MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

JUNE, 1970

You ask about . . . the customer generation gap

Q How can my bank attract more young customers?

A Larger numbers of young people reach maturity each year — representing a market you must penetrate to continue to grow. The longest bar on the 1970 Census graph will be the 25 year age group. Liberty's new program called "2135" may be a new approach you should consider. Liberty's correspondents can use "2135" as a youth program of their own with Liberty providing the plan and details of organization. Why not ask your Liberty contact man more about it?

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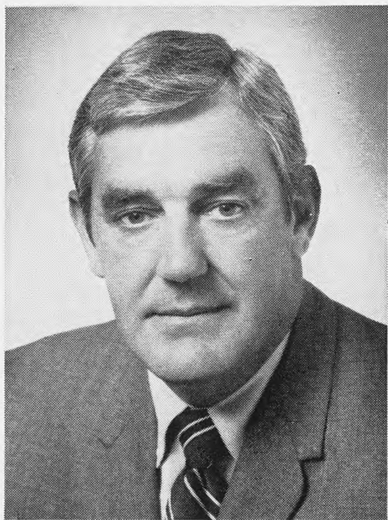
OKLAHOMA CITY, OKLAHOMA 73125
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Have a question? Get the answer . . . at your Liberty.

MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. June, Vol. 66, No. 7. Second-Class postage paid at Fulton, Mo. Subscription: $7.



A Welcome to Fred Coulson

THE WONDERFUL WORLD OF BANKING

COMMERCE BANK
of Kansas City

Box 248 Kansas City, Missouri 64141
Phone: 816-842-7500

A Commerce Bancshares Affiliate

May 6, 1970

Mr. Fred N. Coulson, Jr.
426 West 67 Street
Kansas City, Missouri 64114

Dear Fred:

We're delighted to welcome you as a vice president of Commerce Bank and as head of our Correspondent Bank Department. The fact that you know and have worked closely with bankers throughout the country will enable you to make a very strong contribution to this important segment of our banking business.

As you know, Commerce Bank of Kansas City has long been one of the nation's leaders in correspondent banking. One out of ten banks in the United States is our customer. To continue as a leader we believe we must offer more and better services, and more sincere personal attention to our correspondents than ever before.

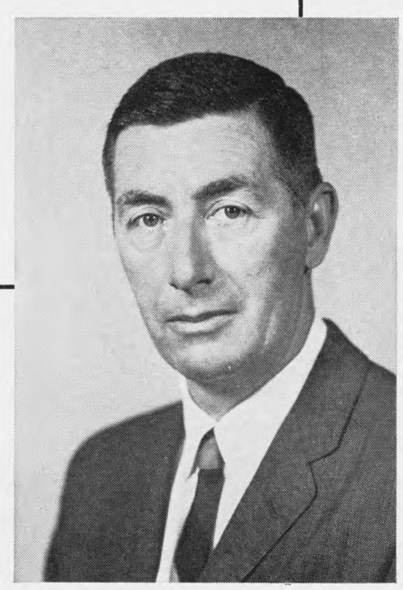
You have been selected to lead our future correspondent banking activities because of your record of achievement at Old Security Life. While, of course, the nature of our services is different from those you have been handling, we know you will continue to perform with the same top-notch efficiency and the same human understanding that you evidenced during your past twenty-three years of working with bankers.

All of us look forward to having you with us, Fred. You can count on our full cooperation in finding new ways and means of making our correspondent banking operation as beneficial as possible to our customers.

Sincerely,

P. V. Miller, Jr.

P. V. Miller, Jr., President



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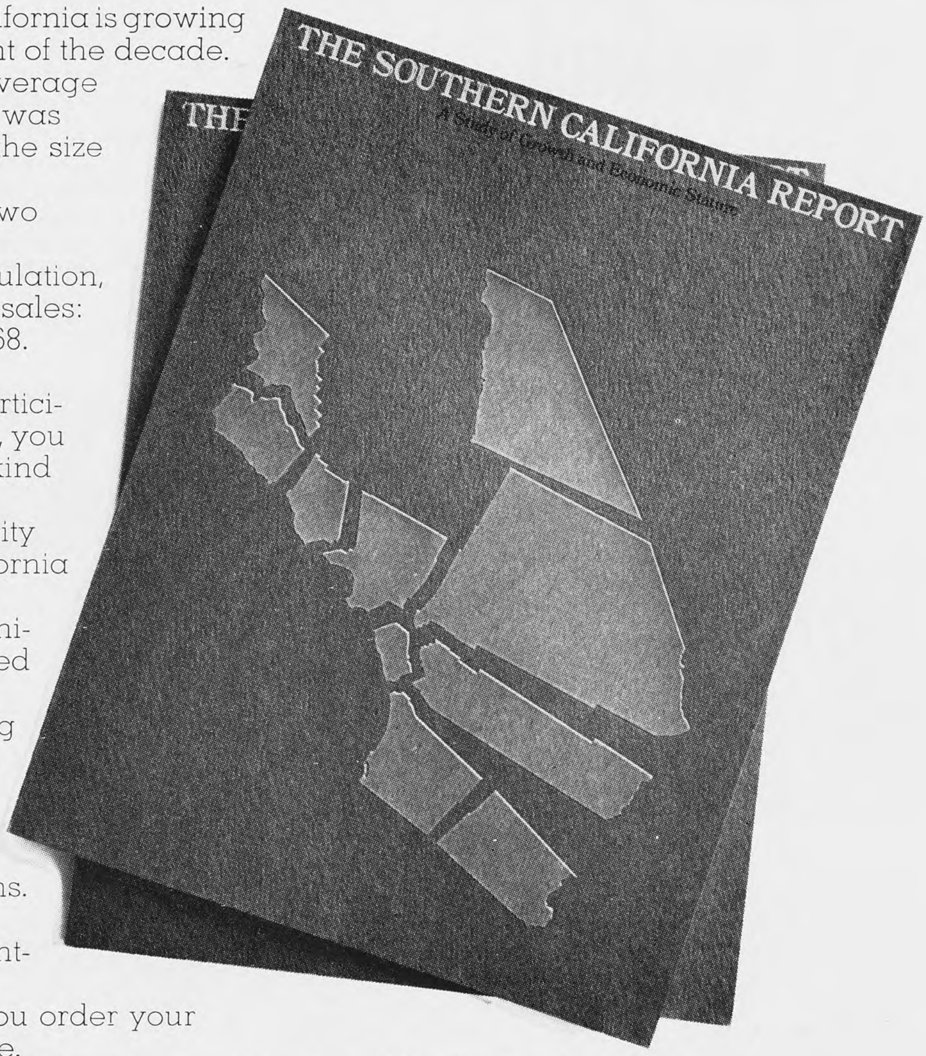

To say that Southern California is growing would be the understatement of the decade.

From 1960 to 1969, the average annual population increase was equivalent to adding a city the size of Tucson, Arizona.

Or, every year adding two Trenton, New Jerseys.

With an increase in population, you get an increase in retail sales: 1969 was 8.9 percent over 1968. For a total of $23.5 billion.

If you're interested in participating in that kind of growth, you should be interested in that kind of information.

You'll find it all in Security Pacific Bank's Southern California Report.

Considered to be a definitive study, the Report is divided into two parts.

Part one is a text covering such subjects as population, employment, personal income and real estate. It also includes charts, maps, illustrations and color photographs.

Part two is a detailed, statistical appendix documenting part one.

Naturally, we suggest you order your free copy as soon as possible.

When you're dealing with the growth of Southern California, just about everything is subject to change without notice.

Security Pacific National Bank
Mr. Arch D. Hardyment, Vice President
Economic Research Department
P.O. Box 2097
Los Angeles, California 90054

Name____________________

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☐ Central Valley

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Today, Tulsa's International Airport is a space-age facility complete with a Customs Operation that provides communities in four states a direct link to world trade markets. When your customers need answers to air cargo and export-import questions, First National's Correspondent Bankers can supply the information quickly and accurately.

