Miller Plans British Reorganization OF U.S. Banking System

Will U.S. dollar be used for or against 'Grand Design'?

Federal Reserve Chairman G. W. Miller, Bank of England Governor Gordon Richardson, cooperating U.S. regulatory authorities, Congressmen, and the major City of London banks are rapidly advancing legislation in Washington to reorganize and deregulate the U.S. banking system along British lines to the extent of "bringing the Eurodollar market back home," as one bank lobbyist noted June 20. Beginning with Senator Thomas McIntyre's (D-NH) June 21 Senate Banking Committee Subcommittee on Financial Institutions hearings on the International Banking Act of 1978, Miller and his collaborators have opened a debate on, first, a total "reassessment," in the words of Controller of the Currency John Heimann, of all U.S. banking law, and, second, "putting out the welcome mat," as Fed Governor Henry Wallich put it, for the ongoing invasion of British bank takeovers in the U.S. (see "Senate Hearings," Economics Section).

The Miller-Richardson objective is at the core *political* — however significant the financial and economic implications of such a program. If U.S. banking soundness can be undermined by the proliferation of unregulated interstate banking, wiping out thousands of regional banks on which local industry depends, and by the weakening of Federal Reserve regulation and the ultimate effective removal of reserve requirements (as in the Euromarkets), American banks' assets and structure generally will fall into a vicious circle of unsoundness that will dwarf the notorious Euromarket LDC loan situation, where the banks are locked into ever more rollovers of unsound debt. They will thus be vulnerable not merely to literal financial takeover by the British banks, who have already purchased U.S. banks worth some $20 billion in assets this year and who plan to purchase dozens more. U.S. banking community leaders, U.S. financial officials, and the entire economic muscle of the world's industrial giant would itself in thereby adopting wholesale *British thinking* be totally manipulable by the threadbare but clever gamemasters of the City of London, who would thus achieve a 30-year strategic objective.

At Stake in Financial Battle

What is at stake in a fight over the world's financial surplus is the following: Will the U.S. join the Grand Design (see accompanying article), based on the May 6 Bonn-Moscow economic accords, for world industrial development, or will London, judoing U.S. financial muscle, manage to torpedo those European-led initiatives and retain theoretical control of world banking?

If the latter, foolish U.S. bankers will get far more, not less, regulation, for ultimately Miller and Richardson plan a world IMF receivership. As documented in last week's *EIR*, Richardson, Miller, and the London *Economist* warned publicly and simultaneously during the June 7-13 period that British banks are soliciting dollar deposits in the U.S. as a cushion in expectation that a new Herstatt crisis, like that which followed the 1974 collpase of the West German Herstatt Bank, will trigger a Euromarket and U.S. banking panic. (See "Crisis for Eurodollar Market, IMF Pushed as World Policeman," *Executive Intelligence Review*, Vol. V, no. 24.) Richardson openly concluded that in such a case the International Monetary Fund (IMF) must be brought in for "surveillance... of the general economic and financial policies... of the nations of the world."

Miller ally Treasury Secretary W. M. Blumenthal laid out the same plan at the May 24 Mexico City International Monetary Conference — emphatically including the United States. At a mid-April IMF Interim Committee meeting Fed head Miller issued a call for tightening Euromarket controls, the first step toward an international credit crunch and monetary panic. At the same meeting, Blumenthal proposed expansion of IMF "surveillance" to include IMF teams to plan "general economic and financial policy" of member nations, in short, the London bankers' plan of action for controlling a provoked global financial crisis to their own advantage. (See "Eyewitness Report: Blumenthal, Kissinger Demand IMF Imperialism at Mexico City Conference," *Executive Intelligence Review*, Vol. V, no. 20.)

West German central bank and private banking officials have reacted with horror to the Miller Euromarket proposal. Commented one German source: "Miller's plan would mean destroying the recycling of petrodollars as a system, and also the refinancing operations of the banks. All this would be broken up, and lending to the Third World blocked as a result."

An emergency policy statement released from U.S. Labor Party headquarters June 21 called upon Congress for immediate action to block the Miller-London gameplan. The statement proposed that Congress swiftly adopt powers to impose a one-year moratorium on British takeovers of American banks. (See "Economics" for excerpted text.)

War Over the Dollar Surplus

Once having mastered political control in the U.S., the British would be in a position to halt the Grand Design formulated by West German Chancellor Helmut Schmidt and Soviet President Brezhnev, the success of which hangs on the willingness and ability of Secretary of State Vance and allied U.S. industrialists to bring the American technological machine into leadership of a global export drive.

