Foreword

Shortly after her confirmation, then-Chairman Ricki R. Helfer directed the FDIC's staff to undertake this study. She strongly believed that a careful examination and analysis of the banking crises of the 1980s and early 1990s would provide information that would allow the FDIC to better fulfill its mission.

The banking problems of the period were of a magnitude not seen since the Great Depression and the advent of federal deposit insurance and therefore provide a unique window through which we can study the causes of, and the regulatory and supervisory response to, sharply increased numbers of bank failures in a modern economic and banking environment. There have, of course, been significant changes since the early 1990s in the performance and structure of the banking industry. Moreover, in the wake of the banking crises and subsequent legislative reforms, changes in the supervisory process have attempted to ensure improved monitoring of bank risk and more timely intervention in, and closure of, troubled banks. But not all the issues raised by the problems of the 1980–1994 period have been laid to rest. Moreover, the current improved condition of the industry and the supervisory changes of the late 1980s and early 1990s do not mean that banking problems cannot return sometime in the future. Although it is clear that the problems of the past are unlikely to be precisely repeated in the future, the study of these recent crises is nevertheless instructive. At the very least, the history of the turbulent time in banking should teach us that we cannot afford to be complacent, and the FDIC hopes this study that glances backward will be helpful as we look forward.

This study was prepared by the FDIC's Division of Research and Statistics. Every effort was made to ensure the accuracy of the information it contains and to provide an impartial assessment of what occurred. As is the case with any history, however, the interpretations made by those who have written it are important to its structure and conclusions, and these interpretations are not necessarily those of the Federal Deposit Insurance Corporation.

Andrew C. Hove

Andrew C. Hove, Jr.
Chairman
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