

## The Savings and Loan Bailout Debacle

<p>Lobbyists in a “Pay to Play” Legislative World</p> <p>↓</p>	<p>The savings and loan industry:</p> <ul style="list-style-type: none"> <li>▪ lobbied Congress</li> <li>▪ and made large contributions to it</li> </ul>
<p>Legislative Branch deregulates the paying industry</p> <p>↓</p>	<p>Congress deregulated the industry (President Reagan’s term).</p>
<p>Legislative Branch removes risks from the paying industry</p> <p>↓</p>	<p>Congress also increased the amount of depositors’ money insured by the citizens to \$100,000.</p> <p><b>Practical reality:</b> Congress removed risk from the savings and loan industry and transferred it to taxpayers.</p>
<p>→</p>	<p><b>Result:</b> Savings and loans could—and did—invest depositors’ money in riskier areas.</p>
<p>Executive Branch removes the remaining regulators</p> <p>↓</p>	<p>The Reagan administration reduced the number of banking and regulatory examiners.</p> <p><b>Practical reality:</b> The Executive Branch reduced the number of experts who might have caught extreme irregularities and provided warnings.</p>
<p>→</p>	<p><b>Result:</b> Savings and loan industry collapsed (George H. Bush’s term).</p>
<p>Who took the hit?</p> <p>→</p>	<p><b>Who paid?</b> Ordinary people</p> <p><b>How much?</b> \$500 billion just to bailout depositors<sup>1</sup></p>

<sup>1</sup> Ayers, *American Passages*, 2<sup>nd</sup> Edition, pages 861 (for events in Ronald Reagan’s term), 874 (for events in George H. Bush’s term).