Summary of Remarks by

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Conference of Business Economists

in

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1. Banks have recently been engaged in improving liquidity and capital positions and consequently are in better shape to finance recovery and expansion this year than they were last year.

2. If banks choose to continue adding to liquidity by buying government securities rather than expanding bank credit, this need not mean a corresponding slowing of total credit expansion. If necessary, a larger part of credit needs could be satisfied through the open market, or through nondepositary financial institutions.

3. Equity or debt financing by the banking system would not significantly increase the prospective burden upon the capital markets since the creation of bank liabilities that become bank capital is a monetary process.
4. Some recent plans for the issuance of subordinated bank debt have encountered difficulties under the disclosure requirements of the SEC. The SEC's function is to protect the investor and in this regard disclosure is important. At the same time, banks clearly differ from other types of business enterprises and require different treatment in matters of disclosure.

5. For the longer run, deposit insurance is a cheaper way of protecting the depositor than bank equity or subordinated debt. As the American banking system evolves, increasing emphasis on the insurance principle is desirable as a means of protecting depositors.