



Count on more.®

Perspective by Mariner Kemper

Fall 2012



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America must stop running scared

In the movie “Back to the Future,” the teenager played by Michael J. Fox accidentally propels himself back to 1955—and gets stuck there for a time. He can’t return to his life because the fuel of the future, which powered his time machine backward, doesn’t exist yet.

In 2012, America seems stuck in a similar time warp. It’s as though we are lingering in late 2008—the darkest days of the financial crisis. Our society has a “retro” perspective, especially when it comes to banks and the financial system.

Critics are still scoring political points by blaming Wall Street, banks or “the 1%.” They react with glee whenever some financial giant stubs its toe. New layers of regulation are being positioned as the cure for the “crisis.” Even monetary policy seems stuck on near-zero interest rates, punishing savers and retirees to maintain an economic stimulus designed for 2008.

A pervasive attitude is that, whatever our problems are, Washington needs to bail us out. The core value of accountability, saying “I am responsible for my actions,” doesn’t get much press.

The risk is that lingering in the crisis mindset may keep us from better times. America needs to stop running scared and casting blame—and start seizing opportunities to prosper and grow.

Role of banking in recovery

Banks are at the heart of America’s economy, and to achieve a stronger recovery our financial system needs to be free to accomplish what banks do best: Help depositors safeguard and use their money, and invest the community pool of funds in loans for businesses and consumers.

This traditional banking model is, in fact, the core focus of most banks. U.S. commercial banks currently provide depositors with safekeeping and liquidity for about \$9 trillion, and fund about \$7 trillion in loans outstanding. Loans dropped modestly in the economic pullback of 2009 and 2010, but U.S. banks resumed the growth in lending in 2011 and 2012.

Banks also keep money flowing in the economy. As bankers, we take our role as intermediaries seriously, processing more than 40 billion checks a year with an estimated value of \$40 trillion, plus about twice as many electronic payments (debit cards and the like).

The banking industry employs more than 2 million people. And if you think you don’t have a personal stake, check your 401(k) or pension fund: Common stocks of financial institutions are part of nearly everyone’s retirement, representing 17 percent of the total stock market.

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I cite these statistics simply to make the point that tearing down “the banks” benefits no one. Finger-pointing solves no problems. We already have new layers of regulation, with vast scale and complexity. Consider that the Dodd-Frank Act occupies 2,319 pages, while landmark bank reforms of the past were simpler: the Federal Reserve Act at 31 pages and Glass-Steagall at 37. Since the mid-1800s the country has experienced more than 30 recessions—each one followed by cries for “never again” legislation. But each time, a crisis has recurred within a few years.

The cycle of crisis continues because what we really need is a change in thinking—the will to do business differently rather than another law to punish someone else’s misbehavior. Today, rather than endlessly replaying 2008 with its bailouts and blame casting, we will make more progress if we start trusting each other again and focus on doing business the right way.

The real change we need

In 2012, even as we still face economic challenges, opportunities abound. Emerging technologies are creating whole new businesses and transforming old ones. Some markets are growing, even rapidly. Savvy people are turning innovative ideas into businesses.

What will make the difference between remaining mired in the crisis mentality—and climbing to new heights? I believe the answer lies in three philosophies:

- Free markets and private enterprise will drive a return to growth, creation of jobs and expansion of opportunities.
- People and companies that seize opportunities will thrive. The core strength of America is still the entrepreneurial impulse to create and grow enterprises.
- Focusing on basics is the path to success. It’s all about discipline in doing the right things, working hard, being financially prudent and taking calculated, measured (but not blind) risks.

Even in a slow-growth economy, it’s possible to find and seize opportunities. We see them all around. Energetic people are doing great things right now. Steady efforts that focus on real needs in the marketplace will continue to be rewarded by success in business.

The accountability of the market is what motivates businesses (and individuals)—energizing creativity, balanced with discipline. If you know your actions have consequences in a free market, it’s a powerful incentive to pursue great outcomes and to avoid foolish risks. And government can contribute best by stepping aside, except to ensure honest markets.

So, I say, let’s escape this crisis mentality and get back to pursuing the American dream. When we embrace the entrepreneurial spirit that says success or failure is up to us, we tap into the energy source that can blast our nation “back to the future”—the prosperity we all seek.