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January 24, 1989

The Honorable Robert
SH-141 Hart Senate
Washington, D.C. 20

Attention: Betty Me

Dear Senator Dole:

On behalf of the Association of Reserve City Bankers, I would like to invite you to address the Association's Midwinter Meeting on Monday, January 30, 1989 beginning at 12:30 p.m. in the Crystal Room of the Willard Hotel. The Willard is on the corner of Pennsylvania Avenue and 14th Street, N.W.

The Association would like you to speak for 15-20 minutes on the outlook for the new Congress or any other topic of your choice. They would also appreciate it if you would take one or two questions from the audience. They would be pleased to offer you an honorarium of \$2000.

The Association of Reserve City Bankers is an organization of the top 400 bankers in the country. Individuals who are executives at banks with assets of over \$2.5 billion are eligible for membership. Founded in 1912, ARCB concentrates on analysis and development of potential solutions to banking industry problems. The 1989 President is Carl Reichardt, Chairman of Wells, Fargo in San Francisco. Other officials include Vice President Bennett Brown, Chairman of C&S in Atlanta; Treasurer Dan Callahan, Chairman of American Security Bank in Washington; and Director Walter Connolly, Chairman of Bank of New England, Boston.

As a part of their Midwinter Meeting, ARCB bankers will visit members of the Senate and House of Representatives on Monday afternoon, January 30, to express their views on the legislative situation facing the banking industry. President Bush has been invited to speak at dinner Monday evening. Other speakers at the

Senator,
Do you want to do
this?
yes
no

Jaime

Oy

at Willard

Bob Kahl
463-4380

David
open day
speech

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Meeting will include: House Banking Committee Chairman Henry B. Gonzalez, Comptroller of the Currency Robert Clarke, FDIC Chairman William Seidman, Federal Home Loan Bank Board Chairman Danny Wall, and former FDIC Chairman Bill Isaac.

We look forward to hearing from you, and hope that your schedule will allow you to address the Association.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bob Kabel", written in a cursive style.

Robert J. Kabel

RESERVE CITY BANKER

1/27/89, 5:50PM

BUDGET

- O THE MOST IMPORTANT CHALLENGE FACING OUR COUNTRY TODAY IS THE BUDGET DEFICIT.
- O REDUCING THE DEFICIT WOULD HAVE MANY POSITIVE EFFECTS ON OUR ECONOMY, RANGING FROM LOWERING INTEREST RATES TO LOWERING OUR TRADE DEFICIT TO MAKING MORE MONEY AVAILABLE FOR SAVINGS AND INVESTMENT. THESE BENEFITS TRANSLATE INTO MORE HOMES, MORE JOBS AND A BETTER LIFE FOR OUR CHILDREN.
- O SOME PEOPLE HAVE ARGUED THAT DEFICITS AREN'T IMPORTANT, BECAUSE IN TIME WE WILL GROW OUR WAY OUT OF THE PROBLEM. BUT IF YOU LOOK CAREFULLY YOU'LL FIND MANY OF THESE PEOPLE ARE THE SAME BRIGHT THINKERS WHO HELPED GET US INTO THIS MESS IN THE FIRST PLACE -- THE SUPPLY-SIDERS.
- O GROWTH IS IMPORTANT, BUT GROWTH ALONE WILL NOT RELIEVE THE PRESSURE. WE HAVE TO FACE UP TO OUR RESPONSIBILITIES, BECAUSE SOONER OR LATER SOMEONE WILL HAVE TO PICK UP THE TAB. PEOPLE IN MY STATE UNDERSTAND THIS, AND THAT IS WHY THEY STILL THINK DEFICITS MATTER.
- O NOW IS THE TIME TO SHOW AMERICANS THAT WE ARE SERIOUS ABOUT CUTTING THE DEFICIT AND READY TO MEET THE GRAMM-RUDMAN-HOLLINGS TARGET FOR FISCAL YEAR 1990.

