

HOW DO BANKS COMPETE?: STRATEGY, REGULATION, AND TECHNOLOGY
40TH ANNUAL CONFERENCE ON BANK STRUCTURE AND COMPETITION

Chicago, Illinois
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The History of the Bank Structure Conference

In past years I've used this point in the conference to summarize what we've heard during the past day-and-a-half. But this is a milestone year for the conference—its 40th annual meeting. So before introducing today's luncheon speaker, I'd like to briefly reflect back on the past 40 years.

As I said in my introductory remarks yesterday morning, the Bank Structure Conference has become the premier annual event of its kind. But the conference did not start out large, or influential, or even public. The conference convened for the first time in 1963 for a single day, with just 20 attendees and a narrow mandate: to bring Federal Reserve staff up to speed on research that examined the competitive effects of bank mergers.

Over the years the conference has grown in size and in influence, and although it is still labeled the "Bank Structure Conference," its mandate has expanded to embrace nearly every regulatory, competitive, and strategic issue of importance to the financial industry. Looking back over these 40 years, it is interesting to remember some of the mileposts the conference has passed along the way:

- In 1964, the second year of the conference, attendance nearly doubled from 20 to 35 attendees. There were 20 pages of minutes recorded at that meeting, which were printed up as the first edition of the conference Proceedings volume.
- By 1968 conference attendance had doubled again, to about 70 attendees. The conference Proceedings book had exploded from 20 pages to over 200 pages, and it was given a fancy cover—a capital investment suggesting that the conference might have some staying power.

- The 1971 conference included a paper presentation by Gordan Boreham of the University of Ottawa — this was the first conference participant from a foreign country. Today scores of economists, regulators, and practitioners from outside the U.S. participate in or attend the conference each year.
- By 1975, conference attendance had doubled once again to 140 attendees. The budget allocated for conference expenditures was a munificent \$5,000—or about \$36 per person.

In 1977 the conference organizers made the heretical move of inviting bankers to speak on the same panel sessions as academic researchers! A seemingly minor change at the time, this has grown into the conference's biggest asset: bringing together the analytical approach of research economists with the practical, hands-on experience of senior financial managers. It is often a difficult combination, but it has paid off with superior debate and better policy recommendations. By the way, it was at this 1977 meeting that H.R. Lively, then Credit Manager at Sears & Roebuck, stated unambiguously that Sears had no intention of entering the banking business.

- In 1982 the conference crossed a number of thresholds, and in doing so became the Bank Structure Conference as we know it today. Having outgrown the confines of the Bank's 5th floor auditorium, the conference moved to the Westin Hotel on North Michigan Avenue, and was extended from two days to three days to accommodate separate Wednesday sessions for the more esoteric theoretical and econometric presentations. Attendance doubled once again to about 280 attendees, and the conference Proceedings book bulged to nearly 600 pages.
- In 1988 the Bank invited the new Fed Chairman, Alan Greenspan, to deliver the conference keynote. Since then, Chairman Greenspan has become synonymous with the conference, having delivered the keynote address at 16 of the past 17 conferences. During those 17 years conference attendance has, remarkably, doubled once again, and is typically between 500 and 600 attendees each year. And the conference Proceedings books—current and past—have become indispensable resources for research economists and policymakers who work on bank regulatory issues.

These numbers and milestones tell us only a small part of the story of the Bank Structure Conference. For a different perspective, I'd like to read you a passage from the 1989 conference Proceedings book — a retrospective written for the conference's 25th anniversary. This particular passage was written by Larry Mote, who chaired the conference for a number of years, and it illustrates how the human face of the conference has changed over the years:

“...(we) did much of the housekeeping ourselves, scrounging tables and chairs wherever we could find them, policing up the auditorium each evening, and smuggling booze from Zimmerman's discount liquor store. ...Some will remember that the liquor itself was paid for by passing the hat, since we charged no registration fee in those days and...the use of bank funds for such a depraved purpose would never have been approved. Incidentally, that experience taught me a lot about the frugality of academics and the incentive-compatibility problem of the honor system.”

As Larry's quote points out, the conference does not run itself. Over the past 40 years there have been countless hours, weeks, and months of planning and preparation, involving literally hundreds of Chicago Fed employees. Obviously there are too many to recognize by name. But I do want to make special mention of the chair people who have guided the conference.

- The first conference chairperson was George Kaufman, who served in that role from 1963 through 1969. And he was the guiding influence of the conference during its early years. George has since moved on to academia, he is currently the John F. Smith Jr. Professor of Economics and Finance at Loyola University in Chicago, but he remains actively involved in the conference.
- Harvey Rosenblum served as the conference chair for ten years, from 1976 through 1985. He oversaw the important transformation of the conference from an academics-only affair, to the three-day conference that we know today, attended by hundreds of bankers, regulators, and academics. Today, as many of you know, Harvey is the Director of Research at the Federal Reserve Bank of Dallas.

Larry Mote chaired the conference in between George and Harvey during the early 1970s, and once again from 1986 through 1988. He modestly characterizes his years of service as those of a “caretaker”—if so, Larry took exceptional care of the conference. Larry is currently a senior economist at the Office of the Comptroller of the Currency.

- During the late 1980s and early 1990s, the conference was co-chaired by various pairs of Chicago Fed economists, including Larry, Gary Koppenhavor, the late Herb Baer, and, the current co-chair, Doug Evanoff. It hardly seems possible, but it has now been 10 years since Doug assumed the mantle of conference chairperson. As many of you in the room today can testify, Doug has done a tremendous job guiding the conference over the past decade. We are pleased and fortunate to have George, Harvey, Larry, and Doug all in attendance here today. The conference would not be what it is today without their efforts. We should recognize their 40 years of achievements with a warm round of applause.

It is now my distinct honor to introduce today’s luncheon speaker, William McDonough. Mr. McDonough is Chairman of the Public Company Accounting Oversight Board. The PCAOB was created by the Sarbanes-Oxley Act of 2002, in partial response to recent weaknesses in corporate governance and financial disclosure. Bill assumed this new job after stepping down as President of the Federal Reserve Bank of New York, a post he had held since 1992.

Bill is a long-time friend of the Bank Structure Conference, which makes him an appropriate choice for today’s luncheon speaker. His first appearance at the conference was in 1987 when he was vice chairman of the board of the First Chicago Corporation and the First National Bank of Chicago. Bill spoke that day on “Merging Commercial and Investment Banking,” a merger that has indeed come to pass. While he was President of the New York Fed, officers and economists from his staff appeared annually on the conference program. And today, Bill will talk to us about corporate governance, a topic that was the theme of last year’s conference.