FDIC figures hide real bank failures

by Joyce Fredman and John Hoefle

On May 20, *EIR* unmasked the fraud of William Seidman and his cronies at the Federal Deposit Insurance Corporation (FDIC), showing that the statistics being put out by federal regulatory agencies on the banking crisis were so much buncombe. The various categories of "transactions"—the agencies' euphemism for failures—were set up to confuse the public into believing that the financial crisis strangling the economy was not actually occurring. Various branches that had existed as separate banks, were merged into one entity two minutes before being bought out, in order to count one failure instead of 10, 20, or—in the case of the former First RepublicBank, now NCNB of Texas—42!

The crisis has not abated. In fact, as predicted, things have been spiraling downward at an accelerated pace. As of Aug. 31, no fewer than 273 banks have collapsed in the United States this year alone. When the most recent three went under, (Highland Park National Bank, Dallas, Texas; BancFirst-West Lake, Austin, Texas; and the Bank of Mid-South in Bossier City, Louisiana) the FDIC updated their records. Still clinging to their fantasies, the FDIC reported 148 official failures, plus 17 in other categories. Even with such underreporting, however, things didn't look great. By their statistics, 90 banks in Texas have failed this year to date. In all of 1987, fifty banks went under in Texas. This year should be a knock-out.

Seidman isn't the only one who's getting nervous. The Office of the Comptroller of the Currency announced that it will be revising its assessment schedule for national banks, as it is having difficulty collecting its dues. The OCC assesses banks based on their assets. In the first half of the 1980s, total bank assets grew at an annual rate of 6-8%; since 1986, assets have grown at 2% or less.

Robert Clarke, the Comptroller, has another difficulty. These assessments are regressive, i.e., the amount paid per dollar of assets declines as a bank's total assets increase. Hence, with all the mergers, many of the "new" banks pay substantially less than the sum of the "old" ones. One official lamented that they need at least a $30 million increase. "We have done a great deal to keep expense increases to a minimum over the past years . . . but the fact remains, that it's more expensive to supervise an increasingly complex system that has experienced problems because of difficulties in some sectors of the economy."

EIR hasn't found those sectors that aren't in that category.

U.S. bank failures 1988*

*As of Aug. 25, 1988