Well, that plus other subsidies that they get through the Fed has led to what I consider to be the most dangerous situation confronting us today as far as soundness, stability, and equity in our system.

The United States principal banks and their notional principal holdings, or what are known as derivatives, derivatives is a fancy name for a written contract between two parties; derivatives cover a multitude, a plethora of different arrangements, but basically they are a contract in which two parties agree that they will bet on the future value of some market activity, futures, all the way from some commodity to such things as the currency futures which are volatile, which are highly speculative and which today, in this modern day of electronic instantaneous communication, and even as I am speaking you will have a trillion or more of these speculative clicks chasing from London to New York to Frankfurt to Paris to Tokyo.

Is it money out there in these international markets for the procurement of goods, for firing the engines of manufacturing and production? No. It is paper chasing paper, reduced to highly speculative and instantaneous transactions of billions of dollars in an instant in an electronic blip.

So that the holdings of our principal banks in these derivatives rose from $2.3 trillion in 1986 to $8.3 trillion in 1989 and $15.3 trillion in 1991.

High wire act without a net

Now, here are some of our top corporate banks. First, Citicorp. It has a total of $1,426 billion in derivatives. Now, that is about seven times what it has on its capitalization or its $213 billion in assets. Remember, these are what they call technically off-balance sheet activities for which they do not have to have reserves.

Now, let us take No. 2, Chemical Banking Corp., $1,296 billion in these national derivatives, nine times its $103 billion asset value.

Then Chase Manhattan, $837 billion in these derivatives, in this speculation, in this gambling. It is gambling. It is nothing else. Nine times its $96 billion in assets. . . .

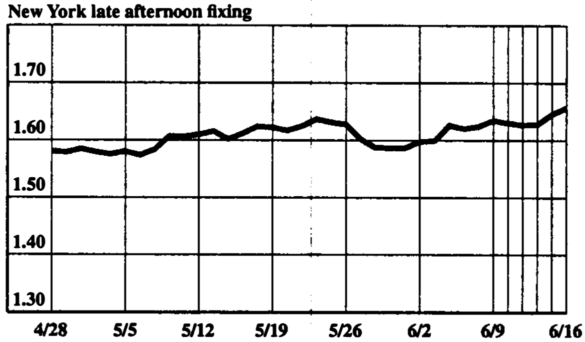
But the truth is that sooner or later, and I believe it will be sooner, but only because of the development of an unwanted crisis, and was all of this necessary? Of course not. This was not an act of God. This was man-made, and it was avoidable, and I have said so since more than 20 years ago.

Are we going to continue without addressing this, for fear of what? Who do we fear? The voter? Well, my experience is that the constituents want truth, that they have enough intestinal fortitude and moral courage to accept, even though at the moment they may not want to because of its unpalatability, a truth that hurts. But they would rather have the truth than a sugar-coated lie that temporarily keeps them lulled until the day of rude awakening, when suddenly they find themselves homeless and refugees in their own homeland. . . .

Currency Rates

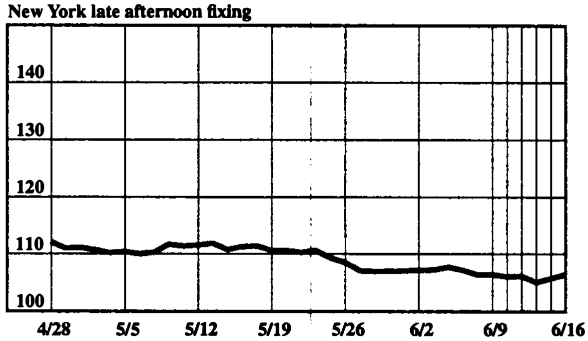
The dollar in deutschemarks

New York late afternoon fixing



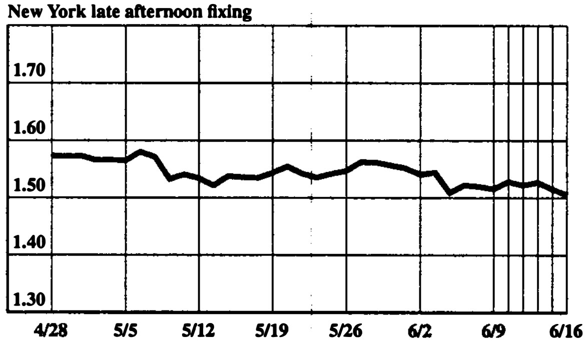
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing