

FROM:
THE AMERICAN BANKERS ASSOCIATION
THE NEWS BUREAU
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A TIME FOR ANALYSIS

Address of M. Monroe Kimbrel, Vice President of The American Bankers Association, before the 60th Anniversary Convention of the National Association of Supervisors of State Banks, The Mount Washington Hotel, Bretton Woods, New Hampshire, Tuesday Morning, September 18, 1962. Mr. Kimbrel is chairman of the board of the First National Bank, Thomson, Georgia.

With the world series just a few weeks away, with the football schedule getting heavier every week end, and with the political campaigns picking up steam, this is the busiest time of year for forecasters. Against this backdrop, I don't think it would be out of place to make a forecast of my own. Briefly stated, it is this: 1963 will long be remembered as one of the most important years in the history of our dual banking system.

I say this for two reasons. First, 1963 will be the Centennial year of the dual banking system. Secondly, the deep probing of our complete financial structure that began with the work of the Commission on Money and Credit will probably reach its greatest intensity next year.

Since these two subjects are directly related to our dual banking system--a system which both the National Association of Supervisors of State Banks and The American Bankers Association feel must be preserved--I would like to use the next few minutes to discuss them.

The Centennial observance--a year-long celebration--will mark the 100th anniversary of the signing of the National Currency Act. The Act was signed on February 25, 1863, by Abraham Lincoln. It marked the beginning of the dual banking system.

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I don't think it is possible to overemphasize the importance of this celebration. I can state categorically that it is by far the greatest opportunity that the banking industry in this country has ever had to tell the story of our dual banking system to the American people.

The Centennial Commission of the A.B.A. has been working on an organized program to assure the success of the observance. The Commission's plans are along three lines. First, the Commission plans to arrange special events which will focus attention on the Centennial. Second, it plans to conduct a nationwide publicity campaign; and third, it is preparing materials to enable banks and bank groups to participate in the program.

To start off the Centennial year, the Commission expects that President Kennedy will issue a proclamation declaring 1963 the Centennial year of the dual banking system.

Centennial chairmen and vice chairmen, working with state associations, may seek your assistance in getting state officials to participate in proclamation ceremonies in your respective states. Similar proclamations are expected to be issued in most cities.

A 250-page hard-cover book on the history of banking, entitled Financing American Enterprise, will be released early next year. The book has been written by Dr. Paul Trescott of Kenyon College, Gambier, Ohio, and is being published by Harper and Row of New York. I am confident that when you read this book you will realize that it is a major contribution to our knowledge of our banking system. Banks which have contributed to the Centennial will receive a copy of the book, and they will be able to order additional copies at a very low cost for distribution to schools, libraries, and customers. Perhaps some of you will be asked to present copies to the governors of your states.

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In addition to the hard-cover book, a short booklet--How Banks Help--which will be about 50-pages long, has been written by John Cooley, former senior associate editor of BANKING Magazine. This interesting, informal booklet, also historical, tells the story of the growth of a wide range of banking services through a series of facts and human interest stories. It will be available to banks for mass distribution.

The A.B.A. Public Relations Committee is producing a 16mm full-color motion picture entitled "Banking in Action." It will depict the growth of the nation in the past 100 years and show how commercial banks played a leading role in the growth. Banks will be able to purchase or rent the film.

To top off the celebration, the A.B.A. will hold its Annual Convention in Washington, D. C., next October. The whole Convention will be keyed to the Centennial.

Throughout the year, the national publicity campaign will be intensive. The campaign will include all major media--newspapers, magazines, radio, and television.

Many state associations have already organized their own Centennial committees and are disseminating information and organizing states' plans for the Centennial observance. Many individual banks are also at work figuring out ways to tie in their own stories to the national campaign.

To help banks and bank groups develop local programs, the Commission has prepared a Centennial Kit which will reach all banks in a few weeks. The kit will contain lists of all materials available, sample news releases, newspaper ads, TV and radio scripts, a booklet containing ideas on how banks can participate in the celebration, and many other items.

These, of course, are just a few of the highlights of the activities designed to meet the four objectives of the Centennial observance. The four

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objectives are: (1) to commemorate the 100th anniversary of the dual banking system; (2) to focus nationwide attention on the Centennial observance; (3) to point out the service that commercial banks render; and (4) to develop a greater appreciation of the role of the commercial banking industry in the economy.

The theme of the Centennial is "Progress Through Service." This theme gives us a chance to highlight the progress banking has made and also a chance to explain to the public the variety of services available at a commercial bank.

