

FROM:  
THE AMERICAN BANKERS ASSOCIATION  
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THE YOU IN BANKING'S FUTURE

Address of M. Monroe Kimbrel, Vice President of The American Bankers Association, before the Annual Convention of the Louisiana Bankers Association, Jung Hotel, New Orleans, Monday Morning, May 7, 1962. Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Georgia.

In 1963 we will celebrate 100 years of commercial banking under our dual banking system. We have made a lot of progress during the past 100 years, and there is much cause for celebration for the bankers of this country. But what I would like to discuss with you today are some of the things that we, as bankers, will have to do if there is ever to be a 200th anniversary.

The title of this talk is "The You in Banking's Future," Before we discuss the role that you will play, it might be well for us to consider what kind of a future we hope to achieve in banking. Unless we understand our goals, our responsibilities will never be clear.

For example, if we expect banking to become a completely controlled and regulated industry--if we have no objection to yielding to the forces of competition--if we are satisfied with a secondary position in the field of finance, then our role will be fairly simple. All we'll have to do is sit back and let the two forces of competition and government domination squeeze us into an ever tightening vise. If that is to be the case, I for one am glad that I will not be around for the 200th anniversary of the National Currency Act.

However, I can't convince myself that any of you want that to happen. I believe that you want to maintain some degree of independence, I am sure you want to decide for yourselves the terms and conditions under which you will make loans, the kinds and varieties of services you will offer, and the rates and charges you will adopt for your bank. We are, of course, already

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bound by a good many limitations in each of these areas as well as in other phases of our operations. I don't think we are ready to welcome further limitations now or in the future.

Agreeing on what we don't want is usually a lot easier than agreeing on what we do want.

But if we were all to sit down and write a description of the banking operations we would like to see in the future, the descriptions, although varying in detail, would undoubtedly contain many common elements.

We would all see ourselves as successful bankers operating in a profit-motivated economy. We would see ourselves competing in a market where no groups were favored by special advantage, or no group suffered through undue restraint. In general terms, these are the things that we would like to see. If they are to be realized, your role in banking's future is cut out for you.

For one thing, it will be up to the banker to see that we have a "profit-motivated" economy. By that I mean the kind of free enterprise system that has enabled this country to provide a higher standard of living for a greater number of people than any other system that has ever been tried. It is a system that permits 6 per cent of the world's population to produce 40 per cent of the world's goods. It is so successful that even the communists have had to accept it as the best way to overcome some of the many weaknesses inherent in their own state-controlled system.

In spite of that, our economic system is under constant attack from those who, in the name of progress, would like to establish controls over the growth and expansion of the economy. It is under attack from those who support legislation that favors one segment of an industry at the expense of other segments, thereby curtailing competition within an industry. It is under attack from those who would impose taxes designed solely to reduce or eliminate profits.

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These are some of the things we will face in sustaining our economic system. But maintaining a profit-motivated economy is only half of banking's future. The other half involves operating successfully--and that means earning a profit.

This matter of profits brings us into the internal operations of banking. It includes a wide range of duties, functions, and activities. It means expanding and improving services, widening our markets, keeping a tight control over costs, and adopting a fair and profitable schedule of charges.

Perhaps as much as anything else, it means a rededication to the basic principle that profits are an essential and an important element in our economy. The only time a banker, or anyone else, needs to apologize for profits is when he hasn't made any.

We need the free enterprise system as an incentive for profits, and we need the profits for the survival of the system. The two are not independent.

Let's take a closer look at some of the specific factors involved in realizing these two goals--maintaining our free enterprise system and making a profit.

Maintaining our system is a never ending task. One job you will have to perform in meeting this responsibility is that of a teacher. You will have to see that new employees are properly trained to do the work they were hired to do. You'll have to provide additional training so employees can move up through the ranks as openings develop. You'll have to provide continuous training at the executive levels to assure the bank's having an adequate management team at all times.

Along with this teaching about your bank, I hope you will also strive to teach your fellow bankers and employees about the fundamentals of our economic system so they will be in a better position to perpetuate it.

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Your role as a teacher should also extend to the community you serve. We can do much to encourage the teaching of economics and banking in our public schools. We can also increase the understanding of economics on the adult level through newsletters, discussion groups, or public forums.

