Banking by Kathy Burdman

Who's destroying American banking?

Part IV: C. Todd Conover, Comptroller of the Currency, is out to eliminate all government regulation.

The U.S. Comptroller of the Currency, C. Todd Conover, who is responsible for most regulation of the U.S. banking system, has announced that his office is getting out of that business. By the end of 1982 there will be no government bank regulation in America.

That is the only conclusion I can draw from the "Strategic Plan" for the 1980s issued by Mr. Conover for the Office of the Comptroller of the Currency (OCC) last month.

The 32-page plan is a blueprint for allowing the traditional banking system to be shut down, as a deliberate act of policy. It will be replaced by a totally unregulated "financial services market," Mr. Conover's document states, made up of "non-banks" like Wall St.'s giant Merrill Lynch, former home of Conover's boss, Treasury Secretary Don Regan, and of "financial supermarkets" like Prudential Insurance with its banking and stock-brokerage subsidiaries. David Rockefeller's Chase Manhattan and other giant banks are already becoming "supermarkets." But most of America's 20,000 smaller banks and S&Ls won't make it.

Comptroller Conover says this clearly on page 11 in the "Mission Statement" for his office. The criterion of action for the OCC will no longer be the preservation of U.S. banks, it declares. Rather, the Comptroller's "mission" will shift toward providing the "free marketplace" with whatever financial services it demands.

"The national interest requires that there be a . . . financial system that makes available to the public the widest variety of financial services in a competitive marketplace," the "Mission Statement" reads. To serve the "free market" (i.e. Wall Street,) the Comptroller must "achieve the appropriate balance between promoting and assuring the safety and soundness of the *national banking component* of the financial system" on the one hand, "and promoting the competitiveness of the *financial services market place* [emphasis added]."

By "appropriate balance," the rest of the plan makes clear, Conover means creating the perfect financial system for a "post-industrial society," where credit will not be available from traditional banks for industry and housing, but only for the service and computer sectors.

The plan clearly states that thousands of lowly banks and S&Ls will be allowed to go bankrupt, if the end result benefits the "freedom" of Merrill, Lynch et al. "The OCC must balance concern for *individual bank survival* with the responsibility for . . . a competitive, efficient, and stable financial *services* market place," the plan states on page 3. This "can be achieved in a system that has an *acceptable number of failures* but avoids a collapse of a large member of the system or of a large number of smaller institutions."

"The interests of users of financial services are the primary concern of OCC—of *even more important than the preservation of the national banking system,* the mission concludes.

"If it should develop that individual banks might be harmed by removal of legal barriers to competition that would enhance service to the public, the OCC should support increased competition."

"If it should develop that the public would obtain superior financial services through *other institutions,* OCC should support their ability to compete [emphasis added]."

To get this "post industrial, post-banking system," the "Goals" section of the plan concretely proposes:

- Review the National Bank Act and other statutes governing financial institutions in order to rewrite the bank laws to allow "non-banks" to perform all banking activities, and to help Chase Manhattan and other giant banks become "non-banks."
- Exercise the OCC regulatory authority . . . to allow big banks to be bought up by, or to buy, non-banks and thus become "supermarkets." Cited is the acquisition of Marine Midland Bank by one of the central banks for drug money, the Hongkong and Shanghai Bank.

In particular, the plan envisions that "deposits rate ceilings will be phased out," i.e., no more usury limits, and "geographic barriers to competition will perhaps be completely eliminated," i.e., repeal of the McFadden Act, Douglas Amendment, and other regulations which now protect the 20,000 regional banks from buy-outs by the financial giants.