

AMERICAN INSTITUTE OF BANKING
AWARDS BREAKFAST

Chicago, Illinois
September 7, 1995

.....

I. Thank you, Tom. I'm very pleased to be here.

A. The Chicago Fed has had a long relationship with AIB.

1. In fact, we've had a member on AIB's Board since 1919, shortly after the Chicago Fed opened.

a. Our current Board member is Diane Noble, vice president from our check processing operations.

II. Congratulations to all of you receiving awards this morning.

A. As you know, AIB provides excellent educational services to our industry.

1. The Chicago Fed has a strong training department in-house, but we find that we can still benefit from sending employees to AIB courses.

a. This year we had 51 employees attend AIB courses and seminars ranging from business writing to analyzing financial statements.

2. I've looked over the courses our people have taken, and am quite impressed with the curriculum.

a. Although given the large amount of cash in our vaults, I'm concerned about a seminar one of our employees completed: "Bank Robbery, Kidnapping, and Extortion Procedures."

i. I hope it wasn't a "How To" course.

III. I'm here today as a central banker, with a background in education.

A. I began my career teaching English and history in a public high school, and after graduate school went on to teach economics at the university level, most recently at Northwestern's Kellogg Graduate School of Management.

1. In addition, I've worked in government and the private sector.

B. From these experiences, I've come to believe in the value of education and the necessity of developing employees.

C. The strength of any organization is its people.

1. We have \$5 billion in the basement at the Fed, but, without a doubt, our greatest asset is our employees.
 - a. And AIB has played an important part in developing our people.

IV. Banks are Changing

- A. As the nation's central bank, our mission is to foster a strong economy and a stable financial system.
 1. Our most important responsibility is setting monetary policy, that is, influencing the money supply to meet the needs of the economy.
 2. Another, as you know, is supervising and regulating banks.
 3. And a third is providing financial services to banks and the U.S. government.
- B. In providing these services, we're part of the banking industry and a player in the financial system, just as you are.
 1. We provide check clearing and electronic services for banks and are competing with other providers for your business.
 2. As a player in the banking industry, we, like you, are influenced by the forces of change in the industry.
 - a. It's almost a cliché — we've heard it so much — but change in our industry has become a way of life.
 3. For many years now, we've been functioning in a world of "permanent uncertainty," marked by bank consolidations, legislation changes, and an increasing move to electronics.
 4. All these changes are opening opportunities for new products, new entrants, and new markets, which in themselves bring further change and uncertainty.
- C. Not to preach to the choir, but maybe a few facts will illustrate how much our industry has changed just in the last decade.
 1. In 1985 there were over 26 hundred [2,645] banks in the Seventh Federal Reserve District.
 - a. Today there are fewer than 18 hundred [1,786], a reduction of 32 percent.
 2. In 1985 there were fewer than 48 hundred [4,719] branch banks in the Seventh District.
 - a. Today there are almost 66 hundred [6,587], a 40 percent increase.
 3. In other words, today, there are fewer, larger banks with more branches.
 - a. This move seems to be driven by banks seeking increased economies of scale through consolidation and automation.
- D. I don't mean to imply that there is no place for small banks in our industry today.
 1. On the contrary, many small banks are thriving, and new ones are opening.

- a. One of the principal reasons is that they know their customers and provide them the specific services they need.
 - 2. Nevertheless, the consolidation trend continues, and as it does, all of us — large banks, small banks, and the central bank — are facing added competitive pressures and are feeling the need to provide high quality service with fewer levels of management.
 - E. With these “flatter” organizations, two realities are clear:
 - 1. Everyone in the organization will have to know more, and
 - 2. No one can depend on promotions as the only way of gaining career satisfaction.
 - F. One advantage of a flatter organization is more open lines of communication.
 - 1. Ideally, organizations are better able to use all their people to their highest ability.
 - a. They are looking for ideas from all employees, and therefore, their staffs are going to have to be well prepared.
 - 2. The question for you, as someone committed to a career in this changing, uncertain, and exciting environment, is how should you prepare.
- V. Well, despite all the uncertainty, there is one thing about our industry that has not, and will not change.**
- A. At its heart, our industry is a service industry that requires well-trained people, committed to providing high-quality customer service.
 - B. In completing an AIB course of study, you’ve taken an important step in preparing for a career in banking.
 - 1. The course work for the banking certificates and the degree program gives you a solid understanding of our industry.
 - 2. However, it would be a mistake to think that your education is complete.
 - a. In our industry, it’s a fact of life that you must be committed to continuing your education throughout your whole career.
 - i) That’s a significant commitment.
 - C. I’ve seen this commitment first-hand.
 - 1. At Northwestern, one semester I taught an evening class, attended by adults, like yourselves, with full-time jobs, many raising families, and all going to school part-time.
 - 2. I was amazed at how much time and effort students spent on that course.
 - a. It wasn’t just attending class once a week for three hours.
 - b. It involved outside projects, exams, papers, and weekend study groups.

3. I have great admiration for all of you taking courses and holding down a job at the same time.
- D. Be assured that our industry is worth this commitment.
1. Banks perform vital services in our economy.
 2. We administer a payments system so efficient that the rest of the economy all but takes it for granted.
 3. And our lending services are more than cold calculations — they are the cornerstone of our economy.
 4. While the Fed is the industry’s lender of last resort, banks are the lender of first resort for many small and medium-sized businesses — the businesses that people start, to realize their dreams.
- E. There is virtue in helping people’s dreams come true — whether it’s providing loans to build homes or to buy cars, remodel a factory or revitalize a neighborhood, or whether it’s financing the road that attracts the businesses that create the jobs that build the communities.
1. We are the dreammakers.
 2. Be proud of this role and our industry.

VI. Congratulations on your accomplishments being honored here today.

- A. I feel compelled to offer advice this morning since this is a commencement address.
- B. And so I’ll close with some famous words of wisdom.
1. First, from J. Paul Getty: “Rise early; work hard; strike oil.”
 2. And from Billy Rose: “Never invest in anything that eats or needs repairing.”
 3. And last from Mark Twain: “Tell the truth: you don’t have to remember anything.”
- C. What advice can I add to these?
1. Keep working; keep striving;
 2. Keep adopting to change;
 3. Never stop learning about our industry; and
 4. Take pride in helping people realize dreams;
 5. Take pride in being bankers.

Thank you.