



ADULT EDUCATION IN BANKING

ADDRESS BY

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COMMENCEMENT EXERCISES - 200 CHAPTERS

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I am glad to have this opportunity of speaking to my fellow members of the American Institute of Banking, an organization of which I have had the privilege of membership for over twenty-eight years.

Started by a mere handful of bank clerks who believed in the banking profession, its future and its opportunities for service, the Institute has grown to a membership of over 55,000. It provides systematic, intelligent and comprehensive courses of studies of the functions, mechanics and fundamental principles of banking and economics. It has widened the scope of its work to embrace every branch of banking activities and is the most powerful and effective school of constructive banking thought in the country today.

To the group of founders, to the willing workers who carried on in the early days with limited means, to the excellent educational directors the Institute has been fortunate in having to arrange and direct our studies and activities, and to good old "Uncle George" Allen, our guide and director in the early days, we owe a lasting debt of gratitude. Their reward and satisfaction must come in a realization that their contribution has been one of real value to the banking profession and to the country; that our progress has been due largely to their unselfish service, to their courage, patience and persistence, often under discouraging circumstances, and to their vision and belief that the soundness of our banks and the future of our profession depended upon the proper and systematic training of

bank men, in order to fit them for their responsibilities in the operation of our banking institutions.

Our students have been drawn from all classes: young men with public and high school education and men with college degrees; all determined to take full advantage of every course of study which would help them to understand fully their profession and better fit them to perform their duties and assume responsibilities. The great lesson the Institute taught its students was to focus their attention on fundamentals, to think straight and face the facts courageously.

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In my forty years in the banking profession each year has been an interesting one. I have been, and still am, a student of banking, and it is as a student of the American Institute of Banking that I am expressing my personal views this evening.

The Changing Era

The Institute has lived during a rapidly changing era and has through its courses recognized the importance and necessity of constant comprehensive studies, to enable its members to understand the changes.

Let us briefly refer to the period of, say, the last thirty years. The members of the Institute have seen -

That the genius and progressive spirit of the American people have kept this country in the forefront in new industries and inventions;

A rise in the sense of social responsibility in every walk of life;

Changes in every line of business activity, brought about through scientific modernization and management, inventions, labor-saving machinery and other devices, and by improvement in business, technical education and research methods;

A marked increase in the utilization of electrical machinery and of water and electric power, vitally affecting every industrial and human endeavor;

The amazing growth in the automobile industry, influencing the life and habits of a large percentage of our people; the development of mass production; the consolidation of smaller units into huge corporate enterprises; the spread and effect of the large nation-wide chain store corporations;

The effect on agriculture of labor-saving devices and improved harvesting methods and the development of irrigation projects;

Improvements in the field of transportation and communication; faster and more comfortable train service; bus and motor truck lines, facilitating movement of passengers and freight; aeroplanes and dirigibles in national and international trade; wire and wireless telephone and telegraph services, embracing land and sea throughout the world; air mail service, speeding business by rapid letter delivery.

Our members have witnessed the rise also of the motion and sound picture industry, bringing amusement and stage to every hamlet;

The introduction and development of the radio, which has brought the current news of the world into every home and which has become a powerful force in education, advertising and amusement.

Our members are seeing at present a new industry in the making - the air conditioning of commercial establishments, homes, offices and trains, which will bring better working conditions and comfort to the nation.

This has been an age of tremendous progress, even though accompanied by the destructive forces of the Great War, the effects of which are still being felt in every section of the world.

In banking, during this period our members saw many basic changes. In the early days each bank was individual in operation and sufficient unto itself. Every fall saw a currency shortage due to the inelastic system. The crisis of 1907 resulted in a thorough study of the banking system. The Aldrich Commission recommendations were not acceptable to the people, but from the further study, the Federal Reserve System was evolved and its operation begun in 1914 shortly after the outbreak of the World War.

Our members saw the temporary use of the Aldrich-Vreeland currency; great business activity, due to war orders; large foreign loans; the gradual expansion of Federal Reserve bank facilities; our entry into the World War and the consequent heavy governmental borrowings and war-time taxes.

After the war they were especially concerned by the effects of

the war and post-war speculation; the resulting high money rates; the deflation in commodities and securities; the inventory and trade crisis in the early twenties, which resulted eventually in a change in the method of commercial borrowings by corporations; and heavy gold imports.

During the period 1924-1929 they saw the development of the speculative craze, which culminated in the stock market crash in the fall of 1929; thereafter the crisis gradually widened; in 1931 four important countries left the gold standard; fear and loss of confidence gradually spread throughout this country and despite the bank and governmental efforts to assist banking institutions to carry on, conditions steadily grew worse. In the early months of 1933 bank holidays were declared in many States and the crisis finally compelled the declaration of a nation-wide holiday in March, 1933.

Subsequent developments, you are familiar with. They have been the subject of continuous study and discussion.