For First assistance, Call the First Specialists (918) 587-2141.

• Dick Wagner • Jack Sanders • George Bean • Bob McGoffin

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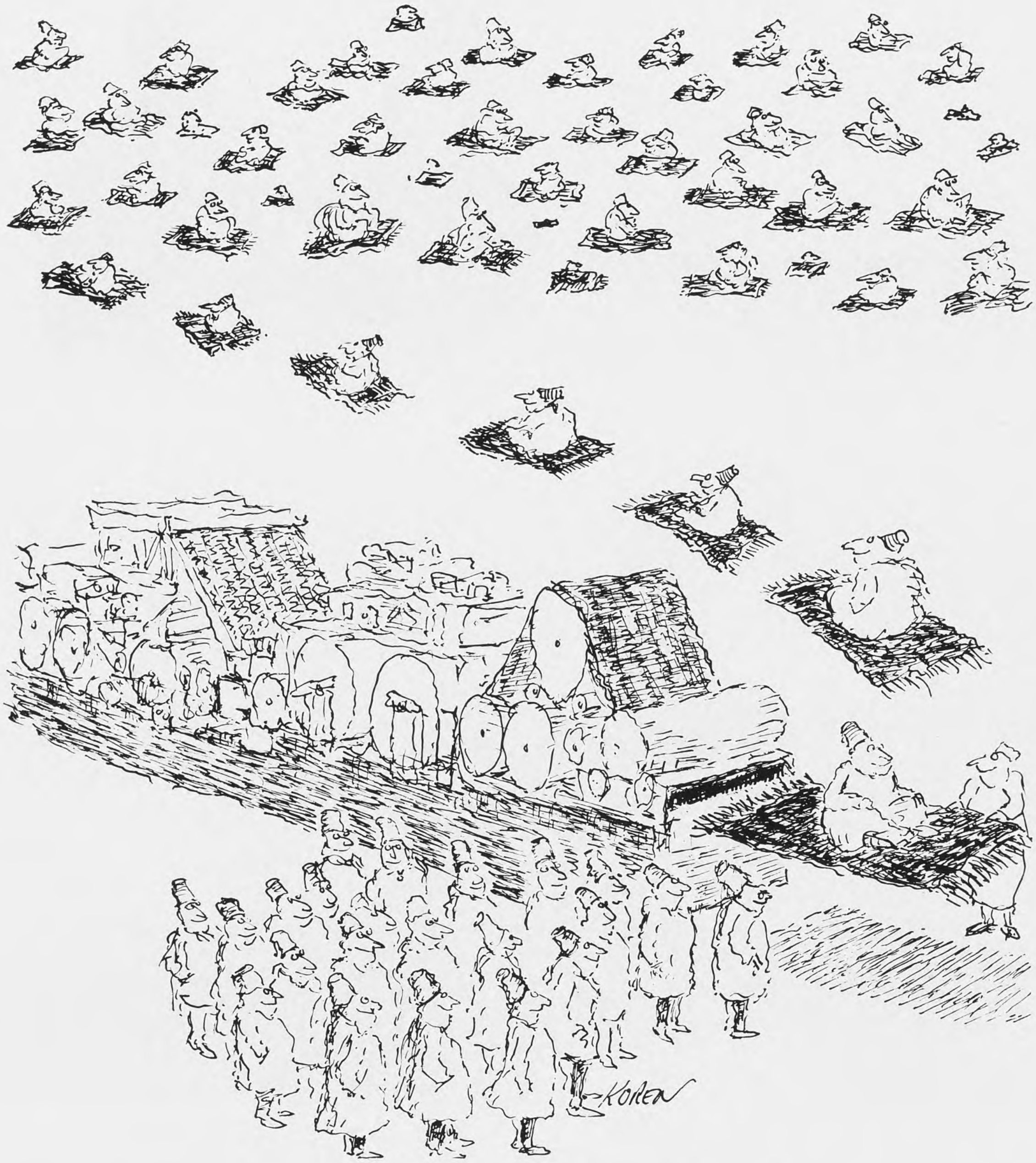
The FIRST 75 1st of Tulsa



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1942

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Well, just to prove that there is nothing new under the sun, and to demonstrate perhaps that an idea is not a good idea until it reaches maturity, we once again drag out the Check Desk and dust it off for your inspection.

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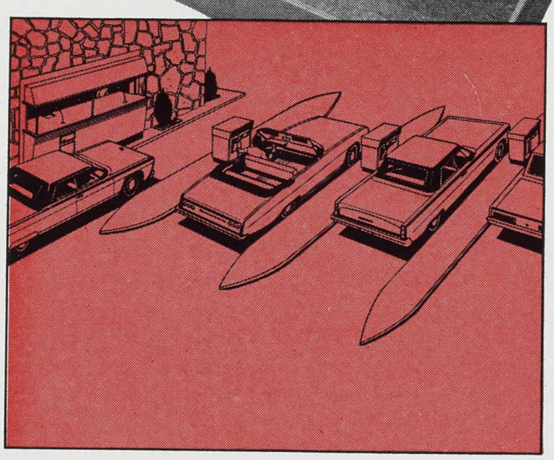

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Clay Succeeds Fleming as 3rd Nat'l President; Other Top-Level Changes

NASHVILLE—Four executive changes have been made at Third National. Those promoted were: D. Webster Johnston, chairman, to senior chairman; Sam M. Fleming, president, to chairman; Sam H. Hunt, executive vice president, to vice chairman and chairman of the executive committee; and John W. Clay, executive vice president, to president. Messrs. Hunt and Clay were named directors. Walter J. Diehl continues as honorary chairman.

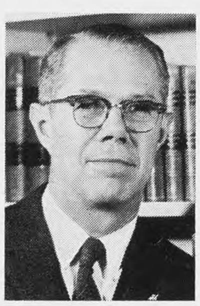
A member of Third National's original staff (since 1927), Mr. Johnston was elected assistant cashier in 1929; assistant vice president, 1936; vice president, 1941; first vice president, 1947; director, 1949; executive vice president, 1950; and chairman, 1964.

Mr. Fleming, who joined the bank in 1931, had been president 20 years. He is president of NLT Corp., the holding company which, until recently, owned Third National. Mr. Fleming was ABA president in 1961-62.

Also a member of the bank's original staff, Mr. Hunt was made assistant cashier in 1936; assistant vice president, 1941; cashier, 1947; vice president, 1963; and executive vice president, 1965.

Mr. Clay, with the bank since 1937, was elected vice president in 1951; senior vice president, 1963; and executive vice president, 1965. He has been a commercial lending officer and has had general supervision of the marketing division.

FLEMING



JOHNSTON

CLAY

HUNT

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 66, No. 7 **June, 1970**

FEATURES

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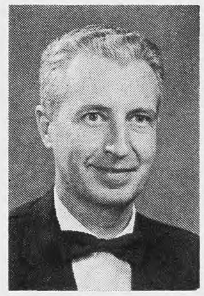
MID-CONTINENT BANKER is published 13 times annually (two issues in May) by Commerce Publishing Co. Editorial, executive and business offices, 408 Olive St., St. Louis, Mo. 63102. Telephone GArfield 1-5445 (Direct Dialing 314-421-5445). Publication office, 1201-5 Bluff St., Fulton, Mo. 65251. Second-class postage paid at Fulton, Mo. All advertising and editorial material meant for publication in MID-CONTINENT BANKER should be sent to 408 Olive St., St. Louis, Mo. 63102.

NEW YORK: 2 West 45th St., New York, N. Y. 10036. Telephone (Direct Dialing) 212-582-7126.

SUBSCRIPTION PRICE: Three years $16.00; two years $12.00; one year $7.00. Single copy $1.00. Foreign subscriptions: $20.00 per year.

WANT ADS: Twenty cents per word, minimum charge: $7.00

COMMERCE PUBLICATIONS: Mid-Continent Banker, Life Insurance Selling, American Agent & Broker, Mid-Western Banker, Club Management, Decor.



