

ADDRESS OF M. MONROE KIMBREL

President of The American Bankers Association,  
before the Annual Convention of the Virginia  
Bankers Association, The Homestead, Hot Springs,  
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One of the most valuable features of conventions of this type is that they give us a chance to get away from the day-to-day problems we face in administering the operation of our banks. And, by getting away from the desk and the jammed business calendar, perhaps we gain a better perspective of the banking industry.

This morning I would like to take advantage of these circumstances and use the next few minutes to take a look at the future of banking. Forecasting and crystal gazing can be extremely hazardous. But if we don't continue to try to anticipate developments, we will sit complacently and watch progress pass us by.

Alexis De Tocqueville, the French philosopher who visited this country in the 1830's and wrote a book--"Democracy in America"--said: "They (the American people) all consider society as a body in the state of improvement, humanity as a changing scene, in which nothing is, or ought to be permanent; and they admit that what appears to them today to be good, may be superseded by something better tomorrow." He went on to say that "No natural boundary seems to be set to the efforts of man; and in his eyes, what is not yet done is only what he has not attempted to do...."

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We have had many changes in our economy and our banking system during the century and a quarter since he made those observations. We have experienced changes in banking regulations, banking services, bank architecture, bank operations and even banking philosophy. Many of these changes were made to accommodate the needs of our changing industrial scene--financing new enterprises or taking advantage of new techniques and new equipment to help us do a better job.

But the capacity for change seems to be unlimited on the American scene. In fact, if anything, the propensity for change and the effort being devoted to developing new products and services is increasing at an accelerating rate. Research and development figures show this point very dramatically. In 1955 industry spent about \$5 billion on industrial research. Present forecasts indicate that the figure will be close to \$20 billion by 1965. These figures would be even higher if they included Government subsidized research projects carried on by industry.

The results of these research projects will eventually change the business interests of many companies you now serve. They will change the needs, wants and living habits of consumers. And, they will provide you with more efficient tools with which you can improve the operation of your bank.

Some of these items are on drawing boards and may not be with us for some time; others may be available before we know it. You have probably read or heard about some of the research projects that not too long ago were considered to be nothing more than day-dreams.

After the war, for example, we were told that it would be years before atomic energy could be put to peaceful uses. Yet, today, it is being used to propel ships. Many other industrial uses of atomic energy are now being explored.

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I believe we will all see the day when commercial planes fly from coast to coast in less than one hour. With the growing problem of mass transportation in metropolitan areas, there is a lot of research being done in this field. Several companies are experimenting with the monorail to expedite commuters to and from suburbs. Helicopters carrying up to 100 passengers may also relieve the transportation system. The automotive industry, always engaged in research, may come up with a car that runs two or three feet above the road instead of on it. You will pass over another vehicle instead of around it. There is also the possibility that cars will be powered with fuel cells that will last as long as five months.

I am sure that many of you have read about LASER rays--the small concentrated beam of light that can be used to light the moon or melt two pieces of metal to weld them together.

If electrical engineers are successful in their efforts, we may soon have heating and cooling systems which do not have moving parts. This is known as thermo-electric heating and cooling and is produced by running a current through two dissimilar metals to create hot and cold junctions. This would not only reduce the chances of the equipment breaking down, but it would also reduce the size of the equipment.

Engineers are also working on a tape-recording device for television. With such a device you could stand firm on your demands that the children come to dinner. The machine could be turned on and the children could watch the taped version later.

Communications is another field that is hard to keep up with. The satellite communications program is one phase that has received wide publicity. We will see push-button dialing systems before too long. They now have devices which enable you to push a button on your instrument and carry on a conference without lifting the receiver from the hook.

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Perhaps the most obvious revolution in business operations is the computer, which, incidentally, is the fastest growing industry in the United States. This year business and industry will spend about \$1.5 billion on computers and related equipment. By 1965 the annual market is expected to be about \$8 billion.

