

FROM:  
THE AMERICAN BANKERS ASSOCIATION  
THE NEWS BUREAU  
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A REPORT FROM WASHINGTON

Address of M. Monroe Kimbrel, President of The American Bankers Association, before the 73d Annual Convention of the Missouri Bankers Association, Hotel Muehlebach, Kansas City, Monday, May 13, 1963. Mr. Kimbrel is chairman of the board, First National Bank, Thomson, Ga.

I would like to use these next few minutes to report to you on some of the legislative developments in Washington that are of interest and importance to bankers.

However, before doing so, I think it is only appropriate that I take this opportunity to commend the bankers of Missouri for the excellent work you did last year in helping to further the cause of banking legislation in the 87th Congress.

As most of you know--and I am sure Joe Welman and others have made the point before--legislation takes time and effort. Major legislation usually takes, on the average, about five years between the time people start discussing it and the time it clears the halls of Congress. If it falters anywhere along the line, the chances of getting a bill enacted are seriously jeopardized.

We were all well satisfied with the results of banking legislation last year. It was one of the most successful sessions for banking legislation we ever had. Every major bill we supported was passed and few adverse pieces of legislation went through Congress. Having been associated with the Federal Legislative Committee of the A.B.A. for several years, perhaps I was more aware of the work that went into getting the bills in shape and helping to channel them

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through the legislative process than others. So you can understand why I have a particular sense of appreciation for your efforts.

In short, it takes patience--patience coupled with perseverance--to arouse interest in legislation. And, it takes effort to develop the background materials which may, in the end, spell victory or defeat for a particular bill.

I mention this timing at the outset because it has a direct bearing on some current legislative developments. There are 21 bills of direct import to banking which have been introduced in this session of Congress. Two other subjects of interest have been discussed in Congressional hearings but have not yet been introduced as bills. In spite of the fact that few of these bills will be enacted into law during this session, we have to keep informed about them. For those that are simply introduced this year, or those on which hearings may be held, are likely to be coming up again next year and perhaps the year after. If we acquaint ourselves with the background of each bill right at the outset we are reducing the amount of homework that will be necessary the next time the bill is discussed. The Washington staff will, of course, keep a close watch on developments, but it behooves each of us to stay abreast of the situation.

Now let's turn to some specific proposals currently before Congress. By far the number one item in terms of interest and impact is the President's proposal to reduce tax rates and make some structural reforms. His proposal was submitted to the House Ways and Means Committee where all tax measures must originate. The Committee held public hearings on the President's proposal and is now considering it in executive session. It is anticipated that the committee will complete work on drafting of the bill and report it to the floor of the House by the end of this month or the first part of June. Once it is passed by the House, and this is expected by most observers, it will be taken

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up by the Senate Finance Committee. Senator Byrd of Virginia, chairman of the Senate Finance Committee, has stated that he will conduct extensive hearings on the bill, so it will be late in the fall or possibly 1964 before the bill is finally passed.

Dr. Walker, our executive vice president, appeared before the Ways and Means Committee on March 18 to present the A.B.A.'s views on the tax proposals. Briefly stated, the A.B.A. believes that a tax cut would be a good stimulant for long-term economic growth. However, the reduction should be implemented within the bounds of fiscal prudence. That is, we believe the level of Federal spending should be held constant--the same as for 1963--during the three-year transition to lower rates. Reducing revenues and at the same time increasing expenditures could result in an unmanageable debt that could undermine the whole international financial mechanism. We believe that unless Congress can find effective means to hold spending at this year's level--estimated at \$94.5 billion by the President in January--then a tax cut should be rejected at this time.

Dr. Walker specifically proposed these other recommendations to the committee: that the corporate tax rate be reduced to 42 per cent or at least to 45 per cent; that a ceiling of 50 per cent be placed on the marginal tax rate on personal income; that the suggested 5 per cent minimum on personal itemized deductions and the capital gains tax on estates be eliminated, and that savings and loan associations and mutual savings banks be taxed on at least 80 per cent of net income.

I would like to point out that the Association's position on the tax cut was the result of the work of many bankers over a long period of time. Last summer, even before all the talk of a one-shot tax cut to prevent a recession, the appropriate A.B.A. committees were looking into the matter. Our

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tentative position was formalized by resolutions passed at the convention in Atlantic City. When the President submitted his tax message to Congress, I appointed a special committee to see how well his program reflected the specific safeguards we suggested in our resolutions. This study resulted in the testimony which was presented. Needless to say, we will continue to study all tax proposals as the discussion moves along into the Senate.

