

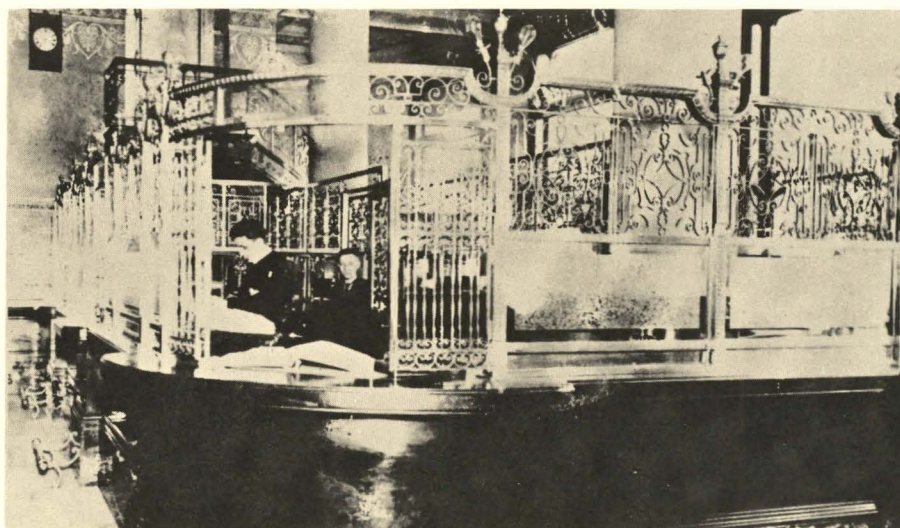
## economic education newsletter

### Quick Change

Test your "knowledge" of banking. Read the following statements and indicate whether you believe a statement to be generally true or generally false. An "answer key" follows the last statement.

- T F If a nineteenth century banker could time travel to a modern bank, he would find few major changes.
- T F Nineteenth century bankers worked relatively short days, while factory hands routinely worked 12-hour shifts. Even today most bankers still work "banker's hours," 9:00 a.m. - 3:00 p.m.
- T F Banks offer limited career opportunities because they employ only tellers, guards, and loan officers.
- T F Many people who work in banks earn less than minimum wage because most banking jobs require relatively little skill and training.
- T F State and federal regulations require all male bankers to wear three-piece suits.
- T F "Banker's Spread" is another term for interstate banking.

Answer Key: All six statements are false, although the last statement may be closer than any of the others to the truth.



Teller windows at the Union Trust Company, San Francisco  
Courtesy of Wells Fargo Bank, History Room, San Francisco

In the popular imagination, banks are genteel establishments staffed by low-salaried tellers, low-salaried guards, and low-salaried vice presidents. The stereotypical banker works a short day and retires with a gold watch after 40 years or more of faithful service to the same employer.

Old notions die hard, and many of the old notions about banking linger on. In recent years, however, deregulation and electronics have ushered in a multitude of changes. Gone forever is the age of "3-6-3 banking" when bankers took deposits at 3%, made loans at 6%, and hit the golf course by 3:00 p.m. Present-day bankers must scramble just to keep abreast of the latest developments; banking is faster-paced and more competitive than ever before.

What follows are some reminiscences by an old-fashioned banker, interspersed with observations on contemporary banking. The reminiscences, which originally appeared more than fifty years ago in a series of *Saturday Evening Post* articles (July 2, July 9, and July 16, 1932), not only put today's changes in perspective, they also contradict some of the most deep-seated, popular misconceptions about banking.

... Only the merest handful of us are left, whose banking life spans the sixty-odd years of money joys and money troubles from the booms and depressions following the Civil War to the booms and depressions that have been our part since the Great War [World War I]. These six decades have been studded with stirring years of great



wealth and great misery. I have seen men by the hundreds drunk with money. I have seen men by the thousands crazed by fear, as in the awful panics of 1873, 1893 and 1907. So often have I seen the most solid and respected fortunes swept away, so often have I watched the cycle from shirt sleeves to shirt sleeves, that I am inclined to regard money riches as a restless visitor who seldom sits down . . . Many things have come and gone. Many things have changed. But men have changed very little.

So much for the popular myth that banking is a dull business. It wasn't true a century ago, and it certainly isn't true today. Rapid advances in communications and computer technology now allow bankers to conduct routine transactions in a way that would have astounded a turn-of-the-century banker.

