

BANKING AS A PROFESSION

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by

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Today I should like to talk a little bit about banking as a profession in contrast with banking as an occupation or business. Perhaps this is unnecessary, since your presence here at the Georgia School of Banking is one indication that you already view banking as a profession. Sometimes, however, it is worthwhile to reflect a little about some of the implications of the things we do. That is what I am asking you to do with me today.

The English language is not precise, and frequently we use the same word to convey different meanings in a different context. So it is with the word "profession" or "professional." In athletics, for example, when we say a man has become a professional, we mean that he has switched over to making money from doing something which he formerly did solely for his own enjoyment or perhaps in an effort to bring credit to his school or college. That is exactly the opposite from the way we are treating the word "profession" today. Therefore, I think it might be well to discuss briefly what it is that distinguishes a profession in general from a business or occupation.

There are many characteristics of a profession, but these three stand out. First, the practice of a profession generally involves specialized and advanced training. Thus, we find that the lawyer has to devote several

years to law school; the physician must go through medical school, internship, residency, and frequently further training in his specialty; nowadays the clergyman must not only complete his college education but generally some higher form of graduate training at a theological seminary. There are, of course, professions requiring somewhat less preparation than these I have cited, but they all involve specialized and advanced training. What is more, members of the profession can never stop studying. For example, the doctor must keep abreast of the latest developments in medicine through reading medical journals, attending professional meetings, and special courses.

A second characteristic of a profession is that it has a social purpose and is not carried out solely for financial gain. "A laborer," of course, "is worthy of his hire"; and it is not expected that a member of a profession will perform his services without cost. But, in general, a man does not become a member of a profession primarily to make money. For example, if he chose a medical career, it was partly because he thought he could find satisfaction in healing the sick and the preservation of the public health. The lawyer is expected to be devoted to the promotion of justice. Sometimes members of professions demonstrate this concern about the social purpose by devoting a considerable part of their time to unpaid services. At other times, it is demonstrated by a concern about what their particular actions may do for the total social welfare. At other times, it may be demonstrated by the giving up of opportunities to make profits in favor of a course of action that will promote the general welfare.

A third characteristic is that members of the profession generally subscribe to some code of ethics. This code may or may not be formalized, as it is in the case of the medical profession; but there are always certain

practices that by common consent are forbidden and certain other practices that are generally accepted by the members of the profession. This code of ethics goes beyond the law and, in many cases, is not enforceable by law. The provisions of such codes cover the relationships with clients and others and the relationships with fellow members of the profession.

It seems to me that an occupation or business becomes a profession to the extent to which the persons engaged in it follow major practices such as I have just outlined. A business or an occupation becomes a profession when it is based upon specialized and advanced training, when it is carried out not solely for financial gain but with a social purpose, and when it is covered by a code of ethics. Conversely, it seems to me that, no matter what his formal label be--a doctor, a lawyer, a clergyman, or what have you--if he does not follow these practices, he would not--in the sense I am using the word today--be considered a true professional.

Let us see how this applies to banking.

In the modern world, as you have well learned, the practice of banking requires specialized and advanced training. There are various ways of acquiring this. In some cases it may be acquired by experience, but more and more we are finding that our colleges and universities are devoting more time and effort to providing specialized training in banking, business methods, and finance. Within banking itself, there are numerous opportunities for a banker to acquire this specialized and advanced training. Indeed, there is probably no other business in this country that devotes so much of its energies to self-improvement. The American Institute of Banking provides opportunities for bankers to undertake specialized and advanced training within their own communities. And the graduate schools of banking such as

this provide further opportunities. The American Bankers Association and the state bankers associations provide opportunities for continuing training. This year Georgia bankers, for example, through special meetings and conferences have had chances to learn more about such specialized functions as consumer credit, farm credit, and trust operations. Bankers do take advantage of these opportunities to acquire the specialized and advanced training that is basic to the practice of a profession.