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- O AGAIN, LET ME STATE MY POSITION THAT TO BALANCE THE BUDGET WE NEED TO LOOK AT SPENDING CUTS AND NOT NEW TAXES, AS THE AMERICAN PEOPLE HAVE SAID.
- O MAJOR DECISIONS ON THE BUDGET WILL HELP SHAPE DECISIONS ON OTHER POLICY MATTERS -- FROM NATIONAL SECURITY TO HEALTH CARE. RIGHT NOW THE DEFICIT SEVERELY LIMITS THE AMOUNT OF MONEY WE CAN SPEND ON NEW INITIATIVES, AS WELL AS ON OLD PROGRAMS. AS A RESULT, MANY NEW PROGRAMS MAY HAVE TO BE SCALED BACK OR HAVE SOME FORM OF SELF-FINANCING INCLUDED. IN THE AREA OF MILITARY SPENDING, WE MAY NEED TO DISCUSS WHETHER OUR ALLIES SHOULD ASSUME A GREATER RESPONSIBILITY FOR THEIR OWN DEFENSE.
- O AT THIS TIME WE DON'T KNOW EXACTLY WHAT WILL BE ON THE TABLE IN THE UPCOMING BUDGET SEASON. FORMER PRESIDENT REAGAN GAVE US A GOOD STARTING POINT, BUT CONGRESS IS WAITING FOR PRESIDENT BUSH'S CHANGES TO BEGIN THE PROCESS.
- O THE DEMOCRATS HAVE HAD A FIELD DAY DUMPING ON PRESIDENT REAGAN'S BUDGET. I CHALLENGE THEM TO PUT TOGETHER THEIR OWN BALANCED BUDGET PLAN IF THEY THINK THEY CAN DO BETTER. THAT WAY, WHEN THE BUSH ADMINISTRATION PUTS FORWARD THEIR CHANGES, EVERYONE'S CARDS WILL BE ON THE TABLE. AND SERIOUS BUDGET DELIBERATION CAN BEGIN IMMEDIATELY.

01/27/89, 5:30PM

TALKING POINTS ON THIRD WORLD DEBT

- O THE ISSUE OF INTERNATIONAL DEBT CAN'T BE DIVORCED FROM THE BROADER ISSUE OF AMERICAN FOREIGN POLICY. DEALING WITH THIS ISSUE IS ONE OF THE MOST DIFFICULT AND MOST IMPORTANT CHALLENGES FACING OUR NEW PRESIDENT AND HIS SECRETARY OF STATE.
- O THE FINANCIAL PRESS TENDS TO LOOK AT THIRD WORLD DEBT PRIMARILY AS A PROBLEM FOR THE MONEY CENTER BANKS THAT HAVE MADE SUBSTANTIAL LOANS AND ARE NOW WONDERING ABOUT HOW MUCH THEY ARE GOING TO GET BACK.
- O BUT THIS IS NOT JUST A FINANCIAL PROBLEM FOR A FEW LARGE BANKS. THE FINANCIAL CONDITION OF THESE INDEBTED NATIONS AFFECTS THEIR ABILITY TO BUY OUR GOODS AND SERVICES, AS WELL AS TO PAY BACK THE DEBTS THEY OWE. HEAVILY INDEBTED COUNTRIES CAN'T BE EXPECTED TO GROW ENOUGH TO PAY OFF THEIR DEBTS AND BUY MORE AMERICAN GOODS AT THE SAME TIME.
- O AND, IF THEY ARE STRUGGLING TO PAY BACK DEBT, HOW CAN THEY POSSIBLY MAKE ADEQUATE INVESTMENTS FOR FUTURE GROWTH. MEXICO'S NEW PRESIDENT, CARLOS SALINAS DE GORTARI MADE THAT AN ESSENTIAL POINT OF HIS INAUGURAL ADDRESS WHEN HE SAID THAT HIS COUNTRY'S \$103 BILLION DEBT WOULD CEASE TO BE A PRIORITY IF HIS COUNTRY DID NOT RESUME ECONOMIC GROWTH.

