Remarks by
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President Franklin Roosevelt once began an address to the Daughters of the American Revolution with the words: "My fellow immigrants." In the same spirit, I would like to begin today by addressing you as "my fellow bank and financial analysts." As time goes by, we will have more and more in common. That is no accident.

Someone once said that -- to be creative -- we have to view the familiar as if it were new. Consider Ray Kroc -- the man who took a local hamburger operation in San Bernardino, California, and transformed it into a worldwide corporation with -- the last time I looked -- 15,000 locations. Kroc made a living selling milk-shake machines. He walked into a McDonald's restaurant in 1954, I suspect one of a legion of hamburger joints he had visited in doing his job.

Ray Kroc looked at it as if it were new.

Instead of seeing a grill, a fat-fryer and a milk-shake mixer, he saw a system that could be made to deliver quality, service, cleanliness and value to the customer not just in San Bernardino, but throughout the country, and indeed, the world.

At the FDIC these days we also are viewing the familiar as if we had never seen it before. We are examining everything we do. We are working out all the ways we need to adapt to a changing financial industry and economy.

The FDIC has been lauded as the most successful program of the New Deal. It stabilized a financial system under extreme stress. More recently, it received credit for preventing the bank crisis of the late 1980s and early 1990s from ending in catastrophe. Throughout that crises, it did what Congress intended it to do: It maintained confidence in the financial system. It insured the public's confidence in banks -- no one lost a single penny of an FDIC-insured deposit -- and this protection has cost the taxpayer nothing whatsoever.

It also established an orderly process to liquidate tens of billions of dollars of failed bank assets.

To do its job, the FDIC's staff ballooned from 846 in 1934 to 3,500 in 1982 to 15,611 in 1993.

Aside from size, however, the agency has not changed much since Congress created it. It faces the new millennium doing much of what it did during the New Deal: examining banks, liquidating the assets of failed banks, and providing insurance coverage for bank depositors.

Before I became FDIC Chairman a year ago, I looked at the organization as if it were new -- as if I had never seen it before -- even though I had been in banking regulation at the Federal Reserve Board for seven years in the 1980s. I asked myself: Would it be better -- for the public, for the financial system, and for the economy -- if we put our efforts into helping banks stay open to serve their customers and communities rather than into liquidating them after they failed? And would it be better if we took greater advantage of technological and managerial developments to do our job more effectively? The answers were clear: yes and yes.

We had to take on new and growing demands.

Fortunately we had a model to follow in making this transition: the private sector. Successful companies simply do not do the same thing in the same way year after year. No one knows better than you that companies must respond to changing market demands by altering what they produce and how they produce it.

It was obvious to me that the FDIC needed to be repositioned by expanding what we do -- by identifying, monitoring and assessing the macro-risks to the banking system while behavior can still be altered and losses to the insurance fund prevented. We needed to retool the FDIC to increase efficiency, reduce bureaucracy, and cut costs. We needed to run the FDIC the way a business operates -- by striving for greater productivity and enhanced performance, by using rigorous cost/benefit analysis, by relying on up-to-date management concepts and technology. We needed to adopt fixed goals and work toward them. We had to leverage our expertise in new ways.

In business, this kind of thinking is conventional management -- but not necessarily in Washington.

Running a government agency traditionally is like being the captain of a merchant ship: you come on board for the first time and the ship is there, the crew is there and the charts are there. With the exception of the weather, not much changes from your first voyage to your last.

I did not become FDIC Chairman to be a figurehead -- I became FDIC Chairman to chart a new direction.

I knew that to turn the FDIC into an instrument for effective risk assessment, we had to articulate a new vision for the organization and to undertake specific initiatives that would transform the FDIC. In business, these objectives are often achieved through the use of a strategic plan, an operating plan, and a reorganization, which together form a foundation for change.

We developed and implemented a strategic plan -- the first in the history of the organization -- that focuses our efforts on identifying, monitoring, and assessing risks to banks and savings associations.

We developed an operating plan -- 151 specific initiatives -- some devoted to enhancing our ability to focus on risk in advance.

One of those projects was to determine the number of people we will need once we have liquidated the assets from bank and thrift failures during the crises of the late 1980s and early 1990s and made the managerial reforms that we need to make.

Our staff now numbers about 10,600. In three years, we could be down to 7,000 -- or perhaps fewer. We have already reduced staff from the high I mentioned earlier of 15,611 in 1993 -- about a third in total. The scale and speed of the downsizing in which we are engaged are unprecedented for a government agency -- or almost anywhere else, I believe.

To that end, just last week, we announced a program of incentives for FDIC career staff to retire or to end employment with the Corporation voluntarily. This buyout package is being offered to career employees. We hope that as many as 500 accept it because of the magnitude of the necessary downsizing. However, we are not likely to forestall a reduction in force -- the government equivalent of a layoff -- in 1997, when the law permits it. In addition, the FDIC and the Resolution Trust Corporation together have 6,200 temporary employees. Their contracts will be allowed to lapse between the end of this year and the end of 1996.

Finally, we reorganized the FDIC. We established a management team to monitor implementation of the strategic plan and to supervise the 151 projects in the operating plan.

And we created a Division of Insurance to monitor risks and recommend responses to problems so that something is done about them before banks fail.

We are not attempting to eliminate all bank failures -- we cannot -- risk is a part of conducting a business. Zero failures would suggest too much regulation. Instead, we are

trying to avoid the bank failures that foretell larger losses to the insurance funds by providing earlier warnings of impending problems. This approach should give financial institutions the opportunity to take effective evasive action when we see problems coming and before significant losses occur.

The new Division of Insurance will have a small, highly-trained staff -- probably fewer than 100 ultimately in Washington and our regional offices -- who will follow economic, financial and banking developments, like analysts at securities firms and rating agencies -- and who will focus on on the macro-problems of the banking system that have implications beyond individual institutions.

To that end, the Division of Insurance will complement other FDIC efforts -- in supervision, research and elsewhere -- to identify, monitor and address risks to financial institutions and the insurance funds. It will look at the big picture by analyzing data generated by the FDIC, by other government agencies and by the private sector -- including you. This broader focus has been missing at the FDIC.

In short, what we are trying to do is to make the future more predictable in order to promote stability.

In the end, what we are doing can only make investing in banks more attractive.

When you think about the FDIC in the future, therefore, I hope that you will judge our value to the banking industry not just -- or even primarily -- in terms of a fund backstopping deposits or examiners weighing asset quality. I hope that you will come to see us as the agency that provides a clear and useful reading on the industry -- where it is and where it is going.

I have been told that the saying, "it's good enough for government work," harkens back to the early industrial era. At that time, government was an innovator and a research resource. It was also -- as it is today -- a customer of private enterprise. Government's purchasing standards then were as high or higher than those of business. When contractors produced products that met the government's standards, they would say that the products were "good enough for government work."

The story may be apocryphal, but it suggests an important point. There is nothing inherently inferior in government work, although that phrase has taken on a somewhat derogatory meaning. I believe that nothing but the best is good enough for government work. We taxpayers deserve that. With proper management, government can be a low cost provider of high quality services. That is my aim for the FDIC.

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