The role of teacher will also be called into play on a larger scale. It will mean explaining your position to your state legislature to make sure that no action affecting banking or our economic system is taken without all the pertinent facts.

You will also have to study developments in Congress and make sure that your representatives understand your position. Many areas of legislation can have a direct bearing on the banking industry.

Antitrust, for example, is an area of considerable importance to the future of banking. There are several different agencies in Washington that are interested in this, too: the Federal Reserve Board, the F.D.I.C., the Comptroller of the Currency, and the Justice Department. The Bank Merger Act of 1960 seemed to settle the question of appropriate bank supervisory authority, although the Attorney General does not seem inclined to go along with the position. When an interpretation has finally been made, you may have a little more educational work to do in Washington.

When I speak of educational work in this regard, I am not sure whether you will be cast in the role of teacher or student. I am thinking of your future relationship with the Department of Justice that takes action against one company because its prices are higher than its competitor's; takes action against another because its prices are lower than its competitor's; and takes action against a third because its prices are the same as a competitor's.

Needless to say, I have only touched on a few of the areas that require our attention in attempting to maintain an economic climate that permits us to prosper. There are many others. But even this quick glance should tell

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us all one thing: it is virtually impossible for one banker, or even one bank, to do all the things that I have mentioned.

For this reason, bankers in the future are going to have to utilize the services of bankers associations--your state association and the A.B.A.--to an ever increasing extent.

You simply do not have the time or the manpower to develop training programs for your employees, organize advanced schools for your officers, devise programs for your local schools or adult groups, and maintain constant liaison with your state legislature, and your representatives and senators in Washington. Yet these areas are vitally important to your future so you must utilize the services of your associations to meet these needs.

The extra time we devote to association affairs without pay and the money we spend on association dues benefit us many times over. A good example of this was the case not too long ago when a question was raised as to whether the interest paid on savings accounts could be fully deducted by banks if, at the same time, they were holding tax-exempt securities. A recent ruling by the Internal Revenue Service upheld the full deduction. However, if the banking community had not made itself heard through the Washington office of the A.B.A., the ruling might have been unfavorable--and that would have added \$40-million to the tax burden of commercial banks.

The ruling a few years ago to permit banks to count vault cash as part of their reserve requirements did not come about by accident. It was a matter of constantly making bankers' views known in Washington. How much did this mean to you in terms of increased earnings?

Or, did you ever stop to consider your insurance rates? During the past 25 years, while all other prices have been climbing, your insurance premiums have been steadily reduced through the efforts of the A.B.A. Insurance and Protective Committee. If banks paid the same rate for insurance today that they did 25 years ago, the total bill for banks would be over \$60-million more per

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I cite these examples because too many of us tend to take the work of our associations for granted. They never consider even these tangible elements. The savings from the three items that I have mentioned would be enough to run The American Bankers Association activities for close to 50 years. Your association dues are the best dollars you can invest in the future of banking. The time you devote to association work helps banking in general and redounds to the benefit of your own bank.

So far I have been talking about how your associations help you with matters that are primarily outside the walls of your own banks--with matters that influence our economic environment. Now let's take a closer look at the other point we established earlier--the need to make a profit.

It's fairly obvious that rising costs and increasing competition that have put a squeeze on profits in the past will continue to pinch profits in the future. There are two ways to approach this problem, and the successful banker of the future will be the one who follows both paths.

One very obvious way is to increase the amount of business you do. To follow that path, here are some of the roles you must play. You will have to be a first-class idea man to devise new and improved services that your bank can offer economically. You will have to be an expert research man to pinpoint the market to be served. You will have to be a topnotch advertising man to attract the portion of the market you want. You will have to be an ace salesman to gain more customers for the services you offer. And you will have to be a persuasive promotional man to attract the volume of deposits your bank will require to meet the loan demand of the community.

All this will be necessary if you are going to increase profits by gaining a larger share of a growing market. The other side to this profit coin is to increase profits by cutting costs.

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The beautiful part about cutting costs is that it has an immediate and complete impact on your profit picture. Knock a dollar off your costs and you have automatically increased your profits by a dollar. On the other hand, say, if you sell an additional book of checks for a dollar, it certainly doesn't represent a dollar of profit for your bank. In fact, many of us are lucky we can avoid losing money on our special checking accounts.

