

**NEW FRONTIERS IN BANKING - 1984 AND ON:
REGULATION AND DEREGULATION**

REMARKS

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It is a distinct pleasure to have this opportunity to address the International Monetary Conference, although I will confess to having had some difficulty in deciding how to approach the subject assigned to me. Certainly, for example, there is very little I can say on the subject of broader powers for banks and bank holding companies that has not already been said many times over. Similarly, I see nothing to be gained by rehashing the various legislature proposals before the Congress or by trying to speculate as to what may emerge from the legislative process over some particular time frame. I can say--as I have on many occasions--that the case for legislative change is powerful and pressing. But, you know that better than I. Needless to say, I am also mindful of the obvious fact that the events of the past few weeks provide a somewhat different setting for my remarks than I had in mind when I distributed an outline of these comments to my fellow panelists at the end of a April. Those intervening developments have not altered what I planned to say, but they have strengthened my conviction concerning certain aspects of public policy as they pertain to banking and banking markets.

In trying to decide on an approach for my remarks, it occurred to me that perhaps the most constructive role I could play would be to consider what the banking and financial landscape would look like if certain legislative changes were made without any particular concern as to when such changes are made. And, more importantly, to examine the implications of that evolving financial structure for public policy. In striking out in this direction, I recognize fully that the picture of the future I will paint necessarily uses a very broad brush which leaves many details and fine points to the imagination of others. Yet, within the legislative framework I will postulate, I believe the broad sweep of events that will emerge are reasonably clear.

In order to provide a framework for analysis, I will simply assume that (1) legislation along the general lines of S-2181^{1/} is enacted; (2) the barriers to interstate banking--except as they may apply to very large institutions--are eliminated; and (3) the process of deposit deregulation is fully completed, including the removal of the prohibition of the payment of interest on demand deposits and required reserves held at the Fed. As suggested above, no attempt is made to speculate as to the timing and sequence of these changes and certainly no attempt is made to take account of the current political environment as it may pertain to the passage of banking legislation. Rather, the point is to merely assume that all are in place and to then consider four related questions:

First, what will happen to the number, size, and functional characteristics of our banking and financial organizations?

Second, what consequence, if any, will these changes and the changed financial structure have for the conduct and effectiveness of monetary policy?

Third, will the risk characteristics of banking and of the banking system increase or decrease in the environment of the future?

Fourth, what do all of the above imply about the need to adapt public policies regarding banks and banking markets to the prospective environment?

Banking and Financial Structure

It seems that hardly a day goes by without some new study on the banking and financial structure of the future finding its way into our "in-boxes." These studies have

^{1/} This legislation contemplates, among other things, that bank holding companies--via nonbank subsidiaries--could engage in certain securities, insurance, and real estate activities.

much in common in that they all cite the long litany of forces for change in banking and perhaps an even longer litany of forces that are pinching the traditional sources of income and profits for banks. Similarly, they all conclude with the observation that we in the U.S. will see a marked trend toward consolidation in banking and finance. While the analyses tend to be reasonably similar to that point, it is not difficult to find quite different views as to how far and how fast that process of consolidation will go, with a few suggestions that the U.S. system will ultimately come to resemble the arrangement in many other countries in which there are a relative handful of very, very large banking organizations. It is not my purpose to add still another profile of the banking structure of the future. However, because a view of what that future structure may look like is relevant to the other issues I will be exploring, let me summarize my own "best guess" as to what may happen to our banking structure over the next decade or so in a context in which all of the legislative changes mentioned earlier are enacted. The major thrust of what I have to say in this regard can be summarized in four points.

First, while some consolidation--and perhaps a substantial amount--in banking and finance will surely occur over time, I believe that we in the United States will continue to have a very large number of banks and other financial firms and that the overwhelming majority of these firms will continue to have a relatively high degree of specialization. I say that, in part, simply because I don't believe the American public today is any more disposed to a system with a few giant banking organizations than it was 100 or 200 years ago. However, even when looked at from a business perspective, I just don't see us gravitating to a system which is dominated by a few large firms. For one thing, it is far from clear to me that the "financial supermarket" will provide the vehicle through which returns on capital will be forthcoming in such a way as to preclude a continued and sizable flow of investment dollars into smaller and

more specialized firms. (In fact, it is not all that difficult to imagine a situation in which capital will flow more readily to more specialized firms than to financial conglomerates). Also, smaller and more specialized banks, thrifts, and securities firms may well be able to exploit technology in selective ways that provide important cost advantages over larger firms. Finally, and most importantly, the nature of the customer relationships in smaller and more specialized institutions seems to me to provide a powerful bond which is not likely to be altered very easily as we move in the direction of a more consolidated financial structure.

