

DEVELOPING TOMORROW'S COUNTRY BANKER

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Talk by Dr. Edison H. Cramer to the Agricultural Credit Conference
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When John Freeman found he could not be here and Mr. Hosch asked me to take his place on this program, I was very happy to accept the invitation. First of all, I had the pleasure of attending the annual convention of the Georgia Bankers Association at Savannah in 1950, and ever since then I have wanted to visit Georgia again.

Then too, I welcomed the opportunity to attend your agricultural conference, for I live on a farm and have a modest cow-calf operation. You notice, I said I live on a farm. I did not say I am a farmer--I am an agriculturalist. The distinction is that a farmer makes his money in the country and spends it in the city, whereas an agriculturalist makes his money in the city and spends it in the country. I am attending this conference hoping I can learn enough to become a farmer.

Another reason I was glad to accept the invitation to be here is that the subject I am to discuss with you, "Developing Tomorrow's Country Banker", is one which I consider to be of great importance. Our system of private business enterprise can remain vigorous and flexible and responsive to changing times and conditions only if there is a banking system which also possesses those characteristics. And the foundation of our banking system is the thousands of country banks serving the needs of farmers, consumers, merchants, and small businessmen. In my judgment, the preservation of our capitalistic system depends in no small part on tomorrow's country banker.

What can this generation of bankers do to develop those who will carry on in the years to come?

The function of banking. Before discussing the development of tomorrow's banker, we should first take a quick glance at the primary function of banking. Just what is it that banking does that is so important to the welfare of our economy? The answer is that banks provide the nation with the most important segment of its money supply or circulating medium. Bank deposits, it is estimated, are the medium of exchange in over ninety percent of all transactions. Money, which consists primarily of bank deposits but also includes the currency we carry around in our pockets, plays such an important role in our free enterprise economy that banks are recognized as peculiar institutions. They must obtain special charters and be regulated, supervised, and examined. Federal deposit insurance, adopted in 1933, was a recognition that bank deposits are part of the nation's money supply and that the Congress is constitutionally responsible for controlling their quantity and regulating their value.

Tomorrow's banker. The primary function of banks, then, is to create deposits for use as a circulating medium. This is done by making loans and acquiring other assets, to the extent permitted by the individual bank's reserve position. Tomorrow's banker must create deposits by taking care of all the legitimate credit needs of his community. On the other hand, he must not be so free-handed that his deposits are based on unsound loans or securities of doubtful value. To walk this path between liberalism and conservatism, and between generosity and penuriousness, is not easy--but it is the path that must be followed.

What are the qualifications needed by the country banker who would perform this task? It is important, of course, that he have a thorough understanding of the mechanics of banking. That is to say, he should be able to perform most of the tasks that are the daily routine of a bank--bookkeeping, paying and receiving, collecting items, running the notes, using a posting machine, writing letters, and so on and so on. I do not mean to imply he needs to be able to do these various tasks better than anyone else in the bank, but he should know enough about them to be able to do them himself, if given enough time.

Since the most important activity in a country bank is the making of loans, it naturally follows that a country banker must be able to make good loans. To do so, he needs to know his community, be a student of human nature, and be familiar with the business activities of his customers. For a country banker, familiarity with and a liking for agricultural production is most desirable. As you know, many country banks have found it profitable to employ a full-time man trained to handle all the various activities of an adequate agricultural program. But this is not enough. The chief executive officer himself must be farm minded if the bank is to serve satisfactorily this important segment of its community.

However, it is not enough for tomorrow's banker to be able to run a sound institution. He must have a genuine interest in his community and its welfare. He must be willing to give unstintingly of his time and effort to such community enterprises as churches, schools, youth activities, chambers of commerce, and municipal governments.

There is another qualification for tomorrow's banker that is seldom mentioned, but it is one that I believe to be very important. He should be a student of the theory of banking as well as the practice. Perhaps I over-emphasize this because I have been a college teacher most of my adult life. But it appears to me that banking is so important to the economic life of the nation, it behooves every banker to study and learn banking theory. In our democracy it is important that all citizens understand economic principles, for by our votes we decide economic issues. Bankers should be qualified to discuss such questions as: Should the Federal Reserve be subservient to or independent of the Treasury? Should the three federal banking agencies be merged? Should unlimited branch banking be permitted? Can monetary management prevent inflation or deflation? Why is it desirable to place government bonds with nonbank investors? These questions and many more like them are continually arising. Bankers should be trained in economic theory--they should not be "economic illiterates" as I have heard them described. The public generally, but particularly bankers, must have an understanding of the basic characteristics of our economy, if it is to survive.

Take for example the comprehensive investigations of monetary, banking, and fiscal policies of the Douglas Committee in 1949 and the Patman Committee in 1952. A random list of 168 bankers were sent questionnaires in 1949 which were designed to elicit their advice and counsel on the economic problems faced by the Congress. Only 32 bankers knew enough or cared enough to reply. Two questionnaires were sent to Georgia bankers. Neither one replied. Four were sent to bankers in my State, Colorado, and the only reply was from a little bank in Aspen, located high up in the Rockies. And much to

my chagrin one of the banks that did not reply was the bank I had been a director of for over a decade just prior to joining the staff of the Corporation. Bankers, it seems to me, should be better qualified than anyone else to speak intelligently on these basic and fundamental questions concerning banking and monetary policies that are constantly confronting the nation.

Of course, there are many other desirable qualifications for tomorrow's country banker. He should be a wise and considerate boss to those who work for him. He should have a good personality and like to meet people and have the faculty of remembering their names. But he must not let his friendliness and interest in people lead him into talking about the affairs of his customers. It goes without saying that every banker must be scrupulously honest.