Of course, we did all our bookkeeping by hand and wrote all our letters by hand. There were no typewriters . . . but we had several clerks who could, when called on, turn out letters as fine as though engraved. The account books, too, were works of art. I can today tell how far back a banker's training goes by the character of his handwriting. The old banks could not tolerate sloppy penmanship.

Nowadays, one could more accurately judge how far back a banker's training goes by how much the banker knows about computers. Present-day bankers have seen so many technological advances in such a relatively short period of time that some bankers who began their careers a mere 10 or 15 years ago might well feel as if they have more in common with bankers whose careers began in a much more distant era.

When I entered banking . . . my first job was to run errands and make myself useful at \$200 a year . . . Among my ports of call as an errand boy was a small bank which . . . was in lower Wall Street, [where] I came to know the president, the cashier, the tremendously dignified specie clerk, and the tellers . . . The tellers I knew as disagreeable ogres who were always trying to catch me in mistakes. The specie clerk was the one person in the bank whom I profoundly respected. He was a ponderous man with big whiskers and a tremendously important air. I felt somehow that he was really the bank. For if the man who had charge of the gold or silver was not the bank, then who was?

For better or worse, specie clerks have gone the way of green eyeshades, inkstands, \$20 gold pieces, and silver dollars. Technology has created a wide variety of banking jobs that didn't even exist a generation ago. Whereas banks once seemed to employ only tellers, clerks, guards, and loan officers, most banks now employ computer operators, programmers, systems analysts, economists, financial analysts, community relations specialists, marketing experts, and other types of skilled professionals who acquire their training in technical schools and colleges rather than "on-the-job." The days are all but gone when someone like the *Saturday Evening Post's* old-fashioned banker could start as an errand boy and work his way to the top.



Technological advances have revolutionized banking.

Gone, too, are the days when banking was an almost exclusively male preserve. More and more women are finding challenging jobs in banking, and a growing number of those jobs are in management. In 1982 the federal Equal Employment Opportunity Commission surveyed 150 of the nation's largest commercial banks. Approximately 440,000 of the 650,000 people that those banks employed were women, and nearly 60,000 of the women were categorized as "officials and managers." (Progress notwithstanding, a 1981 U.S. Department of Labor survey of 2,223 banks in several large metropolitan areas revealed inequalities in pay and position. According to that study, "Women, who made up 85% of the workers in the occupations studied, held 97% of the clerical positions . . . women accounted for 31% of the loan officers and 32% of the

systems analysts - the two highest-paying occupational groups in the survey.")

Technology is also putting to rest the old notion that working in a bank does not pay. Banks must now compete with other employers for the services of skilled personnel, and as the competition for trained personnel increases, so do salaries. (According to a 1983 survey by Hewitt Associates, base salaries for people in banking and finance rose by more than 8%, while the average increase for all salary levels in all industries was 6.4%.) Furthermore the demand for skilled personnel encourages many employees to seek "greener pastures;" fewer and fewer bankers are "retiring with a gold watch" after spending an entire career at the same bank.

Ours was a bank. We received deposits, paid checks, discounted negotiable paper, and made loans on collateral. We did not sell securities, administer trust estates, or mind babies. And since a checking account was considered a privilege reserved for those who had money, and an account in our bank implied a certain standing, a new account was not opened unless the prospective depositor had a proper introduction.

Technology and banking deregulation (fewer geographic restrictions, more deposit instruments, and other financial innovations) are also changing the banker/customer relationship. Bankers can no longer afford to wait for business to walk through the door. Banks are offering a wider range of services, and they are marketing those services more aggressively in order to meet the competition from other banks and from nonbank financial services companies.

Just how much things have changed in recent years is reflected in the following excerpts from an article in the Federal Reserve Bank of Atlanta's *Economic Review* (September 1983):

Customers who are accustomed to the improved communications provided by technological advances are demanding the best financial deals available. There is no way laws can prevent customers from going where they think they can get the greatest economic reward . . . Banking especially is taking advantage of changes in communication that have had a dramatic impact on our world.

The article goes on to quote Ronald G. Steinhart, president of one of the nation's largest bank holding companies. According to Steinhart:



"The greatest factor has been the technological change that increases the ability of the banking system to serve its customers."

Steinhart said he sees a parallel change in customer attitude associated with improvements in providing service. Increased mobility is breaking the traditions that bound Americans to one section of the country. Generation after generation of a family no longer grow up within miles of each other. As people move across state lines and across the country, they take with them increased banking knowledge and a demand for banking services . . .