Having said all of this, it should nevertheless be stressed that even a continuation of the modest pace of consolidation and homogenization in banking and finance will produce its share of "shake-out" problems as capital and other resources are redeployed. The potential for those shake-out problems is illustrated by the current situation which--at the risk of a gross exaggeration--is one in which many market participants seem to be acting in a way that suggests that the key to success in the future lies in getting into someone else's line of business. Banks want to strengthen their profit positions by getting into nonbank businesses and nonbank firms want to do the same by getting into banking. Obviously, there is a point beyond which this process simply will not work, because the public's underlying demand for financial services is not infinite. There are only so many deposits to be gathered, so many good loans to be made, so many shares of stock to be traded, and so many life insurance policies to be written. In short, and to make the point more directly, even over fairly long periods of time there are limits to the number of firms that, for example, can offer discount brokerage services on a profitable basis.

The marketplace will, of course, ultimately determine where that margin of profitability lies. However, that dynamic process of market determination will, in all likelihood, entail some firms moving into particular lines of business only to find losses not profits, thus engendering still another wave of capital redeployment. That process is, of course, a healthy manifestation of our markets at work, but it can also mean that the "shake-out" problems I referred to earlier could be a little more shaky than we would like. That possibility is another reason why I sense that the process of consolidation will be more deliberate and more tempered than some seem to be suggesting.

The second point I would make about the future banking structure in the U.S. is rather straightforward. That is, virtually all banking organizations--regardless of size or location--will seek to use some of the new powers which ultimately will be available to them. For the smallest of institutions, activities in the real estate and insurance "agency" fields will be commonplace as may be joint venture operations in other fields. And, as suggested above, a few firms will use the full range of product and geographic expansion opportunities, but even for the largest, it will be very difficult to be all things to all people. Because of this, and once the gloss is off new product opportunities, my sense is that many medium and large-sized banks will increasingly look toward geographic expansion rather than product expansion--a trend that may already be in evidence.

The implication of such emphasis on geographic expansion for the degree of competition for the deposit dollar--which will remain the life blood of any banking organization--seems to me rather straightforward, particularly when banks are permitted to pay interest on conventional demand deposits. Among

other things, and as discussed below, this situation has and will continue to have important implications for the conduct and impact of monetary policy.

The third point about our future banking structure which seems to me very important is that even with a more restrictive definition of a bank such as is being contemplated by the Congress, many "nonbank" firms will acquire banks as bank holding companies, thereby providing these firms with indirect access to the market for deposit gathering, the operation of the payments mechanism, and elements of the public safety net historically associated with banks.

The competitive and supervisory implications of these arrangements have been given a fair amount of attention. However, what has not received as much attention are the business and public policy implications of a situation in which direct and, for all practical purposes, unlimited access to the payment mechanism can be gained via an investment in a small bank. As these arrangements take hold in increasing numbers, they will almost certainly engender a new wave of intensive competition for the delivery of payments services and, in the process, raise new questions about the ways in which private and public institutions can best manage payments risk.

The final point I want to make about the financial structure of the future in the U.S. is that the forces for change I have been speaking of will surely mean that the internationalization of banking and banking markets in the U.S. will continue and intensify as the new powers and market opportunities available to U.S. banks would--under our policy of national treatment--be available to foreign banks. While I don't want to go into this subject in any detail today, it

does seem to me important that we at least recognize that this eventually requires that we re-double our efforts to come to grips more fully with the host of cross border supervisory and competitive concerns that you are all familiar with and that we also recognize that in the current environment such developments could trigger increasing calls for a shift from a policy of national treatment toward a policy of reciprocity as it pertains to international banking relationships and activities.

The foregoing represents something of a thumbnail sketch of the broad directions in which our banking structure is likely to evolve in the years ahead. By its nature, it is at best imprecise--but even with those imperfections it is suggestive of several aspects of public policy which may have to be re-evaluated in the light of these structural changes in our banking and financial system. The balance of this paper is devoted to a consideration of those issues.

