

Banking by Kathy Burdman

U.S. League shows some fight

The League of Savings Associations is taking the offensive against deregulation.

Rollin D. Barnard, president of the U.S. League of Savings Associations, has appealed in a Jan. 2 letter to incoming President Ronald Reagan "to declare a national economic emergency upon assuming office Jan. 20." Barnard attacks the "destructive high interest rates" engineered by Carter Fed chief Paul Volcker, which he writes have caused an "accelerating deterioration in our national economy."

In addition to stepping up their attacks on Volcker's interest-rate policy, the U.S. League is becoming a vocal force against the extensive banking deregulation program undertaken by the Carter administration with the March 1980 Depository Institutions Deregulation Act. The U.S. League was one of the prime movers in convincing the new Senate Banking Committee chairman, Jake Garn (R-Utah), of the need for his major "State of the Economy" hearings last week (see page 8).

At the hearings, U.S. League Vice-President Roy Green strongly hit the "destructive effects" to the S&Ls of Volcker's deregulation measures; Mr. Green has been meeting with Senator Garn regularly to advise him of the serious state of the nation's thrifts, many of whom are near bankruptcy.

Former U.S. League President John Hardin, chairman of the First Federal Savings and Loan of Rock Hill, S.C., made a joint appearance with Senator Garn on the nation-

wide TV show "MacNeil/Lehrer Report" on New Year's Day to educate the American public about the dangers of banking deregulation to the entire economy.

Hardin told the nation that Volcker's handling of deregulation so far has produced "very severe losses" for the savings and loans, as the extra quarter-percent interest S&Ls were allowed to pay to attract depositors has been removed so fast by Volcker that savings and loans suffered a \$20 billion deposit outflow during 1980. Mr. Hardin and Senator Garn both advocated a reinstatement of the differential which could then be phased out if necessary over a longer period of adjustment to allow for thrifts to find new deposits.

Mr. Hardin told *EIR* that Senator Garn is now considering introduction of a bill to take all such matters out of the hands of Volcker's Depository Institutions Deregulation Committee, which currently oversees the Deregulation Act, and to return to Congress the power to regulate the banking system.

Mr. Hardin and Senator Garn also strongly denounced the recent Carter administration report calling for interstate banking by the big New York and other major city banks, which under the Carter plan would be able to operate across state lines and put smaller banks out of business. Were the "super-banks" to come heavily into other states, Senator Garn told the TV

audience, it "would be a tragedy" for thousands of small banks, which "would not survive," and their customers, who would find it harder to get credit. Garn said he plans hearings to show the pitfalls of the interstate proposal.

"We're completely opposed to the Carter plan," Mr. Hardin told "MacNeil/Lehrer" and *EIR*. "You could wind up with a dozen gigantic financial institutions who will not treat the people the way their own banks do. It would do irreparable damage to the housing market: if you had big commercial banks taking over S&Ls, they'd never do a good job in home lending."

If liberal Democrats on either banking committee try to introduce legislation modeled on the Carter report, said Mr. Hardin, "we'll fight it all the way."

The U.S. League is also firmly backing Senator Garn's planned tax legislation allowing exemptions on the first \$1,000 in interest and legislation allowing exclusion of the first \$1,000 in individual interest and dividends from taxes, a healthy measure which would greatly increase the U.S. savings rate and finance for the housing industry. The current exemption of \$200 on interest and \$400 on dividends is up for review this Congress and must be expanded, Mr. Hardin said.

Most importantly, the U.S. League now feels it has an administration with "which to work to get the economy moving again," Mr. Hardin told *EIR*. "Rather than just putting forward our own legislation, we're doing everything in cooperation with the new Reagan administration. Senator Garn is their lead man on banking, and he's a good man with whom we can work closely."