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- O PRESIDENT BUSH COULD NOT HAVE ASSEMBLED A BETTER TEAM TO HANDLE THIS ISSUE. JIM BAKER UNDERSTANDS THIS ISSUE AS WELL AS ANY AMERICAN. SECRETARY BRADY WILL CONTRIBUTE A LOT TO THE DISCUSSION AND THE SUPPORTING CAST OF BOB MOSSBACHER, DICK DARMAN AND CARLA HILLS ARE ALL SMART, EXPERIENCED PEOPLE.

BALANCING ADDITIONAL HELP WITH PRESSURE FOR REFORM

- O WE HAVE TO BE REALISTIC. WE HAVE TO COME UP WITH WAYS TO RESTRUCTURE SOME OF THIS DEBT. AND WE ALSO HAVE TO RECOGNIZE THAT THESE COUNTRIES WILL NEED ADDITIONAL EXTERNAL AID IF THEY ARE GOING TO SERVICE THEIR DEBT AND FINANCE INTERNAL GROWTH.
- O WITH THIS IN MIND, OUR STRATEGY SHOULD HAVE THREE BASIC GOALS.
 - FIRST, WE MUST AVOID A PANIC IN THE SHORT-RUN. THE NEXT FEW YEARS WILL BE A CRITICAL PERIOD FOR ALL OF THOSE INVOLVED IN THIS ISSUE.
 - SECOND, WE MUST PROVIDE SOME WAY FOR DEBTOR COUNTRIES TO MEET THE OBLIGATIONS THEY FREELY UNDERTOOK, AND
 - THIRD, WE MUST CRAFT A FLEXIBLE DEBT RESTRUCTURE SYSTEM THAT IS SENSITIVE TO THE INTERNAL ECONOMIC AND POLITICAL NEEDS OF THE DEBTOR COUNTRIES. THESE GOVERNMENTS MUST BE ABLE TO PROVIDE THEIR PEOPLE WITH THE PROSPECT OF GROWING STABILITY AND PROSPERITY.

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- O THIS DOES NOT MEAN THAT THE FEDERAL GOVERNMENT SHOULD IGNORE THE NEED FOR ADDITIONAL REFORMS BY THE INDEBTED COUNTRIES AS A CONDITION FOR OUR CONTINUED HELP.
- O BUT IT DOES MEAN THAT WE MUST BE CAREFUL. IT SEEMS TO ME THAT CREATING A SITUATION WHERE INTERNAL POLITICAL PRESSURES IN THE INDEBTED COUNTRIES MAKE REPAYMENT EVEN LESS LIKELY DOESN'T ACCOMPLISH ANYTHING.
- O IT DOES NO GOOD TO LOAN MORE MONEY OR PROVIDE ADDITIONAL AID TO A COUNTRY IF THERE IS NO REAL HOPE OF TURNING ITS ECONOMY AROUND, NOR DOES IT MAKE ANY SENSE TO FORCE GOVERNMENTS TO IMPLEMENT DRASTIC MEASURES THAT CAUSE THEM TO LOSE THE SUPPORT OF THEIR CITIZENS. WE HAVE TO REVIEW EACH CASE CAREFULLY AND SEPARATELY.

THE BANKS

- O THE BANKS REPRESENTED IN THIS ROOM HAVE BEEN BEARING THE BRUNT OF THE INTERNATIONAL DEBT PROBLEM HERE IN THE U.S. THIS IS PROBABLY FAIR. SOME OF THE PEOPLE IN THIS ROOM MADE THE BUSINESS DECISIONS TO LOAN THE MONEY AND TOOK THE RISKS INVOLVED.
- O SOME HAVE SUGGESTED THAT THE GOVERNMENT SHOULD FORCE THE BANKS TO WRITE DOWN THEIR DEBTS AND, AT LEAST TEMPORARILY, REDUCE THEIR INTEREST RATES, BUT IT IS VERY UNLIKELY THAT THE

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GOVERNMENT WOULD MANDATE CHANGES OF THIS NATURE. I CERTAINLY UNDERSTAND YOUR OPPOSITION TO THESE PROPOSALS.

