

FOR RELEASE ON DELIVERY:

(Approximately 9:30 a.m., EDT,
Tuesday, June 2, 1959.)

PROFESSIONAL STANDARDS IN BANKING

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57th Annual Convention of the
AMERICAN INSTITUTE OF BANKING
Educational Conference
Morning Session, Tuesday, June 2, 1959
Bellevue-Stratford Hotel, Philadelphia, Pa.

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Since Leroy Lewis asked me to talk about "Professional Standards in Banking," I should like to begin by giving you my conception of the professional. The basic characteristic that distinguishes the professional is in the realm of character. It is character that is emphasized in the qualities that some professions have specified as distinguishing their members. Thus the Hippocratic oath embodies the duties and obligations of physicians. Character is emphasized also in the legal code of ethics. The motive of the professional is service to others. His real reward is at the level of his motive — not external but intrinsic. Specifically his reward for a service well done is the ability to render even better service.

Dr. Robert J. McCracken, Minister of the Riverside Church in New York City, gave the gist of what I have to say in a sermon entitled "The Acquisitive Instinct in Religion" over the National Radio Pulpit on April 27, 1958. He reported this story:

A visitor to New York was impressed by the courtesy of a bus driver towards the passengers on his bus. After the crowd had thinned out he spoke to him about it. "Well," the driver explained, "about five years ago I read in the newspaper about a man who was included in a will just because he was polite. 'What in the world?' I thought. 'It might happen to me.' So I started treating passengers like people. And it makes me feel so good that now I don't care if I ever get a million dollars."

Reverend McCracken interpreted this experience in these words:

"There you have an illustration of motives at two levels, of a man raising his sights, of virtue for its own sake yielding its own reward."

We can all agree that the bus driver of the story had become a professional. The professional reveals himself in his conduct. He does not look upon work as punishment, but as the invigorating ingredient that imparts meaning to life. He does not desire an elevator to the top of the mountain because he knows that the thrill of the climb and seeing the views from the vistas on the way up are important in themselves and enlarge the meaning of the horizon seen from the top.

Professionals in all fields discipline themselves through hard work on the fundamentals of their calling. In some callings this is done continuously on the job, as in medicine. If need be, however, it is done "off the job." Witness the professional in music who practices hour after hour to improve a single passage or the professional in sports who works on fundamentals year after year before the regular season opens.

The professional expects more and more of himself. Even though his achievement forever falls short of his plans, actual achievement is related to expectations and tends to grow with them. All of us seem to have within ourselves inert tinder, as it were, that needs only to be lighted to develop into an all-consuming fire. Within wide limits we achieve more when we confidently expect to achieve more. Yet the professional is never satisfied with his achievement. He strives always for improvement.

He seeks help wherever he can find it: directly from experience and vicariously from the experience of others. His early interest typically centers on the technical aspects of the particular activity, on getting the job done. Gradually his curiosity will be aroused and he will become dissatisfied with mere knowledge, mere achievement; and he will search for understanding of the

relationships between his particular activity and other activities. Ultimately he will find himself on that endless search for comprehension of the universe of which he is a part.

The American Institute of Banking has itself gone through a similar development. In the early days courses and textbooks were confined largely to technical information relating to the detailed operations of banks. Since the students were putting in time voluntarily after working hours it was commonly felt that the courses and particularly the grading should not be "too tough." Each class had its quota of "perfect" students — or so it would seem from the number who received 100 per cent. On occasion not too much was expected of the teachers, who also were working after hours for a modest honorarium. I am not disparaging this early experience in recalling its history. In making an assessment, we should recall the environment in which it occurred. The fact is that the A.I.B. was a pioneer in an area of education in which other professions were doing nothing at all.

In fact, knowledge of the type that was contained in those early courses is necessary and important. It is appropriate that it has remained an integral part of the curriculum. Technical competence is a necessary qualification for a successful bank officer or employee. It is not, however, sufficient.

In recognition of its inadequacy, newer courses and later editions of textbooks have gone far beyond factual information. They emphasize the broader role of banking. The detailed knowledge is introduced not merely for its own sake, as an end in itself, but as information needed to acquire a deeper understanding of banking. As a result the standing of A.I.B. texts with professional educators as well as professional bankers has been greatly enhanced in recent years.

In this connection I think that Leroy Lewis deserves the thanks of

the whole banking industry for the inspiration that has prompted him to revise the curricula, introducing new courses with new texts and supervising revisions of older texts to make the A.I.B. a more significant influence in promoting professional standards in banking. I can attest to his dedication and skill in this undertaking because my colleague, Bob Hilkert, and I have had opportunities through service on his committees to observe the work at first hand. As a result of his work, the A.I.B. is, once more, a pioneer. I urge all of you to capture for transmission to your own chapters some of the zeal of Leroy Lewis and his staff -- each of whom possesses the professional standards that we are discussing today.