Implications for Monetary Policy

There are a number of ways in which our changed and changing banking and financial markets could influence the conduct and/or effectiveness of monetary policy. For example, it is conceivable that a banking system with fewer and larger participants could imply that the transmission of policy changes to the real economy would be quicker and more evenly distributed than in the past. Similarly, the still further internationalization of banking markets in the U.S. and elsewhere will almost certainly mean that the manifestations of policy changes in the U.S. will find their way more quickly across national boundaries, with all that may imply for the need for better coordination of policies and for the workings of the international monetary mechanism. And, surely, we must remain sensitive to the need to retain in our banking organizations--particularly our

larger organizations--the underlying financial strength that will permit those organizations to absorb the direct and indirect effects of periodic episodes of restrictive monetary policies. To put it bluntly, the banking system must remain part of the solution and not become part of the problem.

While these and other aspects of the situation provide considerable grist for the mill, allow me to concentrate my remarks today on the more immediate matter of the implications for monetary policy of a setting in which legislative, regulatory, and competitive considerations are such that banks are paying a market or near market rate of interest on virtually all deposits and a very sizable fraction of such deposits are, in practice, payable on demand. Taking account of the properties of money market deposit accounts and the scheduled phase out of remaining Regulation Q ceilings, that situation is not very far from where we stand in the U.S. even today.

The potential consequences for the conduct and impact of monetary policy of these interest rate and maturity characteristics of money balances are enormous. Indeed, all of our ingrained rules of thumb and our more formal mathematical and econometric relationships between changes in open market operations and the behavior of the money supply and, in turn, between changes in the money supply and changes in nominal GNP, are based on experience in which all or most money balances paid no interest or paid a restricted rate of interest. In such a setting, policy-induced changes in interest rates altered the opportunity cost of holding money balances which, in turn, altered the growth rate of the money supply. Clearly, these relationships--which were never all that precise--will change as progressively more money balances pay interest and, particularly, pay interest at a market rate.

All other things being equal, these new interest rate and maturity characteristics of the money supply will probably make money growth rates less responsive to changes in central bank policies even though changes in central bank policies--working through interest rates--might have a more immediate and powerful impact on economic activity. In part, just how things work out will depend on how banks and other depositories price money balances over the interest rate cycle--something we have only limited experience with to date. If, for example, competitive pressures force banks to move up rates paid on money balances in lockstep with increases in market rates--a pattern of behavior which is not at all implausible--the historic slowing of money growth associated with "tighter" monetary policy may not materialize except under conditions of dramatically higher interest rates. However, the consequences for the economy and for the banking system of the magnitude of changes in interest rates needed to produce a given growth rate of money may be very different in the future than in the past.

Clearly and appropriately, banks and other depositories increasingly look to the floating rate asset as the vehicle which will protect their spreads and their profits in periods of rising interest rates. However, in a context of very short-dated bank liabilities and aggressive competition for deposit balances, the protections afforded to the lender by the floating rate loan can be short-lived if the rise in interest costs to the borrower jeopardizes the capacity of the borrower to service their debt obligations. Thus, the floating rate loan--however essential it may be--becomes something of a two-edged sword. On the one edge, it does provide a measure of protection against narrowing spreads and profits, but on the other, it can quickly become the handmaiden of problem credits. Stated differently, the process of monetary discipline--by its very nature--implies restraint on the money and credit creation process. Achieving that restraint in a highly competitive environment of full deposit deregulation will not be easy.

As suggested above, the danger is that the process of monetary restraint could generate relatively more of its inevitable impact by impinging on the viability of existing debtors and relatively less of its impact via the rationing effects on new borrowers that we have known in the past. In such a setting, the burden of self discipline on borrowers and lenders alike is formidable. Indeed, what is called for is a deliberate and continuing element of prior restraint on decisions to lend or to borrow. To be sure, the market--working through the price mechanism of changes in interest rates--can do the job. However, if the market is to perform that function in a manner that is not disruptive--if not unstable--those harsh market disciplines must be complimented and reinforced by a renewed and more vigorous self and prior discipline on the part of borrowers and lenders alike. Therein may lie the greatest challenge of deposit deregulation and deregulation more generally.