- O THE ECONOMIC STAKES INVOLVED ARE ENORMOUS, BUT THE POLITICAL STAKES ARE EVEN GREATER. BANKS SHOULD NOT BE EXPECTED TO FOCUS ON THE NATIONAL INTEREST. AS BUSINESSMEN AND WOMEN YOU HAVE YOUR OWN COMMERCIAL INTERESTS TO CONSIDER.
- O BUT NATIONAL INTERESTS ARE AT STAKE. THE STABILITY OF FLEDGLING GOVERNMENTS IN THE DEBTOR NATIONS NEED OUR SUPPORT AT THIS CRUCIAL POINT IN THEIR DEVELOPMENT. WE SHOULD NOT RELY ON COMMERCIAL BANKS TO PROTECT THOSE INTERESTS. IT IS NOT THEIR ROLE TO DETERMINE OR IMPLEMENT OUR FOREIGN POLICY.
- O THE REALITY OF GRAMM-RUDMAN-HOLLINGS AND THE NEED TO REDUCE OUR OWN DEFICIT LIMITS THE AID WE CAN GIVE. BUT THAT DOES NOT MEAN THAT AID IS NOT IMPORTANT. IT MEANS THAT WE MUST RE-EXAMINE PRIORITIES, AND RE-SHAPE OUR AID POLICIES SO THAT THE DOLLARS WE DO GIVE FOSTER ECONOMICALLY SOUND PRINCIPLES AND REAL GROWTH WHERE THEY ARE MOST NEEDED. IT ALSO MEANS THAT OUR ALLIES SHOULD PITCH IN AND GET MORE INVOLVED.

THE ROLE OF OUR GOVERNMENT

- O I DO NOT EXPECT MAJOR CHANGES FROM THE BUSH ADMINISTRATION. BUT, WITH JIM BAKER SERVING AS SECRETARY OF STATE, I EXPECT THAT THE DEBT PROBLEM WILL GET A LOT OF ATTENTION.

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- O MOST OFTEN, WHEN PEOPLE TALK ABOUT THE ROLE OF THE U.S. GOVERNMENT, THEY MEAN MORE FOREIGN AID OR INCENTIVES TO OUR BANK TO CONTINUE LENDING.
- O BUT, MY VIEW, THE GOVERNMENT SHOULD SET AN EXAMPLE. IT'S DIFFICULT TO TELL OTHER COUNTRIES THAT THEY HAVE TO TIGHTEN THEIR BELTS AND GET THEIR ECONOMY IN SOUND CONDITION WHEN WE CONTINUE TO RUN DEFICITS OURSELVES.
- O CERTAINLY OUR INTEREST ON THE DEBT IS A MUCH SMALLER PERCENTAGE OF GNP THAN IN MANY OTHER COUNTRIES. BUT WE HAVEN'T SEEN MUCH WILLINGNESS TO REDUCE THE TOTAL DEBT OUTSTANDING.

THE ROLE OF OTHER GOVERNMENTS

- O WE SHOULD EXERT WHATEVER POWERS OF PERSUASION WE HAVE TO CONVINCE OUR ALLIES TO BE MORE ACTIVE IN COMING TO THE AID OF THE DEBTOR NATIONS. THE U.S. SHOULD NOT HAVE TO GO IT ALONE.
- O JAPAN HAS INDICATED A WILLINGNESS TO WRITE DOWN SOME OF THEIR LOANS, AND MR. GORBACHEV EXPRESSED SIMILAR CONCERNS IN HIS U.N. SPEECH. IN MY VIEW, THEY SHOULD QUIT GIVING SPEECHES AND START WRITING CHECKS.
- O WE NEED A CONCERTED MULTINATIONAL EFFORT IF DEVELOPING COUNTRIES AROUND THE WORLD ARE TO MANAGE THEIR DEBT BURDENS AND BUILD STABLE ECONOMIES FOR THE FUTURE.