Since I have divided my mature life between teaching and practicing, Leroy has asked me to distill some general principles from my experience. If some of what I have to say sounds personal and dogmatic, you will understand that this is a result of responding to a specific request.

First, I remember that when I devoted all my time to teaching and research, I knew precisely what the Federal Reserve officials should do and wondered why they had not done it. I appreciate now that I was usually kibitzing or replaying the hand after all the cards had been played and their distribution was known. Now that I am a Federal Reserve official, I must confess that I become impatient at times when some of my academic friends assure me verbally and in writing that proper monetary policy is really quite simple and obvious. As I reflect on my combined experience, however, I am convinced that contemporary practice is improved by the criticism of informed observers.

My conclusion is that both education and experience, theory and practice, are important. I do not accept the notion that there is an inherent conflict between the two. Whenever we hear someone say: "That is all right in theory, but it doesn't work in practice," we should remember that the person who expresses

that notion is himself advancing a theory! His theory is that all theory is bad. Now, I concede that that particular theory is bad. But we should not be deceived by bad theory any more than we should perpetuate bad practice. What we desire is good theory and good practice. Between these two there is no conflict. One buttresses the other. We may appreciate this mutual relationship by asking ourselves how we can distinguish good experience from bad unless we have a criterion or standard -- in short, without a theory of what is good and what is bad. Remember the story of the instructor who supported his request for a promotion with the statement that he had twelve years of experience. The response of the dean was: "You have not had twelve years of experience. You have had one year's experience that you have repeated eleven times."

Second, I believe that no person or institution can educate anyone else. The plain truth is that each person must educate himself. The number of questions to which answers can be given is not the measure of a man's education. If that were the yardstick, an encyclopedia would be more educated than any man. Professor George H. Palmer's cook, Bridget, once summed it up like this: "That's what education means -- to be able to do what you've never done before."

The real measure of a man's education depends on such things as his zest for life, his sense of humor, his empathy with his fellowman, the largeness and humility of his spirit, the quality of his mind as reflected in the character of questions he asks as well as the way in which he reaches conclusions.

The question: What is it? is only the starting point. Education begins when one asks: Why is it? What of it? What are we going to do about it? Then, like Jacob of old, one begins his night of wrestling. The breaking day will find him victorious only if, like Jacob, he is impelled to say: "I will not let thee go, except thou bless me."

My third thought concerns the teacher rather than the student. My view

of the teacher grows out of my conception of the educational process. If it is true that the student must educate himself, an important function of a teacher is to inspire each student to realize his full potentialities. Once a student really has begun to think, he will not wish to stop; or should he wish it, he will find himself unable to do so. Hence, the teacher will strive to light the inert tinder that lies deep in every prospective student. This is the tinder I mentioned earlier. Once the teacher has fired his students with enthusiasm to comprehend, he will not worry that he may not have offered them the very latest facts and theories. He will assume that the inspired student will continue to study after he has received his grade in the course.

The teacher would concentrate on having the student develop orderly habits of thought, in part by letting the student convince himself that disorderly habits produce absurd results. This is not to say that there is one right habit of thought. The wind of change that is blowing everywhere has reached even this area of experience. As you know, nuclear energy became possible only after chemistry and physics broke through the chains of accustomed thought by which they had been bound. Here again, however, comprehension of change is more important than acceptance of the momentary position at the time of the last class.

The teacher has yet another function. He should conscientiously attempt to free the student's mind of the prejudices with which he, the teacher, begins. This is a most difficult undertaking, impossible of complete accomplishment; because the teacher, being human, is unaware of his own blind spots. No human mind contains a gyroscope that compensates for its own prejudices. Yet, though a teacher cannot know all of his own prejudices, he can, if he is aware that he is prejudiced, do much to free the minds of his students. He can do this by making the student aware that he, the student, not the teacher is responsible for the student's conclusions. The teacher should not feel that he has failed or that

his student is disloyal merely because their trained minds honestly arrive at different answers to the same question; and he should convince the student that this is the way he feels. Freedom of thought, not uniformity, is the basic principle, worthy of the loyalty of both.

My fourth point comes back to the professional, be he teacher or practitioner. The professional plays a dual role. On the one hand, he acquires and imparts to others accumulated knowledge; he practices and teaches others to apply that knowledge. On the other hand, he is forever in the quest of new truth which makes the best method of today obsolete by tomorrow.

Though he may seem to be working against himself, the professional is not schizophrenic. Rather, he lives in harmony with a society that is not static but developing. Mankind is forever reaching beyond itself, and professionals are the chief instruments through which it does so.