I have briefly recalled these events during the life of our Institute in order to emphasize how great and how rapid have been the changes within our immediate knowledge and experience, and therefore how important it is for the banking fraternity to continue the work inaugurated by the Institute - work that is primarily educational in aiding us better to understand the forces with which we are surrounded in the world today and how to meet them intelligently and constructively.

Education

Knowledge is logical truth, or the agreement of the mind with an object. We all are in search for truth. We desire knowledge.

There are many definitions of the word "Education", but one that I came across in my early days appeals to me very strongly, namely:

"Education is a prolongation of the
curiosities of youth."

You know that a child is an eternal question-box. Even before a child walks, its quest for knowledge is shown by its desire to take toys apart to see what they are made of. When a child first learns to talk, the first question is - "How does this work, Daddy?" Later on, the question is: "Why is this done this way?" For several years in the early life of the child, the fond parent is required to refer to the encyclopaedia frequently to answer the many and varied questions.

The child learns to play fairly - how to take defeat gamely and to win graciously. He plays hard but hits clean and without malice. The child and the student learn early the principles of good sportsmanship. These traits of youth should not be forgotten in manhood. The eternal quest for knowledge, truth and fair-play should continue through life.

Man not only wishes to know, but wishes to know why. His search for the reason, the cause or the principle establishes man's desire to know scientifically. We learn by observing and experimenting. We study facts and what others have done and are doing under similar

circumstances. That is research.

The value of education can only be measured by the intelligent use to which it is put. Book learning or ability to memorize is in itself only of passing value. Education is intended to enable you to acquire basic facts, encourage industry in study and develop initiative and imagination. Through intelligent and systematic direction your attention is focused on fundamentals. Education is acquired only through long, painstaking and consistent effort and work.

The object of education is to have a broad basic understanding, which will enable you to analyze thoroughly, to weigh opinions, arguments and views before accepting them. Knowledge is power, but the ability to think straight, fairly and clearly is a priceless possession. Do your own thinking.

There is an old saying that there is no substitute for knowledge seasoned by experience. Keep in mind, however, that you will lose the real benefit of your studies if you permit your thought to be swayed merely by the utterances of those who are great in reputation or gifted in oratory. You must rely always on your own individual analysis. Study both sides of every important question; often apparent differences of opinion, when examined and studied, are really differences in phraseology. Do not dismiss ideas, plans or suggestions without study and analysis simply because the proposer may be actuated primarily by selfish or personal motives. Such motives are quite natural and usual, and persons actuated by them may, and often do, have

meritorious ideas. Your quest is for truth. Keep your mind on this goal.

To be successful, a banker must sincerely believe in his work and profession. To discuss banking intelligently, he must understand every branch of banking activities, its practices, policies, principles, his duty to depositors, to his community, to other banks, and to stockholders, and the high standard of ethical conduct so necessary for good banking. The wise bank man, to be prepared adequately, will take full advantage of the Institute courses and support Institute activities. It is the real school for training bankers.

So many basic changes have taken place in the business world and in bank law and practice in recent years that there is a growing necessity for intensive and intelligent study on the part of all bankers - old and young alike - of their new opportunities and responsibilities.

It is a basic truth that no human being knows everything, and no human being can know everything. This should be a source of encouragement to the young student, and a source of constant admonition to the banker who feels that, in his years of service, he has learned so much that there is nothing further for him to learn. When a man comes to such state of mind he is in a sad position - to himself and to his community.

Comments and Suggestions

Law can neither insure good management nor is it a substitute for it. Successful operation will always depend upon competent experienced

management, fair dealing, the proper sense of trusteeship, credit sense and skill. Competition in the banking business should be in the quality of service, not in the degree of laxity. Sharp practices are not conducive to lasting and mutually satisfactory relationships. A bank has a right to undertake fair risks with the expectation of fair profits, but undue speculative risks actuated primarily by an excessive profit incentive are never justified where the depositors' funds are involved. Over a period income must exceed outgo, if a business is to succeed. A bank is no exception to this rule. However, the need or desire for higher earnings has never justified inferior investments.

Research

Every informed student will agree, I am sure, that banking must adjust its operations and ideas to changing conditions. Through excellent research departments, industry is constantly studying economic conditions, the changing styles and requirements, new methods and machinery, cost trends and markets, and every other factor affecting or likely to affect its business - all for the purpose of meeting a demand or creating a demand for its products and also to determine in what direction its business is headed. Should not bankers be equally interested in all the factors affecting the trends in their business? Bankers are more fully alive today than ever before to the importance of acquiring knowledge and applying it practically through intelligent and enlightened leadership.

At the suggestion of the Reserve City Bankers Association which is sponsoring this type of study, a Commission for the Study of the Banking Structure was appointed by the New York State Bankers Association in 1934 and the experiences during the depression were made the basis of a factual study by that Commission. The results of this study aroused such widespread interest that thirty other State organizations are contemplating similar studies.