01/29/88, 3:00PM

SAVINGS & LOANS

LAST WEEK:

- O SAVINGS AND LOANS HAVE BEEN HEADLINE NEWS AGAIN THIS PAST WEEK. THIS WILL OBVIOUSLY BE A MAJOR ISSUE FOR PRESIDENT BUSH, THE NEW ADMINISTRATION, AND THE 101ST CONGRESS.
- O LAST WEEK, THE CONGRESSIONAL LEADERSHIP HAD A MEETING WITH PRESIDENT BUSH AT THE WHITE HOUSE. AT THAT TIME, THE PRESIDENT INDICATED THAT DEALING WITH THE FSLIC AND THE THRIFT INDUSTRY IS ONE OF HIS TOP PRIORITIES. HE PLANS TO ADDRESS THIS ISSUE AS PART OF HIS STATE OF THE UNION ADDRESS ON FEBRUARY 9.
- O THERE HAVE BEEN A LOT OF STORIES ABOUT THE PROPOSALS THAT ARE BEING CONSIDERED BY THE TREASURY DEPARTMENT. THE PROPOSED FEE ON DEPOSIT AN OBVIOUS EXAMPLE. I DON'T THINK THAT IT IS APPROPRIATE FOR THOSE OF US IN CONGRESS OR THOSE IN THE PRESS TO SPECULATE ON PROVISIONS IN A PACKAGE WE HAVEN'T EVEN SEEN YET. IN MY VIEW, WE OUGHT TO HOLD OFF UNTIL PRESIDENT BUSH APPROVES A PACKAGE.

PUBLICITY AND DEPOSITOR CONFIDENCE:

- O THE SAVINGS AND LOAN INDUSTRY OBVIOUSLY HAS SOME BIG PROBLEMS. FRAUD, MISMANAGEMENT, INADEQUATE OVERSIGHT AT THE

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STATE AND FEDERAL LEVEL, CONGRESSIONAL INACTION, AND REGIONAL ECONOMIC PROBLEMS WERE ALL BIG CONTRIBUTORS. BUT, NOW THE PROBLEM IS ON OUR DESKS AND WE HAVE TO DEAL WITH IT. I THINK THAT THE WAY THAT WE DISCUSS POSSIBLE SOLUTIONS COULD HAVE A DRAMATIC IMPACT ON THE PROBLEM ITSELF.

- O RIGHT NOW, THE MARKET IS REACTING TO EVERY BIT OF NEWS THAT COMES OUT ON THIS ISSUE. THESE GIANT NUMBERS -- \$50 BILLION, \$75 BILLION, \$100 BILLION -- ARE EVERYWHERE AND PEOPLE ARE GETTING CONCERNED ABOUT THEIR DEPOSITS. SECRETARY BRADY HAS TO KEEP THAT IN MIND.
- O PRESIDENT BUSH HAS SAID THAT HE IS GOING TO BE A "HANDS ON PRESIDENT" AND WE HAVE ALREADY SEEN HIM GET INVOLVED IN THIS ISSUE. HIS STATEMENT ON FRIDAY THAT "SAVINGS AND LOAN DEPOSITS ARE BACKED BY THE FULL FAITH AND CREDIT OF THE GOVERNMENT" WAS CLEARLY A MOVE TO REASSURE DEPOSITORS THAT THEIR DEPOSITS ARE SAFE.

NUMBERS AND ESTIMATES:

- O WE HAVE ALL SEEN THE NUMBERS FOR 1988. LAST YEAR, THE BANK BOARD RESOLVED 222 INSOLVENT THRIFT CASES AT AN ESTIMATED TOTAL COST TO FSLIC OF \$38.6 BILLION. THE PROBLEM IS THAT THIS FIGURE MAY NOT ACCURATELY REFLECT THE FUTURE PAYMENTS FSLIC WILL HAVE TO MAKE ON THESE DEALS.

