

Kuthy: Let FDIC regulate nation's thrifts

Eugene W. Kuthy, Michigan's financial institution's commissioner, says Congress should place the Federal Deposit Insurance Corp. in charge of regulating state-chartered savings and loans institutions.

The former Oakland County police from West Bloomfield praised the speed with which the Bush administration and Congress have moved to solve the crisis in the savings and loan industry.

FDIC has "an excellent track record" that likely carry over to the regulation of savings and loans, said Kuthy, who has been Gov. Blanchard's chief bank regulator since 1983.

But Kuthy criticized details of the plan in testimony last week before the Senate Banking Committee, chaired by Sen. Donald Riegle, D-Mich.

The Bush administration has proposed naming the Federal Home Loan Bank Board as the "appropriate federal regulator" for state-chartered savings and loans.

Kuthy said, however, "The Bank

The Federal Home Loan Bank Board's 'record in overseeing state savings and loans has been dismal.'

— Gene Kuthy
Michigan regulator



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He blamed federal regulators, including the Bank Board, for a breakdown in regulation that allowed hundreds of savings and loans to get into financial difficulty through bad loans backed by insufficient capital.

"The Bank Board apparently translated its role as promoter of housing to one of maintaining a savings and loan industry," Kuthy said. "This attitude inhibited the Bank Board from closing institutions or taking other regulatory actions nec-

essary to limit the risk to the insurance fund."

ALTHOUGH SOME states were

unprepared for the crisis that beset the industry, state regulation in general was conservative, Kuthy said.

In testimony this week to a Michigan legislative committee, Kuthy said Texas and California have had situations with savings and loans closing, but Michigan is in comparatively good shape.

Kuthy spoke Tuesday to the House Corporations and Finance Committee chaired by Rep. John Bennett, D-Redford. "Texas and California gave their S and Ls a freer hand and had more crooks," Bennett said. "There, the developers bought up more institutions. They weren't earning as much as they were paying (savers)."

Bennett said Kuthy had no suggestions for state legislation on S and Ls "at the present time."

Bennett said Kuthy thought the Bush administration's proposal was "sound," and that Riegle had put it on a "fast track" in the Senate Banking Committee. It will be reported out April 4 for floor passage in early May.

BUT IN HIS Washington testimony, Kuthy criticized some details of the Bush plan.

He criticized the administration's plan for language that could give the FDIC authority to declare a state bank in danger of default, pre-empt-

ing the authority of the state chartering authority.

He praised the administration's narrow focus in addressing the problem.

"The plan hits the mark by focusing primarily on the needs of the savings and loan crisis," Kuthy said. "By doing this, the administration has avoided many controversial bank-reform issues."

Riegle reiterated his call for a measure of uniformity under federal control for state savings-and-loan regulations, particularly if a federal deposit-insurance agency is liable for state-chartered savings and loans that fail.

Metro business index up for month

The Detroit Area Business Activity Index (DABAI) pushed forward again in February, rising four points to a level of 153 for the month.

This represents a 10.2-percent year-to-date gain compared with 1988, according to David L. Litt-

mann, first vice president and senior economist with Manufacturers National Bank of Detroit.

February car sales and steel output sustained the largest increases, and the major employment compo-

nents of the index showed marginal gains.

Partially offsetting February's strength were declines in electric power consumption and motor vehicle output.

"For Detroit, 1989 has obviously

begun on a very strong economic note," said Littmann.

The metropolitan area index is compiled monthly from eight measures of regional activity and is seasonally adjusted and corrected for inflation. Its base year (100) is 1982.

Soviets' reforms to flop — lecturer

One of the world's foremost experts on the Soviet economy will present a free public lecture at Oakland University at 8 p.m. Wednesday, March 29, on "Why Gorbachev's Reforms Cannot Succeed."

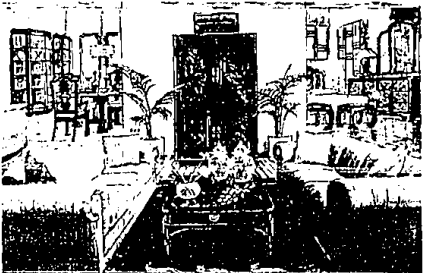
Marshall Goldman, associate director of the Russian Research Center at Harvard University and professor of economics at Wellesley College, will speak in room 204 of O'Dowd Hall.

Goldman will deliver the first annual Alice C. Gorlin memorial lecture. The series honors Gorlin, a School of Business Administration

member from 1972 until her death in 1987.

Goldman has been a consultant to the State Department, the Environmental Protection Agency, the Council on Environmental Quality, the Ford Foundation and numerous corporations.

His most recent book is "Gorbachev's Challenge: Economic Reform in the Age of High Technology." He has had six other books published since 1972 including "Detente and Dollars: Doing Business with the Soviets," and "The Spoils of Progress: Environmental Pollution in the Soviet Union."



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