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Thanks for your October 27 letter to reply to my earlier letter. It's good to hear from you again.

I must respectfully disagree with your views about deregulation. A revolution is sweeping the world and everywhere one looks, people are choosing free markets over state control as the path to prosperity and opportunity. History has demonstrated that competition is the driving force for economic growth. Competition forces businesses to cut costs and increase quality. Technological progress and innovation are the result of efforts to make a better mouse trap, and it is new technology and efforts to cut costs that expand wealth, the economic pie. Regulation, by definition, eliminates competition, the engine of economic progress.

You mentioned your concern that deregulation caused the S&L crisis. I do not agree. The primary cause of the S&L debacle was raising deposit insurance. In a free market, businessmen accrue the profit if a risky venture turns out to be profitable. However, they also incur the losses. The problem with the S&Ls is that we allowed businesses to take risks and compete, but we left the taxpayer on the hook if poor decisions were made. It was a situation in which the risk-taking S&L manager could say "Heads I win, tails the taxpayer loses." That's not free enterprise.

As a new member of the House Banking Committee, one of my primary concerns has been to limit the exposure of the taxpayers. As you may know, deposit insurance was designed to protect the deposits of average Americans and instill confidence in banks. However, when FDIC insures deposits of over one million dollars, as it now does, it far exceeds its original purpose. I have some serious concerns with average Americans being on the hook for a wealthy individual's million dollar account. In addition, by not insuring million dollar deposits, we create a market incentive for wealthy individuals to prudently deposit their money. Naturally, risk-averse depositors will deposit their money in banks making less risky investments.

Again, thanks for contacting me. If there is anything I can do for you in the future, please don't hesitate to call.

Respectfully yours,

DICK ARMEY  
Member of Congress