

Banking by Kathy Burdman

Florida dereg part of billygate?

Florida's governor is deregulating the banks—and making some money for Carter friends.

The Florida administration of Gov. Robert Graham is implementing an extensive banking deregulation program in the state which is reorienting the state economy away from the agriculture, transportation, construction, and other productive industries toward "postindustrial" light manufacturing carried on in free trade zones for export. This will involve turning Florida into primarily an international banking center.

Graham's program was lauded in a recent London *Financial Times* survey, "Banking in Florida," as turning Miami into the "Hong Kong" of the Caribbean.

Not only is the Carter-Graham faction of liberal Florida Democrats in control of this policy—the President's allies and even his brother Billy stand to make quite a bit of money from the dramatic Florida shift, in what is shaping up as another sordid aspect of the "Billygate" scandal. The chief beneficiary of Graham's Florida banking deregulation is Barnett Banks of Jacksonville, the state's number-two bank, and one of the lead banks for Jacksonville's Charter Oil Company, the Libyan-connected oil importer which is First Brother Billy's employer.

So tightly connected to Carter is this "Jacksonville mafia" that when the post of Federal Reserve Chairman was temporarily vacant during the Carter cabinet shakeup of July 1979, the President appointed Fred Schultz, then chairman of Barnett Banks Investment Services, as act-

ing chairman of the Fed. Schultz, a Jacksonville native, made a fortune channeling foreign investment into Florida real estate, and his family stands to make another if the Graham "Hong Kong" program goes through.

Schultz is currently vice-chairman of the Federal Reserve, and as such has responsibility second only to Volcker's for carrying out the administration's wide-ranging program for national banking deregulation. Schultz has day-to-day oversight for example, on the implementation of the Depository Institutions Deregulation Act, which as this column has repeatedly documented, is making banking flatly unprofitable for the nation's 20,000 smaller commercial and savings banks. Under the program, Schultz's associates at Barnett in particular plan to buy up many such weakened smaller banks in Florida and states throughout the South.

Since his 1978 inauguration, Graham has passed a rapid series of laws opening up the state to outside banks. He openly declares that the Florida local banking system, which consists of hundreds of small banks tied to local communities, will have to meet the competition or go out of business. Graham has also used the Florida International Banking Act of 1977 to make the state into what Lloyds Bank of Britain refers to as "a bonanza—no other word for it—for foreign banks." Under the act, the state government totally ended all taxa-

tion on foreign banking, and since Graham's inauguration, 19 foreign banks have set up shop in the state.

Graham told the *Financial Times* that he is committed to the Carter administration's program of circumventing regulatory protection against interstate banking in the United States, and has acted boldly to bring the major New York and other out-of-state banks into Florida—24 have set up their Master Edge Act branches, which control all their international lending outside New York, in Miami. These Master Edges have taken billions of dollars of business away from local banks, because although Edges are only supposed to finance international transactions under the Edge Act, they have in practice taken over much of the domestic banking needs of Florida companies involved in international trade.

Graham passed the Federal Competitive Equality law, guaranteeing foreign banks that any banking deregulation passed federally will be ratified on the state level at once. He has personally intervened to help Citibank, Bankers Trust and other New York giants to set up loan offices and trust offices in Florida. "It was in the public interest for Florida to have as wide a range of finance as possible," the *Financial Times* quotes him. Graham supported Bankers Trust when it sued the state of Florida for prohibiting out-of-state trust operations under the state banking code.

As the foreign and out-of-state competition drives smaller banks under, Billy Carter's friends at Barnett Banks plan to buy up a network of them statewide, chairman Guy Botts has said, and grow from their present \$3.6 billion in assets to a \$20 billion bank.