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Delighted to be here and address this distinguished audience. Your program appears far-ranging and appropriate.

It may be prophetic that we are near a mountain top for a moment looking down on the economy. Perhaps we should seek a mystic guru here on some Colorado peak, a regulator's and supervisor's guru, who could lift a corner of the veil of the future and expose the course that we are sailing in the turbulent currents of today. I wish we could.

But, failing to find such ready-made enlightenment, we may have to forego the distractions of this lovely place long enough to concentrate on the trends in our society which are vital to the regulators' mission.

There are a host of bills before the Congress that I could refer to which would only remind you of the serious and changing interests of the public and of legislators in regulatory and supervisory reform. Further, these bills include many initiatives to mandate far-reaching reforms in the businesses of depository institutions. I am sure there are as many proposals in State legislatures that parallel the concepts of these bills. It may be wise or useful then, at the start of your conference, to examine such issues in a broad and simple perspective.

A first observation clearly could be that there must be considerable public dissatisfaction with the status quo. I think this dissatisfaction has a common thread that generically binds the public's concerns about the growth of powerful multi-national financial giants to concerns about the availability of credit for housing from small inner city savings institutions. Such a common bond of dissatisfaction is a powerful force for change. It makes for strange alliances, and it gives credence to the idea that change will occur, aided or led by legislative actions. If we could achieve a non-partisan objective debate on each such proposal, any changes occurring would hopefully be meaningful, effective, and economic. Conversely we may unwittingly lose some unique and valuable characteristics of the American financial system without such a debate.

Thus one of my favorite themes is that the storm of controversy swirling around supervision and regulation, and indeed the banking and savings industries themselves, would be lessened if a reasonable attempt were made to reach a consensus on the economic utility of depository institutions. I refer to the competitiveness of the system, the evolution, the profitability, the safety and, most importantly, the effectiveness of the system in delivering the financial services needed to support the world's largest and wealthiest industrialized society. Too much that has been written or said on this subject, has appeared in technical publications, trade papers, association reports, legislative hearings and commission studies. Too little is of interest to the popular media. The plain fact is, and you know this better than I, that the public believes there are concentrations of power and inequalities of services in our present financial industry. Financial institutions have time and again been found attractive targets for those seeking redress for many economic ills.

I suppose I am asking a great deal. As a new nation America suffered from its inception from a weak financial industry and abuses of speculation and unscrupulous behavior on the part of the financial community. Governments even rose or fell on such issues as the establishment of a federal banking system. The States jealously guarded their chartering prerogatives so effectively that the United States had to endure financial panic after financial panic for a century or more before regulation and supervision and State and national legislation were strengthened enough to provide some protection to citizens. A last great debacle, that of the early 30's, finally launched us on our present course, but the heritage of distrust and enmity towards depository institutions as an industry is part of our history. These events are perfectly well known to all of you and Americans today have no real lack of confidence in the stability of our institutions despite the publicity of the last year or so. But such a legacy of hostility in one form or another is not easily dispelled. Banks still appear to be concentrations of financial power. Savings and loans and mutual savings banks share modestly that disability.

Further, following 1935, as you know, the banking industry was so reluctant to do anything but regain its composure that innovation lagged seriously, so seriously that competing non-depository businesses flourished. Until the postwar period most banks did not even understand the meaning of the term marketing. It was not until the industry gradually became aware of the fact that the personal service market was growing as rapidly as commercial business, if not more so, that hours were lengthened and branches increased, and services expanded. But nevertheless, with a burgeoning of customer population and the development of mechanized systems, the heritage of distrust is augmented by the perception that banks are impersonal in their attitudes.

When one looks at the American banking, savings, and depository institutions in comparison to that of other countries, the paradox grows. Our 14,000 banks are quite unique in numbers and I believe our thrift institutions and credit unions are considerably more numerous than those similar businesses abroad. I think research will show that the variety of services offered to individuals and businesses in the U.S. is extremely broad in such comparisons. I am certain that the pricing policies are more competitive than those in financial institutions in other countries. I can prove there is more credit available to individuals in the U.S., that more people have checking accounts, that savings accounts come in more variety and types. In short, I believe an objective view of the record will show that Americans enjoy a broader range of financial services than other peoples of the world. And their money is safer. The Federal Deposit Insurance Act was a master stroke, and the Agency was not fully appreciated at its organization. It has not only protected small depositors, of course, it is literally the mechanism which has prevented bank failures.

A second observation based on the experience of the last few years is simply that there will be significant change. The volume and breadth of Federal legislative proposals is immense. While Congress, the Executive Branch and the regulators are interested in regulatory reform, there are wide variances in the goals and methods proposed and sought. Nevertheless, one cannot thumb through all the legislative and rule-making initiatives without being impressed with the probability of action.

I could cite consumer protection measures such as the Equal Credit Opportunity and Truth In Lending Acts. The FTC proposals relating to the liability of a holder in due course. The enforcement of fair housing practices. The efforts being made to eliminate redlining and regulate credit scoring systems. The list is longer and you know it well.

