

REMARKS OF CONGRESSMAN BOB DOLE

KANSAS SAVINGS AND LOAN LEAGUE CONVENTION
WICHITA, KANSAS
FRIDAY, MAY 10, 1968

WITH THE POSSIBLE EXCEPTION OF POLITICS, THERE IS NOT A MORE UNPREDICTABLE SUBJECT IN 1968 THAN MONETARY AND FISCAL MATTERS.

I APPROACH BOTH SUBJECTS -- POLITICS AND FISCAL MATTERS -- RELUCTANTLY, BECAUSE CHANGES DO OCCUR SO RAPIDLY. I DOUBT THAT ANYONE HERE IN THIS ROOM CAN PREDICT WHAT WILL HAPPEN POLITICALLY IN 1968 OR FISCALLY IN 1968.

SPEAKING OF PREDICTIONS REMINDS ME OF THE ANECDOTE I SAW IN THE WALL STREET JOURNAL SOME TIME AGO. WHEN ASKED WHETHER THE STOCK MARKET IS AN ACCURATE BELLWETHER OF ECONOMIC TRENDS, THE BROKER REPLIED "ABSOLUTELY". "AS A MATTER OF FACT", HE SAID, "THE STOCK MARKET HAS ACCURATELY PREDICTED 9 OUT OF THE LAST 4 DEPRESSIONS".

WELL, AS YOU KNOW, THE MOST RECENT BIG NEWS CONCERNING MONEY OCCURRED JUST THIS WEEK.

-WILL THERE BE A SURTAX?-

LATE WEDNESDAY, MAY 8, A HOUSE-SENATE CONFERENCE COMMITTEE SAID IT WILL RECOMMEND A \$6 BILLION SPENDING CUT, TO BE COUPLED WITH PRESIDENT JOHNSON'S RECOMMENDED 10 PER CENT INCOME TAX SURCHARGE.

PRESIDENT JOHNSON HAS DECLARED IN THE PAST THAT CUTTING THE BUDGET MORE THAN \$4 BILLION WOULD THROW THE GOVERNMENT INTO "CHAOS". NOW THE QUESTION HAS BEEN RAISED THAT IF CONGRESS STICKS WITH THE \$6 BILLION CUT, THAT THE PRESIDENT MIGHT VETO THE PACKAGE.

THE FACT THAT THE HOUSE-SENATE CONFEREES REACHED AN AGREEMENT DOES NOT BY ANY MEANS ASSURE PASSAGE OF THE SPENDING CUT - SURTAX PROPOSAL. VOTING TO INCREASE TAXES AT ANY TIME IS UNPOPULAR, BUT IN AN ELECTION YEAR COULD BE SUICIDAL FOR MANY MEMBERS OF CONGRESS.

IN ADDITION, SOME TOP ECONOMISTS NOW STATE THAT WITH SOME PROSPECTS OF PEACE IN VIETNAM, A TAX INCREASE IS NOT NECESSARY. AT ANY RATE, THIS WILL PROBABLY BE THE MOST DIFFICULT DECISION MEMBERS OF CONGRESS WILL MAKE THIS YEAR. SOME MEMBERS -- THOSE WHO VOTE FOR ALL THE SPENDING PROGRAMS -- HAVE ALREADY ANNOUNCED THEY OPPOSE ANY TAX INCREASE. OTHER MEMBERS -- WHO HAVE VOTED CONSISTENTLY AGAINST GREAT SOCIETY SPENDING -- FEEL NO COMPULSION TO BALE OUT THE "LIBERALS", BUT AT THE SAME TIME, FOR THE MOST PART, WANT TO ACT RESPONSIBLY. IT PERHAPS BOILS DOWN TO ALTERNATIVES AND HOW THE ALTERNATIVES MIGHT AFFECT THE AMERICAN PEOPLE. A TAX INCREASE IS CERTAINLY NOT DESIRABLE, BUT NEITHER IS MORE INFLATION OR POSSIBLE DEVALUATION OF THE DOLLAR.

-H. R. 13718-

I WOULD BE REMISS IF I DID NOT MENTION H. R. 13718. THIS SO-CALLED FEDERAL CHARTER BILL HAS, AS YOU MAY KNOW, GENERATED CONSIDERABLE MAIL TO CONGRESSIONAL OFFICES.

