

FROM:  
THE AMERICAN BANKERS ASSOCIATION  
THE NEWS BUREAU  
George J. Kelly, Director  
12 East 36 St., New York 16, N. Y.

RELEASED AT 10:00 A.M.  
SATURDAY, MARCH 10, 1962

ECONOMIC ILLITERACY

Address of M. Monroe Kimbrel, Vice President of The American Bankers Association, before the 1962 Postgraduate Seminar Sponsored by the Central States Conference of Bankers Associations' Graduate School of Banking (University of Wisconsin), Palmer House, Chicago, Saturday Morning, March 10, 1962. Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Georgia,

We all feel more comfortable if we can interpret things and events through our own particular frame of reference and our own special interests. A historian reads a book and evaluates it strictly from the standpoint of historical accuracy. An English professor reading the same book may judge it solely on its literary merit. The sociologist would, of course, have a different approach. I could cite others, but I think you know what I mean.

I have found myself in recent years interpreting almost everything in terms of economics. I would venture to guess that a good many of you have found yourselves doing exactly the same thing.

One of my main interests and activities with The American Bankers Association has been in the legislative field. And, like many of you, I tend to look at legislation in terms of economics. I don't apologize for this approach; in fact, I wish more people used it. Almost every issue that has been discussed or will be discussed in this session of Congress is fraught with economic overtones. This is true of the farm program, the trade program, the tax revision proposals, medical care for the aged, and just about any other issue that you might care to name.

It is becoming harder and harder to overlook the economic implications in legislation. Naturally, when legislation has a direct effect on banking we quickly point out our side of the story. But I often wonder if this is adequate.

(More)

It seems to me that bankers bear a much broader responsibility and, I might add, one that is not entirely unselfish. For, in the last analysis, if our banking system is to remain healthy and is to grow, our economy must be healthy and growing.

In brief, I think we as bankers have the responsibility of speaking out on issues that have a bearing on the course of the economy. If the growth and maintenance of a sound banking system depend on a sound economy, then banking's interest and the public interest are synonymous. Moreover, the idea of taking a stand has a snowballing effect--the more we speak up, the more our views are sought after.

Last month, along with A.B.A. President Sam Fleming and Charls E. Walker, executive vice president of the A.B.A., I had a chance to visit with President Kennedy. Most of the discussion centered around broad economic questions such as balance of payments, budgets, and economic outlook. President Kennedy made it clear to us that he would always welcome the views of bankers on these matters.

As Dr. Walker mentioned yesterday, the A.B.A. Research Department is conducting detailed studies in many areas so the A.B.A. can make bankers' views known. Some of the subjects being studied--for example, the President's trade program and his request for authority to adjust taxes to meet conditions--do not have a direct bearing on banking. However, I am sure you will agree they do have a direct effect on the economy. What is more important, the Administration and Congress want to know how bankers feel about issues such as these.

But once the basic research is done and facts and figures are available on a specific subject, the job is really just started. We must make sure that our views are brought home not only to government but to the American people.

This is no small task.

It involves several factors, one just as vital as the next. It means we must have the manpower and brainpower to dig into issues and analyze them. It means bankers must have enough general economic understanding to appreciate the

(More)

importance of the issues. It means bankers must have the ability and the desire to make their views known to the public. And it means that the public must have some fundamental knowledge of economics so it can understand the basic elements involved in these issues.

I think you will agree that this is indeed a monumental problem--one that can hardly be defined, much less solved, in the limited time we have together here. Since I notice a few people looking at their watches, let me relieve any apprehension by saying that I would like to use these few minutes to take a brief look at just two major areas of the broad subject--banker education and public education.

About 30 years ago bankers had little choice about obtaining a broader understanding of banking and economics. Either they took A.I.B. courses or, if they were fortunate enough to live near a university, they studied there.

Many far-sighted bankers and banking groups saw the need for professional schools for bankers and decided to do something about it. In the past 25 years a number of general and specialized schools came into being.

In fact, opportunities for professional education for bankers were growing so fast that in 1959 the A.B.A. decided that it was time to make a study of the entire network of banking schools. The purpose of the Welman Committee's work, as Mr. Welman put it, was "to get a clearer picture of banking's present and prospective educational needs, to match current programs against these needs, and to determine in what directions we need to move in order to do a better job."

This study was a tremendous effort. Including the preliminary work, it took about two years to complete. The report itself ran 65 pages. It stated: "Past accomplishments in banking education are substantial, and much of the random criticism of some aspects of this program appear to be ill-founded when analyzed carefully. However, the challenges to banking, which can be met only by higher professional competence based upon sound education, require this concentrated attempt to strengthen all aspects of banking education."

