

FROM:  
THE AMERICAN BANKERS ASSOCIATION  
THE NEWS BUREAU  
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ADDRESS OF M. MONROE KIMBREL

President of The American Bankers Association, before the  
73d Annual Convention of the Tennessee Bankers Association,  
Andrew Johnson Hotel, Knoxville, Tuesday Morning, May 7, 1963.  
Mr. Kimbrel is chairman of the board, First National  
Bank, Thomson, Ga.

Tennessee bankers know better than anyone else that the immediate past president of The American Bankers Association sets a fast pace. I can tell you from personal experience that he also provides banking with the finest possible representation throughout the country. In covering some of the routes traveled by Sam Fleming last year, I am constantly reminded of the outstanding job he did as A.B.A. president.

Thanks to the leadership of Sam Fleming and others in your state, Tennesseans understand very well the role and responsibility of commercial banks in our present-day economy. I would not presume to define that role for this audience. The performance of your own banks in a state where competition and economic progress are both on the upswing indicates that you need no outside advice on that score--even from a neighbor.

I want to draw your attention to a question that is perhaps more personal and just as pertinent to the future of American banking. Are we doing today all we can and should do as individual bankers to provide the direction and judgment and vision that our industry clearly will need tomorrow?

In traveling a majority of the states during the past several years, I've observed that you can pretty well tell a banker by the problems that keep him

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company. Whether his shop is big or small--whether his customers are industrial giants or family farmers--whatever his section of the country--the problems are basically the same.

We worry, for example, about educating and training young people for a business career that grows progressively complicated and demanding. We're concerned about automation and its impact on profits and personnel. We puzzle over auditing procedures and cost studies and the prospects for new business. We fret over laws and regulations that often appear to stifle enterprise, and we wonder how to cope with increasing competition from government and government-subsidized institutions.

These are a few of the problems we all share. Their solution requires, as a bare minimum, that we be informed and that we act effectively as a group. They require, in short, a team effort in which individuals work together for the common good.

In The American Bankers Association and our respective state associations, we have the means of asserting that kind of effort. But membership alone is not enough. It takes active, participating members--bankers willing to give of their time and talent--to make the team go. And, most of all, it takes a firm unity of purpose on the part of all of us--an awareness that the ties which unite us as commercial bankers are far more important than the things which divide us.

Where this spirit is translated into association action, we do a good job for banking. Let me cite some examples among our current projects of general interest.

The banking industry has been for many years an acknowledged leader in the field of practical education. In establishing the American Institute of Banking and The Stonier Graduate School, bankers of an earlier era anticipated the need for permanent educational facilities within the industry. The A.I.B. and the

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Graduate School have more than fulfilled the hopes of their founders. They have been widely imitated by other business groups, and they continue to serve today as the foundation of banking's educational structure.

However, it became evident a few years ago that something more was needed. With additional regional and state schools springing up and a rising demand for specialized instruction, some over-all appraisal of the situation obviously was in order. The Banking Education Committee of the A.B.A., at the suggestion of the managing officers of the state associations, made a comprehensive study of the problem and undertook to meet it.

The results, after three years, are highly gratifying. The Banking Education Committee has opened clear lines of communication with and among the various sponsors of banking schools. The committee, at the same time, has greatly expanded banking's contacts and information exchanges with educators from the secondary to the graduate level. We now have, for the first time, a really effective liaison with the professional educators who determine how and what our youngsters are taught about banking and related subjects.

The 1,100 students attending the 1963 resident session of The Stonier Graduate School next month will find standards of instruction higher and course offerings more varied than ever before. The A.I.B., with an enrollment of 181,000, has extended its reach this year by organizing study teams in areas where the banking population is too small to support chapters or study groups.

In addition, we will add, this year and next, two schools at the national level offering concentrated courses in specialized service areas. The A.B.A.'s National Mortgage School will open at Ohio State University in Columbus in August. Plans for a National Instalment Credit School were approved only last month, and the inaugural session will be held after the first of the year at a site still to be selected. These facilities, together with The National Trust School which

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is held each August at Northwestern University, will afford a wide range of educational opportunities for A.B.A. member bank personnel.

Two points deserve special emphasis. First, this long-range, coordinated approach to banking education needs did not just happen; it is the product of a lot of thinking and a lot of hard work by bankers throughout the country and A.B.A. staff people who understand the vital interdependence of banking and education. And, secondly, superior facilities and standards will be of value to you only to the extent that you use and support them.

