# Eye on Washington by Nicholas F. Benton

## Bankers admit crisis, have no solutions

L. William Seidman, chairman of the Federal Insurance Deposit Corporation (FDIC), the agency that is supposed to insure our bank deposits, has pulled back from his recent San Francisco speech which sent the nation rocking with the most explicit statement yet of impending financial apocalypse by a high government official. Seidman's warnings about the consequences of the accumulated corporate, consumer, and government debt created international shock waves.

But, while a spokesman for the American Bankers Association told this reporter that he "shared the concerns" expressed by Seidman in San Francisco, Seidman himself toned down his message considerably when he keynoted the opening of a conference on banking here Nov. 20.

According to an Oklahoma source attending the conference, the FDIC is playing the major role in forcing the smaller, energy, and agricultural-related banks in the depression-wracked Midwest to accept takeovers by the major East Coast megabanks. "It is the FDIC which is the real enforcer in driving these independent banks into the hands of the Eastern giants," he said.

He reported, however, that one or two Oklahoma banks may be about ready to call the FDIC's hand in an effort to stop this trend. The results could prove interesting.

## Oklahoma, Louisiana keys to 1988?

On a related subject, an insightful observer has noted that for reasons of economic and historical profile, Oklahoma and Louisiana could be decisive for the 1988 presidential campaign—because these are two states where the seeds of popular revolt are sown deepest, and economic conditions have brought both to the breaking point.

The national agenda for politics is always contested between the Eastern Establishment, on the one side, and the most activist currents in the producing sectors on the other, with variations depending on how well the issues are articulated and represented. The urban populations rarely lead, but stand back and choose sides, with the significant exception of the 1960s' civil rights movement.

California developed as an anti-Eastern Establishment power base after World War II because of the influence of the war production industries, especially aerospace, catalyzed by the leadership of Sen. William Knowland (known as General MacArthur's senator). It put Nixon and Reagan in the White House, but now it is too "prosperous" and laid back. It will not drive the anti-Establishment pulse in 1988.

Nor will Texas, which has a lot of populist sentiment, but whose political institutions are all run by junior partners of international finance centered in Houston. The smokestack states will play their part, to the extent their citizens are freed from the failed Democratic Party and trade union leadership they've relied on too long. Atlanta is like Houston. Florida expects to cash in on the "new realities" of the "post-industrial society."

Revolt will come from the economically-stricken states with a political penchant for revolt. If the Democrats hold their convention in New Orleans, there's a good chance the moribund leadership will get more than it bargained for.

## T. Boone Pickens: 'What? me worry?'

Corporate raider T. Boone Pickens of Mesa Petroleum told this reporter that the size of corporate debt in the national economy was "no problem" in his mind. Nor, he said, was the idea that the entire last four years of a "bull market" on Wall Street has been based on debt (so-called "junk bonds") as its asset base.

Pickens, speaking at a conference of economic libertarians (putting it politely) calling itself Citizens for a Sound Economy, said that "all we need is to dump all the old corporate boardmembers overboard and bring on the aggressive 35-to-45-year-old managers to run things."

The conference, with panels chaired by Drexel Burnham representatives, who are under the cloud of the growing "insider trading" scandal, was funded by David H. Koch of Kansas City, who bankrolls the Libertarian Party.

At the American Bankers Association Economic Advisory Committee meeting the same day, spokesman William E. Gibson said that the American banking system is not threatened by the unraveling of "junk bonds," so much as the dangers of the overall debt-equity imbalance cited by Seidman in San Francisco.

Gibson barely kept a straight face in insisting that these debt problems could be managed in an orderly way. Consumer debt, he said, would be handled by the positive effects on tax reform. Then he turned right around and said that "no one can predict what effect the new tax code will have." He also could not predict that there would be fewer bank failures in 1987 than in this year, when we've already set a post-depression record.