I AM ADVISED BY THE U. S. SAVINGS AND LOAN LEAGUE THAT THIS BILL REPRESENTS YOUR ORGANIZATION'S PRIMARY LEGISLATIVE PROGRAM FOR THIS YEAR. OPPOSITION TO THIS LEGISLATION REPRESENTS THE PRIMARY CONCERN OF THE AMERICAN BANKERS ASSOCIATION.

IN SUCH CLASSIC STRUGGLES AS THIS ONE, IT SEEMS SOME MEMBERS OF CONGRESS OFTEN ARE MISLED INTO THINKING THAT ALL MEMBER INSTITUTIONS OF THOSE NATIONAL ASSOCIATIONS INVOLVED THINK ALIKE -- THAT THERE ARE NO DIFFERENCES OF OPINION.

I UNDERSTAND SUCH DIFFERENCES OF OPINION -- OR SHADES OF SUPPORT OR OPPOSITION -- EXIST WITHIN THE KANSAS GROUP REPRESENTED HERE TODAY.

REALIZING THIS, PERHAPS YOU WILL BE INTERESTED IN A BRIEF REVIEW OF THE BILL'S LEGISLATIVE HISTORY.

- "TAKE ME ALONG IF YOU LOVE ME" -

ONE OF THE BEST FINANCIAL WRITERS IN WASHINGTON HAS SUGGESTED THE WORDS TO THE SONG USED IN UNITED AIR LINES' T. V. COMMERCIALS APPLY TO THE FEDERAL CHARTER BILL.

MANY OBSERVERS ARE WONDERING IF THE WORDS -- "TAKE ME ALONG -- IF YOU LOVE ME" -- ALSO DESCRIBE THE ATTITUDE OF MUTUAL SAVINGS BANKS TOWARD SAVINGS AND LOAN ASSOCIATIONS IN VIEW OF THE JOINT SPONSORSHIP OF THE FEDERAL CHARTER BILL.

FOR SOME TIME, IT HAS BEEN APPARENT THAT THIS PET MEASURE OF THE SAVINGS BANKS HAD LITTLE CHANCE OF ACCEPTANCE ON CAPITOL HILL SO LONG AS THE SAVINGS AND LOAN INDUSTRY OPPOSED IT.

POSSIBLY, THE SAVINGS BANKS NOW HOPE TO RIDE ON THE POLITICAL MUSCLE OF THE SAVINGS AND LOAN ASSOCIATIONS.

IN ANY EVENT, IT IS EVIDENT THE TWO HOPE TO "FLY THE FRIENDLY SKIES -- UNITED!".

- THE BEGINNING OF THE BILL -

THE PATH WHICH LED TO THE PRESENT BILL HAS STRETCHED OVER AT LEAST A DECADE.

IN 1957 AND 1958 THE FIRST BILLS TO PROVIDE FOR FEDERAL CHARTERING OF MUTUAL SAVINGS BANKS WERE INTRODUCED. LARGELY REFLECTING THE WISHES OF THE NEW YORK CITY SAVINGS BANKS, THE BILLS DID NOT HAVE THE FORMAL SUPPORT OF THE NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS. THAT ASSOCIATION'S ENDORSEMENT WAS OBTAINED IN 1960, AND A NEW VERSION OF THE FEDERAL CHARTERING BILL WAS INTRODUCED. SUBSEQUENTLY, THE BILL WAS REVISED AND REINTRODUCED.

AT THIS STAGE, FEDERAL CHARTERING WAS PURELY A MUTUAL SAVINGS BANK PROJECT. ITS STATED OBJECTIVE WAS TO FACILITATE AND ENCOURAGE AN INCREASED FLOW OF REAL SAVINGS TO FINANCE NEW HOUSING AND OTHER CAPITAL FORMATION. OTHER OBJECTIVES WERE MENTIONED, BUT THE MAJOR CONTENTION WAS THAT FEDERAL CHARTERING OF MUTUAL SAVINGS BANKS WOULD BE IN THE PUBLIC INTEREST BECAUSE INCREASED SAVINGS WOULD REDUCE INFLATIONARY PRESSURES AND STIMULATE AN INCREASED FLOW OF FUNDS TO THE RESIDENTIAL MORTGAGE MARKET.