Miller and Richardson pretend to offer U.S. bankers such as the gullible Chairman Walter Wriston of Citicorp or Chairman David Rockefeller of Chase Manhattan a choice. They can support—as they now do—the quick-profits free-for-all deregulation of U.S. banking, on the grounds of Controller Heimann that it will bring a capital inflow into the U.S., a stock market rise, cheap money, and a housing and consumer credit boom. Not only does this evade the basic world financial problem of how to lay a sound basis for the $600 billion world dollar overhang by channeling those dollars into social surplus-creating industrialization programs that will make the $300 billion in illiquid Third World debt again payable. It also creates that very same illiquid situation *in the U.S. economy*, with a bubble of loans on the same speculative basis that made the Eurodollar market bad banking in the first place. For none of the Miller capital inflow will go to technological investment.

But what the British fear is that support will come from U.S. banking and government for the other choice on the table — the fabulous long-term profits of the "Financial Grand Design" aspect of the May 1978 Schmidt-Brezhnev accords. A long list of U.S. corporations, from Occidental Oil to PepsiCo, who find that Citibank and Chase are up to their John Heimann-imposed lending limits on such export finance, are already borrowing heavily in continental Europe with European government guarantees to finance East-West trade — and are in on the planning of using an estimated $150 billion of world reserves to finance high-technology development projects (see article below in "International Report").

The British Bank Takeovers

Britain's U.S. acquisitions are not intended as part of a plan to buy out each and every available U.S. commercial and savings bank — an impossibility for the British. Rather, they have been targeted to obtain operating command positions from which to rig the rules and credit flows of the U.S. markets.

To gain these command positions, the British have exchanged less than $1 billion in rapidly depreciating pounds sterling for U.S. bank stock representing $20 billion in U.S. dollar assets. Over the past three months, the London-controlled Hong Kong Shanghai Bank purchased Marine Midland Bank, with $12.1 billion in depository assets; the Standard Chartered Bank purchased Union Bancorp with $4.7 billion in assets; and the National Westminster Bank purchased the National Bank of North America with $3.8 billion in assets.

The British are far from finished. Controller of the Currency John Heimann predicts that six additional major U.S. banks are takeover targets within the next few months. One knowledgeable source placed the figure closer to 20.

But the Federal Reserve Board, charged with oversight of the takeovers, remains unperturbed. "What's wrong with the British coming to the U.S.?," a senior Midwestern Federal Reserve Bank official asked June 20. "This broadens the base of the U.S. banking system," he boasted, "adding depth and breadth to U.S. lending power."

The Re-Organization Plan

While London's base-building in the banking system continues, the British remain aware that the key to their plans resides in their ability to create an uncontrolled speculative climate in the U.S. The centerpiece is London's drive to repeal regulative U.S. banking laws. These include legislation that prevents U.S. banks from doing interstate banking and acquiring other large U.S. banks (the McFadden Act), holding minimum reserve requirements (Regulation R), and others. The removal of these regulatory strictures will generate a banking war wiping out up to 13,000 of the 14,000 U.S. banks, according to a senior officer of Barclay's Bank.

As the first step to wipe these laws off the books, Federal Reserve Board Governor Philip Jackson proposed that foreign bank holding companies be allowed to operate across state lines, clearing the way for the elimination of domestic interstate banking restrictions. Jackson's proposals are embodied in the debate on the International Banking Act of 1978, which passed the House of Representatives in April, and on which the Senate Banking Subcommittee held hearings June 21. The bill, sponsored by liberal Rep. St. Germaine (D-RI) and Sen. McIntyre (D-NH), is being deceitfully hailed by Miller as providing "greater regulation of foreign banking," but in fact rubber stamps existing nonregulation of foreign banks and in so doing has provided a debating topic for the deregulation, rather, of U.S. domestic banking (see detailed report on the hearings in "Economics").

Plans are even on the books for what a Wall Street bank analyst June 21 referred to as "London in New York." On June 21 New York Governor Hugh Carey signed into law a bill eliminating reserve requirements for New York banks making international loans — a step that will create the same conditions of uncontrolled lending that now exist on the uncontrolled Eurodollar market. This bill, called the "Free Port" or "Free Banking Zone" bill, has been coupled to another piece of legislation also signed by Carey, to facilitate moving large branch offices of Lloyd's of London and other British insurance companies to New York.

According to one banker, Fed Chairman Miller may hold up Federal Reserve approval of the New York City "Free Port" until the mechanism exists for setting up 10 to 15 other "Free Ports" in other parts of the country (see "Economcs" section).