INTRODUCTION BY
RALPH NADER

WHO ROBBED AMERICA?

A CITIZEN'S GUIDE TO THE SAVINGS & LOAN SCANDAL

MICHAEL WALDMAN

AND THE STAFF OF PUBLIC CITIZEN'S CONGRESS WATCH

WHO ROBBED AMERICA?

A Citizen's Guide to the S&L Scandal

•

MICHAEL WALDMAN

and the staff of

PUBLIC CITIZEN'S CONGRESS WATCH

INTRODUCTION

by Ralph Nader

RANDOM HOUSE

NEW YORK

Copyright © 1990 by Public Citizen

All rights reserved under International and Pan-American Copyright Conventions. Published in the United States by Random House, Inc., New York and simultaneously in Canada by Random House of Canada Limited, Toronto.

Library of Congress Cataloging-in-Publication Data
Waldman, Michael.
Who robbed America? : a citizen's guide to the S&L scandal
by Michael Waldman.
p. cm.
ISBN 0-679-73482-1
1. Savings and loan associations—United States—Corrupt practices. I. Title.
HG2151.W35 1990 332.3'2'0973—dc20 90-47715

Designed by Robert Bull Design
Manufactured in the United States of America
24689753
First Edition

For my parents

—and for Liz

PREFACE

THIS BOOK is about crime in the suites, the consequences of deregulation, and why the American taxpayer is being stuck with a $500 billion bailout of bankrupt savings and loans.

Who Robbed America? is written by Michael Waldman, director of Public Citizen's Congress Watch, with the staff of Public Citizen. It reveals how ideological disdain of government's proper regulatory role—particularly the protection of federal financial guarantees—can undermine its essential functions and invite fraud. And it shows how business campaign contributions and lobbying skews congressional decision making. It explains the importance of public availability of information and oversight by the press to honest administration of government agencies. And it shocks us with the stories of corruption and fraud by business charlatans.

Public Citizen does more than write about the misdeeds of business and failures of government. Since our founding by Ralph Nader in 1971 we have fought for public policies that limit white-collar crime and opposed special-interest groups in the halls of government.

We have lobbied Congress for laws that would strengthen insider trading, punish price-fixing and upgrade the antitrust laws to protect competition in the marketplace.

We have asked Congress not to exempt professionals, such as doctors, lawyers and accountants, from the fraud prohibitions already in federal law. And we have opposed preemptive federal legislation overriding state laws allowing injured citizens to sue manufacturers of defective products for damages.

We have petitioned the Food and Drug Administration to ban unsafe drugs and issued reports on the failure of state

此为试读，需要完整PDF请访问：www.ertongbook.com

medical boards to discipline doctors who engage in questionable practices. We have sued the Occupational Health and Safety Administration for not assuring that most workers have the right to know about dangerous chemicals in their workplace, and the Nuclear Regulatory Commission for permitting nuclear waste in our local garbage dumps.

Because Public Citizen is funded primarily by our members and the sale of publications, we can tell the unvarnished truth. *Who Robbed America?* does just that.

Joan Claybrook, President
Public Citizen

Introduction
by Ralph Nader

THIS BOOK is a call to action about the S&L scandal—the most outrageous example of banking corruption and governmental deregulatory complicity in American history.

In my time observing Washington, I have not seen such arrogant disregard from the White House, Congress and corporate world for the interests and rights of the American people. Many citizens know there is a growing gap between the rulers and the ruled. Our leaders are representing a runaway business class that funds them, not the people who elect them.

Without doubt, the most telling symbol of this wheeling and dealing run amok is the S&L scandal. It is the massive bill, handed to the taxpayers, for Reagan-era zealotry for sweeping deregulation and for a supine Congress in hock to the lobbyists and political action committees (PACs). Washington insiders have known about the S&Ls for years. "There's a lot of sleaze there," they'd say, and shake their heads—as they moved on to the next fund-raiser. Remember when our governmental leaders first let us in on the secret: did you notice that they called it the S&L "crisis" and never the *crime* and looting of the savers' monies it was and is?

