Multi-banking: Here we go again

(With this issue, John Maginnis begins writing the Capitol Business column for New Business Magazine. Maginnis is a Baton Rouge-based journalist.)

Every fourth legislative session the pressing issues of the state must be set aside so that legislators can attend to the one overriding concern of each lawmaker: getting re-elected. Since getting controversial and getting re-elected are too mutually exclusive concepts, lawmakers tend to divide their time in these election year sessions between making high-sounding speeches and cutting up the pork barrel pie.

The only difference in this pre-election session appears to be that with the state's embarrassing fiscal shortfall, there will be small pie slices indeed to take home to the constituents. All the more reason to avoid anything controversial.

This year, however, when Sen. Charles Barham of Ruston introduces his multi-banking bill to allow bank-holding companies to acquire more than one bank, the stage will be set for the most—perhaps the only—hotly contested business issue of the session.

Despite election year inertia, the multi-bank proponents feel that 1983 will be their window of opportunity. (If not this year, they say, the next for sure. But 1984 will bring a new, unpredictable and an overcrowded agenda.) The opponents, a coalition of small to medium-sized banks (the prime candidates for acquisition by larger banks) are confident they can beat back this third major assault in the past seven years on the state's banking structure. (Not to be confused with perenially unsuccessful Whitney Bank bill to allow Orleans banks to expand to adjacent parishes.)

The issue creates quite a stir each year it comes up, if only by the spectacle of well-dressed, high-powered bankers from all over the state descending upon the Capitol, crowding into committee rooms and button-holing legislators with an urgency reserved only for calling in huge delinquent loans.

The multi-bankers' lead lobbyist, Tom Spradley of the Association for Competitive Banking, believes his side gained great momentum this year with the wave of banking deregulation nationally that has resulted in higher interest rates on savings and attractive new bank products. He's also heartened by the endorsement of multi-banking by the Louisiana Association for Business and Industry.

Counting noses, Spradley is confident he'll get the votes. "We're leading in the Senate Commerce Committee, we're ahead of the other side in the House; it's nip and tuck in the House Commerce Committee but I count 10-7 in our favor, and we're just a few votes behind in the House."

But Spradley's rosy assessment is not shared by super lobbyist Bud Mapes, who is representing the Louisiana Independent Association of Banks. Mapes feels his coalition is as strong as last year when it stopped multi-banking on the floor of the Senate without even coming up for a vote. The new multi-bank converts don't impress Mapes: "LABI has never passed a bill in its life by itself. They're going to need more than that."

The way things work in the Legislature, Mapes has a good point. It's infinitely harder to pass a bill than it is to kill it. And to pass a major piece of business legislation against an organized lobby takes at least two out of three major factors going for you: 1) the active support of the governor, 2) widespread public support, and 3) a unified business lobby.

At this point, the multi-bankers pull up short in every category.

Treen says he's open-minded on the issue and Edwards has come out for it, but won't be pushing it this election year. They will be spilling enough blood and sweat on the campaign trail, no sense wasting any on the cool marble floors of the Capitol.

The bankers have not made the effort to build public support behind the measure—most voters don't know or care what the issue's about.

And the business lobbyists are not lining up behind Spradley and the bankers. Even Ed Steimel of LABI, who is sold on multi-banking, knows that most businessmen aren't yet. "Who's peddling this? It's the banks. The businesses are not pushing it. I haven't heard from anyone who can't get a
loan. If they can go to Houston and get a loan, it doesn’t make much difference to them.”

But Spradley and the multi-bankers aren’t fazed. If you don’t have the political elements you need to beat an organized opposition, the next best thing to do is to undermine the opposition. Spradley recognizes that their real enemies are not the small bank stockholders but the small bank presidents, who may lose their power, if not their positions, if their stockholders sell out to a larger bank. Those presidents have been the ones keeping the heat on the hometown legislators, especially those who owe money to those banks and who may need more for the summer’s campaign.

Spradley confirms that the multi-bankers’ strategy is to educate the shareholders of Louisiana’s many small to medium-sized banks that their stock could be worth one and a half to two times its present book value if Barham’s bill passes. On the other hand, the horror story they’re painting is that stockholder’s prospects won’t be nearly as good if Congress passes multi-banking before Louisiana does. “Louisiana stands to be carpetbagged if we don’t have enough time to organize this,” warns Spradley.

But even with a brave new offensive, it’s as tough to sell a legislator facing re-election on a bold new idea as it is a, well, banker. The multi-bankers aren’t content to wait until next year, which may be just as well, because before it’s all over, Tom Spradley and Bud Mapes are bound to throw some nifty parties for the boys. And yet, in the end, the forces of change may find that it is easier to bring about a banking revolution by an Act of Congress than with a bill in the Louisiana Legislature.