The belief exists that a scientific analysis of banking problems by bankers in the individual States, acting under Committees of their own choosing, will prove an effective way of improving the character and quality of banks' services to their communities. Conditions differ in each State, hence the program to be devised should be the best fitted to meet the respective needs.

It is a fine "Know thyself" and know-thy-business movement. This type of work deserves the cooperation and support of the Institute. To my mind the success of the movement depends upon making it a continuous and impartial study, with the scope broadened from time to time. Its advance and success depend upon the sincerity of those in charge and their realization of the social and public responsibilities of bankers; personalities should be merged, with no thought of personal credit, power or advantage.

In a study of the banking structure it will be well to consider the following points: are the needs of the community such as to require fully equipped bank offices and large staffs where the demand

is principally for deposit and paying facilities? is it necessary for all such banking offices to retain loan and investment facilities? and should the Iowa bank office idea be applied? (i.e. establishing offices providing banking facilities for those communities not served by local full-fledged banks.) The question of a reasonable and practicable system of branch banking should be studied, especially in those States where such a system appears desirable or necessary. In this study the Committee constantly will have to consider, on one hand, the question of public need for banking facilities and, on the other, the soundness and safety of the means to be provided.

Changes in the importance of various banking functions likewise require constant study. The note issue function of banks has become practically non-existent. The deposit function, with a very fine line of demarkation between demand and time, or savings, funds, is clearly in need of clarification. The discount function has changed materially in importance through the changing method of financing business; the process has been a gradual one. The principal investing function of banks is gradually becoming one of securities rather than of loans. This trend and the means of analyzing securities before purchase are vital ones for our smaller institutions. Public finance is another question that needs thorough study on the part of all bank men. Taxation measures and methods not only affect the individual banker but the entire monetary and economic condition of the country.

Marked improvements in the relation of banks with governmental agencies have been shown during the past few years as a result of the helpful attitude of committees of the American Bankers Association and the Reserve City Bankers Association, which has been extremely valuable to governmental agencies charged with the performance of certain duties affecting bankers. This experience has shown the necessity of further efforts in the same direction. Because of their knowledge of the practical operation and effects of supervisory and regulatory methods, bankers may be extremely helpful in shaping the rules, regulations and even the laws under which banks are to operate.

Successful bankers must be students of psychology and know how to promote better relations with the public. They must know people and like people. They must be frank with the public. Marked advances have been made during the past few years in public education through addresses at meetings and over the radio, and through forums and newspaper articles.

It is highly important that the public know what the real functions of banking are and what services banks are in a position to offer. There is room and opportunity for great progress in the development of this excellent work.

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I believe in the banking profession and its future; I have confidence that through public spirited cooperation of all interested parties our banking structure will be properly improved and strengthened;

also that the present functions and practices will be adjusted to fully meet, as occasion may require, the changing needs of our people.

My faith is in the youth of the country and its ability to solve or help solve our problems and questions; not the youth that is measured by age, but the youth in the mind and spirit of our people; the youthful influence that brings vigor and enthusiasm to our thoughts, actions and ideals; the resourceful spirit that has the will to do and accomplish, and refuses to be discouraged by obstacles, misunderstandings, or even depressions, which, on the contrary, spurs them on to greater effort; the spirit that is more interested in worth-while accomplishments in the interest of our country rather than in personal advantages or prerogatives; the youthful mind with the fertile ideas which are seasoned by research and experience; the open mind that refuses to be hemmed-in in the study of important questions, but seeks fundamental and basic facts and the truth; the open mind that has learned the proper spirit of fair play - that preserves independence of thought and refuses to be a blind follower of tradition and personal interest; the mind that does not lose its perspective, but retains its initiative and vision - that is willing to accept responsibility and has the courage to express its views; the mind that is ruled by fact and reason, that believes in cooperative effort, and is not easily swayed by emotion; the mind that is seasoned by hard work and practical experience - welcomes criticism for its constructive possibilities; the mind that is tolerant, sincere and sympathetic in its

approach, thorough and fair in analysis and study, steadfast in principle and conviction and uses good old-fashioned common sense in conclusions; the mind with the ability to reason and think, which is not deterred by fear or timidity but has the courage to speak frankly and effectively; the mind that is interested in this country of ours and its people above everything else, that respects and practices the Golden Rule and believes in the principle of live and let live, rather than that of the survival of the fittest.

Fellow members, this reflects the spirit and inspiration which has been the most powerful force for good in our country's development, and will continue to light the way for the future, in which opportunities are greater than ever before. Not only have I deep faith in the future of our country and in the unbounded opportunities before us, but I am more certain than ever that through our Institute many doors of individual opportunity will stand open, but above all through the perpetuation of its work and adherence to the ideals it has represented will come immeasurable benefits to the banking fraternity and to the entire nation.

Dr. Stonier, I appreciate greatly this opportunity of speaking to my fellow members.