The sums of money involved boggle the mind, and defy the imagination. The corruption at work is epic. A program designed to safeguard the savings of the middle class and poor was used to subsidize an unprecedented frenzy of speculation and business criminality. And the bottom line is this: those we selected to lead our democracy let it happen, turned their back on us, made us pay for it, and, astonishingly, were re-elected.

•

From the start, the politicians knew they were handling highly volcanic material. That was clear from the nervousness of congressional leaders as they rammed the first stage $157 billion bailout legislation through Congress in 1989. After years of delay, and slavish scraping to the S&L lobby, suddenly not a minute could be "wasted" to scrutinize the president's bailout plan. "We need a 'clean' bill," lawmakers repeatedly stated, as they brushed aside consumer proposals and amendments. Meanwhile, without blinking an eye, they tacked on special-interest amendment after amendment, benefiting the big banks, investment houses and S&Ls that swooped in to take advantage of the S&L crack-up.

The bipartisan wheels were greased. This 550-page bill—eventually designed to cost every man, woman, and child $5000 in principal and interest on bailout bonds—was rushed through the Senate Banking Committee unanimously in one day in April 1989 and through the whole Senate in two days of the following week. There was no chance for citizen groups to obtain or read through this huge bill for its obscure loopholes and giveaways before the vote. Pleas to Senate Majority Leader George Mitchell and Minority Leader Robert Dole to give the people a decent interval to react were brushed aside, lest a couple of weeks generate public protest.

The House Banking Committee took more time. Hovering over committee members were hordes of S&L lobbyists whose industry regularly finances many of the members' campaigns. Attempts by Representatives Charles Schumer, Joseph Kennedy, Bruce Morrison, and Chairman Henry Gonzalez to attach consumer-protection provisions, regulatory reforms, and antiredlining housing amendments were struck down in the banking committee by the industry's congressional minions. Only as the preliminary inklings of citizen outrage began to be felt were significant improvements made while the bill was considered on the floor of the House of Representatives in June 1989.

There was far more resistance in Congress to the $250 million loan guarantee to Lockheed and the $1.5 billion loan guarantee to Chrysler in the 1970s than there was to this $500 billion bailout. Congress went along with President Bush's demand (under threat of vetoing his own bill) to remove the bailout from the federal budget, so as to minimize the impact on the deficit. The bipartisan effort to hide the cost of this calamity continues apace.

•

Two central points have been absent from the S&L debate so far.

First, nothing makes citizens angrier than being required to pay for a crisis they neither benefited from nor caused. The key issue in the bailout—who pays for it—was not even debated and voted on; it was assumed it would be the taxpayer. A proposal was offered by Representatives Kennedy and Morrison that would have cut the cost of the bailout in half (by paying for it quickly, thus saving on interest costs) and would have paid for the consequences of corporate crime through corporate taxes. This amendment was ruled "out of order" in the banking committee. Then the House Rules Committee refused to let the full House vote on this amendment, though with Speaker Tom Foley's approval it allowed a vote on an amendment backed by the S&L lobby that would have weakened regulation of thrifts.

Second, what was striking about the whole process that led to the S&L bailout was the absolute absence of consumer involvement. How many consumers or taxpayers were fully aware of what was happening? The bankers had hundreds of experts and attorneys working the system. How many did consumers have? Only a few stalwart citizen groups.

The lessons of the S&L system breakdown are clear: At each "cause-point," the opportunity for greed and thievery was exploited, and at each check-point, safeguards that would have stopped the nation's biggest bank robbery, the people were betrayed. Clearly, we need a new breed of citizen watchdog groups, and there is a simple, proven way to launch them. S&Ls, commercial banks, insurance companies and other financial institutions should be required to carry, in their regular statements or billing envelopes, a printed insert inviting their customers to join financial consumer organizations chartered by Congress and representing the public. This idea works. In Illinois, for example, a state Citizen Utility Board communicates with members through an insert in state government mailings. With some 200,000 dues-paying members, Illinois' CUB has saved rate-payers about $3 billion since 1983. If we'd had similar financial consumers associations in all fifty states, they could have saved all of us billions on S&Ls.