Do not misconstrue the thrust of my remarks. I am not suggesting that we can or should reverse or halt the process of deposit deregulation. The earlier system--with its large subsidy for borrowers--was basically unhealthy. Moreover, the realities of the marketplace would not permit us to turn back even if we wanted to try. However, having made the shift to deposit deregulation in an intensely competitive environment, my essential point is that the underlying needs for monetary restraint and discipline will not be met simply by allowing the balance sheets of banks, business, and individuals to float up and down with the interest rate cycle.

Risk Characteristics in the New Environment

In considering the risk characteristics associated with the evolving banking and financial system, it seems to me that there are several separate but related forms of risk which can be of concern:

- There are "micro" risks, such as the risk of loss to small or unsophisticated depositors or investors growing out of isolated cases of failure, fraud, or other circumstances. The public policy protections against such risks are largely embodied in the deposit insurance scheme and in the various protections provided by the SEC under the broad umbrella of the Securities Act.

- There are also "structural" risks--or the risks that the financial or banking system could take on organizational features in which conflicts of interest or unfair competitive practices undermine broad public interest considerations related to the public's use of banking, credit, and payments services. In the U.S. there are a myraid of federal and state statutes ranging from the anti-trust laws to truth-in-lending statutes which are designed to protect against such abuses. And, for better or for worse, such legislation has often looked to the bank supervisory process as the primary enforcement vehicle to insure that the intent of Congress is being well served.

- There are also, of course, "credit risks" which ultimately come down to questions of solvency and the ability of debtors to meet their obligations. Credit risks are managed largely by the prudent and impartial decisions of banks and other lenders within the broad regulatory and supervisory framework within which such institutions function.

- Finally, there are systemic risks or the danger that the failure of a single firm (or a few firms) can--by virtue of size or interconnections--trigger the failure of others with the ever present snowball effect. The potential for systemic risk problems are of particular importance in the case of large

banks or other financial firms where the extent of domestic and international inter-connections and interdependencies are so numerous and so complex and where the highly subjective elements of public confidence are so much a part of the equation.

While public policy in general and financial policy in particular must be concerned with all of these elements and forms of risk, the overriding concerns pertain to matters of systemic risk. Thus, in looking to the banking and financial structure of the future, a necessarily pressing question is whether that structure will have a greater or a lesser potential for systemic problems and, if the answer is that potential risks are greater, what can be done to either reduce such risks or to satisfy ourselves that such higher risks are acceptable to society? Trying to make such judgments in the face of all of the uncertainties about the future is very difficult but not fully beyond our reach. For example, in a context in which the traditional protections against "micro," "structural," and "credit" risks are maintained in much the form that we have known in the past, a good case can be made that the systemic risk potential associated with a banking and financial structure in which firms--large and small--have access to broader and more diversified sources of income and profits should be reduced. Indeed, that line of reasoning remains one of the most powerful arguments for broader powers for banking organizations. Moreover, to the extent banking organizations are able to generate new income and new profits from such activities, their capacity to enhance their financial strength by retaining more earnings and by easier access to capital markets should also be enhanced. In short, more diversified and financially stronger banks and banking organizations should be institutions that are better equipped to ward off or to absorb stress and strains when such problems emerge. More importantly, to the extent the overall economic environment of the future can be more stable than was witnessed in the 70s and the early

80s--as I believe will be the case--the potential for problems is obviously reduced in the most fundamental of ways.

However, just as those considerations may be working to reduce risks, there are powerful forces--including the questions raised earlier about the workings of monetary policy--that may be working in the opposite direction. For example:

- The potential risks growing out of the day-to-day operation of a payments mechanism that has many new direct participants, that is increasingly international in character, and that is increasingly comprised of high speed electronic "blips," raises new problems and challenges. In this regard, I want to acknowledge the tremendous job done by representatives of a number of large U.S. banks in their efforts to focus attention on the subject of payments risk. Through their efforts we have now gotten this very important subject out of the computer room and into the board room where it belongs.

- Notwithstanding what was said earlier about the important role that new products and services can play in enhancing the strength of banks and financial firms, the fact remains that some such activities may--at least at the margin--entail new or added elements of risk to banking organizations. This can occur either because the activity itself is inherently more risky than the current blend of banking activities or because the timing and amplitude of cyclical swings in such activities aggravate rather than ameliorate the cyclical swings in bank profits and overall performance. It is precisely for these reasons that I believe the approach to expanded bank

powers which has been suggested by the Federal Reserve--with its supervisory safeguards and prudential restraints was, and is, appropriate.