In 10 years--the life of the young industry--the number of computers in use has soared from practically zero to over 11,000. New computers are being put to work at the rate of 550 per month. In terms of the cold war with Communism, it is interesting to note that the United States has about 90 per cent of the world's computers.

These computers are doing an endless number of jobs that require accurate and immediate handling. Airline reservations are quickly ascertained at reservation desks all over the country by simply punching information into a machine. Lawyers can retrieve information from a computer that would take them days or weeks to find if they had to do the research. Computers can also produce instantaneous, although not perfect, translations and can communicate with each other over regular telephone lines.

As the industry matures, there will be additional designs and applications. For example, the first computers were run with vacuum tubes which were bulky and gave off too much heat. The transistors, developed about three years ago, produce less heat and take up less space--which, as you know, is a costly factor in running a business. The efficiency of computers will also improve. Some industry engineers have estimated that the current cost of running a computer is \$1 for one million operations. By 1972, the cost is expected to drop to \$1 per 10 million operations.

Computers now come in all sizes and shapes. You can buy computers for \$18,000 or go as high as \$2 million. You can rent them for as little as \$1,000 per month or as much as \$60,000 per month.

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Many colleges now offer engineers courses in electronic data processing and they even have training computers, which are smaller than regular computers but can work actual problems. They can be run at very slow speeds so the students can see the operations.

These are just a few of the many dramatic ideas that not long ago were considered to be "way out." Some are still in the development stage but others are nearing completion.

Now, no one expects bankers to be scientists and keep pace with all the technical work that is taking place in the nation's laboratories. However, these developments, as I mentioned earlier, will cause many changes in the needs of your customers. *The more you know about your customers' business the better your service will be.* Moreover, *they will enable us to do a better job of meeting* (these developments) *the ever-increasing banking needs of the nation. In short, our interest in research and development is twofold.*

Other developments will also have an impact on the banking business. Rising disposable income will greatly increase the demand for a wider range of consumer services. Then, too, as you all know, population projections show that there will be a tremendous increase in the age groups of our population which have been the biggest users of instalment credit and mortgage credit. The same projections tell us that trust services should be more in demand as income rises.

Our planning should also take into consideration the shifts in population. Although in Georgia, my home state, the population increased 15 per cent between 1950 and 1960, the growth was not uniform. In fact, in the Greater Savannah River Valley, 10 of the 13 counties actually showed a decrease in population. These changes in population usually mean changes in the makeup of the labor force. For example, in 1940 about one-third of the work force in Georgia was engaged in agriculture. In 1960, the figure was about 8 per cent of the total labor force. At the same time, the number of professional people and business managers showed a sharp increase. The needs of these new customers

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were different and the banking industry had to adjust. Trends similar to this will be affecting banks in many parts of the country in the years ahead.

World trade has been increasing in recent years and every indication is that it will increase even further in the future. Last year in the United States over 1,100 companies entered the export business. This figure includes only companies which did more than \$25,000 of export business. With the Department of Commerce increasing its activities to promote exports, we can expect additional increases. This will bring many more banks into export credits and other financial services for those engaged in international trade.

I have not mentioned all of the elements which lie ahead for banking. In fact, I have barely scratched the surface and tried to limit myself to the more obvious developments. And my superficial review of some of the more dramatic scientific projects reminds me of what Professor George J. Stigler, Walgreen Professor of American Institutions at the University of Chicago said about research. He said, "The large research projects containing the full panoply of modern scientists have been given entirely too much credit. The accumulating effects of a thousand minor improvements in a thousand enterprises each day, many of these improvements deriving much more from pragmatic business skills than from formal science, have played a very large role in our progress. It is quite possible," he said, "that the supermarket has meant more for American economic progress to date than atomic energy."

But the big question we face whenever we try to look ahead and make plans based on the best projections available is this: What can we be doing now to make sure that we will be in a position to meet new developments as they occur?