Two other banking fronts where the action has been fast and furious in recent years are automation and market research. Advances in equipment technology and continuing improvements in system design and procedures are bringing the advantages--and challenges--of automated equipment within reach of more and more banks. To expand its services to member banks in this area, your A.B.A. in January established a new department of automation and market research.

The department already is functioning in a broad area. It is serving as a central source of information on standards evaluation and research. It has planned a National Automation Conference--the first under A.B.A. auspices--to be held in Chicago in November. By maintaining close working relationships with equipment manufacturers, other associations and government agencies, it will enable the A.B.A. to assume its natural and proper role of leadership in this increasingly important field. The resulting services, I hardly need point out, will be of particular value to medium-sized and smaller banks for which automation poses special problems. Indeed, the program will be geared largely--though not entirely--to the needs of those banks.

This work would not be possible without the efforts of expert and dedicated bankers. I have in mind especially the members of our Bank Management Committee who labored some five years to develop a Magnetic Ink Character

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Recognition code which is now in use not only in the United States but in a number of countries abroad. From the contributions of a relatively few individuals serving on this committee and related A.B.A. groups, all of banking has realized tremendous benefits.

Another recent example of the practical value of association teamwork involves compliance by banks with the laws and regulations on taxpayer account numbering and reporting of savings interest payments. Like any other departure from established routine, the new system was bound to result in some confusion and expense. To provide our member banks with the facts and guidance in adjusting to them, a special committee of the Savings Division prepared a readable and comprehensive booklet titled "Numbering and Reporting." I've heard a number of complaints about operating problems under the new system--but I have yet to hear one that the bank could not accommodate by following the suggestions contained in the "Numbering and Reporting" booklet.

Personnel and management development is still another area calling for our best joint effort. Your A.B.A. recently initiated a series of courses in fundamentals of bank personnel administration to be given in different regions of the country. Two were conducted last March in Ohio and Minnesota, with the co-sponsorship of 13 state bankers associations. A similar course will be scheduled for a region including Tennessee within the next year. And next week, in Chicago, our second annual National Personnel Conference will develop the theme: "Increasing Profits Through Effective Personnel Administration."

I would hesitate to single out any one of these industrywide challenges as being more important than the others. I am convinced, however, that the need for banking teamwork is nowhere more urgent than in our relations with the Congress and the Administration in Washington.

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In this sector, too, it is our ability to recognize common interests and common goals that determines how well we advance banking's cause.

We have in Washington a strong and capable staff--men who know the ways of Congress and the Executive Departments and whose talents are widely respected. As a former chairman of the A.B.A. Federal Legislative Committee, I can report without qualification that commercial banking's interests are today represented and fairly served in the nation's capital.

As you know, the Congress last year placed on the statute books for the first time a requirement that savings and loan associations pay substantial Federal income taxes. While the action fell short of full tax uniformity, it was nonetheless a significant and welcome recognition of commercial banking's case for tax justice among competing financial institutions.

The Congress last year rejected a strong Administration bid for compulsory withholding of tax on dividends and interest, and instead passed the reporting provision I referred to earlier. In my opinion, the A.B.A. played a leading part in developing the facts and reasoning which led members of Congress to turn down the withholding proposal.

The Bank Service Corporation Act of 1962 removed Federal restrictions on investment by banks in a service corporation utilizing modern equipment for the benefit of its joint owners. Your association vigorously supported the legislation and helped steer it through the Congress, pointing out that it would especially aid smaller banks which cannot afford to purchase their own automatic equipment.

The so-called "Truth-in-Lending" bill, which would require, among other things, that lenders state charges in terms of the simple annual rate, has been pending in the Congress for a number of years. We've testified repeatedly that in our judgment the measure is not needed and that it would confuse borrowers and be impossible to administer. The bill has made no progress to date.

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I could cite other legislative developments of the recent past, indicating that our Washington representation has been more than effective. But what has happened is not so important as why it has happened.

The basic reason we have been effective is that commercial banking as a rule has been speaking up in Washington--clearly, affirmatively, and with a single voice.

It wasn't always so. Not too many years ago, organized banking shied away from expressing itself on important issues that appeared to raise the risk of controversy; the industry had many spokesmen. The result was a lot of confusion in the Congress and very little constructive banking legislation.

My friends, we will serve neither the public nor banking's interest if we permit that situation to recur.

