

## Banking by Kathy Burdman

### Of savings and lemmings

*The thrifts have obediently thrown themselves off Volcker's cliff, proved the U.S.L.S.A. conference.*

The annual convention of the U.S. League of Savings Associations in New York Nov. 9-11 was a spectacle very like the spring run of the Norwegian lemmings off the fjords into the North Sea. In this case, however, the lemmings were not small furry animals, but 1,700 of America's savings and loan executives, and they seemed to take with them the future of the nation's \$600 billion home lending industry.

The S&L leadership, in a word, committed mass suicide by refusing to attack Federal Reserve Chairman Paul Volcker. Instead, they demanded further huge cuts in the federal budget, and resolved that the nation must resign itself to deep economic austerity and recession despite the fact that it is Volcker's austerity and recession which has lost the nation's S&Ls some \$10 billion this year, and threatens hundreds of them with failure.

Rollin D. Barnard, outgoing President of the U.S. League, led the charge over the edge with an overt endorsement of Volcker in a public exchange with this columnist. "Volcker's monetary policy is exactly right," Mr. Barnard stated to my amazement. "The Federal Reserve is the only barrier standing between the country and runaway inflation. I will not attack Mr. Volcker or the Fed.

"High interest rates are painful, they are causing extreme economic hardship, but this is what we must

suffer to wring 40 years of inflation out of the economy," Mr. Barnard continued. "We need wrenching pain. It's like slitting yourself from the belly to the throat—it's very painful, but that's exactly what we need."

In his speech, Mr. Barnard attacked high interest rates, however. "We must fight without letup to see that interest rates come down and stay down," he said. "Otherwise many more American businesses, large and small alike, will become endangered."

The U.S. League's incoming President, Roy Green of Jacksonville, Florida, also stated in his inaugural speech Nov. 12 that high interest rates will be the main target for attack by the League in 1982, along with the Depository Institutions Deregulation Committee (DIDC), chaired by Treasury Secretary Don Regan, which has been using deregulation powers to strip S&Ls' deposits.

However, the alternative advanced by Mr. Barnard to the hated high rates is one which will further sink the S&Ls, and the economy—austerity. Following Mr. Barnard's lead, the convention voted up a resolution demanding that Congress act to further slash the U.S. budget during the next three years.

In the convention keynote, Sen. William Armstrong, a Republican from Mr. Barnard's home state of Colorado, was more specific, de-

manding to loud applause from the audience \$140 billion in further budget cuts in social services.

Instead of attacking the Fed, Armstrong, Mr. Barnard, and speaker after speaker attacked the Reagan administration. "The government of the United States has failed the American people," Senator Armstrong railed.

The S&Ls then went on to endorse the transformation of their institutions now being carried out in Congress by Volcker and his allies such as Democratic Fabian Rep. Fernand St. Germain. Mr. Barnard and others endorsed the various "Thrift Institution Restructuring Acts" being moved through the House and Senate Banking Committees, which will allow S&Ls to stop making home mortgages, and become commercial banks.

The plain fact is that the budget will never be balanced, nor interest rates lowered, by spending cuts, but only by high economic growth which increases tax revenues. In order to obtain this, we need a two-tier credit system in which S&Ls, housing, auto, steel, and other productive industry get cheaper credit than conglomerates and real-estate speculators.

A few S&L leaders present realized the depths of the crisis. "Volcker is destroying U.S. industry," one executive said. "But we need a voice in Washington to speak out for credit for industry."

But most of the conference participants paid as little heed to the national interest as to the barren future that faces them personally. It is no consolation to conclude that those who permit such leaders to make League policy deserve what they get.