There is another element, however, that may at times be neglected, and I think it is especially appropriate at this time to call attention to it as you are completing your training at the Georgia School of Banking. In the course of your work, you have been introduced to a wide variety of literature on banking and to certain periodicals that deal not only with the practice of banking but also with the relationship of banking to our economy. I suppose one of the tests of whether or not the members of this class will continue to be good professional bankers is whether or not they continue to read and study the literature to which they have been introduced. Sometimes it is hard going, as I can well testify. The Federal Reserve Bulletin is not easy reading, for example; but it contains information and analysis that is basic to practicing banking as a profession.

The second test of whether banking is practiced as a profession is whether the one practicing it recognizes the social purpose of banking as well as the possibility of financial gain. Our banking system, of course, cannot function unless it functions profitably. A banker who did not operate his bank as a profit-making institution would, of course, be guilty of defaulting on his obligation to maintain a sound bank. Nevertheless, bankers sometimes forget that the banking system exists only because the public, through its

governmental bodies, has granted the commercial banking system the right to perform certain monetary functions. The public in return expects a sound banking system operated in the public interest. The importance to the general welfare of a smoothly operating banking system is indicated by the legal restrictions that have been set up, such as the chartering of banks, provisions for supervision, and legal restrictions placed upon the activities of bankers. The public expects that banking will be conducted so as to promote the general welfare and, in the process, lead to a reasonable profit to those engaged in banking.

Thus, we should expect that as a businessman he will look at any proposal with the question, "What's in it for me?" But as a professional we expect him also to ask the question, "What's in it for the public welfare?" If at times he makes his decision--and it may be a very difficult decision to make--against some course of action that may be profitable to himself but damaging to the public interest, we cannot properly consider him a true professional. We can test ourselves by asking what points of view do we consider when making up our minds about such things as proper monetary policies to follow, certain banking legislation, methods of clearing checks, the proper financing practices for state and local governments to follow, and bank supervisory practices. Attitudes on these matters are often the acid test of a professional banker.

Another demonstration of the professional attitude can, of course, be found in the attitude the banker takes towards his own community. A prosperous community, of course, is advantageous to a local banker. But if this is the sole criterion about policies to follow, the banker is probably not taking a completely professional attitude. We noted earlier that one demonstration of professionalism on the part of members of the medical profession

was their devoting a considerable amount of their time to unpaid work in the interest of improving the general health of the community. I suppose we can also judge the degree to which a banker regards his work as a profession by how much of his time and energy he is willing to devote toward improving the general welfare of the community in which he lives by offering his peculiar talents without compensation.

But above all--and here I speak both from the point of view of a central banker with certain supervisory responsibilities and as a former commercial banker--the attitude of "What's in it for me?" as the sole criterion for action is likely to lead to difficulties, and the public is likely to suffer. Unfortunately, we have some bankers who have, in their search for quick profits, gone to dangerous lengths in extending credit and engaging in unsound practices. Almost every case that I know of where a bank has gotten into such great difficulties that the supervisory authorities have had to take drastic steps has been one where the management of the bank has thought solely of "What's in it for me?"

How can we judge the extent to which a banker is a professional by his adherence to a code of ethics? In most cases, this will be an unwritten code, and it will involve matters that are not covered by the many restrictions imposed by banking law or by the regulations of the supervisory authorities.

I suppose one way we can pass judgment is the extent to which the banker does or does not press his actions just to the point of violating some law or regulation. How does he resolve a possible conflict of interest? How well does he respect the confidentiality of the relationships he has with his customers? How does he advise his customers in ethical matters? Does

he take advantage of confidential information obtained through his business dealings with his customers to obtain financial profit solely for himself? Does he act in the interests of the bank and its stockholders or to his own benefit? When there is doubt, does he resolve the doubt to the benefit of the institution he serves? You as bankers know many more details of the unwritten code of behavior a professional banker should follow.

All of what I have said to you today is no doubt familiar to you, and it may sound a little old-fashioned. Nevertheless, in all sincerity I believe that to the extent that banking is followed as a profession we shall have a sound monetary and credit system. Your study at the Georgia School of Banking is an integral part of establishing banking as a profession, but becoming a professional banker is a lifelong task.