

FROM:  
THE AMERICAN BANKERS ASSOCIATION  
THE NEWS BUREAU  
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### TOMORROW'S BANKERS

Address of M. Monroe Kimbrel, President of The American Bankers Association, before the 38th Annual Convention of NABAC, The Association for Bank Audit, Control, and Operation, Americana Hotel, Bal Harbour, Florida, Monday Morning, October 22, 1962. Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Georgia.

It is indeed a pleasure for me to be here today and extend greetings on behalf of The American Bankers Association. To this I would like to add my own personal compliments to NABAC for the fine job it is doing in a field that is growing more important to banking every day.

As you know, my term of office as A.B.A. president has just started. My thoughts, therefore, are directed toward the future. So with your permission I would like to spend the next few minutes discussing some of the major developments that will be affecting banking in the near future.

To sum up banking's near-term outlook briefly, it would be fair to say that banking is going under a microscope. Our industry is going to be scrutinized (1) by the general public, (2) by Congress and the federal departments and agencies dealing with banking, and (3) by bankers themselves.

Let's take a further look at these three developments.

### Banking in the Public Eye

Next year will be the Centennial year of our dual banking system. On February 25, 1863, Abraham Lincoln signed the National Banking Act, commonly referred to as the National Currency Act, which, in effect, gave birth to our dual banking system. It marked the beginning of banks chartered and supervised by the Federal Government operating side by side with the banks chartered and supervised by the several states.

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This celebration is definitely in order, for the system has served the nation well. But more than that, the Centennial provides banking with the best opportunity it has ever had to tell its story to the public.

For some time the Centennial Commission of the A.B.A. has been working on a program to assure success of the year-long observance. The Commission's plans are along three lines: (1) The Commission plans to arrange special events which will focus attention on the Centennial. (2) It plans to conduct a nationwide publicity campaign. (3) 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.

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 this book will be accepted as a major contribution to our knowledge of our banking system, and recommend it to you for your personal enjoyment. 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.

In addition to the hard-cover book, a short booklet--"How Banks Help"--which is 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.

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.

The four objectives of the Centennial 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.

The celebration will place banking squarely in the public eye. We should welcome this development, and I am confident the banking industry will stand up well under the public's scrutiny.

#### Washington Scene

The banking industry is also being scrutinized in the nation's capital. The most talked about subject in banking circles today is the report of the

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so-called Saxon Committee. As you know, the committee of 24 men was appointed by the Comptroller of the Currency to study the national bank system. The committee submitted 84 recommendations in its report.

The committee should be commended for its outstanding service to banking. I do not imply that all bankers will agree with every single recommendation. In fact, the A.B.A. recorded last month its opposition to the proposal for national bank branching privileges irrespective of state laws regarding branching. But in spite of any specific differences of opinion, we all should be grateful for any attempts to make objective and comprehensive studies aimed at improving our banking system.

A detailed study of the Saxon Committee report at this time might be an academic exercise. As you know, the report was turned over to the President's Committee on Financial Institutions. This committee, headed by Walter Heller of the Council of Economic Advisers, was one of three committees established by President Kennedy to study the recommendations of the Commission on Money and Credit, as well as other proposals for improvements in the nation's financial system. The committee also is expected to make independent recommendations.

The three committees are to report to the President next month so that any legislative proposals can be incorporated into the Administration's legislative program for next year.

When the Heller Committee submits its recommendations, the A.B.A. will study each and every one of them in detail. We will support those measures or actions which we believe will improve the operation of the dual banking system. At the same time we will oppose those measures which we feel would not be in the public's interest.

During this period of deep probing of our financial structure, I would hope that all bankers join in the discussion so that all views are thoroughly aired.

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This is the best way to arrive at sound conclusions. But I also would hope that all those who do enter the debates that lie ahead will base their arguments on facts and strictly objective analyses of the proposals. The stakes are too high to permit emotions or guesswork to enter the considerations.

This past year organized banking showed that it can be effective in the nation's capital. Every piece of major legislation supported by the A.B.A. was passed. In the struggle for tax equality, we had sound arguments and we presented them accurately and fairly. Commercial banking won a major legislative battle.

If we follow this same practice and present sound views backed by solid facts, I don't think we will have to worry about the future of banking as it may be influenced by the current scrutiny in Washington.

#### Maintaining Profit Margins

The American economy is going through a period of readjustment. In the years following World War II, our industries were running at near-capacity levels to fill the pent-up demand both at home and abroad. The productive capacity of Europe was drastically reduced by the war. We had little competition in Europe, nor did we face competition in markets previously served by European producers.

This is no longer the situation. Much of the demand built up through the depression and the war has been filled. At the same time European progress has been phenomenal. The result is that competition is more realistic.

The competitive element is evident in international trade. It is evident in our domestic economy. And, needless to say, it is growing more intense in the field of banking.

During the past few years, banks have found it increasingly difficult to maintain profit margins. The reasons are fairly obvious. Loan demand did not expand as expected after the last recession. At the same time, banks were faced with increased competition within the industry and with nonbank lenders. And, as I am sure this group is well aware, operating costs continue to climb.

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Our customers have sharpened their pencils. They want the best terms and the best service available.