By Dr. Lewis E. Davids
Hill Professor of Bank Management
University of Missouri

Bank Stock Prices and Market Prices

FOR THE LAST three years at each of the Assemblies for Bank Directors, participating directors have raised the question of the price ranges of their banks' stocks and the proper role of the administration of the banks relating to their markets and market prices.

Of course, no single statement is equally true for all sized banks. Obviously, the market for Bank of America, Chase Manhattan, First National City and Continental stock will be broader than for the vast bulk of perhaps some 12,000 of our nation's banks. These remarks are directed to the latter category of institution, the ones without "listing" or newspaper quoted prices.

It is not uncommon for the director of such a bank to preface his remarks with a statement such as: "Why should my bank's stock sell at only 65-70% of its *book* value as it has for years?"

When he is queried as to his basis for the price, it is too often brought out that the bank's president typically handles the transaction and the president's standard response to selling stockholders is to quote the latest price, which, in turn, was predicated upon the previous sale made maybe months and often a year or so before.

Few sellers of non-controlling units of the stock of small banks have close appreciation of its normal value. An average-type bank's price probably should range from 12 to 15 times earnings.

In banks where growth potential is exceptionally strong, a price up to 20 times earnings could be justified, but these are exceptional cases.

Yet there are many directors who indicated that their banks' stocks had sold in the 60-75% of book-value range. In the same period, it is not uncommon for "control" stock to fetch 1½ to two times book value. This is an area of concern for conflict of interest.

Because it is common for directors and other bank stockholders to name their banks as trustees of their estates, an additional dimension in valuation is raised. A bank advising as a trustee has a higher fiduciary relationship than a banker buying his own bank's stock, although both should be conducted with impeccably high standards.

Frankly, the market for most bank stock is poor, disorganized, thin and has the potential to lead to conflicts of interest on the part of insiders.

Recognizing this, a few banks have adopted a policy of *not* discussing the "prices" of their bank's stocks with potential sellers. They advise the latter to contact reliable stock brokers for their recommendations as to the banks' value. In this way, bankers cannot be accused of taking advantage of the sellers' ignorance.

Of course, often there are times when the interests of some shareholders are at cross purposes to prudent bank management.

A typical situation is when a bank is growing at a faster rate than its capital accounts. Under such circumstances, bank supervisors may exert considerable pressure on the bank to increase its capital. Management then is confronted with a number of alternatives that often confuse stockholders—and lead to dissension in the ranks and unnatural price fluctuation on the stock.

Should a bank increase its capital by selling additional stock? Many stockholders are *not* in the position to subscribe and thus face probable dilution of their equity. Those who are in a position to do so probably will draw down their balances at the bank and thus lower the lending base of the bank.

Should the bank compromise and cut back its cash dividend? While this has many theoretical advantages, for many banks it would cause unpleasant reverberations among the shareholders—especially those who had counted on the regularity of the dividend.

Should the bank cut the cash dividend and substitute a fractional share-stock dividend? This would accomplish an improvement in the bank's capital adequacy and tax savings for many shareholders but a large proportion of the "widow and orphan" types would miss the cash dividend payout. Of course, an arrangement could be made for the bank or a broker to buy up the fractional shares at a fair price for subsequent sale.

One knowledgeable New Jersey banker who acquired control of a moribund bank that had good potential anticipated the problem and resolved it by using his annual report to the stockholders to condition them to the need to increase capital.

His sampling of the shareholders showed a substantial proportion who were *not* dependent on the cash dividend of their bank stock. For those who were, he advised them of the bank's problem, pointed out the various alternatives and that a low cash dividend plus fractional shares provided the most satisfactory solution to the bank's dilemma.

He advised those minority shareholders who needed high cash dividends to consider the alternatives—and perhaps the sale of their stock—though he also correctly mentioned and evaluated the sanguine prospects of the bank.

Recognizing the thinness of the market, he encouraged the local stockbrokers to "make" markets for the bank's shares.

Certain technical steps were recommended by the brokers. One involved a stock split to bring the high unit price more in line with the public's preferences. This not only created news copy for financial writers but it broadened the market. It also was cited as a reason for an advance in the stock's price.

Because the brokers were familiar with the decision to maintain a low

(Continued on page 62)

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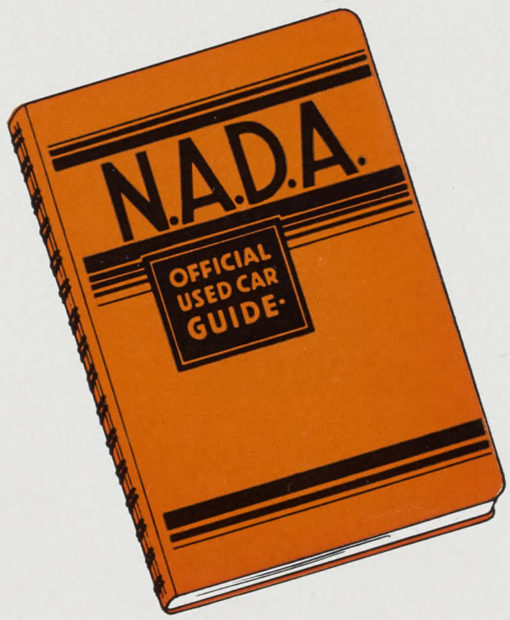

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CORPORATE NEWS ROUNDUP

News of Firms Serving Banks

• **AccuData Corp.** U. S. Resources Corp. has acquired the North State Data Center from North State Bank, Amarillo, and has converted the center into a corporation named AccuData. Begun as a department of the bank, AccuData will continue its operations at 734 North Fillmore, Amarillo.

WRIGHT

The new corporation will retain its assignments for the bank but plans to expand its work in medical-related fields, financial areas, inventories and feedlot processing. Among the 15-member staff of AccuData are Jim Palmer, president and manager of the previous center, and Larry Wright, vice president for marketing. Mr. Wright became well known to southwestern bankers through his former post as vice president and manager, correspondent banking department, at Amarillo National. U. S. Resources is headquartered in the North State Bank Building and has offices in major U. S. cities.

STICKLER

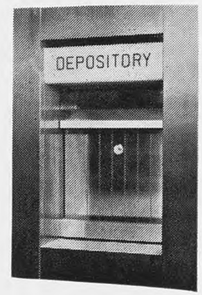
• **Bank Building Corp.** Lee E. Stickler has been appointed manager of the newly expanded central division of Bank Building Corp., headquartered in St. Louis. Mr. Stickler had been central division sales consultant.

Two senior consultants also have been named in the central division: Leroy W. Lott, assigned to the Dallas Office, and Harold M. Gilbert, St. Louis Office.

• **Gracious Lady Service, Inc.** The Philadelphia-based Gracious Lady Service, Inc., has opened a new southwestern regional office at 400 Stemmons Tower South, Dallas. Robert C. Mellon has been named regional manager. His duties will encompass Louisiana, Arkansas, Missouri, Kansas, Oklahoma, New Mexico and Texas.

Mr. Mellon, who joined Gracious Lady in 1968 as assistant to the president, was promoted in 1969 to account executive, credit card division, specializing in the college market.

• **Security Safe Deposit Box Corp.** The Canfield, O., firm of Security Safe Deposit Box Corp. has developed the Vanguard Series depositories. The depositories have built-in networks of stationary and flexible finger baffles, counterbalance wire guards, circular or rectangular doors and dual key-lock combinations.



The hopper clear opening is 12¾ inches high, 11⅝ inches deep and it accepts bags up to 10½ x 12 inches. The envelope slot is 6 inches wide and ⅜ inch high. Envelope supply wells are optional.