Here are some of the things you will have to be if you want to hold down costs in your bank's future. You will have to be something of a cost accountant to be able to detect where costs are out of line. You will have to be a systems and methods man to be sure that your procedures are following the most practical lines. You'll have to be an efficiency expert who can skillfully trim the fat from every dollar that is being expended.

Again, these are only a few of the functions that you must concern yourself with. There are countless others. But even this partial listing is enough to indicate that you cannot handle all of these functions by yourself. Nor can the average bank afford to retain the services of experts in the various specialty fields. But in the profit area--just as in the area of maintaining our economic atmosphere--your banking associations can be of tremendous help. I say "help" advisedly. They will never be able to do more than you let them. Nor can they do all your work for you.

But those of you who are active in your associations realize that they can be an extension of your own staff efforts. They can provide expert guidance and studies in many fields that you could never afford to do in your own bank. They can print booklets and brochures at a much cheaper cost because of the volume. Your state association, working with the Banking Education Committee of the A.B.A., for example, can pool the talents of member bankers and make them available to all bankers.

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The A.B.A. can help your bank develop an effective advertising program. It can supply your bank with a variety of ads ready for your use, with more constantly being developed. One point about the A.B.A. advertising service that I would like to make here is that the ads prepared for banks are paid for by those banks that use them. They are not charged to A.B.A. operations. Thus, those banks who run their own advertising programs are not paying anything to support the A.B.A. program.

I might add that banks could never produce an advertising program of the same quality as the A.B.A.'s without spending many times more than they now spend for the A.B.A. ads.

In the field of operations, did you ever consider how much time and effort went into developing the common machine language? I don't want to go into the complete background of it here because I am sure that many of you have read the various progress reports that were published during the studies. However, I do want to say that this project required many, many hours of work by experts in various phases of banking. I don't think any bank could have afforded such a project. Nor could the A.B.A. have afforded to pay for all the help. But it should go without saying that this was one of the biggest steps in banking's history. Incidentally, did you know that the language--E-13B--has been adopted by several other countries as the official machine language?

Similar results--through pooled efforts--are being produced by other units of the A.B.A. The Mortgage Finance Committee is working with a group of representatives from all areas of the real estate mortgage field to establish a secondary mortgage market for, and a corporation to insure, residential mortgages. This will make mortgages more liquid and therefore more attractive to banks.

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The Savings Division through surveys, conferences, and research projects is helping us to find more ways to attract the savings dollar. The Agricultural Committee keeps us abreast of farm credit needs. The Committee on Credit Unions keeps us up to date on what our competition is doing.

The Banking Education Committee is helping to coordinate the efforts of the various state and regional banking schools.

I cannot cover all of the A.B.A. activities, but I wanted to give you the scope of interests that are considered by the A.B.A. in working with your association for the betterment of banking.

The strength of any association is, in the final analysis, the support of its members--you who contribute your time, efforts, and money for the mutual benefit of all. And the amazing part about this arrangement is that the resulting benefits are greater than the sum of all the individual contributions.

In the light of these facts, let's take another look at the you in banking's future. While the future will demand that you be a teacher, accountant, salesman, and all the rest, your primary role will still be that of a banker. But, as a banker, you will also be a member of a team that is composed of a wide variety of specialists.

The banker of the future will not be the banker who knows everything and does everything connected with the successful operation of his bank. He will be the executive manager who knows where to get the information and specialized help he will need to operate successfully in a profit-motivated economy.

The price he will pay will be small in terms of what he receives.

To sum up, in banking's future, you will have greater responsibilities than you have ever had before--responsibilities to your bank, to your community, and to your nation.

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At the same time, you will have more specialized help available to assist you in shouldering those responsibilities.

I believe that more and more bankers everywhere are starting to realize to an ever increasing extent that their efforts with the state and national associations are paying off in handsome dividends for banking. You need these associations. The associations need you; not just your financial support--although that is important--but more, they need your active participation so they can be more effective.

Judging from your presence and enthusiasm here, I know that banking will be able to count on you in the future.

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