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- O CONGRESS CLEARLY HAS AN OVERSIGHT ROLE TO PLAY. THE FLURRY OF ACTIVITY WE SAW IN DECEMBER RAISED A LOT OF EYEBROWS. IN THE WEEKS AHEAD, BANK BOARD OFFICIALS WILL BE ASKED TO JUSTIFY THEIR DECISIONS, ESPECIALLY ON THE DECEMBER DEALS.
- O THE SIZE AND CONTINUED GROWTH IN THE ESTIMATES OF THE FINANCIAL ASSISTANCE REQUIRED BY THE FSLIC HAVE BECOME A REAL SOURCE OF CONTENTION. OVER THE PAST YEAR, SOME ESTIMATES HAVE MORE THAN DOUBLED.
- O ACCORDING TO THE FEDERAL HOME LOAN BANK BOARD, THE THRIFT INDUSTRY SUFFERED A NET OUTFLOW OF DEPOSITS FOR 8 CONSECUTIVE MONTHS IN 1988. IN NOVEMBER ALONE, THE INDUSTRY LOST OVER \$7 BILLION IN DEPOSITS. THE FIGURES AREN'T IN FOR DECEMBER YET, BUT WITH ALL THE PUBLICITY S&LS RECEIVED AT THE END OF THE YEAR, I WOULD EXPECT IT TO BE EVEN HIGHER.
- O A SHRINKING DEPOSIT BASE MAKES THIS PROBLEM EVEN MORE DIFFICULT TO RESOLVE. THRIFTS WILL LIKELY BID UP THE COST OF FUNDS FOR EVERYONE ELSE AS THEY TRY TO RECRUIT DEPOSITS. THAT OBVIOUSLY HAS AN IMPACT ON YOUR BUSINESS.
- O ANOTHER PROBLEM WITH FSLIC ESTIMATES IS THAT MUCH OF THE SUDDEN GROWTH IN SIZE OF THE ESTIMATES CAN BE ATTRIBUTED TO ACCOUNTING. MANY S&LS ARE JUST NOW RECOGNIZING LOSSES THAT OCCURRED 3 TO 5 YEARS AGO.

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- O THE BANK BOARD HAS FILED SUIT AGAINST A NUMBER OF ACCOUNTING FIRMS ACCUSING THEM OF NEGLIGENCE. BUT, THE FACT IS THAT THE REGULATORY ACCOUNTING PRINCIPLES THAT WERE IN PLACE OVER THE PAST FEW YEARS MADE IT RELATIVELY EASY TO "PAPER OVER" LOSSES.

- O REGARDLESS OF THE SIZE OF THE PROBLEM, WE HAVE TO MAKE SURE THAT WE TAKE APPROPRIATE STEPS TO RESOLVE IT ONCE AND FOR ALL. AS OMB DIRECTOR RICHARD DARMAN STATED DURING HIS CONFIRMATION HEARINGS, "WE DON'T WANT THIS PROBLEM BACK ON OUR DESKS FIVE YEARS FROM NOW."

1/27/89

LEVERAGED BUYOUTS

- O LAST NOVEMBER, RJR NABISCO CO., MAKERS OF OREO COOKIES, ANIMAL CRACKERS AND OTHER POPULAR FOOD PRODUCTS AND ONE OF AMERICA'S GREAT COMPANIES, WAS SOLD TO THE LEVERAGED BUYOUT FIRM OF KOHLBERG KRAVIS ROBERTS & CO. FOR A MIND-BOGGLING \$25 BILLION.
- O THE STAGGERING AMOUNT OF DEBT INVOLVED IN THE RJR NABISCO BUYOUT -- OVER \$22 BILLION BY SOME ACCOUNTS -- HAS FOCUSED CONGRESSIONAL ATTENTION ON LEVERAGED BUYOUTS AND ON THE RISING LEVELS OF DEBT UNDERTAKEN BY AMERICAN COMPANIES.
- O THE SO-CALLED "LEVERAGING OF AMERICA" HAS ALSO BEEN WIDELY DOCUMENTED IN BOTH THE FINANCIAL AND POPULAR PRESS: OVER THE PAST SIX YEARS, FOR EXAMPLE, TOTAL OUTSTANDING CORPORATE DEBT HAS CLIMBED FROM ABOUT \$1 TRILLION TO ALMOST \$1.8 TRILLION. IN THE SECOND QUARTER OF 1988 ALONE, NET INTEREST EXPENSE ATE UP MORE THAN 20% OF CORPORATE CASH FLOW. ONLY TWICE SINCE

