

UTOPIAN BALLOONING AND LUNCH DISCUSSION

by [Steve Brown](#)

A man is flying a hot air balloon and realizes he is lost. He descends and sees a man walking on a road down below. He lowers the balloon further and shouts, "Excuse me, can you tell me where I am?" The man below says, "Yes, you're in a hot air balloon, hovering 30 feet above me." The balloonist replies, "You must be a chief lending officer at a bank." The man on the ground asks, "How did you know?" "Well," said the balloonist, "everything you have told me is technically accurate, but it is of no use to anyone." To which, the man on the ground replied, "You must be a CEO of a bank". "I am," replied the balloonist, "but how did you know?" "Well," said the man, "You don't know where you are or where you are going, but you expect me to be able to help you get there. You are in the same position as before we met, but now it is my fault." We're not sure who is full of hot air in this story, but depending on your perspective, we are sure you will enjoy your lunch room banter today at least. A recent Gallop survey says that most Americans "think the government is meddling in too many things that should be left to individuals and businesses." This sentiment has trended up slightly since 2008, as well-meaning politicians and regulators have certainly done their best to stabilize markets and protect the people. After all, it is human nature for us to want to fix things and make the world better. In the 1500's Sir Thomas More wrote about an ideal society, a fictional island called Utopia. More's fictional island presents many seemingly enticing possibilities: six hour work days, a daily nap, free hospitals, someone else preparing your dinner and laws made deliberately simple causing lawyers to be obsolete. A mandatory 8pm bedtime would have people sleeping 8 hours each night and communities would be highly structured. They say that in Greek the word Utopia means "good place" or "no place." On the island of Utopia there is no allowance for a financial services industry or private ownership of land. Obviously the persistent challenge with any government regulation or agency is to avoid making things worse or doing more harm than good. Some politicians seem to be in favor of a Regulatory Utopia, whereby careful planning fully protects consumers and causes companies to behave in the best interests of society. The problem with a Regulatory Utopia, of course, is that it cannot always absorb planning failures. Conversely, a Capitalist Utopia would come with its own challenges. Open and free financial markets with their inherent complexity don't have all the solutions either. A Capitalist Utopia wouldn't necessarily have all the answers for disruptions such as market failures, bad investments, dishonesty, monopolies, etc. So, where does the answer lie? Well, it has certainly been a busy time for regulators and politicians with over 58,000 regulations added during the past year. Interpreting and understanding these rules is a tall order for American businesses. So much so, in fact, that Gallop reported despite the economic and financial crises of 2008 and 2009, "America's appetite for government intervention" has surprisingly not increased. Additionally, during the last 20Ys, there have been only been 3 periods when Americans have desired government to do more (1992, early 1993 and late 2001). Our regulatory continuum is fascinating to watch, but it also has real consequences. When particularly difficult events transpire, society wants added regulations to prevent the problem from recurring. As the pendulum swings too far toward Regulatory Utopia, we then feel that our freedoms are being violated, so we crusade for less regulation and a Capitalist Utopia. For us, we desire a banking climate with rules that are well defined and understandable. We want community banks to be able to provide services and products in an environment where you have the confidence that risk/reward are manageable. As such, we agree with

the majority of Americans that additional government intervention is not needed as good safeguards are already in place. Utopia - no thanks.

BANK NEWS

Mutual Fund Reform

Citing the need for financial stability, Treasury Secretary Geithner is asking the Financial Stability Oversight Council to take direct action to structurally reform the money market mutual fund industry. Geithner is pushing FSOC to act because the SEC failed to do so, as he seeks to enhance liquidity and capital standards and float the net asset value of money funds.

Big Loss

Analysis by Better Markets (a group supporting tougher financial regulations), say the Great Recession has cost the U.S. \$12.8T. Meanwhile, analysis by the former chief credit officer of S&P finds total global losses from the credit crisis have reached \$15T.

Most Branches

According to SNL, the top 5 banks with the most branches as of 2Q 2012 were Wells Fargo (6,316); Bank of America (5,660); JPMorgan Chase (5,608); U.S. Bancorp (3,134) and PNC (3,044).

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