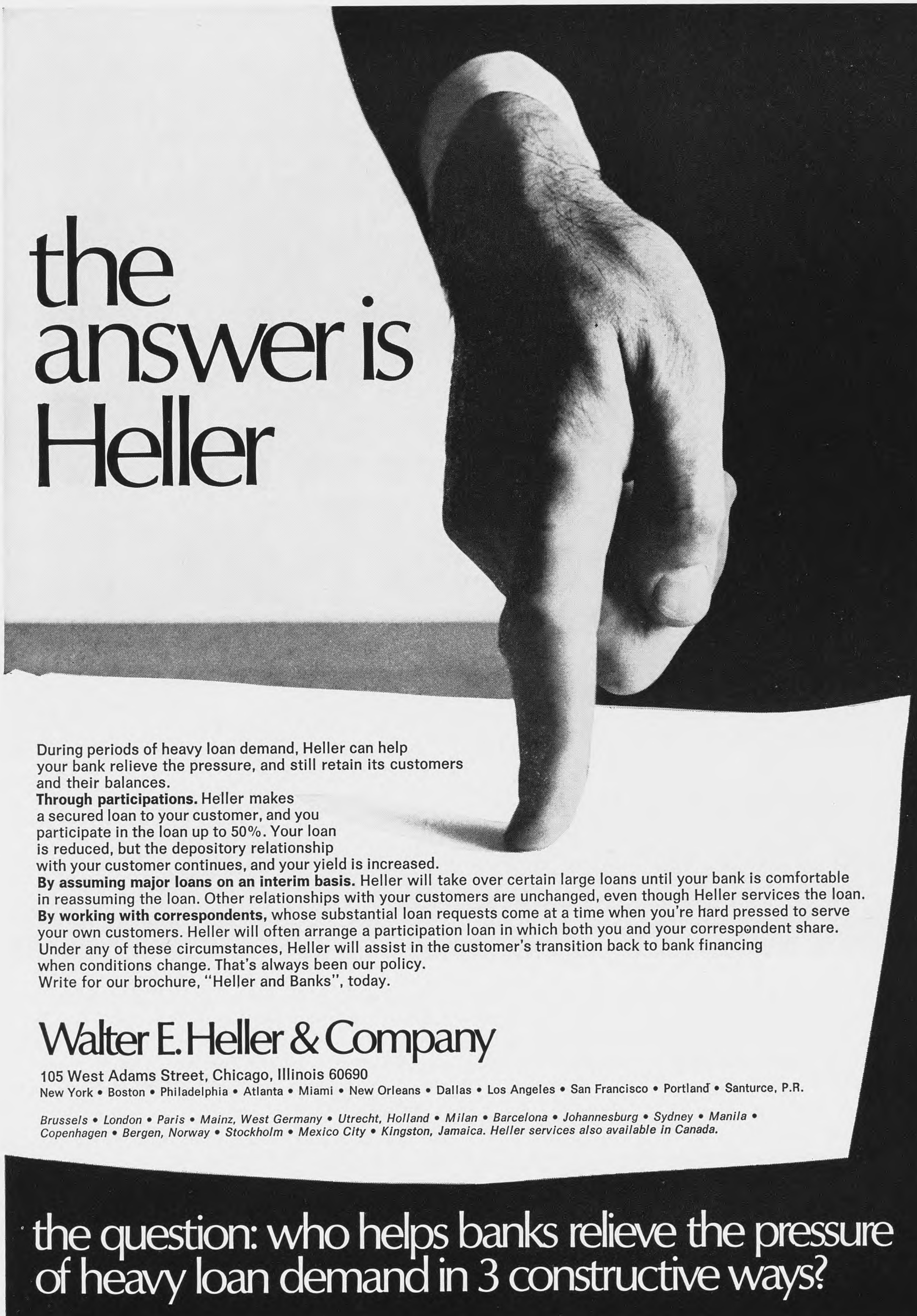
• **Lawrence Warehouse Co.** Fred McN. Butler has retired as secretary and director of advertising after 29 years with Lawrence Warehouse Co. Since 1966, Mr. Butler has directed the San Francisco-based firm's advertising and public relations.

BUTLER

After joining Lawrence as an examiner, Mr. Butler was promoted to Far Eastern manager, Manila, from 1947 to 1950, when he was elected corporate secretary at Lawrence's headquarters.

• **Mosler.** A digital coding system called Hi-Line Security has been developed by Mosler of Hamilton, O. The system gives an alarm signal from a bank to a police monitor.

Using the lowest cost signal grade telephone lines, Hi-Line Security transmits a set of signals so random and complex that an attempt to interrupt them will cause an alarm. Hi-Line has different signals for various problems.


the answer is Heller
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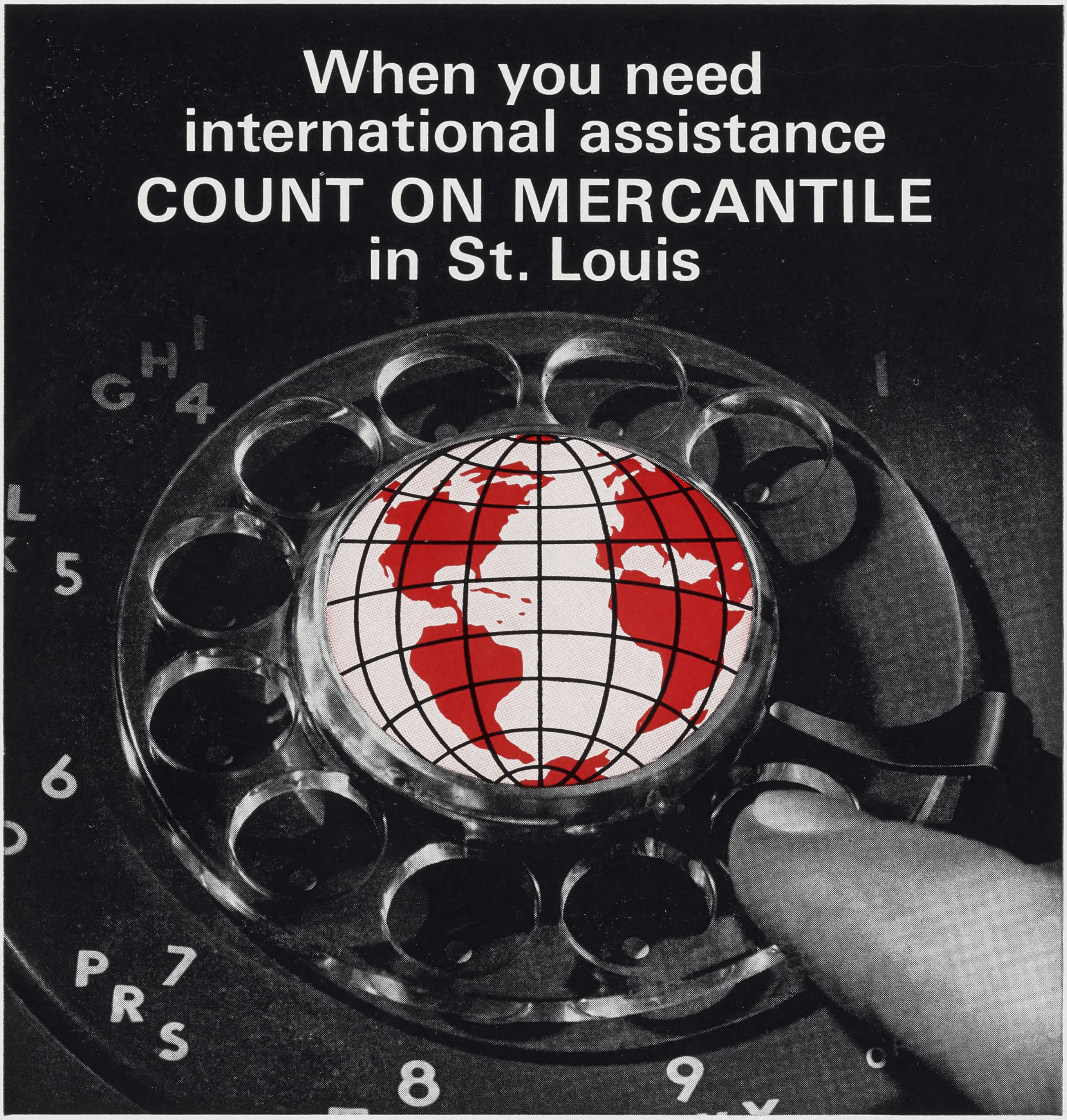

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MID-CONTINENT BANKER

NEWS ROUNDUP

News From Around the Nation

PEOPLE

• HOMER J. LIVINGSTON, 66, chairman of the executive committee and a director of First National, Chicago, died May 9 of complications arising from hepatitis. Mr. Livingston was the only banker to serve as president of the ABA, the Association of Reserve City Bankers and the Federal Advisory Council. In 1938 he helped prepare the Chandler Act, a statute that substantially rewrote the Federal Bankruptcy Act. Retired since February, 1969, Mr. Livingston was a former president, chairman and chief executive officer of First National.