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THE END OF WORLD WAR II HAS THE INTEREST BURDEN BEEN GREATER: IN 1972 AND 1982, WHEN INTEREST RATES SOARED TO UNPRECEDENTED LEVELS AND THE U.S. ECONOMY WAS BOGGED DOWN IN A RECESSION.

- O I BELIEVE THAT THESE NUMBERS ARE NOT ENCOURAGING AND THAT CONGRESS, CORPORATE AMERICA AND THE AMERICAN PEOPLE SHOULD BE ALERTED TO THE POTENTIAL DANGERS LURKING OMINOUSLY BEHIND THEM.
- O BECAUSE OF THIS CONCERN, I HAVE HEARTILY ENDORSED THE HEARINGS ON LEVERAGED BUYOUTS SPONSORED BY THE SENATE FINANCE COMMITTEE AT THE INITIATIVE OF SENATOR BENTSEN. I -- AND MY COLLEAGUES ON THE FINANCE COMMITTEE -- NOW NEED TO SIT DOWN TO REVIEW AND EVALUATE THE VALUABLE TESTIMONY PROVIDED BY SECRETARY BRADY, CHAIRMAN RUDER, CHAIRMAN GREENSPAN AND OTHERS.
- O THIS TESTIMONY SUGGESTS THAT A "LEVERAGED BUYOUT PROBLEM" DOES INDEED EXIST. CONGRESS, HOWEVER, MUST BE VERY CAREFUL TO DEVISE A LEGISLATIVE SOLUTION THAT WILL NOT WRECK HAVOC ON A SYSTEM THAT IS FUNDAMENTALLY SOUND.

01/29/88, 3:00PM

BANKING POWERS

- O BANKING POWERS WERE A BIG ISSUE DURING THE CLOSING DAYS OF THE LAST CONGRESS. ONE OF THE REASONS WE DIDN'T GET A BILL THROUGH WAS THE JURISDICTIONAL BATTLE BETWEEN FERNAND ST GERMAIN AND JOHN DINGELL THE CHAIRMEN OF THE HOUSE BANKING AND THE ENERGY & COMMERCE COMMITTEES.
- O BUT, THERE ARE A LOT OF NEW FACES THAT WILL BE INVOLVED IN THIS ISSUE IN THE 101ST CONGRESS. THE FACT THAT FERNAND ST GERMAIN AND SENATOR BILL PROXMIRE ARE GONE MEANS THAT WE HAVE TWO NEW BANKING COMMITTEE CHAIRMEN, HENRY GONZALEZ IN THE HOUSE AND DON RIEGLE IN THE SENATE.
- O THE THRIFT INDUSTRY WILL A TOP PRIORITY FOR BOTH THE HOUSE AND SENATE BANKING COMMITTEES. BUT, THE THRIFT INDUSTRY'S PROBLEMS GENERATE A NUMBER OF VERY BROAD QUESTIONS ABOUT THE U.S. FINANCIAL SERVICES INDUSTRY SO IT IS VERY LIKELY THAT THE ISSUE OF BANK POWERS WILL RESURFACE IN THE NOT TOO DISTANT FUTURE.
- O IN FACT, IT IS MY UNDERSTANDING THAT SENATOR DIXON PLANS TO REINTRODUCE THE PROXMIRE FINANCIAL MODERNIZATION ACT TOMORROW. THIS IS THE SAME BILL THAT PASSED THE SENATE 94-2 LAST SPRING BUT DIED IN THE HOUSE IN THE CLOSING DAYS OF THE 100TH CONGRESS.