

in the State of Nebraska. I think it is only fair to go back and it is pretty easy today, and I have done it from time to time myself, criticize the savings and loans because of the position in which they are in today. I want to say on the record here today that I do not blame the savings and loans for all of their problems, and I think that in all honesty we cannot blame the banks that did get into trouble for some of their problems. If you go back to October 6 of 1979, the day that I call the dark day for banking and the savings and loan industry, and in many cases, for the people of United States of America, Mr. Volcker and President Carter, decided on that day that they had to deregulate the cost of money to fight inflation. Loans that had been on the books of S & Ls for many years in the 6 percent range suddenly were in difficulty. Those loans had historically been financed by deposits paying slightly less than the 6 percent, 5 percent, 4 1/2, something in that area, a very competitive market. All of a sudden the banks found themselves, the S & Ls found themselves having to pay 8, 10, 12, 15, 16 percent for money. You don't need to be very much of a mathematician to figure out what happens if you are getting 6 percent and paying out 16. The same thing happened to a number of banks that did not have the reserves. Now our larger banks, our larger institutions that had the reserves were able to weather it. Some very fine small banks who did not have the reserves, did not have the size, could not weather those storms.

PRESIDENT: One minute.

SENATOR SCHMIT: Of course, as we know, once the S & Ls, in particular, got into difficulty, then they went...the Congress said, well, we have got some problems here, we have got to let them do things they didn't ordinarily do, and they did. They got into financing all sorts of enterprises which they normally would not finance. They also began to make investments themselves and take an equity interest. It is sort of like going to the race track and getting down to the last race and finding you are down to your last two bucks, and so you bet on a 40 to 1 long shot. The conditions fostered in some part, at least, by Mr. Volcker, and the money policy, were what led to the fueling of the fire that led to the situation we face today with the savings and loans. I am waiting for some member of Congress to stand before the House or the Senate and explain, yes, we had a part in the destruction of the savings and loan industry. When that happens, ladies and gentlemen, it will be the first time in my years on the floor that I bought the house