Banking by Kathy Wolfe

We warned of Maryland crisis

Paul Volcker plans bank panics nationwide to force the United States into IMF Chapter 11.

The depositors' panic which started in Ohio in March, and shut down the savings banks in Maryland on May 14, will spread nationally if Federal Reserve Chairman Paul Volcker and the International Monetary Fund (IMF) have their way.

The IMF "troika" in Washington, Volcker, Donald Regan, and Treasury Secretary James Baker III, want to use the panic to put the United States under IMF "surveillance." IMF Director for the United States Ernesto Hernández-Cata, *EIR* reported on Feb. 19, stated flatly that U.S. S&Ls and smaller banks ought to be shut down because they are issuing too much credit to the local economy. "Let the regional banks and S&Ls go down. . . . Let the farm sector banks go down," he said. "We've been supporting them too long." "We can handle one or two more Continental Illinoises," said a Volcker aide, referring to the collapse on May 11, 1984 of the regional bank, as long as "it doesn't threaten the whole system," i.e., threaten Citibank and Chase.

Volcker plans to sell off Americans' savings in the S&Ls to the big Trilateral Commission banks who run drugs: Citibank, Chase Manhattan, First Boston, Chemical Bank, and the other "top 100" money-center banks.

Depositors have only one defense: Turn the panic against the IMF! Pull your money out of Citibank and the other big Trilateral banks instead, and demand that President Reagan pull U.S. taxpayers' $100 billion plus deposits from the IMF!

EIR warned on April 9 that Ohio was no "isolated case" and named the very S&Ls Volcker had targeted. "Ohio is just the beginning," we wrote. "The draconian regulations by the Fed and Treasury put many other small banks in peril. *Maryland S&Ls* are paying some of the highest rates nationally, in a desperate bid to keep depositors. Merritt Commercial S&L and Old Court S&L are paying the highest rates in the United States. . . Runs could start at these Maryland S&Ls."

As *EIR* predicted, Volcker caused the Maryland panic when Federal Reserve and FDIC regulators announced harsh crackdowns on Maryland and other state-insured S&Ls, and leaked stories of impending failures to the *Baltimore Sun* May 9. The *Sun* articles caused frightened Maryland savers to pull $650 million from state S&Ls, beginning with those *EIR* had warned about: Old Court S&L and Merritt Commercial S&L, which lost $30 million each and had to be shut by the state May 13.

By May 14, runs had closed 10 S&Ls, and caused Gov. Harry Hughes to declare a bank holiday and shut all 102 state-insured S&Ls.

North Carolina, Pennsylvania, and Massachusetts S&LS are under the Fed's gun next. The Ohio-Maryland S&L crisis will set off runs in those states whose S&Ls are not federally insured, at least. "State regulators in these other states are panicking," laughed a former Carter official.

The big Trilateral banks are moving in fast to grab Americans' savings. Citibank Chairman Walter Wriston told *Fortune* magazine in September 1982 that he planned to move out of the Third World, and into a "*robbery*" of U.S. savers' deposits. "Willie Sutton said he robbed banks because that's where the money is. I see that $1.2 trillion (in consumer deposits) out there, and I don't see any number that looks like that anywhere else."

On May 16, Maryland Governor Hughes announced negotiations with Citibank and Chase Manhattan to buy up Old Court and Merritt S&Ls in Baltimore. Hughes has a team of state financial experts "studying the [New York] proposals" and will recommend them. Representatives for Chase and Citibank took over the emergency Maryland legislature hearings May 17 with their "generous" offer to bail out the state S&Ls, since the state treasury can't afford to do so.

Volcker wants to nationalize the entire banking system, was the way one Carter Democrat put it. The nation's 5,000 S&Ls and 14,000 local banks are chaotically giving too much credit to housing and the real economy, Volcker believes. If they can be shut down and depositors' savings moved over to the "top 100" Trilateral Commission banks, then all lending can be controlled by the Fed.

Volcker will crack down on state banks until "he has everything that calls itself a bank in the country under his thumb and they are all in effect nationalized, and regulated tightly like a public utility," said John Mingo, former Carter Treasury official, in an interview May 17. "This crisis of confidence and runs will continue across the country until the public is taught that only things federally guaranteed are safe to put your money in."

"Maryland is the final euthanasia of the state insurance system," Mingo laughed. "Volcker has targeted these states for crackdown."