The Banking Education Committee was given the responsibility for over-all educational policy of the A.B.A. and was given the task of coordinating the efforts of resident banking schools. It was also directed to consider a multitude of problems:

1. How to remove duplication of efforts.
2. How to decide on uniform terminology used in banking educational activities--schools, conferences, workshops.
3. How to establish better prerequisites for various schools so students would get more out of the courses.
4. How to divide educational activities into strata so there can be a logical progression.
5. How to help officials of schools establish objectives, select students, plan teaching methods, and evaluate student accomplishment.
6. How to improve the curricula of various schools.

These of course, are just a few of the problems that must be solved. But I think they give you an idea of the scope of the challenge facing banking education. Needless to say, the entire network of education will not change overnight. It is a big job and one that must be constantly reevaluated.

But knowing the problem is the first step toward solution, and many steps have already been taken to get the machinery in motion to carry out the recommendations of the Welman Committee.

While we are gathered here today there is a meeting being held in New York City for the state-banker-school representatives of the New England and Middle Atlantic states. They are discussing ways to strengthen banking education. The two major points under consideration are possible avenues for developing more cooperation between educational activities and, secondly, determining what types of assistance should appropriately be provided at the national level to state-association-sponsored bankers' schools.

A new specialist has been added to the Banking Education staff of the A.B.A., with the main task of helping schools improve their curricula.

(More)

I feel quite confident that the Banking Education Committee and bankers across the country will make great progress in this area, and I am sure that we in the banking business will have more and better educational opportunities offered to us than any other business. It will then be up to each of us to make sure we use the facilities and activities such as this conference to gain a broad understanding of banking and economics.

But improving bankers' education, vital as it is, is really only half of the picture. Going back to what I said earlier, we cannot explain economic matters in a vacuum. There must be more economic knowledge and interest on the receiving end--the public. As we in banking raise our own educational levels, we can see many things more clearly. But at the same time we are increasing the gap between our professional knowledge and the level of public understanding of economic matters. This creates difficulty in communication. The point was driven home quite forcefully to me in the past several years whenever I tried to explain commercial banking's side of the tax uniformity story. So many people just didn't care. One of the main reasons they didn't care was that they did not understand anything about the problem and, not understanding, they were not interested in finding out about it. How many times have you found yourselves in the same situation? I mention tax uniformity as an example; I could have been talking about any number of economic issues and still would have met with the same response.

In the current issue of the "Saturday Evening Post," Secretary of Commerce Luther H. Hodges hits this very point. He said, "Americans can--and must--learn their economic ABC's, for at the bottom the case for economics is the case for democracy itself--government by the people. If a democracy is to cope effectively with economic issues, the people must understand."

The general level of understanding of economic issues by the public is appallingly low.

(More)

A recent unpublished survey of a representative cross section of the American public showed these results:

1. Five Americans out of six think that our economy is growing as fast as it should.
2. Over 40 per cent think rising interest rates are inflationary.
3. Only one person out of three thinks that investment in factories and machinery makes a major contribution to economic growth.
4. More than half the adult population believes that net profits of most business firms are equal to or exceed total wages paid, and less than one-tenth knows that payrolls substantially exceed profits.
5. About 40 per cent believe that business profits have been too high in recent years, and less than 2 per cent think they have been too low.

These figures are startling. They give us an indication of how little our economic system is understood by the public. Yet these people as voters share in the direction of our economy, and their attitudes and behaviour actually determine the nation's economic progress.

Surveys such as this prompted Donald I. Rogers, business and financial editor of the "New York Herald Tribune" to write:

The greatest area of ignorance in America today is in economics. That's why voters are so easily seduced by outrageous campaign promises. And merely electing a man to the House or Senate does not automatically endow him with economic sophistication.

Government actions which affect the economy are often taken in response to notions and prejudices of the voters; therefore, economic illiteracy becomes a serious factor in the progress--or lack of it--of our nation.

The situation is not much better with college students.

Some 4,500 freshmen and seniors at 12 midwestern liberal arts colleges were recently questioned in a survey by the Opinion Research Corporation, Princeton, New Jersey.

Here are a few of the findings:

(More)

The typical freshman enters college knowing nothing about the basic facts and principles of our economic system.

Only a minority of college students take even a little economics.

After four years of college, seniors without economics training show very little improvement over freshmen.

Of the seniors who did not take economics, only 34 per cent knew that the most practical way for workers to improve their standard of living is to produce more.

