

## Banking by Kathy Burdman

### Who's destroying American banking?

*Part II: a profile of Louis Thompson, Senior Vice-President, National Association of Home Builders.*

Most of our members, if they got their hands on Fed Chairman Paul Volcker, are ready to hang, draw, and quarter him. But after extensive meetings with Volcker, I believe that he is doing the best he can. He has no choice but to maintain a tight rein on the creation of money supply. It's the President and the Congress who are at fault, running up the budget deficit. Volcker can't help it."

To read the literature and press ads of the National Association of Home Builders (NAHB), it looks like the 46,000 corporate members of the nation's largest home construction lobby are up in arms against Federal Reserve high interest rates. Fed Chairman Paul Volcker has halved the rate of new home construction in the United States, which has fallen from over 2.1 million units per year in 1979 to close to 1.2 million this year, by doubling the average mortgage interest rate homebuyers must pay.

But to listen to NAHB Senior Vice-President Louis Thompson, quoted at length above, is to hear the real story. The fact is that the NAHB leadership, like so many supposedly anti-Volcker trade organizations, has made a dirty deal with the Fed to support Volcker.

This column continues my series on business leaders who have made a deal with, or been brainwashed by, the zero-growth ideas of the Club of Rome and its U.S. spinoffs.

As Mr. Thompson explained to a journalist this week, he is operating not as a lobbyist for home construction but as a member of the U.S. defense intelligence community, to use the NAHB as a battering ram to force cuts in the U.S. defense budget.

Thompson is a former assistant public relations chief to 1970s Defense Secretaries Melvin Laird, James Schlesinger, and Elliot Richardson—all of whom support the Club of Rome policy of spending less on U.S. defense in the name of zero economic growth.

"I've been talking with like-minded current DOD people," he said, "and we believe that the United States is spending far too much on nuclear technology. We should cut spending, and concentrate funds on conventional forces."

Mr. Thompson explained the process through which he and Fed Chairman Volcker actually brainwashed current NAHB President Herman Smith, a well-intentioned small-town banker and home builder from Fort Worth, Texas.

"Most of our members think that Volcker is the real villain, and at one time Herman Smith was no exception," said Thompson. "The NAHB believed that Volcker's tight money was the cause of high interest rates.

"But then Smith and I held a series of meetings with Volcker himself, and Paul made a very

strong pitch. 'I think it's terrible rates are high for housing,' Volcker said, 'but the Fed can't do a thing when the government comes in and borrows all the money to pay the deficit. All I can do is keep a tight rein on money and try to jawbone Congress to cut spending.'"

"Volcker especially said there is no reason for the government to spend so much on defense, and I agreed. Finally, that convinced Smith that Fed policy was not the problem," Thompson continued confidently.

"After that, the NAHB Board of Directors led by Smith passed a resolution in May supporting budget cuts, and demanding a balanced budget by 1984. We resolved that homebuilders should take their fair share of deep cuts in our programs, cuts which will really hurt American homebuilding."

In fact, a careful reading of NAHB literature shows that budget cuts, not any easing of monetary policy, is the actual policy demanded.

Thompson is leading a move among "like-minded" zero growth advocates in other industry groups to set up a "Coalition for Defense Cuts," he stated, into which the NAHB, in their frustration with high interest rates, will be driven. "We hope to work with everyone, Democrats, Republicans, Wall Street bankers concerned about the deficit like Henry Kaufman [of Salomon Brothers], and construction unionists like [Building Trades Chairman] Robert Georgine and Henry Schechter of the AFL-CIO," said Thompson.

Participation in such a coalition would mean complete takeover of the National Association of Home Builders by the Club of Rome.