LIVINGSTON


CULLEY

• C. W. CULLEY, Missouri's commissioner of finance, has been elected president of the National Association of Supervisors of State Banks. The NASSB plans to change its name to Conference of State Bank Supervisors next January 1.

• SAM M. FLEMING, chairman, Third National, Nashville, was the only banker among 10 Americans to receive 1970 Horatio Alger awards in ceremonies in New York City last month. He is a former ABA president. The recipients, chosen by ballots distributed to 500 colleges and universities throughout the country by the American Schools and Colleges Association, achieved success in their chosen fields despite humble beginnings.

• DR. EDMUND A MENNIS, senior vice president and chairman of the trust committee, Republic National, Dallas, has been elected president of the Institute of Chartered Financial Analysts.

No Branch Trust Offices for Missouri

Missouri Attorney General John Danforth last month ruled that banks in the state cannot have branch trust offices. St. Louis' Mercantile Trust had opened such an office last February in the suburb of Clayton. It was the first such office opened in Missouri and was challenged by two banks in Clayton, St. Louis County National and Clayton Bank. Under Missouri law, banks cannot have branches, but they can have facilities within 1,000 yards of the main bank buildings.

Mercantile Trust, a national bank, had obtained approval for the branch trust office from the Comptroller. However, although federal law permits branch banking and trust operations, courts have made national banks conform to the laws of the states in which they are located.

Missouri Finance Commissioner C. W. Culley asked the attorney general for an official ruling on the issue after the two other banks had complained to him. Mr. Danforth based his decision on the law that prohibits branching in Missouri.

President Donald Lasater of Mercantile would not comment on the attorney general's action, but said he would abide by the Comptroller's opinion. The next step may be for Commissioner Culley to ask the Comptroller to issue a cease-and-desist order to Mercantile.

$1 Billion for Minority Groups

The nation's commercial banks will invest at least $1 billion in the new financing of businesses owned or planned by minority-group members by 1975. The $1-billion goal, part of a three-point program developed by the ABA's committee on urban affairs, was revealed last month by the committee's chairman, Thomas W. McMahon Jr., executive vice president, Chase Manhattan, New York City.

The loans that will be involved in this project, said Mr. McMahon, often will involve abnormal risks because the applicants often will lack the entrepreneurial "know-how" or capital normally required to qualify for bank credit. He pointed out that the billion dollars' worth of loans will be made at normal interest rates.

Other points in the three-part urban affairs program are:

Development of concerted local urban affairs programs by banks in "key cities" throughout the country, including "urban development seminars" conducted by visiting teams of specialists to provide guidance for local bank programs in urban lending, housing and manpower.

A policy statement by the ABA that reaffirms its commitments to "an aggressive policy of equal-opportunity employment," local economic development, better housing, support of community organizations and cooperation with federal, state and local efforts "to overcome the highly complex and interrelated problems of our cities."

A Senator in Banking's Corner

Senator Wallace F. Bennett (R.,Utah), ranking Republican on the Senate Banking and Currency Committee, last month warned against the "unnecessary and discriminatory restrictions" on the banking industry as a result of the House-passed One-Bank Holding Company Bill. His committee began hearings on the bill May 12.

According to Senator Bennett, the House legislation is a direct threat to the ability of banks to compete with other financial institutions whose less-restricted activities have tended to erode the competitive ability of the banking industry.

MID-CONTINENT BANKER NEWS ROUNDUP

• Four bankers in various areas recently retired. They are: EUGENE S. LEE, executive vice president, Valley National, Phoenix; HAROLD G. KING, senior vice president and senior trust officer, Wells Fargo Bank, San Francisco; WILLIAM B. HALL, executive vice president, Detroit Bank; and MILTON M. GATCH, senior vice president, Fifth Third Bank, Cincinnati.

At Wells Fargo Bank, GEORGE A. HOPIAK has been promoted to senior vice president and senior trust officer in charge of the trust division, succeeding Mr. King. Mr. Hopiak was vice president and manager of the trust division.

At Valley National, Mr. Lee's place on the board has been taken by L. B. JOLLY, Arizona vice president and general manager, Mountain Bell.

• JOHN W. TAYLOR III has been elected vice president and manager in charge of the Northern Trust International Banking Corp., New York City. Since March, he was a second vice president of this wholly owned subsidiary of Northern Trust Bank, Chicago. Mr. Taylor was a second vice president in the bank's Chicago metropolitan group before joining the subsidiary.

• H. M. (WARD) STUART JR. has been elected president and a director of the Bank of Montreal (California). The bank, headquartered in San Francisco, is a wholly owned subsidiary of the Bank of Montreal. Mr. Stuart comes from Commonwealth National, San Francisco, where he was president.

• J. HOWARD LAERI and THOMAS R. WILCOX have been elected directors of First National City Corp., New York City. They are vice chairmen of Citicorp and its principal subsidiary, First National City Bank. Mr. Laeri headed the ABA in 1967-68.

• GEORGE H. ALFF, recently retired vice president of Denver United States National, has joined the Foundation for Full Service Banks as a senior vice president. Mr. Alff had been with Denver U. S. National since 1927 and had been with the corporate and correspondent section since 1946.

New IRS Ruling on Deductions

Banks will be allowed to deduct interest paid on borrowed funds incurred "in their day-to-day business operations" under a ruling issued May 14 by the Internal Revenue Service. The IRS spelled out that interest "will not be disallowed on indebtedness represented by Federal funds borrowing, Eurodollar borrowing or certificates of deposit incurred in the ordinary course of business—unless there is a direct connection between the borrowing and the tax-exempt investment."

"This direct connection," the IRS emphasized, will not be inferred "merely from the fact that tax-exempt obligations were held by the bank at the time of its borrowing in the course of its day-to-day business." Such a direct connection or relationship usually will be inferred, said the IRS, "where tax-exempt holdings are increased significantly at approximately the same time as an increase in Federal funds or Eurodollar borrowing occurs." Moreover, according to the IRS, a "direct connection" would be found with CDs when the latter are issued for the specific purpose of acquiring tax-exempt obligations.

The IRS will continue to allow deductions for long-term capital note borrowings made for the purpose of meeting federal or state requirements "for maintaining an acceptable ratio of capital to deposits." However, tax deductions will not be allowed for long-term capital note borrowings that "lack this business purpose if such borrowings are incurred or continued to purchase or carry tax-exempt obligations."

Some Credit-Reporting Suggestions

The Consumer Bankers Association has endorsed the objectives of legislation pending in the House to establish standards and procedures for fair reporting of credit data. However, CBA President Herbert W. Ritter, vice president, Girard Bank, Philadelphia, has suggested two major amendments to HR 16340.

First, he said the bill's definition of a consumer reporting agency should be revised to make clear that it related solely to activities of credit bureaus. Mr. Ritter said the present language could be interpreted to apply to banks in some instances.

Second, he proposed a revision of Section 41 of the bill so that consumers could obtain information on adverse actions involving credit from lenders without requiring lenders to notify loan applicants every time an adverse decision is made. Mr. Ritter said this requirement "would create heavy administrative and legal burdens for lenders without compensating advantages for consumers."