Prospective teachers were found among the weakest groups, with only one in five taking courses in economics.

Going to the next level, the New York State Bankers Association has just completed a survey of the teaching of economics in 130 high schools outside New York City.

The survey showed that very few high school students take courses in economics. Teachers of social studies are not prepared to teach economics. In courses in American History or Problems in Democracy, very little attention is paid to economic reasoning, and instruction on financial institutions is largely descriptive and does not require any thinking on the part of the students.

Against this background is it any wonder that the public does not understand basic economics? This void--economic illiteracy--could easily lead to the breakdown of our way of life. For this reason it should be attacked on the same scale that we would employ to wipe out a plague.

I don't mean to say that nothing is being done to combat economic illiteracy. What I do say is that too many are doing too little about the problem.

Where do we fit into the picture? What can we as bankers do to meet our responsibilities in this area? That, of course, depends on what you and your bank are presently doing.

What are you doing to further adult education? Does your bank have an economic newsletter that interprets events for your customers? Have you ever held economic forums to discuss these issues? Do you avail yourselves of every

(More)

opportunity to speak to local groups about local or national economic problems? Do you encourage your own employees to keep abreast of issues? Does your bank speak up on economic matters?

Some banks are doing much along these lines. Is your bank one of them?

The day before yesterday, First National City Bank in New York City started a program of "Economics for the Thinking Citizen," for members of the staff. The memo to those enrolling in the course said:

The bank feels that if you are a better informed citizen, you cannot help but be a better banker due to the many economic issues in which banks are involved and the frequency with which the public turns to bank people for economic opinion and counsel.

Secondly, the future success of this bank will depend in large measure upon the future success of our economy as a whole and the healthy functioning of our democratic institutions. Thus the bank has an important stake in the economic understanding of the public, including its own personnel.

This is a pilot course. It is based on the recommendations of a task force of distinguished economists which was given the assignment of describing the kind of economic understanding needed for responsible citizenship.

The Beloit State Bank in Wisconsin uses a newsletter approach to get the facts on economic issues across to local citizens.

Many banks work closely with college professors to make sure the colleges are getting all the information they need from the banks. Bankers invite college professors to visit the banks; and in many cases, the professors bring their classes in for on-the-spot instruction. The A.B.A. seeks to have college professors attend various conferences and workshops so bankers and professors can develop a closer working relationship. Many bankers give guest lectures at local colleges. And, of course, banks supply educational films and materials to the colleges.

These efforts are commendable and necessary. But, if we are to make any progress over the long haul, we are going to have to help step up the teaching of economics in the highschools and grade schools.

Banking is not the only element of business that is interested in this problem. Much is being done by other industries and other groups. The American Economics Association and Joint Council on Economic Education have been working for some time on a program to provide more and better economic education in schools across the nation. The A.B.A. has been working closely with these groups in developing materials and helping to distribute them to schools.

One of the biggest contributions banks can make to this whole effort is in supplying booklets and other materials including films to local schools.

If your bank is not doing so now, you might write to the Banking Education Committee for a free 22-page booklet which describes material that is available. The A.B.A. film guide, which is also free, describes over 130 16-mm sound films that are available and suitable.

I realize that I have not even scratched the surface on what can and is being done to improve education on economic subjects. But I hope that I have given you some idea of the magnitude of the problem. You who have broadened your educational background, and through your attendance at these postgraduate seminars are continuing to keep abreast of new developments, are particularly qualified--and I would hope particularly interested--in raising the standard of economic literacy.

If you have not taken an active interest in economic education in the past, I hope that you and your banks will take advantage of the centennial of the country's dual banking system to launch your own local programs.

This year-long celebration in 1963 will strive to improve relationships among banks, bankers, and the public by giving Americans a clearer understanding of the vital role of commercial banking in the life of our nation.

The theme of the celebration will be "Progress Through Service"; and it will be publicized across the country on radio, television, advertising, films, special displays, and other media.

(More)

Many groups are cooperating with the A.B.A.'s Centennial Commission to insure its success. Those cooperating include the United States Treasury, the Board of Governors of the Federal Reserve System, The Office of the Comptroller of the Currency, The Federal Deposit Insurance Corporation, the National Association of Supervisors of State Banks, the Foundation for Commercial Banks, and the Financial Public Relations Association.

It seems to me that we can utilize this Centennial observance as a significant springboard for greater understanding of our banking system and our economy.

To sum up, our role in helping to eliminate economic illiteracy is twofold: We must improve banker education programs, and we must assist in educating the public on economic matters. This, to my way of thinking, is the greatest challenge facing banking today.

#