Finding tomorrow's banker. I must confess, I do not see how we can develop enough individuals with these qualifications to run our 15,000 banks. But we must give more attention to this problem and actively seek to find and then to train young people to be tomorrow's country banker. Every banker that can possibly do so should have in his bank someone trained or being trained to take his place. But before discussing the training of a banker, I want to say a few things about finding the person to be trained. Where should you look and what should you look for in seeking the young person most likely to become a well qualified country banker? First of all, do not fail to look close by. The qualifications for a good country banker--pleasing personality, good character, mental capacity, ambition, enthusiasm in one's undertakings, honesty, and so on--are easily recognized on the playgrounds and in the classrooms of our schools. The banker who has in mind the

long-run welfare of his bank and his community should seek out at least one young person, if he has not already done so, and ascertain his attitude toward banking as a career.

I do not mean to imply by this that I regard high school as sufficient education for tomorrow's country banker. To the contrary, I think a college education is highly desirable. This conclusion is based on many years experience both as a banker and as a college teacher of banking. I recognize, of course, that there are many well educated people who never went to college or even to high school. And the reverse of this is also true; there are many college graduates that are not educated. Nevertheless, tomorrow's country banker should have the advantage of a college education. Certainly, if what I said about the need for knowledge of basic economic principles has any merit, a college education is indispensable. Then too, college training for our farmers and merchants and other businessmen is becoming almost as commonplace today as high school training was only a few years ago. Tomorrow's banker must have an education that is the equal to that of his customers. I suggest, therefore, that if you find a young person whom you can encourage to plan a career in banking, you should urge him to go to college. Perhaps you can offer him summer employment and thus give him an opportunity to weigh banking against other professions and give yourself a chance to further observe his potential qualifications as a banker.

It is a mistake to suppose that a college trained man would not be interested in country banking. From my experience, I know that college graduates are far more interested in the work they do and the future it offers than they are in a large beginning salary.

Training tomorrow's banker. After you have selected a candidate to be tomorrow's banker and he is on the job, your task has just begun. The most important part of a banker's development occurs during his early experience in the bank. In your bank and under your guidance he will learn to put into practice the theories he has learned in school. During this early period he should perform all or most of the various tasks that make up the day to day operation of a bank. But he will be doing these jobs as a means of learning the workings of a bank, not because he is an ideally qualified person for those particular duties.

One of my students about a decade ago came from a sheep ranch in Western Colorado. He was a big rawboned country boy but with a keen mind and an intense desire to be a country banker. After he was graduated, I helped him find employment with a bank not very far from his home community. A few months later, I met his employer and in answer to my inquiry about this boy's work, I was told, "He isn't much good. He can't even learn to run a posting machine." Of course, he could not learn to run a posting machine, his fingers were too big and his hands too clumsy. The point of this story is not that it was wrong to start his training on a posting machine, but that it was a mistake to think he could ever become very proficient at operating one.

The sequel to this story is that a few months later he began his military service. After distinguished service in the Army, he returned to sheep ranching and gave up all ambition to be one of tomorrow's country bankers.

On-the-job training may also be profitably supplemented by courses of study through the American Institute of Banking or by going to one of the graduate schools of banking, like that at Rutgers or the School of Banking of the South at Baton Rouge. These courses and schools not only build better practical bankers but also make the students aware of the vital and larger role of banking in our free market economy.

As I mentioned at the beginning of this discussion, the most important task in a country bank is the making of loans. It is also one of the most difficult arts to teach to someone else. But as soon as your developing banker has learned the daily routine of your bank, he should be given an opportunity to make a few small loans. Actual experience is the only way to learn to become a loan officer.

I remember another student of the early 1930's. I helped him find a job in a good bank in one of the best farming areas of the State. In school, we had discussed the theory of personal loans in commercial banks. At that time such loans were the exception rather than the rule in country banks. A couple of years after his start in the bank, I asked him if his bank had a personal loan department. His answer was that he had talked with his boss about it, but had not been able to convince him that consumer loans had a place in a bank. I suggested that he ask his boss to give him \$10,000 with which to make personal loans. Within a few years he had developed one of the best personal loan departments to be found in Colorado.

In the field of agricultural finance there are special opportunities that require special skills. Opportunities for safe and profitable lending to farmers appear to be almost unlimited. To be sure, we are now hearing a lot

about the decrease in the price of farm crops and livestock, but this is only a temporary setback. The longrun outlook for farming was never brighter than today. The large number of babies following the war are just now beginning to eat like adults, and as population grows and living standards improve there will be a constantly rising demand for farm products. This will necessitate further mechanization of farming, the use of more fertilizer, an extension of soil conservation, and improved buildings; to mention only a few things that will require bank finance.

These opportunities I have mentioned--personal loans and agriculture financing--are but two of the many fields to be studied and mastered by your developing country banker. Certainly, for the young man seeking a job into which he can put all the enthusiasm of his youth, nothing is superior to banking.

Keeping tomorrow's country banker. In closing I would like to say a few words about how to keep this developing country banker on the job. It is very disconcerting to lose an employee after carefully selecting and painstakingly training him. Important as good pay is, always remember there is a lot more in the pay envelope than the money. The young employee must be made to feel that he is an important part of the institution. Nothing is more gratifying to a young person trying to learn the intricacies of banking than to have a senior banker seek his advice and discuss important decisions with him. He should be given reasonable opportunity to use his initiative and ingenuity. One can only learn by doing, but remember also if one does things he is sure to make mistakes.

Good pay, satisfactory working conditions, a pat on the back now and then, and an opportunity to assume more responsibility in the management of the bank will obviate the possibility of losing your banker after you have trained him. But if you lose him to a better position in some other bank, you can take pride in a job well done and train another youth to become one of tomorrow's country bankers.