Steinhart said that an investor in Clifton, Texas (a small farming and retirement community) can buy the morning *Wall Street Journal* and know the current rates offered by money market funds in New York before the local bank opens for business.

"And they've already called the 800 number of New York and transferred money around. No longer does the rural customer look to the traditional relationship with his banker. Now he is looking to a very impersonal relationship with a telephone and with a banking institution that might be located on the East or West Coast."

Even customers who do all their banking at local institutions are moving toward a less personal banker/customer relationship. Debit cards and automated teller machines (ATMs) now make it possible for bank customers to conduct several types of transactions at any time of day or night, and as more ATMs appear in gas stations, groceries, and retail stores, customers will probably see less and less of their bankers.

Of course there may be a limit to just how much change customers are willing to accept. A large New York bank experimented with a policy that allowed only customers with large balances to deal with human tellers; customers with smaller balances were restricted to automated teller machines. Customer outcry soon forced the bank to abandon its experiment. And not too long ago bankers and the financial press were predicting the imminent obsolescence of cash and checks. Customers, however, don't seem to be ready for either the cashless or the checkless society.

The rapid pace of change poses extraordinary challenges for today's bankers, but bankers and their customers have always had to cope with change. And while no one can predict exactly how banking will change in the coming years, one thing is certain: banking is not, and probably never was, a dull pursuit.

## New England Update

### CONNECTICUT

**The Greater Hartford Center for Economic Education** at Central Connecticut State College will host the third and final program of its 1983-1984 *Distinguished Speakers Series*.

Tuesday, April 24, 1984  
7:00 p.m.

**Henry C. Wallich**

Member, Board of Governors of the Federal Reserve System  
Theme: *Foreign Debt and American Banks*

The talk is free and open to the public; admission is by ticket only. For ticket information, please call (203) 827-7318.

### MAINE

**The Maine Council on Economic Education** will host a career day on April 13 in Bangor for area high school juniors. For details please contact: Robert Mitchell, Executive Director, Maine Council on Economic Education, 22 Coburn Hall, Orono, ME 04469; (207) 581-1467.

### MASSACHUSETTS

The December 1983 issue of the *Ledger*, listed the addresses and telephone numbers of New England's state Councils and Centers for Economic Education. The Massachusetts listing did not include:

Dr. Richard J. Ward  
Center for Economic Education  
Southeastern Massachusetts University  
North Dartmouth, MA 02747  
(617) 999-8432

### SCHOLARSHIPS AVAILABLE FOR YOUTH EDUCATION PROGRAM

Instead of playing video games during the week of August 5-10, over 150 Massachusetts high school students will be learning what it takes to manufacture, market, and distribute products such as those games. This is what *Business Week Challenge*, sponsored by the **Small Business Foundation of America**, is all about.

Business Week is an intense, fast-moving educational experience focusing on the facts of business and the private enterprise system. All teachers and guests speak-

ers are prominent people from the business community who donate their time to share knowledge and expertise with the students.

This summer's program will be held on the Bentley College campus in Waltham, MA. Experiencing life on a college campus for a full week provides an extra learning opportunity for the students.

All participants in Business Week will receive scholarships provided by companies, individuals, or business and civic groups. The only cost to the student is a \$35.00 registration fee.

Students completing their sophomore or junior year in 1984 may obtain applications from their school Social Studies Department Chairman or by contacting the Small Business Foundation directly at: 84 State Street, Boston, MA 02109; (617) 720-0073. Applications must be received no later than April 1, 1984.

## Fed Update

The Federal Reserve Bank of Boston makes several 16mm films available on a free loan basis to New England schools and organizations. We are considering transferring those films onto videocassettes so that borrowers can make their own copies. But since not all videocassette recorders have the same format, the October 1983 *Ledger* included a survey card that asked readers the following questions:

- 1) Does your school or organization have access to a videocassette recorder (VCR)?
- 2) If so, which format (Beta or VHS) is the VCR?
- 3) Does your school or organization have video equipment that allows you the capability to duplicate an existing videocassette?

Here are your responses. The majority of you (171 out of 280) have access to VHS format videocassette recorders. The Beta format is not as popular (40 out of 280). Many of you have access to video equipment that can duplicate an existing cassette (174 out of 280).

Thank you to everyone who took the time to return the survey cards.



# Multi-Media



A master of marketing launches a new product: chicken frankfurters. **ENTERPRISE** shows how he does it on an episode called "Perfectly Frank."

