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JIMMY CARTER

XXXIX President of the United States: 1977-1981

Depository Institutions Deregulation and Monetary Control Act of 1980 Remarks on Signing H.R. 4986 Into Law.

March 31, 1980

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THE PRESIDENT. This morning we are assembled in the White House to take action which will have far-reaching, beneficial effects on our Nation. Not only will it help to control inflation, but it will also strengthen our financial institutions, our thrift institutions and commercial banks, and in addition to that it will help small savers and address more effectively the relationship of the Federal Reserve System with the banks throughout our Nation.

Let me begin with some commendations. I think Bill Miller deserves a great deal of credit for having pursued this effort, even when the prospects for success were very bleak, first of all as Chairman of the Federal Reserve System, and later of course as Secretary of the Treasury. We have had good support in the Congress from Bill Proxmire, from Henry Reuss, from Fred St Germain, who's here this morning with us. And also, to make it nonpartisan, or bipartisan, I'm particularly grateful that Bill Stanton, Jake Garn, and many others have come this morning to commemorate this historic event. As you can well imagine, in legislation of this breadth and importance, many others played a crucial role, and I'm very grateful to all those who had a part. This is a moment of great gratification to me and, in addition, to the feeling of gratitude to persons that I've just described.

Last spring we began to become more and more concerned about the issues that affected our Nation as inflation was beginning to build up and as the rate of savings in our country was constantly dropping. I recommended to the Congress a landmark financial reform bill, which I will be signing in a few minutes into law. This is not only a significant step in reducing inflation, but it's a major victory for savers, and particularly for small savers. It's a progressive step for stronger financial institutions of all kinds. And it's another step in a long but extremely important move toward deregulation by the Federal Government of the private enterprise system of our country.

We've already had remarkable success in deregulation in the airline industry, this in financial institutions; we hope that the Congress will soon pass the regulatory reform act and that we can have success in the deregulation of the rail industry, trucking industry, and the communication industry.

As you know, under existing law, which this bill will change, our banks and savings institutions are hampered by a wide range of outdated, unfair, and unworkable regulations. Especially unfair are interest rate ceilings that prohibit small savers from receiving a fair market return on their deposits. It's a serious inequity that favors rich investors over the average savers. Today's legislation will gradually eliminate these ceilings and allow, through competition, higher rates for savers. It provides an orderly transition for institutions to develop new investment powers.

Most significant of all, perhaps, it can help improve our Nation's very low savings rate. Now not much more than 3 percent of earnings go into savings, perhaps the lowest rate in the last 30 years. And of course, this small savings rate has been a major factor in increased inflation. This encouragement of savings is important not only to consumers but also to financial institutions in the breadth of our financial system.

The new law will permit institutions to prevent or to overcome the previous wide cyclical changes and swings and to develop a more stable deposit base. This can help ensure steadier flow of credit for productive uses, especially housing. It can keep down financing costs and, again, help defuse the pressing burden of inflation.

This law assures the ability of a strong and independent Federal Reserve to manage the Nation's monetary affairs by encouraging bank membership in the Federal Reserve System. And finally, this law makes possible a broad range of new services for consumers and makes major progress toward giving savings institutions the investment powers to pay fair and competitive rates and to meet housing credit needs. These services include interest-bearing checking accounts, automatic transfer services at commercial banks, share drafts at credit unions, and remote service units at thrift institutions.

Our financial system today, as you know, is the envy of the entire world. The continued strength and competitiveness of all sectors of this system, and indeed the entire free enterprise system of our Nation, is a high priority for my administration and for the Congress. In accordance with this new law, we will begin immediately the study of actions that can ensure the continued vitality of our thrift institutions and, in accordance with the law, will make that report available to the Congress later on this year.

We have accomplished some major changes with strong congressional support. In the final analysis, it's the entire American public who will benefit.

And now I'd like to sign into law this remarkable and very far-reaching and basic new bill that will accomplish these benefits for the American people. And my thanks again to all those who've had a part in this effort.

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[At this point, the President signed the bill.]

SECRETARY MILLER. Mr. President, this is indeed landmark legislation, the most important legislation dealing with banking and finance in nearly half a century. Like most important legislative actions, it has been the work of many people; it has taken considerable time to forge a program of such breadth and scope and importance. And I must say that I have been impressed in my 2 years in Washington in dealing with this subject at the tremendous cooperation between the administration, the congressional leadership, and the private sector in working out this important new program.

This act, as the President has pointed out, establishes the first time in our history a central bank for the entire Nation. And it makes major reforms in improving the competitive environment and the security arrangements and the services which financial institutions can provide for the public. It helps the institutions, it strengthens our financial system, and it favors all Americans and all consumers. It is not the end of the road—because there will be continuing needs—but it is a modernization that prepares our economic system to deal with the issues of the eighties and nineties, moving from the sixties and seventies into the new world we must deal with, in continuing to wage the war against inflation.

I certainly want to express my appreciation to all those who worked with me in making it possible, and I am most appreciative of the opportunity to be here today.

Thank you.

THE PRESIDENT. Last May, and even a few months ago, the prospects for successful passage of this act was very doubtful. I think the teamwork that went into this effort, by Bill Miller, Paul Volcker, and others, is extremely significant. But I would particularly like for the group, in closing, to recognize the remarkable courage and tenacity and confidence that exemplified the work of the key Members of Congress, who are assembled here on the platform with me. Theirs is the gratitude that we owe, and I want to let them know how much we appreciate this remarkable achievement.

Note: The President spoke at 11:33 a.m. at the signing ceremony in the East Room at the White House.

As enacted, H.R. 4986 is Public Law 96-221, approved March 31.

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