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Reader Responses

Below are excerpts of reader responses to [“Who's Afraid of Banking at Wal-Mart?”]

The key word in David Leonhardt's column on Wednesday supporting Wal-Mart's application to obtain a federally insured industrial loan bank in Utah is "imagine." But he is no John Lennon.

This issue is not about lowering the cost of banking services, as he imagines. Wal-Mart does not even claim to be trying to lower ATM fees and the price of other consumer banking services. What its executives say they want is to raise funds cheaply and have direct access to the nation's Fed wire and automated clearing house. Besides, the US banking sector is already awash in competition among nearly 9,000 banks and another 9,000 credit unions. Why should one more bank matter?

The actual problem with a Wal-Mart bank is that it combines the ownership and control of a bank and a commercial firm. The separation of ownership has been a pillar of financial stability in this country and a disaster when the principal was violated during the 1920s and early 1930s. Mr. Leonhardt makes no case for dismissing these concerns.

The Wal-Mart bank would also lack regulation as a bank holding company, and in these days of large, complex financial institutions the only hope of prudential regulation is with consolidated regulation and supervision. This is reckless policy at a time when the nation's need to attract foreign capital depends crucially on the safety and soundness of our financial system.

The industrial loan bank charter that Wal-Mart is applying for amounts to regulatory loophole the size of a Wal-Mart. Its special allowances create an uneven field of competition that is inconsistent with market efficiency.

Indeed, America's working people need cheaper financial services. The way to do this is expand credit unions. They are already providing low cost banking, and they do so without pernicious lending practices and without threatening the safety and soundness of the financial system.

Imagine there were no hate for Wal-Mart, and there would still be a pubic-policy concern with the safety, soundness and efficiency of our financial system and how it is effected by the combination of banking and commercial ownership of depository institutions and their lack of adequate prudential regulation.

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I discuss the separation of banking and commerce in a sidebar to the column, available at http://www.nytimes.com/2006/03/14/business/15leonside.html - David Leonhardt