

Draft of short ~~speech~~^{speech} of Hon Hubert H. Humphrey before
 Keyman Seminar
 The Independent Bankers of Minnesota
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 Banquet Session

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Sometimes the communications media have been kind enough to call me the "Happy Warrior".

Frankly, I'm still a warrior- a warrior for ^{what's} right for Minnesota, for what's right for America, and what's right for the world-- in that order.

~~And I am even more than usually happy to be with you tonight.~~

and I am happy to be with treasured friends who are Independent Bankers.

~~I am happy to be asked~~ *and* to talk with you about rural development.

This ^{is a} movement and a cause that is dear to my heart - and it is a cause that we are winning and a movement that is gaining momentum, ~~even though it is gaining too slowly to suit you and me.~~

I'm also happy to be asked to talk with you about rural development ~~tonight~~ because I have an announcement to make that I think will speed up the movement a little bit. And I'm going to ~~need~~ continue ~~you~~ to need your help just like I have so many times in the past.

I've never quite seen eye to eye with the big international bankers, or made joint cause with them. I never have believed in cartel banking or branch banking.

But I do think that the small independent bank is the backbone of the American community-- particularly in ~~R~~ Countryside U. S. A. I feel right at home at a seminar of the keymen of the ~~little~~ independent country bankers.

✓ You and I joined in the cause of the family farmer long ago. As country bankers you understood about the need for family farm, ~~managers~~. As a country druggist I understood it. Prosperity on Main Street starts with prosperity on the ~~family~~ farm.

The Congress will soon be drafting another farm bill. Now that family farm income is approaching something near where it ought to be, the ~~Benjamin Duke~~ ^{crowd is heard to eliminate} crowd is going to try to capitalize on food ~~prices that mismanagement allow to get too high and eliminate~~ ^{their own} ~~prices that mismanagement allow to get too high and eliminate~~ ^{out of hand} ~~prices that mismanagement allow to get too high and eliminate~~ ^{use them to} ~~prices that mismanagement allow to get too high and eliminate~~ ~~family~~ farm income supplements, ~~and~~ orderly supply management, and price supports.

We went through all that in the 1950s. I doubt that Congress will want to allow those errors to be repeated.

You and I, also, joined forces long ago to improve farm and rural community credit laws.

We have improved the operation of the Federal Farm Credit System. We have made continual improvements in the farm credit programs of Farmers Home Administration. I know that, in general, ~~xxx~~ Farmers Home has ~~&~~ worked closely with the Independent Bankers.

We enacted the rural water and sewer, and solid waste disposal loan and grant programs; and the rural housing loan and interest rate supplement programs with which your group ~~xxxxxxxx~~ worked very closely.

Over the past two years, your organization helped Congress to write and pass the landmark Rural Development Act of 1972.

I want personally to thank Pat DuBois and other keymen of the Independent Bankers Association for the help they gave us in reviewing and improving draft after draft. ~~any of you~~ *and gave more* ~~went several miles further than simple civic duty would have required~~ *and gave more* ~~demands~~ *required* ~~to be helpful and constructive~~. I appreciate that.

L Now the Rural Development Act of 1972 is the law of the land. It has many new and ~~new~~ *helpful* programs to help build Rural America, It has ~~many new~~ new rural development credit programs that you helped to write and which if implemented will enable you to redouble your local rural development efforts. *It is good legislation.* And it ought to be fully implemented and fully funded without procrastination and delay and *an attitude of* "put it off."

The Subcommittee on Rural Development, the chairmanship of which I just passed along to Senator Dick Clark of our neighboring *-- and I am still a member--* State of Iowa, has ~~just completed~~ completed three days of the first of a planned quarterly legislative oversight hearings on implementation of the Rural Development Act.

L ~~In addition~~ more than 30 ~~witnesses~~ public witnesses were heard, in addition to Assistant Secretary of Agriculture for Rural Development Will Erwin and Community Development Counsellor Lynn.

The witnesses, ~~representing the general public~~, including a spokesman of the Independent Bankers Association of America, without exception, urged full ^pimplementation ~~of the Act~~ and funding of the Act. But they expressed concern about several major aspects of the manner in which it is being implemented.

They expressed several major concerns, and ~~I might say~~ I share ^{these} concerns. ~~These concerns are:~~ ^{For example}

1. The recent terminations by unilateral Executive action of many major basic rural and farm programs such as the Farmers Home Administration water, sewer, and solid waste disposal grant programs, rural housing incentives, and the farm disaster loans,

~~upon the continuation of which the Rural Development Act was predicated and upon which its success is dependent;~~
^{REA-TELEPHONE - REAR}

2. The intention announced by the Administration witnesses that some of the major provisions of the Act such as assistance to rural development planning, and rural community development fire protection will not be activated at all;

3. The announced intention to operate the important rural industrial development provisions of the Act on a small pilot area basis in a selected number of multicounty districts in each State rather than on a nationwide basis, as Congress intended; and

4. The ~~great~~ ^{delay} that has taken place since the Act was passed last August 30, 1972 and has resulted in some of the new programs still not being operative in the field.

