

Banking by Kathy Burdman

The facts about the Omnibus bill

The U.S. Depository Institutions Act will help the big banks pad their international losses at the expense of the economy.

The Omnibus Bank Bill passed by the House and Senate the second week in October is more than just a cartelization of the U.S. banking system on the British model.

True, the "Garn-St. Germain Depository Institutions Act of 1982" will put large chunks of America's \$600 billion savings and loan deposits, and of the \$400 billion smaller commercial-bank deposits, into the hands of Walter Wriston's Citibank and David Rockefeller's Chase Manhattan. True, more than half the nation's 5,000 S&Ls and 10,000 smaller banks could become mere memories, taken over by Citibank or merged into Chase by the end of 1984. And that is a fair copy of Britain's cartel system, controlled by the five major clearing banks.

But the real scandal is that this is exactly the appropriate banking system to put in place, if Wriston, Rockefeller, and their friends at the New York Council on Foreign Relations (see Domestic Credit) are planning a form of *corporatist autarky* for the U.S. economy. The same people—Wriston, Rockefeller, Fed Chairman Paul Volcker, and their shill, Treasury Secretary Donald Regan—are planning just such a Thatcherized economy here. They anticipate a dramatic cutback in U.S. bank lending to, and export trade with, the rest of the world, and writeoff of their bad foreign loans.

To cover those losses, they intend to plunge the U.S. economy into permanent zero or sub-zero economic growth, shrinking homebuilding, auto, steel, and other heavy industry to be-

low 50 percent of their 1978 levels. The U.S. domestic deposit base will then be lent out, in tightly controlled fashion by the big banks, to whatever economic activity is left. Without competition, the cartel will charge interest rate margins of 5-10 percent or more differentials between what the new bank cartel deigns to pay depositors, and the usurious rates they will charge domestic borrowers.

Bank analysts already estimate that, for example, Citibank's interest margins, which had sunk as low as 2.6 percent during 1980, when usury ceilings were still in place, will rise to 4 percent in 1983 under the bill, and then go much higher.

As an illustration, note the provisions of the bill, widely played as a "bailout" for America's bankrupt savings and loans:

"Capital assistance" to give capital to failing S&Ls would only be paid out by the Federal S&L Insurance Corporation if an S&L failed. No new cash will go into S&Ls, which will still be starved from making loans by Volcker's high interest rates.

Effect: No new money for homebuilding. S&Ls to suffer new losses under continued high interest rates.

The final version was inferior even to the original House plan, which would have given S&Ls \$8.5 billion in fresh cash loans. At no time was Paul Volcker's tight money policy criticized.

"Broader powers" for S&Ls will force them to compete against small commercial banks for dwindling non-

homebuilding loan business. S&Ls will no longer be "dedicated lenders" to homebuilding, but will make loans up to 10 percent of assets to commerce, agriculture, real estate, leasing, and factoring.

Effect: Cuts home construction and family formation in U.S. sharply. U.S. homebuilding industry, already operating at 1 million units, 50 percent of its 2 million capacity, to have no recovery. Crushing competition between S&Ls and smaller banks, to result in even higher failure rates.

"Volcker Bill" (Regulators' Bill), part of the law, grants Citibank and other large commercial banks sweeping powers to buy up S&Ls a nickel on the dollar, not only in New York but nationwide. The FSLIC will pay them to do so, as it paid Citibank to take the \$2.8 billion Fidelity S&L of California off the FSLIC's hands.

Effect: Cuts homebuilding even more, by absorbing \$10-\$20 billion in S&L deposits in 1983 and more each following year into Citibank and allied operations. Turns the deposit base of U.S. economy further to speculation, when Citibank et al. lend out deposits instead to the Eurodollar markets at 15 percent for high return.

"Bank Service Corporations" authorized for Citibank and other large commercials will vastly expand their non-banking activity. Banks can go into insurance (this is a loophole for a dummy clause prohibiting insurance activities elsewhere in the bill); buy and run stock brokerages; engage in mortgage banking; commercial data processing; and real-estate.

Effect: Bigger profits for the largest banks, at more usurious interest rate charge to rest of economy.

"New Money Market" account will allow commercial banks to take in \$200 billion now in non-bank money funds. Same effect as above.