Mr. Ritter made these suggestions in a letter to Representative Leonor K. Sullivan (D.,Mo.), chairman of the Consumer Affairs Subcommittee of the House Committee on Banking and Currency.

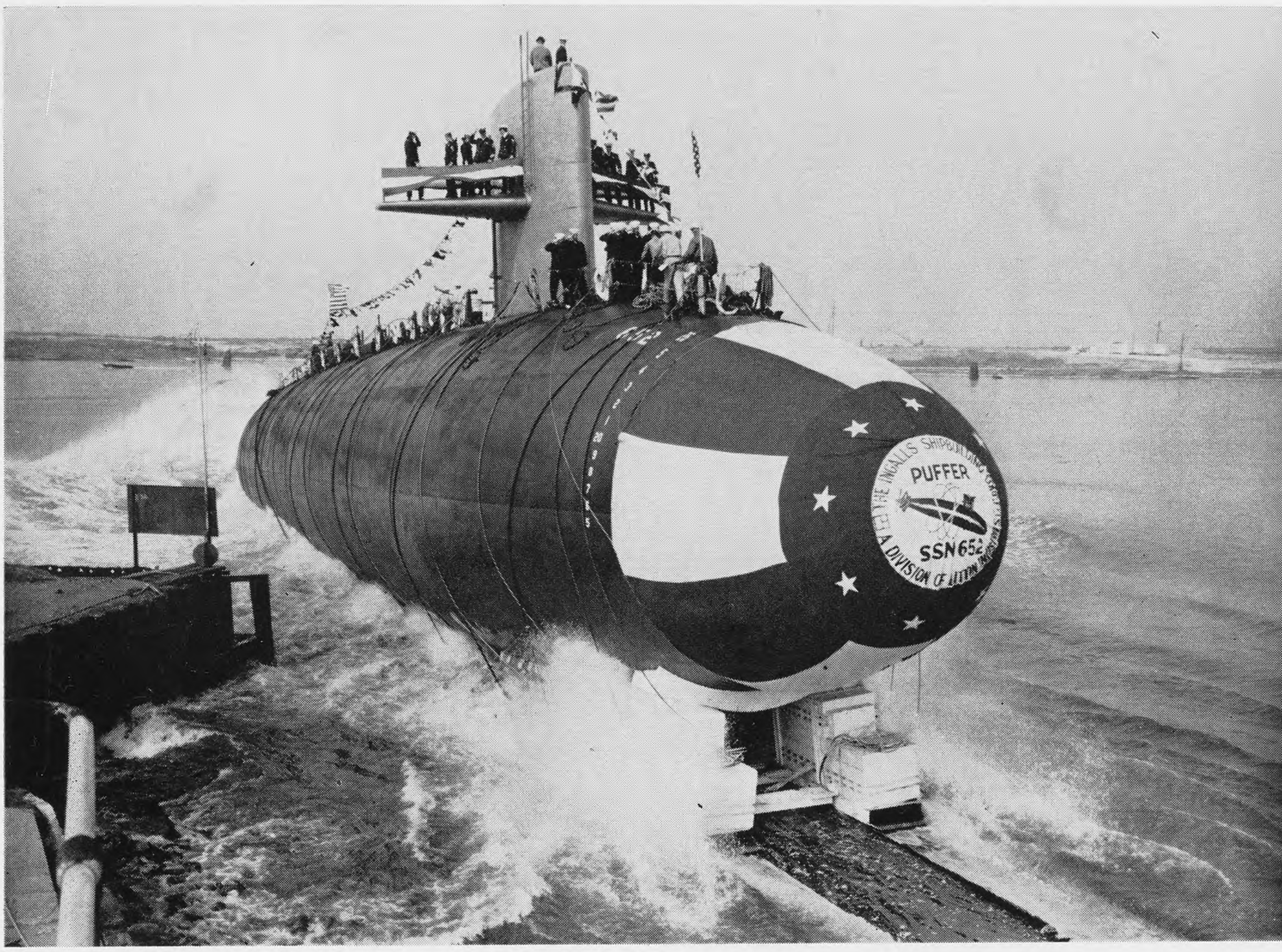
No Interest-Rate Ceilings?

The Nixon Administration has quietly decided to eventually suspend all interest-rate ceilings on deposits, according to K. A. Randall, former FDIC chairman and now vice chairman, United Virginia Bank Shares, Inc., Richmond. Almost at the same time that Mr. Randall revealed this plan, Emmett G. Solomon, chairman, Crocker National Corp. and Crocker-Citizens National, San Francisco, was calling for elimination of federal controls on interest rates. Either that, said Mr. Solomon, or these controls at least should be made more flexible.

Mr. Randall said the Administration's decision to dispense with the ceilings "across the board as soon as economic conditions permit" was made late last year.

He also said that it might be necessary to give S&Ls and mutual savings banks "additional power" so they could compete for funds with commercial banks, in order to carry out the objective of returning to a "free market" system in deposits.

Mr. Solomon, recently elected president of the Association of Reserve City Bankers, said the huge demands for credit that lie ahead are awesome and suggested that the banking system will have to become more efficient if it is to meet the challenge.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Multi-Bank Holding Companies, Branching Stir Controversy in Mid-Continent Area

By RALPH B. COX, Editor and Publisher
and JIM FABIAN, Associate Editor

THE SUBJECTS of multi-bank holding companies and branch banking flared in three MID-CONTINENT BANKER area states last month as bankers voiced opinions on controls vs. an extension of the growth of both types of banking structures.

• In Missouri, members of a state organization of independent bankers met during the St. Louis convention of their state banking association to discuss legislative plans for controlling further expansion of multi-bank holding companies in the state.

• In Arkansas, bankers discussed the scheduled June 26 hearing in Little Rock that could decide whether the state's largest bank—Worthen Bank—would be permitted to form a multi-bank holding company and thus trigger the formation of other multi-bank holding companies in the state.

• In Kentucky, bankers sizzled over a branch banking study, initiated by the state banking department, that was critical of small-town banking services and also recommended expansion of branching across county lines and the creation of 15 branching areas for the state.

MISSOURI

During the course of the MBA convention in St. Louis last month, 25 directors of the Missouri Independent Bankers Association, representing 250 banks, met separately from the general sessions of the MBA to discuss and to develop a platform regarding multi-bank holding companies.

A. F. Berger, president of the association and of Citizens Bank of Owensville, stated afterwards that the group had approved a resolution "favoring regulation of holding companies." Specific regulations were not spelled out in the resolution.

"Our group is dedicated," said Mr. Berger, "to the preservation of the present unit-banking system and we are opposed to expansion of all holding companies." He also expressed the opinion that the holding company movement in Missouri (nine multi-bank holding companies are now registered) already has gone much too far.

Mr. Berger reported that following the directors meeting, legislative committee members of both the independent group and the MBA met, along with respective counsels, in an effort to determine whether the two groups could support a control bill in the 1971 legislative session.

Missouri Independent Bankers hope that the MBA will join with them in a move to regulate Missouri holding companies, but Mr. Berger said his group is prepared to move ahead on its own if the Missouri Bankers Association is unwilling or unable to commit itself.

Mr. Berger said that a survey conducted by his group among all banks in Missouri indicated that 243 out of 300 replying to the survey favored some sort of regulation of multi-bank holding companies.

Of those favoring some form of control, 72 believe that acquisitions should be approved by "some" state agency; 65 believe that total acquisitions should not exceed five banks; 44 believe that acquisitions should be limited to a restricted area of the state; 66 believe that new acquisitions should be prohibited but would permit retention of present holdings; 101 believe that legislation should prohibit new acquisitions and also require divestiture of banks presently held.

Strangely enough, of the 57 replies which said that "no limiting legislation" was necessary, 17 came from members of Missouri Independent Bankers.

Mr. Berger said that his group also would try to reach an agreement with the MBA legislative committee on a facility bill that both groups could support in Missouri's 1971 legislative session.

