

FOR IMMEDIATE RELEASE
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"TOO BIG TO FAIL" DOCTRINE

WASHINGTON -- SENATOR BOB DOLE (R-KS) ISSUED THE FOLLOWING STATEMENT TODAY:

MR. PRESIDENT, EVER SINCE THE 1930S, THE AMERICAN PEOPLE HAVE RELIED UPON THE FEDERAL DEPOSIT INSURANCE FUND AS A SOURCE OF PROTECTION -- A SECURITY BLANKET -- FOR THE HARD-EARNED MONEY THAT THEY DEPOSIT IN OUR NATION'S BANKS. THE INSURANCE FUND HAS WORKED EXTREMELY WELL -- BACKING DEPOSITS UP TO \$100,000 WITH THE "FULL FAITH AND CREDIT" OF THE UNITED STATES.

DISTORTION OF FEDERAL DEPOSIT INSURANCE

IN RECENT YEARS, HOWEVER, FEDERAL BANKING REGULATORS HAVE DISTORTED THE ORIGINAL PURPOSE OF THE INSURANCE FUND. THEY HAVE MADE THE INSURANCE FUND "REGRESSIVE" BY INSTITUTIONALIZING SOMETHING CALLED THE "TOO BIG TO FAIL" DOCTRINE, WHICH IS NOTHING MORE THAN A SHORTHAND WAY OF SAYING THAT "THE BIG BANKS" -- AND THOSE DEPOSITORS IN THE BIG BANKS -- GET PREFERENTIAL TREATMENT WHEN IT COMES TO DEPOSIT INSURANCE PROTECTIONS.

THIS PREFERENTIAL TREATMENT ARTIFICIALLY HINDERS THE ABILITY OF SMALL BANKS TO ATTRACT DEPOSITORS. IT MAKES SMALL BANKS LESS COMPETITIVE. AND IT IS PARTICULARLY UNFAIR, SINCE IT IS THE LARGE BANKS -- NOT THE SMALL BANKS -- WHO POSE THE GREATEST RISKS TO THE OVERALL FEDERAL DEPOSIT INSURANCE SYSTEM.

THE DOCTRINE IN ACTION

WE SAW THE "TOO BIG TO FAIL" DOCTRINE IN ACTION IN 1984 WHEN THE CONTINENTAL ILLINOIS NATIONAL BANK FAILED AND ALL DEPOSITS -- INCLUDING DEPOSITS IN EXCESS OF \$100,000 -- WERE HONORED AND PAID OFF BY THE FEDERAL GOVERNMENT.

WE SAW THE DOCTRINE IN ACTION AGAIN LAST YEAR WHEN THE BANK OF NEW ENGLAND STOOD ON THE BRINK OF BANKRUPTCY, HAVING NO CASH ON-HAND TO COVER SOME \$180 MILLION IN COMMERCIAL OBLIGATIONS THEN COMING DUE. LIKE THE LONE RANGER SWOOPING DOWN FROM THE HILLTOP, THE IRS CAME TO THE RESCUE, GIVING THE BANK A LAST-MINUTE TAX REFUND -- JUST IN TIME TO HELP FINANCE THESE DEBTS.

THE NEED FOR EQUITABLE TREATMENT

DON'T GET ME WRONG. I AM NOT SUGGESTING THAT THE FEDERAL GOVERNMENT HAS NO ROLE TO PLAY IN PROVIDING ASSISTANCE TO A LARGE BANK FACING FINANCIAL HARD TIMES. THERE ARE OBVIOUSLY LEGITIMATE POLICY REASONS FOR ENSURING THAT THE VERY LARGEST FINANCIAL INSTITUTIONS IN THIS COUNTRY REMAIN ON SOLID FINANCIAL FOOTING.

BUT FAVORABLE TREATMENT FOR THE BIG BANKS SHOULD NOT MEAN UNEQUAL TREATMENT FOR OUR NATION'S SMALLER BANKS. THE SMALL BANKS OF THIS COUNTRY -- THE BANKS IN SALINA, KANSAS; AMES, IOWA; SALISBURY, NORTH CAROLINA -- SHOULD RECEIVE THE SAME TREATMENT AS THE LARGE MONEY-CENTER BANKS WHEN IT COMES TO ENJOYING THE FULL PROTECTIONS OF THE FEDERAL DEPOSIT INSURANCE SYSTEM. AND DEPOSITORS IN SMALL BANKS SHOULD FACE THE SAME RISKS -- NOT GREATER RISKS -- THAN THEIR COUNTERPARTS IN THE BIG BANKS.

MR. PRESIDENT, A RE-THINKING OF THE "TOO BIG TO FAIL" DOCTRINE IS NOT TOO MUCH TO ASK FOR.

EQUAL TREATMENT AND EQUAL RISK UNDER THE FEDERAL DEPOSIT INSURANCE SYSTEM -- THAT SHOULD BE THE DOCTRINE GUIDING OUR FEDERAL BANKING REGULATORS.