The professional's job is never complete and yet he is prepared at any moment to be snatched from life because he comprehends that it is the process of achieving, not any particular achievement, that is life.

The individual I have called a "professional" has been called a "craftsman" by John Herron, author of the Monthly Letter of the Royal Bank of Canada. Of such individuals he has this to say:

It is essential to our nature as human beings that there should be no "end." The craftsman is not averse to invention. By combining curiosity with experience and knowledge with experiment he attains the only solid satisfaction given to Human beings -- the happiness of endless attaining.

I move now to the application of professional standards to banks. As with individuals, banks reveal their character in their conduct. A professional bank provides ever better services to its community at a profit and simultaneously provides opportunities for the members of its staff to achieve personal fulfillment.

I mean to imply much more in that definition than the words convey at first glance. Not identified, for example, is the kind of services to be rendered. The commercial banker is a great distributor of credit. His determination of who is credit worthy and who is not has important influences on the development of his community. But beyond this, commercial banks, as you know, play a unique role in our economic system. Deposits at commercial banks comprise the largest element of our money supply. The lending and investing activities of commercial banks influence the country's supply of money. It is the expenditure of money, in turn, that directs our economic activity. A really professional commercial banker understands this role and how it can be performed in the interest of the country as well as the banks.

I am impressed to see professional bankers joining their colleagues in all lines of business to extend their horizons. Contemporary society is looking to its leaders to develop a new philosophy of the role and purpose of the business enterprise.

One facet of this new role is contained in the definition of the professional bank that I have given. It is the importance of recognizing the ambitions of the members who comprise the staff.

Of course there are individuals whose aspirations are beyond their competence. We should not, however, use this as an excuse to lower our sights with respect to the critical importance of human relations. In the final analysis, institutions exist to serve individuals, not the other way around. A bank whose management takes the professional approach is marked by its attitude toward the problems of human relationships. Among the goals are:

1. To have each individual be and feel himself a necessary and therefore important part of the institution.
2. To have each individual derive satisfaction from contributing his share to a joint product that is strictly first class.

3. To reward each individual in proportion to his contribution to the joint product.
4. To have supervisors at all levels who want their subordinates to make good, who help them make good, and who rejoice when they do make good.
5. To prepare for the perpetuity of the institution despite the mortality of all the individuals in it.

By this time you will appreciate that the main burden of my discussion is an appeal to permeate our lives and the lives of our institutions with the professional approach. This approach is not something to be taught in a single course or to be added for decoration. If it is real, it will reflect itself in all that we do.

A sensitive observer will detect the spirit that motivates an institution. As soon as he enters a professional bank, he will notice that it is a clean shop. The "housekeeping" is good. Dirt and trash do not accumulate everywhere. If it is large enough to have a guard force, the guards will be pleasant, accommodating, and courteous; but they will also convey the feeling that all valuables lodged there are safe. The operators of the modern equipment will exhibit the muscular coordination of genuine craftsmen.

The lending officers will think of themselves as promoters of the sound growth of their communities. They will use their technical competence in analyzing financial statements, cash flows, and so on not merely to assure repayment of the loan but to help the customer and the community grow and prosper. And if an applicant does not meet these prospects, the officer will do his best to indicate why it is in the long-run interest of the prospective borrower himself that the loan be declined. The tellers will think of their function not merely as receiving deposits, making change, and cashing checks but as rendering services to the customers of the bank.

All members of the staff will be cooperative and helpful. When they

express a judgment they will reach it in ways that carry conviction. No member will pretend to knowledge or advice beyond his competence. Each will, however, be aware of the areas of competence of his fellows and will be proud to give his appropriate colleague an opportunity to demonstrate his mastery of the particular matter at issue. Collectively, the members of the staff will convey an indelible impression that they are all on the same team -- and proud of it. They will be not merely happy but happy because they are doing a first-class job.

You may say that I am being impossibly naive or idealistic in appealing for professional standards. I do not think so. It may be that the professional approach is one of those feelings that must be experienced and not merely observed to be understood. If so, my appeal is that you strive for the experience. To repeat, it encompasses a sense of duty to serve others as part payment for the thrill of sharing society's great adventure, a sense of humility before the mysteries of the universe, coupled with a burning desire to unravel them, a sense of pride in the achievements of institutions whose destiny one has helped to shape, a sense of contentment in having helped others to self-fulfillment.

Once these feelings are acquired you will find that you have a mind that never grows old. You will find also that your life, your bank, your profession, and indeed the whole society of which you are a part will be enriched and made more significant. To paraphrase the great German poet, Goethe: You will find that the rich inheritance received from your forebears will be your own because you have earned it. Finally, you will comprehend with Goethe that

"Only he earns life as well as freedom
Who daily must conquer them anew."

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