

*This Article Originally Appeared in*

**USA TODAY**  
**June 16-18, 1989**

**Opposing View:**  
**Let's Just Junk Deposit Insurance**

**by Norman B. Ture**

WASHINGTON - The proposals in Congress to rescue the savings and loan industry won't work. They're destined to fail because they don't address the real cause of the crisis: deposit insurance.

Because neither President Bush's plan nor the House plan eliminates government insurance, S&L managers will continue to be free of effective discipline of their investment policies. They know that as long as they are federally insured, the taxpayers will pick up the chips for their imprudence and inefficiency. Continuing federal deposit insurance perpetuates the problem instead of curing it.

The message is clear: Get the government out of the federal deposit insurance business. The mounting bailout bill is painful evidence of how government regulation and federal deposit insurance have fostered imprudent S&L investment practices. The only way to rescue the savings and loan industry is to free thrift institutions from the federal regulatory grip – and from federal underwriting of their deposit liabilities.

The ideal reform would be to close all insolvent S&Ls, pay off insured depositors, and then eliminate federal deposit insurance altogether.

The future success of the S&L industry doesn't depend on so-called "better" regulation, but on exposing it to the rigors of the private market. Why is it good public policy for the government to insure investors in S&Ls, but not to insure investors in every other kind of business? By retaining federal deposit insurance, the present bailout plans only invite another catastrophe.

If federal deposit insurance were eliminated entirely, S&Ls would be forced to compete like any other business.

Short of eliminating deposit insurance, the government should drastically reduce the upper limit on the amount of insurance from its present \$100,000, apply the federal insurance limit to individuals instead of to their accounts, and insure only the principal of depositors' accounts, not the interest.

The Administration and Congress are not addressing the real problem. The cure is not in better regulation. As long as the government continues to insure thrifts – whenever an S&L fails or for whatever reason – the public will have to foot the bill for the bailout. Congress has a responsibility to taxpayers to address the cause, not just the symptoms.

*Norman Ture, a former undersecretary of Treasury, is President of the Institute for Research on the Economics of Taxation.*