Another bill that looks as though it will be passed this session is S.1409 or H.R. 5970 which is commonly being referred to as the equal-pay-for-women-bill. This bill is not a newcomer. It has been brought up in hearings before. The bill is designed to "prohibit discrimination on account of sex in the payment of wages by employers engaged in commerce." Previous versions of the bill called for a new statute that would have expanded the investigatory powers of the Secretary of Labor and would have led to additional bureaucracy in administering its provisions. Another objection to earlier versions was that they did not allow for recognition of legitimate reasons for pay differences.

Since women constitute about two-thirds of non-official bank personnel, we are vitally interested in the bill. We recommended, along with other organizations, that the same results could be achieved by amending the Fair Labor Standards Act of 1938 instead of creating a new statute. We also suggested legitimate reasons for pay differences be recognized. Sponsors in both the House and Senate included these recommendations in the bill. As it now stands, the bill does not give the Secretary of Labor any additional investigatory power. It does not ask for a new statute. And, it does allow for legitimate reasons for pay differences.

I do, however, want to point out that employers must be able to show factual evidence why a difference of pay exists between a man and woman doing comparable jobs. If you have kept your written job descriptions up to date or

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if you have installed a good employe appraisal system or if you have kept accurate attendance records, you will have the records necessary to justify salary policies. For example, if you show in the job descriptions that a male teller has to carry heavy bags of coins, or is subject to more overtime work, or is constantly receiving better performance appraisals than a woman doing the same general duties, you will have established a legitimate basis for a pay difference.

Hearings have been held on three other matters directly related to banking which I would like to mention briefly.

The House Banking and Currency Committee held hearings April 24 to 26 on a bill to increase F.D.I.C. and F.S.L.I.C. insurance coverage from \$10,000 to \$25,000. The A.B.A. testified in opposition to the increase because a need for the increase has not been demonstrated. These four additional points were also made in testimony:

1. Competition for deposits would be reduced if the insurance were increased.
2. The increase would place excessive reliance upon the role of insurance backed by the Federal Government instead of placing the reliance on sound bank management.
3. Shifting of funds which could result from the increase might be detrimental to the economy, and
4. We pointed out that the two--F.D.I.C. and F.S.L.I.C.--coverages should be considered together so that if the insurance on savings and loan share accounts were increased, bank deposits should have the same increased coverage.

It is interesting to note that the Treasury, the Comptroller of Currency and the Federal Reserve Board also oppose the bill in its present form.

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Spokesmen for the Administration said the Congress should consider several other matters along with the proposed insurance increase. These other matters are stand-by rate controls on both commercial banks and S&L's, cash reserve requirements for S&L's, and stricter conflict-of-interest standards for S&L's. The committee has concluded hearings on the bill and is now waiting for the Administration to make a recommendation for legislation designed to accomplish all these things. We, of course, will study the recommendations in detail when they are made public.

This past Friday, May 10, William F. Kelly, vice president of the A.B.A., testified before the House Banking Committee on two bills. One was a measure to provide for common management of F.D.I.C. and F.S.L.I.C. We oppose this bill because it would place under common management two insurance systems designed to exercise distinctly different functions, it would contribute to increased public confusion over the deposit function of banks and the investment functions of savings and loans, and, third, there is no need for the legislation in terms of removing conflicting or overlapping jurisdiction of the present agencies.

The second measure discussed Friday was the bill to create a Federal Banking Commission, which would combine all bank supervisory functions under one unit. The A.B.A. believes the measure would result in an undue and politically dangerous concentration of power in one Federal agency. We believe changes leading toward more uniformity and efficiency can be achieved through less drastic measures. And, finally, we oppose the bill because we question whether the case for removing the Federal Reserve from all bank supervisory activities is as clear cut as is usually supposed.

Next Monday Congressman Fascell of Florida, chairman of the Legal and Monetary Affairs Subcommittee of House Government Operations, will conduct

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hearings on the conflicting views of the Comptroller and the S.E.C. as to the applicability of Federal Securities Laws to the common trust funds authorized by national banks by revision of Regulation 9. The A.B.A. is scheduled to testify and will support the Comptroller's action in revising the regulation.

