Integrity, Fairness and Resolve

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This brief biography focuses on the leadership of the Fed's long-time head of banking supervision during the financial crisis of the 1980s and the parallels to today's turmoil.

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By Tim Todd

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Foreword by Thomas M. Hoenig

Bill Taylor led the Federal Reserve, other banking supervisors and the financial industry through the crisis of the 1980s.

I first met Bill when he was deputy director at the Board of Governors in the late 1970s. I worked in bank supervision at the Federal Reserve Bank of Kansas City. He was an experienced examiner and banker who had seen it all. He was quick but cool under fire. He made you feel responsible but did not leave you isolated. And he had a great sense of humor, which helped all of us get through some very rough times. Bill was the leader of Bank Supervision at the Federal Reserve System from the time he walked into the Board in 1976 to the day he left to be chairman of the Federal Deposit Insurance Corporation (FDIC) in 1991.

This short biography of Bill is provided to remind all of the Bank's examination staff that it is their tireless efforts that ensure that our financial system remains strong. Individuals do make a difference in outcomes. Bill made a difference. Bill understood that every bank failure hurt not only its owners but also the community in which it operated, whether international or local in scope. He knew we couldn't prevent every failure, but through tough examinations and careful action and patience, you could reduce the number and you could contain some – perhaps a lot – of the damage. He was forthright in his views and firm in his conclusions but also fair to an extreme both to his staff in the field and to the banker who might be in trouble.

In his role as chairman of the FDIC, Bill took some unpopular positions. He understood that it is not just about closing banks in a timely manner. Yes, he knew that if a situation was hopeless, you had to act. And he did so, many times. But he also knew that when you closed a bank, you also took a lot of the community, its small businesses and consumers down with it. When he could, he tried to work with the bank, even when it meant taking a chance that it could cost the fund more if he was wrong. Accordingly, he acted only after he did his homework and always with the best interest of the public in mind.

As you read through this story, the events of that early period will have a very familiar ring. If Bill were here today, he would probably share my disappointment that we learned so little from the crisis of the ’80s. Once again we are experiencing a financial crisis. Once again we are learning the lessons of too much leverage, weak underwriting standards and too little bank director oversight. After the last crisis, no “rules of the road” were introduced regarding any of these categories that history and experience tells us are fundamental to performance and are countercyclical. Rules that are clear and enforceable, work to contain excess risk during booms, and mitigate the misery during the correction. Yet again without firm guidance, the regulatory authorities were reluctant to insist that more conservative financial practices and standards be adopted and implemented. Almost certainly, Bill would have an appropriate, cutting remark for the fact that too big to fail is still the standard for our ever-larger institutions, and that we appear to have learned nothing from the failure of Continental Illinois. Nearly 20 years later, we still bail out the very largest institutions and close others.

I am pleased to offer this short biography of Bill Taylor. The Federal Reserve Bank of Kansas City has many banking supervision staff members who have received the Bill Taylor Award in Washington. I also know that all of you work at a high level of excellence every day in a very difficult field. It is my hope that this biography will help all employees understand the meaning of the award and the legacy of the man who was the most effective head of banking supervision that any agency has ever had. Bill Taylor was an examiner, yes, but importantly, he was a leader.

Thomas M. Hoenig

Former President and Chief Executive Officer (1991-2011)

Federal Reserve Bank of Kansas City
