

HOT SEMINARS RAISE WINTER TEMPERATURES IN NEW YORK

How Safe Are Your Savings?

Introducing his talk on the whys and wherefores of the S&L debacle, Roy Jensen offered a quote from Bismarck: "There are two things you don't want to see being made: sausage, and legislation." As a Deputy Regional Director of the Treasury Department's Office of Thrift Supervision, Mr. Jensen's job is to help to enforce the laws affecting that industry. He summarized the long list of legislative steps that transformed the Savings and Loan industry from a safe and mundane provider of long-term housing loans into a fast-lane vehicle for venture capitalism.



Roy Jensen

The problem started, Jensen reported, with the double-digit inflation of the late 70s, which in turn was spurred by that decade's oil price shocks. S&Ls had always paid slightly more interest—a quarter of a percent—on deposits than commercial banks because of their need for long-term funds. Banks, being more responsive to inflation, lured depositors away from S&Ls. The thrift industry, which had always been in the business of

long-term, low-risk loans, was being squeezed out of business by inflation, and so there was pressure to loosen regulations.

In 1980 Congress increased the amount of deposit by 150%, to \$100,000 — in a voice vote, without debate, and *without any increase in insurance premiums*. This created a new — and ultimately insurmountable — problem for regulators. "Examiners trained for old long-term mortgage issues," Jensen said, "now had to deal with complex development and consumer credit loans, with no training and an inadequate staff." The Reagan administration had no inclination to beef up the regulatory corps. "Charles Keating had fifty lawyers and accountants, all of whom had salaries over \$100,000." Entry-level bank examiners at far lower salaries had neither time, skill, nor institutional support to do their jobs.

Will the FDIC be next? Possibly, says Mr. Jensen. He argues for a regulatory overhaul aimed at simplifying and clarifying the work of bank regulators. European banks, he noted, have far less complex regulations, and confidence in their stability remains high.

Richard Barbuto, Esq., financial lawyer and HGS trustee, provided an overview of broader economic and political forces behind the banking mess.

"The banks who fail are the small ones," he noted. The policy of "too big to fail" reveals how critical the state of money and banking is to the whole political economy. "The trend among big banks is to become bigger and bigger," he said. This shifts funds from local banks to huge corporations, and the American taxpayers are largely unaware of the process. The solution, according to Mr. Barbuto, is to "create a crisis for our so-called elected officials. Voters must insist on healthy regulation. Big banks can't be trusted to provide for people's interests — accountability must be enforced." Taxpayers must not be compelled to take risks for entrepreneurs.



Richard Barbuto, Esq.

Populist Rage in the 90s

Populist Rage in the 90s was examined on Friday February 15th by Dennis King, author of *Lyndon LaRouche and the New American Fascism*. Mr. King revealed the stories and statistics behind the rise to popularity of two leading figures of the American far right: David Duke and Lyndon LaRouche. LaRouche, a Trotskyist in the 1940s, began building an elitist political machine based on neo-Nazi ideas and methods in the 1970s, taking advantage of poor and middle-class white discontent with the system. For example, he exploited the plight of farmers in the 80s and thereby got about 2000 local candidates to run for office as LaRouche Democrats. LaRouche himself was a Presidential contender in 1980. Although LaRouche is now serving time in prison, Mr. King contends that mainstream American media soft-pedalled and even ignored the fascist nature of LaRouche and his followers. For example, the *New York Times*, in covering a speech by Senator Moynihan, left out his calling the LaRoucheans neo-Nazis. Focus instead was on LaRouche's bizarre conspiracy theories (e.g., the Queen of England is behind the drug trade, and homosexuality is caused by the Jews). Dismissing LaRouche as a kook served his purposes very well.

David Duke, handsome ex-Ku Klux Klan leader, was likewise ignored by the major media, or dismissed as a "fluke" even as he rose to political power in the Louisiana Republican Party. Like LaRouche, Duke has brought in hundreds of thousands of votes. King expects Duke, now running for Governor, to try for the Presidential nomination in '92. The Louisiana Coalition Against Naziism prevented his getting elected into the US Senate (he got 65% of the white vote, and needed only 5 or 6% more).

Mr. King also examined the new Populist Party, which has been unable to successfully compete with the two major parties. To cope with this, Populists adopted in 1987, according to King, a policy of tripartism, which calls for running in any of the three parties as conditions warrant. King predicted a continued rise of both fascism and white populism in the 90s. A successful conclusion to the Persian Gulf war will strengthen George Bush against "populist rage." Mr. King's talk raised some questions as well as answered others: Has the Gulf war been used to bolster Mr. Bush's popularity in the face of US economic disintegration? Is the current administration (and the values and agenda it stands for) the only viable alternative to extreme fascism/racism? Is the only choice the lesser of two evils? Is there, instead, a middle way that transcends, or synthesizes the best of, "left" and "right"?



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