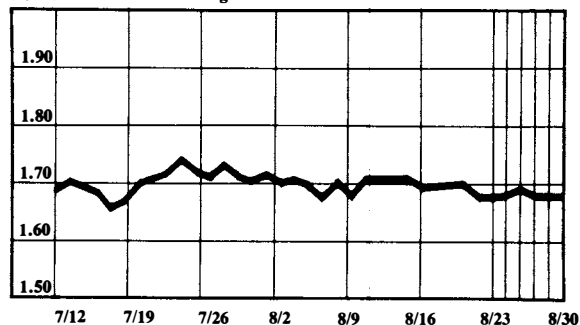
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