-- It is also possible that risks could be increased by virtue of the proliferation of highly complex--if not exotic--financial instruments and practices which can entail forms of exposure--on or off balance sheets--that are very difficult to fully appreciate, particularly in the aggregate. I have in mind such things as futures, options, options on futures, interest rate swaps and the myraid of more or less traditional off balance sheet contingent liabilities. In bringing this subject up with this audience, I know very well that I am almost certain to engender a response of scorn rather than sympathy. After all, you will say, most of these instruments were designed to reduce risk, not to increase it. I recognize the validity of that argument as it pertains to individual transactions. However, in a more fundamental sense, none of these instruments can reduce, much less eliminate, say, interest rate risk. To be sure, risks can be redistributed, but they cannot be eliminated. The world can't be hedged. Indeed, given the sheer volume of these instruments and the astonishing speed and rapidity with which some change hands, I must confess that I have a tinge of uneasiness as to whether the aggregate risks associated with such instruments and practices are fully understood.

In considering the array of factors which might increase risk potential and those that might reduce it, my conclusion is that we should approach the future with the prejudice that, on balance, the banking environment of the future will be at least marginally more risky than that of the past. Indeed, on a philosophical level, that result would be fully compatible with the very essence of deregulation. That result, however,

should not concern or alarm us. However, that result does seem to lead, inescapably, to the conclusion that we must adapt elements of public policy to the new environment in such a way that the benefits of deregulation are achieved while at the same time maintaining a suitably flexible, yet durable and strong, public safety net that can check any tendencies toward systemic problems. That is a formidable task but if we are not up to that task then we are not ready for--nor do we deserve--deregulation.

Adapting Public Policy

Even before bank deregulation took hold, and even before technological, economic, and competitive forces had changed the character and structure of banking and finance, one of the great dilemmas facing public policy was how to reasonably ensure public confidence in the safety and soundness of the banking system while preserving the best of a free market environment in which individual banking firms were free to flourish or free to fail based on their own performance. The combination of deregulation and financial market innovation have further sharpened the horns of that dilemma. On the one hand, deregulation--by its very essence--entails a larger role for the disciplines of the marketplace. On the other hand, there clearly are circumstances in which virtually all of us can readily agree that the government must step in to insure that a particular problem situation does not take on systemic characteristics that could undermine the public's confidence in the banking system. In the contemporary and prospective banking marketplace, the task of reconciling these dual objectives of a higher degree of freedom for individual institutions and the preservation of public confidence in the safety and soundness of the banking system must command our very best efforts. What is called for, as I see it, is an evolutionary process in which we deliberately and prudently seek to adapt current arrangements and institutions to the new environment rather than seeking to

impose radically new or untested approaches into a still changing and dynamic environment. Allow me, therefore, to conclude with some personal preferences for changes in public policy that may be particularly timely.

First: As indicated earlier, I believe that we should proceed with federal legislation that will clean-up the definitions of banks and thrifts, the role of the states, the expansion of banking powers along the lines discussed earlier, and the simplification of the supervisory process for bank holding companies. However, as the Federal Reserve has stressed, these efforts should proceed in a context in which (1) appropriate supervisory protections are provided and, where necessary, strengthened; (2) the general separation of commerce and banking is preserved; (3) the permissibility of classes of financial activities for banks is evaluated on a case by case basis giving particular attention to (a) the risk characteristics of such activities and (b) the consistency of such activities with the goal of preserving the impartiality of the credit decision-making process; and (4) we all remain sensitive to the limitations as well as the advantages of the holding company structure as a vehicle to segregate activities, capital, and risk.

Second; I believe we must strive to make the bank supervisory process more flexible, yet more effective. The revised supervisory procedures contemplated in S-2181 would constitute an enormous step in the right direction. Indeed, shifting the whole applications process from one of "approval" to one of "notice" holds great promise for banks and their regulators alike. In a sense, it represents a step in the direction of supervision by exception. However, this approach also seems to me to imply that in those cases--whether involving

applications or other matters--where problems exist, that prompt and firm supervisory attention coupled with prompt remedial actions by the institution in question will be forthcoming.