I could cite structural reform in the FIA and the Financial Reform Act of 1976, although the subject has its painful side. I say this because the origins of FIA, as you know, date from a 1968 initiative which was to conduct a scholarly, nonpartisan, comprehensive review of our financial institutions. The Hunt Commission Study was indeed the kind of thoughtful analysis that I still think is currently necessary to reach a better consensus for the American people, one that deflates myths and arrives at careful value judgments. It might have been more useful if its research had covered the extraordinary period of disintermediation, high rates, inflation and recession from '73 to '75.

And, of course, I could cite regulatory reform. The Federal Reserve Reform Act, the original Financial Reform Act of 1976, the Foreign Bank Act, the Percy-Byrd Bill, and related measures. The proposals to increase the powers of regulators, to advance cease and desist orders, and remove managements, the proposals to create an interest rate control commission, the proposals to place the Comptroller of the Currency and the FDIC under the appropriations process, and various other measures such as interstate taxation of depositories and GAO audits of the examination process in Federal agencies.

The sheer variety and expressed public interest in so much of this list assures that this Congress and the next will probably not let the status quo stand. Although a few of the items I have cited are aimed at reducing regulation and its heavy costs in the economy, no reasonable person could conclude from this overview that regulation will be diminished. Or that there will be less demands on regulators or less constraints on depositories.

If one aspires to be a "good" regulator, one quickly finds out if she or he has the stomach for it in the area of consumer protection. That mission is clearly defined for most of us in a growing number of complex statutes. There is no question about our responsibility, but there are few, clear guidelines that define the melding of older mandates and duties of supervisory authorities to society's newly expressed wishes. Do we want to preserve mobility of capital in this capital intensive economy? There is plenty of evidence that the answer could be no or a "qualified" yes in the criticism directed at the shortage of inner city mortgage funds. Do we want to continue the extraordinary boost to purchasing power that ready access to consumer loans provides? There is some doubt that new doctrines defining the liability of a holder in due course will permit this. Will we be affecting the competitive pricing of services by depositories if the almost infinite variety and flexibility of prices is suddenly reduced by requirements that they be posted at all times? I personally believe that comprehensive consumer protection legislation is useful and appropriate, and inevitable but I also believe that the general public doesn't want any more Rube Goldberg arrangements like Respa and is wise enough to know that all economic ills cannot be solved by ordering banks and savings institutions about. Regulators have an unenviable role in this process, but in my view, a disposition to join extremists on either side of the barricades is not part of that role.

In this area, and perhaps many others, the regulators obviously can make a significant contribution to the development of national policy. I have only been at the Board for two months, but I have already heard that the Board regrets that it does not have more contact with the Conference of State Bank Supervisors. We testify inevitably on issues involving structural reform, and I know you do as well, but it seems to me we could both benefit from a little more association aimed at more frequent exchanges of views.

My observation on structural reform is one you already know. There seems little chance that the highly controversial bills now in the

Congress will pass in their present form or be seriously considered, except in part, for the balance of this session. But in all my observations on the issues concerning structural reform proposals, I have to be a little quizzical. I'm a veteran of the debates over the Financial Institutions Act and the FINE Study, and there are obviously fifty-one arenas where this contest could be joined. In the national arena the debate has often seemed to avoid the fact that in 50 States we have a variety of types of institutions with differing powers. The banks don't fear the thrifts in Rhode Island, at least publicly, because they are owned by them. The point is simply that in branching law, in powers granted, in types of depository institutions and corporate form, we have almost every combination imaginable in the U.S. This does not only mean that States have not given up the power to charter financial institutions, it also suggests that society's demands for innovations in financial services are hard to repress. Perhaps this explains why I am unsure of the argument that limited consumer loan authority in S & L's will hurt mortgages, it hasn't in Texas, or the argument that variable rate mortgages are dangerous. They haven't been in California.

I am almost hesitant to discuss Federal regulatory agency consolidation because I don't want to stir the embers of that fire. But I cannot resist repeating that a single monolithic Federal commission would diminish the role of the States. There would be no competition in innovation in such an agency as has existed at times under our present structure, and there would be more agency resistance as well as Congressional resistance to State initiatives as sensitive as NOW accounts and similar developments.

But there will be regulatory changes of a less draconion nature and who can argue that the severity of recent economic events has not taught us all some valuable lessons. Our regulatory powers are not always strong enough, our supervision and examination processes can be improved, our rules for foreign banks are too loose. These and other changes will come with and without Federal legislation. But there are dangers of excesses and I refer to the demands for information about institutions without legally established protection for the individual privacy of customers. We, of course, have more information about banks and savings institutions in Federal and State files than any other industry I know of. And it appears that the public has equal or better access to investor data of publicly owned banks and thrifts as compared to other such corporations. But while Government is conscientiously enacting laws and regulations to insure individual privacy, Congress may or may not hold this view about regulators' files as we have recently learned.

As a newcomer I would have to say that this is a tough and demanding business--that of regulation and supervision--it may be more difficult than at any time since World War II, but nevertheless I think we can improve the process, speed it up, be less bureaucratic, be wary of special interests, and importantly be more receptive to change. No economy of this size can remain healthy without a vigorous financial industry. In our particular economy we have a history of new businesses and entirely new industries supplanting those forms that proved to be inflexible and incapable of meeting society's needs. If we regulators and our legislators are wise enough, this should not have to occur in the U.S. in the banking and savings business.

Thank you and good luck in your Conference.