- OTHER OBJECTIVES OF MUTUALS -

ONE CANNOT QUARREL WITH EITHER THAT OBJECTIVE OR WITH THE SINCERITY OF THE PROPONENTS. HOWEVER, THE PROPONENTS ALSO HAD OTHER ENDS IN MIND.

FIRST WAS THE DESIRE OF MUTUAL SAVINGS BANKERS TO BROADEN THEIR POWERS UNDER STATE LAW BY USING A FEDERAL CHARTERING STATUTE TO BRING PRESSURE TO BEAR ON STATE LEGISLATURES.

THE SECOND OBJECTIVE WAS TO RESTORE THE DECLINING SIGNIFICANCE OF THE MUTUAL SAVINGS BANK INDUSTRY -- INDEED TO HAVE SAVINGS BANKS REPLACE SAVINGS AND LOANS AND BECOME THE MAJOR THRIFT INDUSTRY IN THE COUNTRY.

MUTUAL SAVINGS BANKERS WERE QUITE CONSCIOUS OF THE FACT THAT PARTICULARLY AFTER WORLD WAR II, SAVINGS AND LOANS OUTSTRIPPED THEM IN GROWTH SO THAT BY THE 1960'S IT WAS THE MUTUAL SAVINGS BANKS WHO WERE THE "JUNIOR" PARTNER OF THE THRIFT INDUSTRY. NOT ONLY WAS THEIR STATURE SUFFERING, BUT THEY WERE EVEN BEGINNING TO SUFFER FROM COMMERCIAL BANK COMPETITION.

OBVIOUSLY A FEDERAL CHARTERING BILL MIGHT ATTRACT SOME SAVINGS AND LOANS TO CONVERT TO THE MUTUAL SAVINGS BANK CAMP, THUS STRIPPING THE SAVINGS AND LOAN INDUSTRY OF MANY OF ITS IMPORTANT INSTITUTIONS.

AND SO PROVISIONS OF VARIOUS BILLS WERE ALTERED TO MAKE THEM MORE ATTRACTIVE TO SAVINGS AND LOANS.

- ACQUIRES OUTSIDE SUPPORT -

THE BILL ADVANCED UP THE LEGISLATIVE LADDER, ACQUIRING PRESTIGIOUS OUTSIDE SUPPORT. IN 1961, FOR EXAMPLE, THE COMMISSION ON MONEY AND CREDIT RECOMMENDED FEDERAL CHARTERING FOR MUTUAL SAVINGS BANKS. IN 1963, PRESIDENT KENNEDY'S COMMITTEE ON FINANCIAL INSTITUTIONS ALSO RECOMMENDED FEDERAL CHARTERING.

INTERESTINGLY, HOWEVER, NEITHER OF THESE GROUPS SEEMED ESPECIALLY IMPRESSED WITH THE ARGUMENT THAT FEDERAL CHARTERING FOR MUTUAL SAVINGS BANKS WOULD INCREASE THE VOLUME OF SAVINGS AND THE FLOW OF FUNDS TO THE RESIDENTIAL MORTGAGE MARKET -- THE OSTENSIBLE OBJECTIVE OF THE MEASURE.

- SAVINGS & LOANS OPPOSE INITIALLY -

MEANWHILE, SAVINGS AND LOAN LEADERS WERE BECOMING RESTLESS OVER THE MUTUAL SAVINGS BANK EFFORTS ON THE FEDERAL CHARTERING PROPOSAL.

IN OPPOSING THE BILL IN 1963, THE U. S. SAVINGS AND LOAN LEAGUE SAID IF THERE WAS TO BE A SINGLE THRIFT INDUSTRY, "THE IDEAL VEHICLE... IS THE SAVINGS AND LOAN SYSTEM". THE LEAGUE STATEMENT ADDED, "IF THERE ARE SOME MINOR IMPROVEMENTS THAT NEED TO BE MADE TO SAVINGS AND LOAN ASSOCIATIONS, THESE CHANGES SHOULD BE MADE. THIS WOULD PROVIDE A NATION-WIDE SYSTEM OF THE 'SAVINGS BANK' TYPE OF INSTITUTION 'OVERNIGHT'. THERE IS NO NEED TO CREATE A BRAND NEW FEDERAL MUTUAL SAVINGS BANK SYSTEM TO ACCOMPLISH THE RESULT."