I will not take the time now to list and discuss the important farm and rural programs that simply were grounded, ~~and at~~ least temporarily, terminated without warning and without consultation. You already know what they are and many of you have already discussed the problem with me.

As you know there are over ^(fifty major) ~~amendments~~ individual provisions in the Rural Development Act of 1973.

I am happy to note that some 25 of them, mainly ^{those that} ~~the~~ improving ~~amendments~~ in the farm credit programs, have ~~already~~ been activated. But I am distressed and disappointed to find out that ²⁶ of ~~them~~ the new programs have not yet ^{even} been cleared by the new Assistant Secretary much less placed into operation in the county offices where people can start benefiting from them.

The Administration witnesses told the Subcommittee that ~~they~~ it is hoped that some 13 ^{new} major ^(new) rural industrialization and water quality provisions will be in operation by July 1 or August 1, or by September 1, at the latest. This ^{will be} ~~is~~ a full year after the President signed the bill into law.

But even more distressing is the more than a dozen new programs that are going to be completely disregarded.

You may be certain that Congress is going to exert every effort it can to force full implementation ^{and full funding of the Act.} ~~of the Act.~~

~~xxx~~ As good as the Act is, there are some parts that ought to be in it, that you worked so hard to help me with over the past two years. ~~But it's~~ ~~lost~~ ~~all~~ ~~of~~ ~~the~~ ~~bill~~ ~~somewhere~~ ~~in~~ ~~the~~ ~~legislative~~

~~process. Many of the~~ ~~Keymen~~ Keymen of your organization worked long and hard to help me and the Subcommittee to perfect the structure and the language of ^a ~~the~~ proposed new Rural Development Bank.

Well, that got dropped out somewhere.

~~But I want you to know I haven't forgotten it.~~ ^{But} We still need it.

Rural bankers and investors need an independent, flexible, investment institution they own themselves--somewhat similar to the successful Federal land banks, intermediate credit banks, and banks for ~~cooperatives~~ cooperatives that the farmers own and operate,

The Rural Development Bank that you helped me draft and perfect two years ago was designed to go along with the credit and other provisions of the Rural Development Act;

But the Rural Development Act as it now stands is like an airplane with ~~it~~ with a wing on just one side. (The Act does ^{set} up a ^(ing) interest form of new guaranteed rural development loans that could be implemented in a fashion with which you could work conveniently and smoothly. But all the ^{needed} tools are not in the box.

So the existing provisions fall far short of the major objectives of the original Rural Development Bank proposal.

In the first place, the Rural Development Act ~~of 1952~~ does not remove control, ownership, and operation of the rural development system from national and State politics.

As things now stand, the control of non-farm rural ~~xxxx~~ development credit rests in the Executive Branch of the Federal government-- no where else. In fact, the Subcommittee was told by Administration witnesses, every little decision, concerning the most detailed and routine matter must be cleared through a dozen ~~22~~ different echelons of Executive Branch hierarchy and staff offices:

1. The Administrator of the Farmers Home Administration, a presidential appointee, or other administering agency;
2. the General Counsel, a Secretarial appointee, of the Department of Agriculture;
3. The Office of Budget and Finance of the Department;
4. The Office of Planning and Program Evaluation of the Department;
5. The Assistant Secretary of Agriculture for Rural Development, a presidential appointee, who refers it for review to
 6. The Administrator of Rural Development Service, a secretarial appointee;
 7. The Under Secretary of Agriculture, a presidential appointee and his staff;
 8. The Secretary of Agriculture, a presidential appointee;
 9. The Director of Office of Management and Budget, who is appointed by the President without the advice and consent of Congress and who ~~refused~~ even before the Rural Development Subcommittee declined to appear to answer questions on the implementation of the Rural Development Act;
10. The Secretary of Treasury, a presidential appointee; ~~and~~
11. The President's Council of Economic Advisers; and
12. (Presumably the final) clearance will be given by the Counsellor for Community Development, a super-cabinet post which is filled by a fine person who happens also to be the Secretary of Housing and URBAN Development.

and funding

It will be a miracle if a recognizable and workable rural development credit program emerges from this maze. And to top it off, I heard a well founded rumor the other day, that the authority to approve individual loans may be delegated not to Farmers Home Administration people with whom you have been working on other loans but to the State Governors, with Farmers Home Administration being relegated to ~~mess~~ housekeeping and bookkeeping chores.

~~I am hoping that this proposed set up will work. After all the~~
 Independent bankers have had years of ~~mess~~ generally successful ~~exper:~~
experience working with Farmers Home Administration insured loans and Small Business Administration guaranteed loans, and you have worked miracles with what you had to work with.

But the main point is, the same political structure that sets it up can tear it down, or change it, as things now stand. What rural investors and bankers need ~~is~~ ^{is} an independent rural investment institution that they own and control themselves.

its failure to set up a system free of
 In addition to ~~the~~ ~~political domination~~ political domination, the Rural Development Act has another shortcoming, ~~because the Rural Development Bank proposal was not included in the final legislation,~~

~~Small~~ Rural bankers are severely limited in the amount of credit resources they can dedicate to any ~~single~~ ^{individual} rural development project or borrower. Yet many individual projects, if we are really serious, are the kinds of plants and developments that cost a lot of money. Even ^{when} the Federal government guarantees 90 percent of a \$7 million loan, the remaining 10 percent or \$700,000 is more than most small rural banks can handle alone.