Consumers cannot rely on the politicians—elected officials of both parties have their fingerprints on this hot potato. Nor can we rely on the press. Readers of some regional papers, such as the *Dallas Morning-News* and the *San Francisco Chronicle,* knew early what was going on. But with the exception of the corruption probes of Brooks Jackson in the *Wall Street Journal,* the country's major national media virtually ignored the real S&L story until it was too late. They then relied heavily on "official sources" in Washington, plus a few banking industry quotables, to tell the story, ignoring the early alerts, reports, press conferences, and street demonstrations by consumer groups.

In short, we have to organize ourselves much more effectively to open up the process to taxpayer and consumer concerns.

•

Who Robbed America?: A Citizen's Guide to the S&L Scandal, if widely read, could mark a turning point in this crisis.

Only citizens who are informed and motivated in ways that name names, point out who's responsible, and outline solutions will produce the necessary and decisive political force to make changes. This report to the American people was written by Director Michael Waldman and the staff of Public Citizen's Congress Watch. It amounts to a primer for citizen mobilization. If we let the high rollers who have driven the American economy into a wall of debt and insolvency, and their protectors and allies in Washington, get away with this holdup with barely a peep, it will be a historic collapse in our two hundred year attempt to practice democracy.

Use this book as you decide how to cast your vote in this election and elections to come. Let the men and women who ask for your support know that you are fed up, and that you won't support a candidate who wants to stick you with the cost for this bailout. In the 1988 elections, over 98 percent of the members of the House of Representatives who ran were reelected. Since that election has come the S&L bailout, the HUD scandal, the congressional pay grab, nonexistent or phony-baloney campaign finance reform, the resignations under scandal of the Speaker of the House and majority whip, ethics probes of seven percent of the U.S. Senate, ballooning federal deficits, and now a significant economic downturn. Let's make sure that the reelection rate in 1990 is considerably lower than 98 percent.

When the first installment of the bailout was rushed through, the citizens were not powerful. The Bush administration is hoping to rush through another megabillion-dollar installment soon. Let's send Washington a message: *This time we're ready!*

Ralph Nader
Washington, D.C.

此为试读，需要完整PDF请访问：www.ertongbook.com

CONTENTS

•

BLINK TWICE, and you missed it. In early 1989, after years of stalling and indecision, an S&L bailout was suddenly enacted. Two and a half weeks after his inauguration, George Bush unveiled a bailout that was rubber-stamped, with few substantial changes, by Congress six months later.

Few citizens focused on the legislation, and public outrage only barely began to build as the proposal moved to passage. There's a reason for this public inattention: *the White House officials and Capitol Hill leaders whose fingerprints were all over the disaster wanted it that way.* The legislation, weak to begin with, was swarmed by special-interest lobbyists intent on weakening it further. Newspapers and television failed to cover the scandal until the very end of the legislative process. The biggest bailout in history was enacted with a small fraction of the public debate accorded to prohibiting flag burning or the funding of allegedly obscene art. As a consequence, the plan sticks the cost to average taxpayers, does little to inject accountability into financial regulation, and sets up a bureaucracy that appears destined to fail.

THE S&L BAILOUT LAW: THE BASICS

Formally known as the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Bush's plan was quickly dubbed "FIRREA" for short. To his credit, Bush did at least own up to the seriousness of the crisis, in marked contrast to his predecessor. Nonetheless, the plan sticks the bill for the bailout with the wrong people—and doesn't make the crooks pay for their crimes. Its highlights:

Paying for the bailout. The bailout raises fifty billion dollars over three years through the sale of bonds, to be paid back over forty years. This money will be used to pay for the federal takeover of hundreds of insolvent S&Ls and to reimburse insured depositors' accounts. Because the funds come from bonds, which pay interest to purchasers, more than half the cost of the bailout will consist of these interest payments.

Regulation. The bailout bill repealed many of the deregulation provisions that had helped cause the crisis. For example:

- It limited the types of investments S&Ls could make, and restricted the purchase of junk bonds by federally insured thrifts.
- It barred states from allowing state chartered thrifts to undertake activities that federally chartered institutions could not.
- Most important, the Bush plan sought to repeal S&L executives' ability to gamble with taxpayers' money. This was done by increasing the capital requirements for S&Ls—the rules that tell a financial institution how much money it must have on hand before it can make loans.