THE LEAGUE THEN SUBMITTED ITS OWN LEGISLATIVE PROPOSAL WHICH IT TOLD THE COMMITTEE WAS "A FAR MORE PRACTICAL AND EFFECTIVE WAY TO ACCOMPLISH THE OBJECTIVE OF THE SAVINGS BANK BILL".

- ATTITUDE OF BANKS -

THE THIRD INTERESTED PARTY AT THIS TIME, AND TODAY, WAS, OF COURSE, THE COMMERCIAL BANKING INDUSTRY.

OVER THE NEXT SEVERAL YEARS, THERE WAS A KIND OF UNEASY ALLIANCE BETWEEN THE SAVINGS AND LOANS AND THE COMMERCIAL BANK INDUSTRY AGAINST FEDERAL CHARTERING OF MUTUAL SAVINGS BANKS. SO LONG AS THE ALLIANCE CONTINUED, PASSAGE OF THE SAVINGS BANKS MEASURE WAS VIRTUALLY IMPOSSIBLE.

BUT THE OLD ALLIANCE -- IF IT EVER IN FACT EXISTED -- IS NO MORE.

- NEW ALLIANCE CREATED -

NOW THE TEAM MEMBERS ARE THE SAVINGS AND LOANS AND THE MUTUAL SAVINGS BANKS. THIS NEW ALLIANCE SEEMS TO BE BASED ON FOUR FACTORS.

FIRST, BOTH INDUSTRIES HAVE ALWAYS FORESEEN THE LONG-RUN DESIRABILITY OF UNIFICATION. THE OBSTACLE WAS JUST WHO WOULD "UNIFY" WHOM.

SECOND, IT WOULD BE SURPRISING IF SOME SAVINGS AND LOANS FAILED TO BECOME DISGRUNTLED OVER THE OPPOSITION OF INDUSTRY'S LEADERS. AFTER ALL, THE BILL PROVIDED SIGNIFICANTLY EXPANDED POWERS FOR SAVINGS INSTITUTIONS AND WOULD ALSO PERMIT SAVINGS AND LOANS TO ACQUIRE THE TITLE OF "BANK".

THIRD, MANY CONGRESSMEN -- PARTICULARLY THOSE FROM STATES WITH BOTH SAVINGS AND LOANS AND MUTUAL SAVINGS BANKS--- HAVE THE NATURAL INCLINATION WHEN FACED WITH COMPETING DEMANDS FROM TWO SETS OF CONSTITUENTS TO PRESS FOR SOME SORT OF COMPROMISE.

THIS IS WHAT HAPPENED LAST JULY DURING HEARINGS ON THE TWO COMPETING BILLS.

FOURTH, THERE WAS INCREASING AWARENESS ON BOTH SIDES THAT POLITICAL FACTS OF LIFE DICTATED MORE COULD BE DONE IF THE TWO SIDES WERE ALIGNED.

I UNDERSTAND LAST AUGUST 14-15, THE EXECUTIVE VICE PRESIDENTS OF YOUR NATIONAL LEAGUE AND THE NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS MET IN INDIANA, AND A DRAFT BILL WAS PREPARED.

- NEW YORK DRAFT -

SUBSEQUENTLY, AT A NEW YORK CITY SESSION, FINAL TOUCHES WERE PUT ON A BILL WHICH COULD BE SPONSORED BY BOTH ASSOCIATIONS, AND COPIES WERE SENT TO THE RESPECTIVE MEMBERSHIPS UNDER THE TITLE, "NEW YORK CONSOLIDATED DRAFT".

ESSENTIALLY THE "NEW YORK CONSOLIDATED DRAFT", WITH MINOR CHANGES, IS THE BILL CURRENTLY AWAITING ACTION BY THE HOUSE COMMITTEE ON RULES. IN PREDICTING THE FINAL OUTCOME, THE STRANGE HISTORY OF THIS LEGISLATION COULD PROVE TO HAVE A SIGNIFICANT EFFECT.

- EFFECTS OF BILL'S RECENT HISTORY -

MORE RECENT HISTORY OF THE BILL ALSO CASTS SOME DOUBT ON THE VALIDITY OF THE ARGUMENT THAT CREATION OF THESE NEWLY-CHARTERED INSTITUTIONS WOULD INCREASE THE FLOW OF SAVINGS TO THE MORTGAGE MARKET.