(of course)

#1 Most independent bankers have developed fine cooperative working relationships with other larger banks, usually in metropolitan areas. Such banks are helpful to local independent banks in meeting local rural credit needs. But this line of credit cannot be stretched indefinitely, and besides you have your own problems of flexibility and liquidity to think about ~~even at the best.~~

Moreover

We all still remember that many large credit institutions had to pull in their horns and give attention to pressing needs close to home in the credit crunch of just a few years ago. In such a credit crunch, even these large institutions needed ~~xxx~~ somewhere to ~~turn~~ for financial assistance with their rural development credit and investment portfolios. *so, as I see it,*

We still need a Rural Development Credit Bank owned by rural bankers and investors to fill the needs I've just mentioned and others that I won't take the time for here ~~but I will say that we need~~ a Rural Development Bank we can turn to just in case the rural guaranteed industrialization loan provisions of the Rural Development Act are not implemented on a national scale by the political forces that control it.

Section 901(a) of the ~~Rural Development Credit Act~~ Agricultural Act of 1970 stated the policy of Congress and the President to give highest priority to the revitalization and development of rural areas.

A still unmet need, if this statement of high policy is to be fulfilled, is for equity capital. ~~It is a need that must be met.~~ An investment institution owned by rural bankers and investors *could* ~~also meet this need.~~ *help meet this need.*

I have ~~had~~ already had drawn up a draft proposal for a 1973 Rural Development Bank that I think will support, supplement, and strengthen the implementation of the Rural Development Act, ~~and~~.

Since you did so much to help me and the Subcommittee formulate the ~~1971-72~~ 1971-72 edition, I want to sketch briefly the provision I now have in mind, ask you help in perfecting it, and mention the ways in which the new proposal ~~differs~~ differs from the 1971-72 draft you worked on so hard.

~~First~~ The Rural Development bank ~~should~~ should have, as I now see it, the major function to serve as a bank source of financial assistance to local financial institutions and the other financial institutions that have ~~financed~~ ^{purchased} refinanced, discounted or rediscounted rural development loans made by local rural financial institutions ~~and for the local financial institutions themselves.~~

The new Rural Development Bank would work in the usual course of events with the correspondent banks of local rural banks ^(if necessary) and with ~~local~~ rural banks themselves to increase the liquidity and security of rural development loans that they make.

The Rural Development Bank would also be authorized on a very ~~restricted~~ restricted basis to join with local ~~banks~~ ^{banks} and other investors to make joint-venture equity investments in rural development projects that are highly important but which ~~would otherwise be~~ ^{would otherwise be} unable to obtain needed investment or credit, ~~elsewhere.~~

Local financial institutions would be able, but not required, to acquire voting capital stock in the ~~new~~ Rural Development Bank but the ultimate rural development project sponsor or borrower or joint venture cosponsor would be required to purchase voting stock, ~~or~~ or nonvoting stock, of at least

a minimum percentage of the financial assistance provided by the Bank.

The proposed Rural Development Bank, as I now have it in mind, would be greatly simplified in organizational structure ^{compared to} from the previous proposal.

Instead of 10 regional rural development banks there would be only one national bank.

The provision for operating through multi-county district financial institutions has been eliminated, by authorizing the national rural development bank to work directly with ^{private} local financial institutions, ~~and their~~ credit sources or correspondent banks ~~of~~.

The Rural Development Credit Agency, as a supervisory layer, has been eliminated, by giving some of its duties to the National Rural Development Bank Board, and some to the National Rural Development Bank itself.

The capital grant and interest rate supplement proposals have been eliminated, because provisions for grants are already included in the Rural Development Act of 1972, if ^{it is} implemented and funded.

And finally, the National Board has been enlarged to include ~~x~~ in addition to members appointed by the President with ~~Senate~~ Senate confirmation, some ten members elected by the ~~x~~ local bankers and borrowers who own voting capital stock in the National Rural ~~D~~ Development Bank.

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While I have not yet fully considered all the details of this proposal, and I have not ~~had~~ had an opportunity to consult with you and others concerning the changes, I am going to introduce it now in preliminary tentative form for further discussion.

I have found that proposed legislation ^{is} easier to review and discuss and rewrite if ^{one} starts with a draft in regular ^{printed} bill form. So even though I am not all wedded to any or all of the provisions of this current proposal, I am going to introduce it ^{to make it available} for wider consideration, discussion, and suggestions for improvement.

I shall particularly welcome the study, review and analysis of the ~~proposal~~ ^{new Rural Development Bank} by the Minnesota Independent bankers and leaders of your national organization. # I invite and need your help and suggestions for where we go from here.

In this way, I can ~~send~~ send a printed draft of the bill and of the section-by-section analysis ~~available~~ to any of you who might wish to study or comment on it.



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