Presently, facilities are limited to a distance of 1,000 yards from the parent bank. A year ago, he said, a bill was introduced which would have increased this distance to 3,000 yards. Independent bankers opposed this bill, he said, and it died in committee.

ARKANSAS

Immediately south of Missouri, Arkansas bankers are presently debating the philosophy of multi-bank holding companies and some are marshalling their facts to oppose the state's first proposed registered holding company in a special June 26 Federal Reserve hearing in Little Rock. Originally the hearing was scheduled for May 21 in Washington. However, the Fed switched the meeting to Little Rock for the convenience of those who requested to be heard.

Application for registered holding company status is being sought by First Arkansas Bankstock Corp., Little Rock. FABCO owns substantially all of the stock of Worthen Bank and is seeking to acquire 80% or more of the voting shares of Arkansas First National of Hot Springs.

Opposition to the proposal appears to be running extremely high in this unit-banking state. It is known, for example, that at least 70 Arkansas banks expressed written protest to the Federal Reserve Board, and it is perhaps for this reason that the Fed has moved the site of its hearing to Little Rock so that as many as possible, on both sides of the issue, can be heard.

Arkansas bankers apparently are alarmed at the prospects of any registered holding company evolving into a statewide network of banks. They look north to Missouri where several statewide chains are now beginning to develop and wonder whether the same type of competition will develop in Arkansas.

One Little Rock banker who has been particularly vocal in his opposition to the proposed holding company believes that one acquisition by Worthen Bank would lead inevitably to others and eventually the creation of a statewide network of banks.

When this occurs, he said, Little Rock's other three major banks would be forced to go the route of multi-bank holding companies. This, he said, could spell disaster to the independent banking business in Arkansas, and the competition for purchase of banks might even undermine the stability of the parent companies.

Worthen spokesmen have had little to say during this interval, pointing out that the proper sounding board for a discussion of their application is the oral presentation to be made before Federal Reserve officials in Little Rock on June 26.

KENTUCKY

Kentucky bankers have been snubbed and insulted, and they don't like it one bit.

The object of their ire is the recently released analysis of structure and performance of banking in Kentucky, a report prepared by Spindletop Research, Inc., for the Commissioner of Banking.

The report holds the banking system of Kentucky up to the bright light of searching inquiry and draws conclusions that would greatly alter the system as it now stands, all in the interest of the people of Kentucky (according to the report).

Costing nearly $30,000, the report was prepared by Jack Hopper of Spindletop Research, and L. Randolph McGee of the University of Kentucky. It was initiated in 1968 by E. G. Adams, state banking and securities commissioner.

The purpose of the report is to analyze the structure and performance of banking in Kentucky, the performance of banking in each of the state's 120 counties, the banking requirements for Kentucky during the next decade and possible changes that could improve the performance of the state banking system.

The report concludes by recommending a branching program based on the 15 area development districts that now exist in the state. This program would replace the present county-wide branching plan. The report states that "an expansion of the area in which branching is permitted could increase competition and performance of banking over the state."

The banking system is chided by the report for not providing Kentuckians with the same level of banking service that neighboring states enjoy. "The state's growth rate could probably be increased if performance of the banking system were raised to the level of the branching states which are adjacent to Kentucky," the report states.

It also concludes that Kentucky has too many small banks that are poorly distributed and staffed by elderly people. These banks are criticized for not being able to provide modern banking services and for operating at higher costs than do large banks.

The report further chides bankers for failing to assume their "proper role" as financial leaders in the growth and well-being of their local economies. In comparing loan-to-deposit ratios, the report notes that Kentucky's ratio is 15% less than Tennessee's, and 12% less than that of all banks in the U. S.

According to Ralph Fontaine, executive vice president of the Kentucky Bankers Association, bankers were not consulted in the gathering of information for the preparation of the Spindletop Report.

The report touched off vigorous defensive tactics by KBA at annual group

(Continued on page 102)

Map shows 15 area development districts of Kentucky, which have been recommended as branching districts by Spindletop Research report on banking. Present system allows county-wide branching only.

Branching Group Disbanded

The Illinois Council for Branch Banking, in existence for about a decade and headquartered in Springfield, is being closed.

However, this doesn't mean proponents of branching in the state are giving up their fight. Said Robert H. Bukowski, vice president, Continental Illinois National: "The closing of the Springfield office of the ICBB does not represent any abandonment of hope on the part of any of the council members, to my knowledge, for achieving the improvements so badly needed in the banking structure in Illinois. We will continue to work toward this end because of our deep conviction that more flexibility of structure is needed in the public interest."

The decision to close the office was made unanimously by the ICBB's executive council because—according to Harrison F. Tempest, attorney at Chicago's First National—the council had not served as useful a purpose as it was originally contemplated, not because any of the sponsoring banks had withdrawn financial support. It had been erroneously reported in one banking publication that the closing resulted from withdrawal of financial support by First National.

James F. Cox Jr., who was the ICBB's director, has not announced his future plans.

Convention CLOSE-UP

Let's Not Drop the Ball In Inflation Fight

By DARRYL R. FRANCIS
President
Federal Reserve Bank of St. Louis

AS BUSINESS LEADERS in their states and local communities, bankers should keep in touch with economic stabilization efforts to promote a high level of employment and relatively stable prices. I want to discuss some pitfalls that could threaten the success of those efforts and defeat their objectives.

By way of bankground, I will examine two topics, tracing first the development of our inflation since 1965, and next, some reasons for the extremely slow response of inflation to monetary and fiscal restraint of the past two years. This background is essential to my principal point, which is this--a possible threat to the success of current stabilization actions exists. This threat comes from some frequently expressed desires to achieve several good, but incompatible, objectives by year's end—namely, a markedly lower rate of inflation, little further rise in unemployment and a sharp reduction in market interest rates. I say actions to accomplish these short-run objectives constitute a threat because attaining any one of them would require extreme monetary policy, leading to later conditions quite contrary to desired policy objectives.

In developing the background topics and outlining the possible impediments to achieving current policy objectives, my remarks will draw heavily on recent research at the Federal Reserve Bank of St. Louis. Monetary actions in this research are measured by changes in the nation's money stock—that is, demand deposits and currency held by the non-bank public. Fiscal actions refer to changes in spending and taxing provisions of the federal government budget.

The accompanying article is a condensation of Mr. Francis' remarks, delivered before delegates at the Mississippi Bankers Association convention last month.

One important conclusion suggested by these studies is that actions of the Federal Reserve that change the rate of monetary expansion exert a relatively quick and pervasive influence on total spending, and changes in federal government expenditures relatively less, unless accompanied by accommodating changes in the money stock. Changes in federal taxing provisions were found to have an insignificant influence on total spending.

Current Inflation. The general price level rose at a 3% annual rate from late 1965 to mid-1967, then at a 4% rate to the end of 1968, and finally, during the past five quarters, at a 5% rate. The inflation rate shows few signs of abating, up to now.

This five-year record of accelerating inflation resulted from the pressure of total spending on the ability of our economy to produce goods and services, particularly since early 1966.

By 1968 and 1969, inflation had developed a strong momentum that has complicated greatly the problem of reducing the rate of increase of prices. This momentum is the result of households, businesses and labor unions attempting to protect their economic positions by building anticipated price increases into contracts for goods, services and loans.

The period when the money stock remained unchanged during the last eight months of 1966 set the stage for curbing inflation. This could have led to a balanced rate of spending if it had not been followed by resumption of expansion in money at a rapid rate in 1967 and 1968.

As with the general price level, the monetary restraint of 1966 set the stage for lower interest rates. Our studies indicate that a moderate 4% growth in money from the end of 1966 to the end of 1969 would have produced a peak in short-term interest rates, as measured by the rate on four- to six-month commercial paper, of around 5.5%, and these interest rates would have been about 4.5% this spring, instead of the present 8% or more. Further continuation of this moderate growth in money would have produced short-term interest rates heading to below 4% by late 1972. Long-term interest rates would have moved in a similar manner. With a 4% growth in money, seasoned corporate Aaa bond rates probably would have peaked at about 6.25%, likely would have been about 6% this spring, compared with the actual level of almost 8%, and would be moving to about 5% in late 1972.