Needless to say, the banks that will come out ahead in this competitive period will be the banks that can offer the best service at the lowest cost. The higher permissible rate on savings and interest deposits brought to light many facts for bankers across the country. Some discovered after they had raised rates that the opportunities for profitable outlets for new savings were seriously limited. Some wanted to increase their investments in mortgages but lacked qualified personnel. Others found themselves looking around for experts in the consumer loan field. Many discovered that they did not have an accurate picture of what their savings operations cost their banks. The change in Regulation Q has inserted an element of keener competition into banking, and this competition has underscored the need for technical and specialized skills which will strengthen the basis for bank management decisions and promote greater flexibility in meeting the challenge of competition. The stiffer the competition, the costlier are errors of judgment.

In other areas, as well, recent developments have underscored the need for specialized skills in banking.

The number of farmers has been decreasing for many years, but the size of the farm and the credit needs of farmers have increased. To meet this situation, many banks, including large city banks, have been adding agricultural specialists to their staffs. With the increased emphasis on international trade, banks are being forced to develop experts in international finance. Increased competition has also spotlighted the need for more extensive market research by banks.

Gentlemen, the trend is quite evident. Tomorrow's bankers will not only have to have a greater understanding of the broad aspects of banking; they will also have to have specialized skills and training in particular fields.

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You men are right in the middle of this trend. Senior management will be relying on you more than ever for your expert guidance in cost analysis, controls, and, to some extent, general bank operations.

Banking has just barely opened the door to automation. We have a long way to go. Automation will enable us to perform our present services faster and more effectively. It also opens the way for new services.

The changes coming about through automation should make your work extremely exciting in the years ahead because it will present you with new tools, new techniques, and new challenges.

In the field of check processing we may see volume increase by 28 per cent during the next 8 years. By 1970 it is estimated that the banking system will process 18-billion checks annually, compared to the present annual volume of 14-billion.

If we are to meet this increased volume--and other increasing demands on our banking system--without excessive increases in costs, real imagination will be required. Your organization already has shown such, for it was one of the first to realize the need for specialists in the field of bank audit and control. In fact, your organization originally was founded as part of the Clearing House Section of the A.B.A.; and the A.B.A., recognizing the specialized field, gave its blessing to your desires to establish an independent organization.

Through the years the A.B.A. has supported the work of NABAC and has cooperated with your organization on many matters of mutual interest. The A.B.A. has not attempted to concern itself with matters primarily under the aegis of NABAC.

Inefficient duplications of activities have been avoided. Unfortunately--at least in one area--this happy state of affairs has become jeopardized. The area is personnel administration. Since it is a matter of considerable concern to the A.B.A., I would like to discuss it candidly and frankly.

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In recent years, NABAC has been expanding its interest in the field of personnel. The A.B.A. has always felt that the personnel and management development functions of a bank were germane to the work of the A.B.A. because the A.B.A. is charged with the broad responsibility of servicing the full spectrum of bank functions. The A.B.A. has been doing work in the field of personnel and management since the 1920's. During the past decade we have stepped up our efforts in this field. With the increasing importance of personnel work in hiring, training, and assigning employees, and with the acute need for management development, we plan to increase further our services in the field of personnel administration. In fact, next spring the A.B.A. will start offering a one-week course in bank personnel administration. This course will be in addition to the A.B.A.'s National Personnel Conference and the Effective Leadership in Management Seminars. The one-week course will be designed to give the personnel officers of smaller and medium-sized banks intensive training in the basic principles of personnel administration and practical suggestions as to how they may be applied in their banks. The course will also provide newcomers to personnel administration in large banks an intensive exposure to the personnel function.

This course was originally considered over five years ago. However, its implementation was delayed pending the completion of the Welman Committee's report on banking education. This was a committee established to make a comprehensive study of banker education programs.

The Welman report recommended that the A.B.A. proceed with its plans along these lines. The recommendations were approved by the governing bodies of the A.B.A. Last year, however, when the A.B.A. was ready to announce its plans, it discovered that NABAC was ready to announce plans to hold two workshops somewhat similar in nature. At this point the A.B.A. notified NABAC that it would hold off for one year in order to avoid what seemed to be a direct conflict of

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scheduled programs. At the same time the A.B.A. made it clear that it would go ahead this year with its original plans.

Last month at the A.B.A. Administrative Committee meeting in Atlantic City the entire situation was again reviewed. This group--the ruling body of the A.B.A.--discussed the personnel situation in some detail. The members unanimously agreed that the personnel administration and management development functions properly belonged under the aegis of the A.B.A. It was also agreed that the A.B.A. would continue to provide programs and services in this area.

I hope that NABAC officials will reconsider this situation so the two banking units again can show a unity of purpose. With bankers scrutinizing their own operations, this situation could well raise questions in the minds of senior management of the nation's banks about duplication in the expenditure of time and money.

In closing, I want to say that the months ahead will be mighty important to the future of banking. The Centennial, the far-reaching studies of banking practices and regulations, and the efforts of bankers to improve their own operations will put a great deal of pressure on the banking industry. However, as I said earlier, banking should welcome this broad scrutiny. The strength of the system that has served so well will be reasserted. Weaknesses of our system will be sharply defined so that we may eliminate them. In brief, banking stands to gain much during this period of scrutiny.