IN ADDITION, PROPONENTS OF H. R. 13718 ASSUME THAT ENOUGH ADDITIONAL SAVINGS WOULD BE ATTRACTED TO OFFSET THE INCREASE GOING INTO OTHER INVESTMENTS.

EXPERIENCE DOES NOT SUPPORT THIS, AS DEMONSTRATED BY THE PERFORMANCE OF MUTUAL SAVINGS BANKS WHICH ALREADY HAVE GREATER FLEXIBILITY THAN SAVINGS AND LOANS.

IN STATES WHICH CHARTER MUTUAL SAVINGS BANKS, THE ANNUAL RATE OF GROWING OF SAVINGS AND LOAN ASSOCIATIONS HAS BEEN TWICE THAT OF MUTUAL SAVINGS BANKS IN THE POST WORLD WAR II YEARS.

IN THE RELATIVELY NORMAL YEAR 1967 -- FOLLOWING THE 1966 CREDIT CRUNCH -- TOTAL ASSETS OF MUTUAL SAVINGS BANKS INCREASED BY ABOUT \$5.4 BILLION. 48 PER CENT OF THAT \$5.4 BILLION WENT INTO RESIDENTIAL MORTGAGES. THE REASON IS SIMPLE: HIGH YIELDING ALTERNATIVES WERE AVAILABLE -- MAINLY CORPORATE BONDS, WHICH ATTRACTED NEARLY \$2.5 BILLION.

I AM NOT CONVINCED BY THE ARGUMENTS THAT A SIGNIFICANTLY DECREASED SHARE OF SAVINGS AND LOAN ASSETS IN RESIDENTIAL MORTGAGES WOULD LEAD TO AN INCREASED FLOW OF FUNDS TO THE MORTGAGE MARKET BECAUSE THE EMERGING NEW INSTITUTIONS COULD MORE VIGOROUSLY COMPETE FOR THE SAVER'S DOLLAR.

ON THE OTHER HAND, THERE IS SOMETHING TO BE SAID FOR THOSE WHO INSIST THAT SAVINGS AND LOANS MUST HAVE BROADER LENDING AND INVESTING POWERS IN THE YEARS AHEAD.

- ONE-STOP BANKING SERVICES -

I AM IMPRESSED WITH THE ARGUMENT THAT IN FUTURE YEARS THE PUBLIC INCREASINGLY WILL DEMAND WHAT WE HAVE COME TO CALL "ONE-STOP" BANKING SERVICES. REGARDLESS OF THE OUTCOME OF THIS LEGISLATION, THE SAVINGS AND LOAN INDUSTRY WILL, I KNOW, CONTINUE TO WORK TOWARD THESE BROADER LENDING AND INVESTING POWERS.

- TAXES AND THE BILL -

WHETHER WE LIKE IT OR NOT, TAXES WILL CONTINUE TO BE INJECTED INTO THE CURRENT DEBATE ON THIS LEGISLATION.

I THINK IT IS SIGNIFICANT THAT THE TREASURY DEPARTMENT WAS SILENT ON ANY PROPOSED CHANGES IN TAX TREATMENT OF MUTUAL SAVINGS BANKS AND SAVINGS AND LOANS UNTIL THE BILL WAS ABOUT TO BE FAVORABLY REPORTED BY THE HOUSE BANKING COMMITTEE. IT SEEMS TO ME THAT TREASURY REVIEW OF THE TAX STATUS OF MUTUAL SAVINGS BANKS WOULD OPEN FOR REINSPECTION THE RATHER FAVORABLE TREATMENT ACCORDED SAVINGS AND LOANS BY THE 1962 REVENUE ACT.

IN THIS PERIOD OF TIGHT CREDIT, ANY INCREASE IN THE TAXING OF MUTUAL SAVINGS BANKS, SAVINGS AND LOANS OR COMMERCIAL BANKS WOULD ACCELERATE A DESIRE OF THESE FINANCIAL INSTITUTIONS TO SEEK RELIEF THROUGH GREATER INVESTMENT IN TAX-EXEMPT MUNICIPAL BONDS.

TO SAY THE LEAST, THIS COULD BE VERY DISRUPTIVE TO THE HOUSING MARKET.