Naturally, I am enthusiastic about the Centennial because I have been close to it. But more importantly, I am enthusiastic because it gives the banking industry such a good chance to tell its story to the public. I don't think I have to stand up here and try to convince you gentlemen who are on the firing line that the public knows precious little about our dual banking system.

In this connection, I am sure that your own study of the dual banking system will add significantly to our knowledge and appreciation of this subject, and I am looking forward to reading this work with great interest.

If the dual banking system is going to improve and grow stronger, it must be through increased service to the public. It would seem to me to follow that the more people know about banks the more they will be inclined to use the services offered by banks. For this reason, I am firmly convinced that every element of the banking industry should do everything possible to make the Centennial a success.

Now I would like to turn to the second major point that I made earlier. This is indeed a time for analysis.

As you know, the work of the Commission on Money and Credit was the most far reaching study of our financial structure since the famous report of the Aldrich Commission in 1912 which led to the establishment of the Federal Reserve System. The work of the Commission is now being followed by four study

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committees--three Presidential committees and one appointed by the Comptroller of the Currency. There have also been several independent recommendations made about the structure of bank supervision.

Now I, for one, believe this philosophy of examining existing institutions and practices is wholesome. We Americans have built the greatest industrial nation the world has ever known because we have always been willing to adopt proven methods when necessary to help adapt to, and further encourage, progress.

So far as our financial system is concerned, I don't think there is anyone in this audience who would contend that it cannot stand improvement.

Moreover, The American Bankers Association is continuously examining practices and regulations to see where improvements can be made. For example, consider the service corporation bill initiated by the A.B.A. that will permit banks to own stock in a corporation which provides data-processing services. Or consider the part the A.B.A. played in formulating the current plan to establish an effective national secondary market for conventional mortgages. These are examples of the Association taking the lead in working for improvement of the banking system.

But I would like to sound a note of caution. We Americans are noted for, among other things, our extreme impatience. When something isn't working perfectly, we often rush in and try drastic measures that must be changed again later.

After reading the recommendations of the C.M.C. and reading about the general areas under consideration by the various committees, I wonder if we are not going to see some proposed changes for the sake of change.

It would be premature at this time to discuss specific proposals since all the committees have not yet submitted reports. However, speaking for The American Bankers Association, I would like to make a few things crystal clear.

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One of the unique features of commercial banking in this country is the system of dual chartering, regulation, and supervision. To the extent that any forthcoming proposals or recommendations may involve structural changes in chartering, supervision, or regulation--or to the extent that they have decisive effect on the relative advantages of banks' possessing one type of charter over the other--the A.B.A. will subject such proposals to careful scrutiny in order to determine their consistency with the principles underlying our dual banking system.

Dual banking is more than a nice phrase; it is essential to the maintenance of a competitive and vigorous commercial banking system. So long as commercial banks are free to organize and operate under either Federal or state charter, it is certain that neither the Federal Government nor the states will ever be able to achieve complete domination of banking. Dual banking is entirely consistent with the constitutional philosophy of checks and balances, but like all such arrangements it must be carefully guarded so that neither side encroaches on the authority of the other.

The A.B.A.'s traditional position, and a position which I personally believe to be absolutely sound, is to support proposals which tend to strengthen the many laudable aspects of the dual banking system. The Association's position on this--particularly in regard to branch banking--was expressed over a quarter of a century ago in what has been generally known as the Boston Resolution. The resolution has been reaffirmed many times. I am confident it is a position we will not abandon. In part, it states, "The Association supports in every respect the autonomy of the laws of the separate states with respect to banking. We reiterate our belief that no class of banks in any state should enjoy a greater right in respect to the establishment of branches than banks chartered under state law."

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The A.B.A. will undoubtedly oppose any legislation which represents further encroachment on states' rights so far as our banking system is concerned.

Indications are that the trend is toward more--not less--Federal encroachment and less--not more--dedication to the principle of states' rights.

The American Bankers Association is in complete agreement with the NASSB that any attempt to impose additional Federal controls and restrictions on banks should be vigorously opposed.

On occasion we may differ as to our interpretation of the possible consequences of proposed legislation, but I am confident that there is no disagreement between us in basic philosophy.

When I say the A.B.A. will fight further Federal encroachment, I mean just that. Bankers throughout the country fought and apparently won a major legislative battle in Congress this year--the battle establishing the principle of tax uniformity. The results show bankers can be rallied to a cause if the cause is just and if the issues are presented logically and accurately. Everyone in banking gained valuable experience during the debate on tax uniformity. Bankers working at the grass-roots level learned how much their opinions count and how much their opinions are sought after by both elected and appointed officials in Washington.