The plan, however, does virtually nothing about the regulatory process—nothing to ensure that S&L regulators, or others, don't become "captives" of the industry they are supposed to oversee.

Restructuring the system. The plan abolishes the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation. Depositor funds are now insured by a branch of the Federal Deposit Insurance Corporation, which previously had insured only commercial banks. The job of oversight was transferred to a new Office of Thrift Supervision at the Treasury Department. The assets owned by failed thrifts were transferred to a new, huge government corporation: the Resolution Trust Corporation.

Housing. Over the strong objections of President Bush, Democrats in Congress insisted that the bailout bill include provisions to bolster the goal of affordable housing. These housing provisions included:

- Requiring federal regulators to release to the public data on S&L and other financial institutions' investments in local communities. Also, the Home Loan Bank system would analyze an S&L's community lending record when giving the S&L loans and other benefits.
- Strengthening the laws against "redlining" (that is, discriminating against a lender based on race).
- Requiring the new S&L bailout agency to give first preference to low income housing when disposing of properties.

HOW IT PASSED

As in the army, the motto in Congress is usually "hurry up and wait." Not this time. In the Senate, rapid-fire hearings in February were marked by a parade of industry witnesses. Meanwhile, Donald Riegle, the chairman of the Banking Committee and a Keating Five member, refused point-blank to let Ralph Nader testify.*

The committee debated exactly one day on the 550-page bill. And on April 12, 1989, the Senate committee unanimously passed the bailout.

A scant six days later, the legislation was rushed to the Senate floor. Copies of the bill were not even made available to senators until three days before the debate. Democratic and Republican leaders locked arms to block any changes or improvements. Most lawmakers who had amendments to offer gave up. Nader had one particularly frustrating encounter in a

* Riegle's top banking committee aide, Kevin Gottlieb, had left government service in 1987. During that 18-month sabbatical, he earned $85,000 as a consultant to the American Bankers Association, another $725,000 as head of a billboard trade association, and $105,000 as Riegle's campaign manager. When these payments were publicized during the Lincoln S&L scandal, Gottlieb resigned.

reception room outside the Senate floor. The consumer advocate asked Senator Paul Sarbanes (D–Md), a thoughtful liberal on the committee, if he would help support a consumer amendment. Sarbanes refused: "If we open the bill up to changes, it will only get worse," he shrugged. "The banks will move in with their amendments."

Only Senator Howard Metzenbaum threatened to upset the bipartisan rush to enact the legislation. The cantankerous septuagenarian relishes his role as the Senate's scourge of special-interest boondoggles. Now Metzenbaum brandished a package of seven amendments, and he was going to insist on a vote on each of them. Senate leaders pulled him into a side room, and negotiated a deal; some of his improvements would be included. But no senators would be called on to vote on the controversial matters.

Bill Bradley of New Jersey was one of the few senators to rise to oppose the bailout. "To date, only twenty-three people have been convicted," he said. "Guilty S&L executives have been given extremely light sentences, which have often been suspended. The American people are rightfully incensed by this. They want to know why they should pay for S&L mismanagement and corruption when the people responsible are hanging onto their limos, their mansions, their planes? Surely, we should recover what we can from the crooks before we reach into the taxpayer's pocket."

The S&L bailout bill passed the Senate by a vote of 91–8 on April 18, 1989. It then moved to the House of Representatives —where the full impact of S&L industry lobbying was felt.

After deceiving Congress and the public for so many years, the S&L lobby had reason to tread warily. At the beginning of the bailout, the industry displayed an inept political touch. Who did the U.S. League of Savings Institutions blame for the crisis? The regulators, for not being *tough enough!* "Our overseers were asleep at the wheel," Theo H. Pitt, Jr., chairman of the league, complained to its Honolulu convention in 1988.

此为试读，需要完整PDF请访问：www.ertongbook.com