Community Banking in 21st Century Research Conference Summary and Wrap-Up

Policymakers, banking regulators, community bankers, and researchers. This is how participants of the first Community Banking in the 21st Century Research Conference described themselves in St. Louis this week.

The day-and-a-half conference was held at the St. Louis Federal Reserve Bank and co-hosted by CSBS and the Federal Reserve System. It was packed with research presentations, discussions on the future of community banking, notable speakers, and the release of the first-of-its-kind community banking town hall report.

Federal Reserve Chairman Ben Bernanke kicked-off the event on Wednesday with remarks about efforts by the Federal Reserve System to more effectively communicate with community banks. Dorothy Savarese, chairman, president, and CEO of Cape Cod Five Cents Savings Bank in Orleans, Mass., gave the keynote address Wednesday evening. Federal Reserve Governor Jerome Powell gave the keynote address on day two.

But the heart of the conference was research. And over the course of a day and a half, participants heard 12 research studies presented by academics and policymakers. These studies explored the role of community banks, community banking performance, and supervision and regulation of community banks.

John Kandrac, an economist with the Federal Reserve Board, presented on day one of the conference. His study sought to answer the question of whether bank failures have a measurable impact on local economies. In his paper, titled Bank Failure, Relationship Lending and Local Economic Performance, Kandrac concluded that bank failure leads to measurable economic underperformance. He added that higher competition markets are even more affected by bank failure.

But an attempt to prevent all bank failures would be the wrong takeaway from Kandrac’s research, Scott Hein, a professor at Texas Tech University, told CSBS in a blog interview. “We need to recognize that failure occurs in many cases for good reasons,” Hein said. He went on to say failure encourages bankers to be careful in their decision making.