We in the A.B.A. also discovered that to do the job we are determined to do we must maintain a strong team in Washington. This we are doing. Charlie McNeill took over the reins as director of the Washington Office early this year and has continued to do the excellent job that was characteristic of his predecessor, Ben Corlett. To further increase the effectiveness of our Washington office we have added Bill Heffelfinger to our staff as chief liaison man with the numerous agencies and departments of government that have a direct or indirect relationship with the banking industry. Mr. Heffelfinger had over 40 years of service with the Treasury before he joined the A.B.A. staff. Just

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recently we announced the appointment of John W. Holton as federal legislative counsel. He will join the staff at the close of this session of Congress. Mr. Holton has been legislative assistant to Speaker of the House McCormack. For 9 years prior to that he was administrative assistant to the late Speaker Sam Rayburn. We feel that these three men will give the A.B.A. strong representation in the nation's capital. I might add that our Washington office has worked and will continue to work closely with your Washington representatives-- Hollis Burt and his staff.

But if we are interested in preserving the dual banking system, we cannot be content with simply meeting legislative problems. There is much that can be done outside the field of legislation that is essential for strengthening the dual banking system. If we ignore this area, we are likely to find ourselves in the same position as the coach who spent all his time worrying about the rules instead of getting his team in shape for the game. I need not tell you his fate.

Let's be frank. As Mr. Myers, your president, has pointed out, it will not be possible to resist further encroachment of the Federal Government into the field of state banking unless your own house is in order. Those who seek responsibility and authority must show the ability to do the job well. If you do not take the necessary steps to strengthen banking within your respective states, you will be providing additional ammunition for those who seek broader Federal power over banking.

What are some of the weak spots? One of the most important steps necessary is to make sure that state banking laws are kept up to date. Many states have a good record on this count. But many others are delaying action, and still others don't even have plans to update obsolete laws. Without current and realistic banking laws, not much progress can be made.

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It is also important that the position of supervisor carry with it both adequate compensation for the supervisor and the prestige and backing necessary to do the job. His budget should also permit him to attract the most competent examiners available.

The State Bank Division of The American Bankers Association has long recognized the importance of these and other elements necessary to strengthen the state banking systems. As you know, we have always pressed for improvement of state laws. The A.B.A. prepared a model state banking code which it made available to all states for use as a guide. Naturally states will have elements peculiar to their own economies which will necessitate various adaptations to the model code. However, we hope and believe the model code has done much to stimulate interest in improving banking laws. It has also given many state supervisors a good starting point for doing so.

The State Bank Division also helps state supervisors keep abreast of trends and developments in state banking through its quinquennial surveys. The eighth such survey since the practice was originated in 1924 was prepared two years ago.

The survey brought out such pertinent facts as how banking departments are organized in the various states; how the superintendent is selected, his qualifications, his term of office, his salary. It also sought to find out his duties other than supervising banks.

These surveys can be invaluable to state supervisors in making sure their plans and programs include the best time-tested approaches. The surveys are also good because they give supervisors an independent study which can be useful in convincing state legislatures that a system needs improving.

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The State Bank Division stands ready to assist in any other way possible to strengthen state banking.

I have covered a lot of ground here in a few minutes, but I think I have pointed out some of the challenges that will be facing banking--both state and national--in the months ahead.

Let me sum up my thoughts with these three points:

First, banking's Centennial is an ideal opportunity for all of us to explain banking and banking services to the public. The time could not be more propitious. Never before has the need for public understanding of the dual banking system been greater. We could not have arbitrarily selected a better year to mount an all-out effort to explain our system to the public we serve and depend on for our existence.

My second point is this: The American Bankers Association is prepared to analyze coolly and objectively any proposals or recommendations to improve the dual banking system. At the same time, it is also prepared to oppose those extensions of Federal regulation and intervention which would impair the proper functioning of our dual banking system.

The third and final point is that the A.B.A., as in the past, stands ready to assist state banks and state supervisors in any way possible to improve the effectiveness and viability of state banking.

In closing I would like to say that the banks of this country have done a tremendous job in supporting the nation's economy. One of the main reasons that banks have been able to do this has been the outstanding job done by the members of your organization. Strong bank supervision, at both the Federal and state levels, is a must if banking is to meet its responsibilities and do the job that the country expects of it. In working toward this goal, the A.B.A. stands shoulder to shoulder with your Association.