This is a big question, and I imagine if I asked each of you to write out an answer we would have as many answers as we have people in the room. However,

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I believe the answers would be similar in one fundamental point. We must attract and train the best people we can possibly afford.

The days of routine work and marginal employees are days that must join history along with the eye shade, the high stool and the one-man bank.

With electronic data processing and other new equipment to speed up some of the jobs that bordered on sheer drudgery, every member of your staff will be required to know more about more banking services and operations. The equipment is only useful if it can increase efficiency--fewer people doing the same amount of work or the same number of people handling a larger volume.

In short, we are all going to face the situation where the whole staff will have to be better qualified.

This is not a new discovery. In fact, the number of college graduates recruited into the banking industry has been increasing steadily in recent years.

The problem of attracting and training competent personnel is an industry-wide problem and has been recognized as such by The American Bankers Association and by your state association.

<sup>last month</sup>  
~~This week~~ in Chicago, the A.B.A. sponsored its second national Personnel Conference. I am sure that one of the subjects under discussion was recruitment. The A.B.A. has expanded its efforts in the personnel field, and I am sure that the staff can be of help to you if you face particularly vexing problems.

However, the screening and hiring--the first and most important steps in building an efficient staff--are in your hands. The salaries you pay, the working conditions you offer, the benefits you give, the chances for advancement are what determine the quality of people you get to start with. If you cannot compete with other industries at the outset and attract the type of personnel you need, all the training in the world will not give you the results you are after.

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But once you have attracted people with the native ability to learn and progress, there are many ways the A.B.A. and your state association can help you.

The American Institute of Banking, the largest adult education program in the nation run by an industry, can give your people a solid foundation in the fundamentals of banking. They can attend classes at organized chapters or study groups, or they can join study teams in areas where there are not enough students for a chapter, or they can simply take correspondence courses. The A.I.B. is also studying ways to make its textbooks useful for training courses run by your bank.

Once the fundamentals are mastered, the individual is ready for any number of advanced and specialized banking schools run by the A.B.A. and state associations, or schools administered on a regional basis. To give you a quick run-down, these schools include The Stonier Graduate School of Banking, The National Trust School, a National Mortgage School, which will be conducted for the first time this August at Ohio State University, and starting early in 1964, there will be a school for Instalment Credit personnel. The plans for this school were approved at the A.B.A.'s spring <sup>meeting</sup> ~~meeting~~ last month and the date and location should be announced within the next few months. There are also the one-week personnel-management workshops which are held in various cities around the country.

You can also help broaden your staff's knowledge of specialized fields by having certain members attend the various workshops and conferences sponsored locally and on the national level. For instance, the A.B.A. sponsors regional trust conferences and mortgage workshops in addition to the National Savings Conference and the Instalment Credit Conference.

These are all tools that are available for you to use in training the 150,000 new employees that enter the banking field this year. These are tools that will be useful in helping to develop the 6,000 officers the industry will need in each of the next several years.

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How effective they are depends on several factors--the most important of which is how well you take advantage of them. Do you search for talent in your bank and do everything possible to develop it? Or do you just send people to these schools and meetings to represent your bank? Do you use these schools in conjunction with your own training programs? The schools cannot be geared to meet the individual needs of every bank in the country. They can cover broad principles that apply generally. But the final training--the most important element in developing a good officer--is the training <sup>and experience</sup> on the firing line.

I have tried to cover a lot of ground in a short time to give you some ideas of what we can do to meet changes facing banking in the future. These changes will be occurring at a faster clip as they have during recent years. I believe the only way banking can adapt to new demands for banking services is to start now to train the people who will be well-grounded in the fundamentals of banking, and will be broad enough to interpret and react to changes--not after the changes occur, but while they are taking place or while they are in the formative stages.

Banking education has come a long way in a short period of time. I am confident that it will continue to improve to help you meet your responsibilities in the future. The real test is how well you take advantage of the facilities available to you. If you do, I am sure you can look at banking's future with a deep and abiding feeling of confidence.

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