Third: I believe that our standards of capital adequacy must be strengthened. In saying that I am under no illusion that there is any single primary capital ratio that is "right" for all time and for all institutions. I am also mindful of those who suggest that bank failures have not been due to "inadequate" capital. While that question can be debated as a matter of arithmetic, such a debate misses the point. Banks--at least larger banks--fail because depositors lose confidence in the bank. When that occurs, fine lines of distinction between questions of liquidity and solvency lose much of their relevance.

The case for higher capital standards for banking organizations is not new and rests in part on a recognition of the fact that current minimal standards are just that--minimal. In less regulated banking markets, and in a context in which existing and new activities of banking organizations arguably entail potentially higher levels of risk, the case for stronger capital positions seems to me to be powerful.

Having said that, let me hasten to add that a move toward higher capital standards must be approached with an appropriate degree of sensitivity to market conditions and to other constraints impacting on the capacity of banks to raise capital. At the same time, those constraints need not and should not stand in the way of an orderly and incremental move to higher capital standards for banking organizations.

Fourth: I believe we must rethink the concept of liquidity as it applies to banking organizations. In many instances, discussions about liquidity tend to focus on the asset side of the balance sheet and specifically on the extent to which particular classes of assets can be quickly converted to cash without sizable risk of loss of principal. In banking and in banking supervision, that traditional view of liquidity still has widespread application. However, in contemporary banking organizations-- particularly large organizations--liquidity is perceived as a measure of the extent to which a bank can quickly and easily access sources of funding by purchasing federal funds, issuing CDs, taking Euro deposits or by otherwise issuing liabilities to augment traditional sources of deposit-based funding. Indeed, for many banks, access to these funding markets is the primary source of liquidity. That, of course, in itself, is not bad given the demonstrated strength, elasticity, and resiliency of these markets. What can be bad, however, is the funding vulnerabilities that can arise when an institution encounters problems--real or perceived--with the quality of its assets or its earnings. Situations like these can be particularly troubling when such purchased liabilities are very short dated in a context in which traditional deposit liabilities increasingly have the maturity and interest rate properties discussed earlier.

Obviously, the answer to this potential soft spot does not lie with attempts to "regulate" these markets--efforts which probably could not succeed in any event. However, it may be that bank managers and bank supervisors alike will need to pay more attention to such patterns of funding with emphasis on finding ways to lengthen maturities and encourage more permanent sources of funding within the context of the proven effectiveness and efficiency of these markets.

Fifth: It goes without saying that the current and future banking environment raises a host of questions about the structure and de-facto operation of our system of deposit insurance. It is equally clear that at the level of theory or abstraction, it is a fairly simple matter to conceive of ways in which the deposit insurance system could be improved. What is not so easy, however, is to figure out how such conceptually appealing reforms can be put in place without running unacceptable risks that such changes could produce the very dislocations and instabilities that deposit insurance is designed to guard against.

Do not misconstrue the thrust of my remarks. I do not believe we are impotent regarding our capacity to design and implement changes in the deposit insurance scheme. Rather, my point is that such changes--as important and desirable as they may be--should be pursued in an orderly and deliberate way which gives full and careful weight to the difficult transitional problems which must be overcome as part of any effort aimed at reform. More importantly, we should not delude ourselves about how much even an optimal system of deposit insurance can achieve. Indeed, in the final analysis, deposit insurance can never be a substitute for prudential management, financial strength, and for the more effective--if more flexible--supervision of banks of which I spoke earlier.

If we can make some progress along these lines and if we can succeed in maintaining a stable and noninflationary environment within which banks and other financial firms can operate, the future can be very bright. In saying that I want to stress particularly the importance of the overall economic and financial environment. Indeed, in the context of the understandable emphasis on the problems of the day we can lose sight

of the fact that in the most basic of ways, those problems have their roots in a long period of substandard economic performance highlighted by accelerating inflation. Looking to the future, and building on the progress of the recent past, the health, vitality, and underlying profitability of banking organizations is inexorably tied to our capacity to sustain economic growth and avoid the inevitable problems that would flow from a renewed pattern of escalating inflation. Achieving and maintaining a stable economic environment is primarily the task of those of us in the public sector. However, banks--as part of their broad covenant with society--have a unique responsibility to contribute to that environment. The weight of that responsibility is not diminished by deregulation--if anything, it is increased.

Thank you.