Senator Sparkman and Representative Rains, chairmen of the Senate and House housing subcommittees, have introduced bills seeking the creation of a secondary mortgage market for conventional home loans. The purpose is to create two corporations. One would fully insure conventional mortgages; the other would buy and sell such mortgages in the secondary market. Hearings are expected to be announced for June on the companion bills.

It should go without saying that the A.B.A. will support the measures. In fact, creation of an effective secondary mortgage market for conventional mortgages is one of our top legislative goals in the 88th Congress. The A.B.A. was instrumental in organizing the National Mortgage Market Committee--a group representing all elements of the housing industry--which prepared the legislation. The most significant aspect of the proposal is that it will make mortgages more attractive to small banks because of the increased liquidity of mortgages.

The A.B.A. also has testified in favor of H.R. 5389, which would repeal the Silver Purchase Act. We believe this will help strengthen the monetary system by substituting Federal Reserve notes for silver certificates. This bill passed the House and was to be considered by the Senate Banking and Currency Committee last Friday.

We also supported S. 874--a bill to create additional mint facilities so we will not face any coin shortages,

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The association submitted a statement in opposition to bills which would expand the operations of the Area Redevelopment Agency on the grounds that the A.R.A. has been in operation for only half the period contemplated by the original authorizations. Moreover, we felt that expenditures which can be delayed or eliminated altogether should not be authorized when the Government should be holding down spending to facilitate a tax cut within the bounds of fiscal prudence.

I have not mentioned several other bills including the Douglas Disclosure Bill, which would require lenders to state interest charges in terms of a simple annual rate, and the bill to authorize Federal Mutual Savings Banks because hearings have not been held or scheduled at this time. However, I would like to make two points. First, your Congresswoman Leanore K. Sullivan will head the House subcommittee on consumer affairs, which we understand was set up to consider the Douglas Bill.

The second point is on the bill to authorize Federal Mutual Savings Banks in Missouri and other states, which do not have them now. The bill would also permit Federal Savings and Loans to convert to savings banks. This was one of the recommendations of the Heller Committee--the group established to study financial institutions. Mr. Patman, who is chairman of the House Banking and Currency Committee, said he would hold hearings in the near future to consider the entire report of the Heller Committee.

The report contained 24 specific recommendations for changes in laws and regulations pertaining to financial institutions. It should be pointed out that the report--which has received a lot of publicity--is not an Administration program for banking legislation. It is to be used as a guideline of the Administration's position on individual pieces of legislation. The association has been studying the report since it was published, so we will be in a position to support or reject any specific proposals at the appropriate time.

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As most of you know, hearings have been concluded by the House Banking Committee on conflicting application of National and State banking laws and regulations. These hearings have been widely publicized and I have nothing further to add except that it is doubtful if any legislative actions will result from the hearings.

I have not covered all of the banking legislative activities going on in the nation's capital. Nor have I touched on many other pieces of legislation that indirectly affect the banking industry. However, I believe I have mentioned enough to convince you that this is a vitally important area for bankers all over the country. The A.B.A. has expanded its Washington staff to make sure that every proposal which affects banking directly or indirectly is closely scrutinized and brought to the attention of bankers. Those of you who have testified on behalf of banking and those of you who have worked on various committees studying proposed legislation know that things can change rapidly in the legislative process. This emphasizes the need for us to come to grips with issues when they are proposed and stay with them as they move through legislative channels.

Our legislative efforts cannot be turned on and off like a faucet--they must be constant. We cannot ignore proposals until they are reported to the floor of the Senate or the House. It is much easier to advance sound, logical arguments when all other arguments are being considered than it is to try to erase erroneous impressions after they have been advanced.

Fortunately for the banking industry, more and more members of Congress are becoming aware that the A.B.A. is willing to stand up and testify on matters relating to banking or matters which effect the entire economy. Because of this, they seek the A.B.A.'s views on many matters before they even propose legislation. At the same time, there is a constant flow of background information being given, upon request, to members of Congress and to the Federal Agencies which have a direct relationship with banking.

I am confident that this encouraging development will continue. And I am also confident that the A.B.A., working closely with bankers from Missouri and all other states, will continue to do an excellent job of representing banking in

the nation's capital.

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