Courtesy of WGBH Boston

One of the most refreshing things about **ENTERPRISE**, public television's award-winning series on how business works, is that its producers don't have an axe to grind. They take neither a "pro-business" nor an "anti-business" stance. The **ENTERPRISE** cameras simply focus on interesting business stories: a manufacturer's attempt to diversify from bluejeans to moderately-priced, mass-produced men's suits; a "chicken king's" effort to manufacture and market chicken franks; or a Texas real estate baron's big plans to lure moviemakers away from Hollywood by building a \$1 billion soundstage in Dallas. Each week a 30-minute segment offers viewers a perspective on business that they might not get from watching the nightly news or from reading annual reports and economics textbooks.

**ENTERPRISE**, hosted by Eric Sevareid, is a production of WGBH Boston, in association with several public television stations and foreign networks. Programs air weekly on many public television stations; please check local listings.

## ● PERFECTLY FRANK

**ENTERPRISE** tells the story of Frank Perdue, the man who turned chicken into a brand name item. Now the chicken king of the Northeast is using his merchandising talents to launch a new product, chicken franks, by taking advantage of his distinctive face and celebrity status.

## ● THE KYOCERA EXPERIMENT (Update)

**ENTERPRISE** explores Japanese management techniques by examining Kyocera, the San Diego subsidiary of Japan's fastest-growing company, Kyoto Ceramics. It's a story of the delicate, difficult human job of creating a new kind of company that combines the best business practices of two very different cultures.

## ● WILDCATTER (Update)

Foot by painstaking foot, a tough oil and gas wildcatter drills a well in Louisiana's Cajun country. **ENTERPRISE** follows the drilling as it happens, until the wildcatter discovers whether he's struck it rich or drilled another dry hole. A small, intimate look at an industry seen by most as huge and impersonal.

## ● REAL ESTATE

Thursday, March 22  
WGBH-TV, Channel 2, Boston

Can Texas move Hollywood to Dallas? **ENTERPRISE** looks at a Texas real estate baron's big plans to woo production business to the Lone Star State by building a \$1 billion soundstage and office complex that will rival anything Hollywood can offer.

## ● NOT BY JEANS ALONE (Update)

Thursday, March 29  
WGBH-TV, Channel 2, Boston

Levi Strauss, the world's largest clothing manufacturer, tries to diversify away from jeans by marketing a new moderately-priced, mass-produced men's suit. **ENTERPRISE** is there as Levi tests the market, refines the concept, manufactures the product, develops an advertising campaign—and gambles millions.

## ● WORKOUT

Thursday, April 5  
WGBH-TV, Channel 2, Boston

It's the war over women's bodies, fought by thousands of health clubs and exercise salons, and the Gloria Stevens chain is in danger of becoming a casualty. **ENTERPRISE** follows the struggle of Gloria Stevens, an early industry leader fallen on hard times, as it tries to find a formula for survival in a volatile \$6 billion-per-year business.

## ● THE DIAMOND GAME (Update)

Thursday, April 12  
WGBH-TV, Channel 2, Boston

**ENTERPRISE** offers an extraordinarily rare glimpse of the intensely secretive diamond market. The program follows the trail of newly-mined diamonds—worth literally a fortune—as they are graded, cleaved, sawed, polished, traded, designed, and sold as jewelry in fashionable Fifth Avenue showrooms.

## ● TAILSPIN (Update)

Thursday, April 19  
WGBH-TV, Channel 2, Boston

What was the real story behind the nation's first airline bankruptcy? **ENTERPRISE** is there as Braniff's chief executive tries desperately to restructure his billion-dollar company's operations in a few short months, and as the airline struggles to fly again.

**CHICKENOMICS**, produced by World Research, 16mm color film, 20 minutes

**CHICKENOMICS** tells the story of the famous San Diego Chicken and explains why he has become such a successful entertainer. The chicken's antics help to identify five basic aspects of the U.S. market economy: 1) private ownership of resources, 2) consumer sovereignty, 3) markets, 4) self-interest motive, and 5) competition. The film is available on a free loan basis from the Federal Reserve Bank of Boston (borrowers pay return, insured postage; lending is limited to New England schools and organizations). Write to: Public Services Department, T-3, Federal Reserve Bank of Boston, Boston, MA 02106; or call (617) 973-3459.

## the LEDGER

Editor: Robert Jabaily

Graphics Arts Designer: Ernie Norville

Photography: Wilson Snow  
Johannah Miller

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