of bank lending to commerce and industry -- down $2.4 billion since the beginning of the year. Corporate borrowing through the bond market is however expected to reach only half last year's level.

With all opportunities for productive investment gone and with the currency markets too "risky," the stock market becomes the "only game in town."

Just how dangerous this "game" is is shown by reports that individual investors flooded the market on Friday, buying heavily on margin; they caught institutional investors, who had expected the rally to subside off guard, forcing them to cover themselves with frantic purchases. The fact that a large part of the buying is on borrowed money only exaccerbates the situation; just as in 1929, the greater today's euphoria, the greater tomorrow's crash.

BANKING WEAKNESS

The frenzied stock market activity, also occurred against the background of the third largest collapse in the nation's history, that of Hamilton Bancshares. The Hamilton failure has ripple effects on banks as far away as London, New York, and Tokyo. A banking syndicate led by Manufacturers Hanover is now threatened with possible default on a $103.5 million loan to the southern-based bank holding company. Included in the syndicate are other major New York banks and Western American, a London-based consortium, whose major stockholders are the Bank of Tokyo, the National Bank of Detroit, the Security Pacific Bank in Los Angeles, Wells Fargo of San Fransisco, and the Hambros Bank in Britain.

As the recently exposed U.S. Comptroller of the Currency's list of "problem banks" reveals, Hamilton is no isolated case. As many bankers know, Hamilton is just as sound as Chase Manhattan or Citibank or any of the other New York money center banks. The immediate reason for the bankruptcy of Hamilton, was that like many other Southern banks, its portfolio full of speculative real estate loans went bad. Yet, the New York banks have much larger "bad" Real Estate Investment Trust loans carried on their books as assets than did Hamilton - an billions more in "soft" loans to other areas. The large New York money center banks, Hamilton's major creditors, actually maneuvered the Hamilton parent company into bankruptcy -- part of a policy of deliberate triage against weaker regional banks. Such moves are aimed at forestalling the day when the New York banks are themselves forced into insolvency.

However, the continuing sharp drop in banks commercial and industrial loans nationwide will only increase the ratio of such "soft" loans in banks portfolios - leading to a total blowout of the U.S. banking system in the weeks ahead -- enough even to make today's believers in the recovery give up their pipedreams.