

Remarks of Senator William Proxmire

In Opposition to Breaux Amendment

March 25, 1987

Mr. President, my distinguished colleague from Louisiana, and fellow senators: Most of us have heard from our banker constituents in the last week. Many of them are very pleased with the bill. A vocal few--most of them very large--however, are not happy. Their complaint is this: Our bill is tougher on large banks than it is on the other industries, namely real estate, securities and insurance.

Some executives with large banks even claim this bill takes away powers that banks already have. Senators, a few facts: This moratorium takes away no bank powers. None. It does freeze Federal Reserve action on new bank powers. But that's a position I think we should all take. Congress should determine the virtues of these powers.

Granted, I favor legislating certain limited new powers for banks, such as underwriting municipal revenue bonds, mortgage-backed securities, commercial paper and mutual funds. Many of you will agree with me that new competition would improve these products.

Other members of the Senate Banking Committee, however, feel that these limited powers should be part of a comprehensive package that creates a foundation of financial law that will serve us for the next several decades.

This was the same argument I advanced during Committee deliberations when I urged that we freeze the proliferation of nonbank banks. Naturally, I accepted the force of the argument when it was directed at these powers I had advocated.

My fellow colleagues, this moratorium is not anti-bank, nor is it a pro-securities, pro-insurance or pro-real estate. This bill is pro-Congress. It insures that decisions regarding financial restructuring will be made by Congress, and not by bank regulators stretching the law.

Some of my colleagues worry that this moratorium will be made permanent. Rest assured, we shall not lapse in our responsibility to address crucial financial issues and act on a new law within a year. Already, eight of the members of the Senate Banking Committee have signed a commitment, enclosed in the Committee report, promising that this moratorium will not be extended. This list includes Senator Dodd from Connecticut, who is aware that his state is home to a considerable insurance industry. Add these to the members who worry about an extension, and we've already got a majority on the Committee pledged to write new law. And, my fellow colleagues, you have my word that I will not entertain an initiative as Committee Chairman for such an extension.

I appreciated that the amendment to strip Title II is advanced in good faith. Let me assure you that it is in good faith that we will address new bank powers.

Finally, let me be frank about the political calculus at work . Elimination of the moratorium Title II endangers the nonbank bank ban of Title I. This bill is a balanced package aimed at encouraging participation from all industry sectors. Should we permit banks in certain securities and other commercial fields by eliminating Title II, we expose ourselves to the argument that we should let securities and other commercial firms into bank through the elimination of Title I. Do bankers really want to face that prospect?

Should Title II be stripped, our Committee may consider that it cannot address financial law thoroughly; we could only hope for patchwork legislation. Should Title II be stripped, many Committee members may lose patience with bankers who otherwise rightfully may petition for a much broader bill than the few powers that might be obtained through regulatory approval.