As commercial bankers, we share a broad and compelling identity of purpose. We want the banking system to grow in strength and service. Our individual separate institution can prosper only as the system--and the economy--prosper. This is the point down the road that we're all striving for. If we are going to be truly effective as an industry, we must arrive there together. In order to do that, we will have to reconcile or subordinate whatever differences develop along the way.

I mention this in connection with our Federal legislative program because it is there that a lack of unity can have the most damaging effect.

Proposals of great importance to banking are now awaiting action in the Congress. They involve the future structure and authority of Federal supervisory agencies, an opportunity for commercial banks to participate more fully in the home mortgage lending field, and a variety of other issues.

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The House Banking and Currency Committee presently is considering a bill which would increase maximum F.D.I.C. insurance for each bank depositor from \$10,000 to \$25,000. The limit on insurance of savings and loan association share accounts would be raised by the same amount. Your association has concluded, on the basis of studies by several committees, that there is no demonstrated need for the increase. Of all accounts in insured banks today, only 1.8 per cent have more than \$10,000. We believe, moreover, that the future growth and service of the dual banking system should be founded upon public confidence in banks rather than upon the reliance of the depositing public in Government insurance.

An A.B.A. spokesman presented this position to the Committee week before last. He made it clear, however, that if the Congress should decide in favor of an increase, the action should apply equally to both types of insurance.

The President's proposal for rate reductions and structural changes in the tax system also has been the subject of intensive A.B.A. study.

Since the tax question is the biggest issue in Congress this year, I think I should explain how the A.B.A. arrived at the position which was presented in testimony before the House Ways and Means Committee on March 18.

You will recall that last summer there was much talk about a "quickie" tax cut. When the various ideas were being debated in the press, the Economic Policy Committee and the Government Borrowing Committee were meeting at the same time in Washington. These two groups plus members of the Administrative Committee met to discuss what position the association should take on the subject of tax cuts. As you know, the 17-man Administrative Committee in the top A.B.A. governing body between meetings of the Executive Council.

A tentative position was agreed upon but was not announced publicly. The tentative position was, however, communicated to the Administration.

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After additional study, the Association's position was formalized in a resolution at the 1962 annual convention in Atlantic City. As you recall, the resolution stressed these points: that the A.B.A. believes a tax cut would be good for the economy, that the cut should be spread over a three-year period to reduce the impact on revenues; that the level of Federal spending should be held constant during the transition period to lower tax rates; and finally, that budget deficits during the transition period would have to be financed in a non-inflationary manner. We further stated that unless these safeguards were met, a tax cut at this time should be rejected.

When the President submitted his tax proposal, I appointed a special committee to study the proposal to see how it measured up to the safeguards specified in our convention resolution. On the basis of that study, Dr. Charles E. Walker, our executive president, testified on behalf of the association. And I would quickly add that he did a tremendous job and his testimony was well received by members of the committee.

In brief, he stated that the association has long recognized the need for and the benefits to be derived from a soundly structured tax reduction. However, he also pointed out that unless means can be found to hold budgeted expenditures for fiscal 1964 to the actual expenditures for fiscal 1963, as estimated by the President in January, the tax cut should be flatly rejected by Congress at this time.

The A.B.A. also made several specific recommendations on the various proposals included in the President's tax message. We opposed the idea of a 5 per cent floor on itemized personal deductions, the capital gains tax on estates, and some of the other structural changes recommended by the President.

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At this time it appears probable that there will be a tax bill enacted this year that will provide for a substantial cut in both corporate and individual income tax rates. Moreover, the nation's bankers should have a sense of satisfaction that some of the recommendations we made early in the debate have been incorporated into the proposal that is now being considered. The tax reduction will be phased in to reduce the budgetary impact. At the same time Federal Reserve and Treasury officials have stated publicly that they are determined to finance the debt in a non-inflationary manner.

Meanwhile, we hope that Congress can find effective means to hold spending to the present level.

In summing up, let me say that this year--the Centennial year of the dual banking system--finds bankers facing many problems. These problems are demanding in terms of both time and energy. Yet some of these problems can be simplified if bankers can join forces at the state and national level and work together toward their solution.

By actively participating in association affairs and by contributing knowledge from your specialized fields you can help improve the entire level of banking. It seems to me that this is nothing more than enlightened self interest. For, in the last analysis, the benefits will redound to you and your bank.

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