

## PAUL, CAMELS AND NOTHING

by [Steve Brown](#)

We had so much fun with the famous quote discussion yesterday, we decided to repeat it. One of our favorites along these lines is from George Bernard Shaw who said, "A government that robs Peter to pay Paul can always depend on the support of Paul. " No matter which side of the isle you are on when it comes to politics or the stimulus spending, when government starts talking about raising taxes this one always springs to mind and puts a smile on our face.

Humorist and actor Robert Benchley once said, "Drawing on my fine command of the English language, I said nothing." His point is well taken, as there is lots of discourse in banking, but little clarity. This is the largest credit crisis most of us have ever seen and with short-term rates hovering around 0% rates we lack any reference points. Perhaps one answer is to focus internally. For example, while executives often try to improve communication, many can be more effective by not assuming things, more openly communicating expectations and reducing unnecessary conflicts. Another thing to try is to focus on others rather than oneself. To achieve success, interests should align with the organization to support team building and divisiveness should not be tolerated. Finally, because we are talking about strategic planning, think about idea execution. While having a "big idea" is fine, it also comes with more responsibility than that. It is not just enough to float an idea without considering constraints, costs and customer interest to name a few. In addition, when the data shows an idea isn't working, be prepared to walk away and embrace change. At this strategic session, try letting other executives share ideas to not only make sure everyone is on board, but also to see if there are any other ideas that might make good sense. In short, while not intuitive at face value, silence can be very effective at times.

Comedian Joe Lewis quipped, "I distrust camels, and anyone else who can go a week without a drink." While we do not condone excessive drinking, we thought bankers would enjoy the reference to camels. Further, while this has nothing to do with high desert, the FOMC meeting today could impact bankers and ultimately CAMELS ratings. The questions that everyone will be watching will focus on a few key items. The first is whether or not the FRB will reduce its 2011 economic forecast. We believe they will, as recent data supports a reduction and the economy remains sluggish at best. Projecting lower growth and then moving in with more quantitative easing (pushing yields lower on the long-end of the curve) is more likely to be the approach in our humble opinion. Next, investors will focus attention on whether or not the FRB will say what triggers might drive more easing action. While we do not expect anything definitive, look for more language around "we plan to keep rates low for an extended period of time and by the way, things have gotten slightly worse, so we might throw an extra log or two on the fire to get things going again." Finally, while the National Bureau of Economic Research officially called an end to the longest recession since the Great Depression as of June of last year, we cannot find any bankers that yet feel that way. For them, every dollar earned is still going toward retained earnings or balance sheet repair, so the end to anything seems quite a ways off right now.

We leave you with a final thought in closing that we think battle weary bankers will agree makes sense. As comedienne Lily Tomlin once said "I always wanted to be somebody, but now I realize I should have been more specific."

# **BANK NEWS**

## **Tell it to the Unemployed**

It is not over until the NBER says it over and they just officially announced that technically, the recession started in 12/07 and finished in 6/09 thereby making it the longest downturn since WWII.

## **Consumer Protection**

The Treasury made it official with the announcement that the Consumer Financial Protection Bureau (created by Frank-Dodd) will officially assume management over all consumer protection banking laws on 7/21/11.

## **Roundtable #2**

As a reminder, the 2nd in a series of FDIC Roundtable discussion will be held this Friday at 10am (until 12pm ET) with the focus being the new FDIC assessment authority and calculation. To view a webcast, go: <http://www.fdic.gov/regulations/reform/forum2.html> .

## **Changes**

President Obama's hint that potential "high level changes" at the Treasury could occur has many speculating Geithner and/or Summers may not last into 2011.

## **Small Biz Lending**

The ICBA reports banks with less than \$10B in assets originate 60% of all small business loans.

## **Consumer Stress**

The ratio of consumer debt to disposable income now sits at 130%. That means it will take 16 months on average for consumers to pay off their existing debt, assuming they also spend nothing on housing.

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