It must be evident that our failure to take advantage, during 1967-1968, of the eight months of restraint in 1966 was a golden opportunity lost.

A logical question to be asked is, "Why was this opportunity to control inflation lost?" The published record and statements of prominent economists indicate several reasons. *First,* there was the mistaken belief at the time that easing actions of monetary authorities could prevent increases in

(Continued on page 62)

Convention
CLOSE-UP

What Do the Public and Country's Leaders Think of Banking?

Louis Harris poll shows individuals have positive view but that banks are in real trouble in Washington

By ORVILLE R. GOERGER
Vice President
Mercantile Trust Co.
St. Louis

AT A TIME when banking needs more public and government support—and encouragement—to enlarge its services to meet the expanding financial needs of our communities and the nation, bankers are running into a wall of hostility on all fronts. Congress is considering a bill the ABA describes as "one of the most destructive pieces of legislation ever contemplated" for our industry.

If this sounds grim to you, it is. And if you think this is a forerunner of the obituary of a viable banking industry, you are even more correct. But even with the darkest clouds, a ray of sunshine occasionally breaks through. The bright news is this—the situation was getting so bad that it finally induced bankers all over the nation to decide to do something about it.

What they did—with the ABA and the Foundation for Full Service Banks working on it jointly—was to develop a far-reaching, long-range plan to combat the situation. Since the public apparently has such a lack of knowledge about the constructive role of banking in our economy, a public relations and educational program seemed called for. This program must clarify the position of banks in relation to inflation, tight money, interest rates and the credit squeeze—and, on a broader scale, educate the public on the role of banking in serving the community and the nation.

This is a major activity of our industry. The Foundation has allocated a quarter of a million dollars for the first year's activity alone. It is a program designed for—and which must be supported by—every bank in the nation. *It has to succeed.*

Faced with this realization, it is interesting to note the average banker's feelings on this problem. In a recent ABA survey among bankers, 61% believed the image of banking was good in their own communities. Yet only 8% believed the same was true on the national level (in fact, 56% of the bankers described their national image as poor or deteriorating). Shockingly, 93% of the bankers thought banking's image with legislators was deteriorating rapidly. Ironically, bankers as a group seem to feel, "I'm loved in my home town—it's you bankers out there who are causing the trouble!"

This made the first step to be taken in the big national campaign an obvious one. With so many bankers thinking one thing—and with so many non-bankers having opposite views—the only way to start was to get the facts.

What *is* really bugging people about banking?

To find out, the Foundation hired the Louis Harris organization, one of the nation's best-known research firms, to survey public opinion and attitudes. This was probably the most comprehensive survey of public and leadership opinion ever conducted in this country to find out the public's opinion of banks and banking. Three thousand households were surveyed, with 10 individual states broken out for separate scrutiny. In addition, some 809 leaders—including top businessmen, educators, communicators, local, state and federal officials and legislators and voluntary organization leaders—were asked in considerable depth what they thought of banks, bankers and banking today.

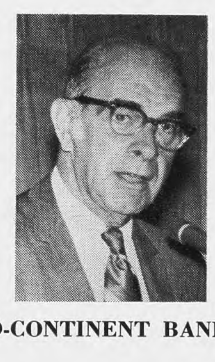
We have begun to get some of the results.

One comforting thing briefly—*the public's view of banking today is essentially positive.*

One very upsetting thing—*banks and banking are in real trouble in Washington.*

Before I make a detailed report on these statements, let us consider the economic climate in which they were made. As Mr. Harris put it, for the public this is a spring of economic dis-

(Continued on page 40)



Mr. Goerger is Missouri state chairman for the Foundation for Full Service Banks and is in charge of public relations and advertising at his bank.

The talk on which this article is based was given by Mr. Goerger at the Missouri Bankers Association's convention last month.

Harris Opinion Poll Shows—

Convention CLOSE-UP

An Improved Public Understanding of Banking's Role in Economy

—but there's much yet to be done to improve relations with people and with country's leaders

By CLIFFORD C. SOMMER

Vice President
American Bankers Assn.

IN HIS BOOK, "Mr. Citizen," former President Harry S Truman made a number of perceptive observations about the qualities that go together to make a good public servant. "Some men can make decisions and some cannot," he wrote. "Some men fret and delay under criticism. I used to have a saying that applies here." The saying he was referring to, of course, was that characteristically blunt bit of advice, "If you can't stand the heat, get out of the kitchen."

Anyone with any experience in politics would have to agree with this particular comment. When a person assumes public office, he automatically becomes a highly visible target for criticism. If he is to retain his effectiveness, however, he can't allow himself to be immobilized by such criticism. Rather, he must learn to deal constructively with it, to analyze it and, if necessary, to act on it.

I think bankers might well benefit from this lesson in political realism, for increasingly, they have had to become accustomed to public criticism. Like the man who wins high public office, this is simply the price we have to pay for the success of our industry and its resultant increased visibility. Unfortunately, however, we don't have the politician's alternative of getting "out of the kitchen." We cannot and should not escape our responsibilities to our community, customers and owners.

An analysis of recent criticism of the banking industry seems to indicate that we are being indicted on two counts. The first is based on our traditional role as middlemen between those who make economic policy and the public.

If the recent Harris survey on banking is an accurate reflection of public feeling, then the growing economic sophistication of the American people would seem to be taking some of the heat off banks in time of inflation or depression.

According to the survey, only 6% of the public would single out banks as a major cause of inflation. This compares with 64% placing the blame on the federal government, 57% on big business and 55% on labor unions. By the same token, 41% of the public blame the federal government for high interest rates; 26% blame the Federal Reserve Board, and only 2% hold banks responsible for high rates.

Mr. Sommer, pres., Security Bank, Owatonna, Minn., gave the talk on which this article is based at the Louisiana Bankers Association's convention last month.

While growing economic sophistication may account for this more realistic view of banking's role in the economy, I think there is another important factor involved. And this new factor may be creating a new problem.

I would suggest that there is a more realistic view of banking's function in the economy because many more people are personally familiar with banks today. The Harris survey shows an impressive increase in the use of bank services. In the past four years alone, the number of families having regular checking accounts has grown by 12%. The number of households with savings accounts has grown 15% in the same period. The number of families using bank personal loans is up 6%. And that modern marketing miracle, the bank charge card, has put banking squarely in the middle of the American public's credit-oriented existence.

All this proves that the tremendous growth of retail banking has brought a majority of the American public into close contact with banks. Any woman who writes a check to pay for a new dress or charges it on her bank charge card is conducting a business transaction with her bank. And when that monthly statement must be reconciled or a payment made on the charge-card account, this is another reminder of the importance of banking in her everyday life.

The explosive growth of retail banking has placed our industry in a unique position. On the one hand, banking is still a closely regulated industry that creates credit and transmits government economic policy to the public. Public understanding of this role may be improving, but it is still far from complete. On the other hand, the banking system, made up of almost 14,000 banking institutions, is a major financial industry dealing directly with broad segments of the public. Not surprisingly, the complexity of our role is reflected in the public's opinion of banking, and in at least two areas, the Harris opinion survey says that it boils down to a matter of imperfect communication.

The first concerns our effectiveness in dealing with various levels of government. The answers to a number of questions in the survey provide evidence of a general agreement on the part of the public that banks should be allowed to broaden and expand their services. Because of the regulated nature of banking, however, this must presuppose that those in government share this view. Yet the public doesn't seem to feel that banking has done a very good job in persuading these important people that this is the proper course.

Only 53% of the public felt that their governors had positive views of banking. Only 51% believed that their congressmen held positive feelings, and only 48% felt that their U. S. senators had positive outlooks. Remember, this is the general public; the opinion leaders had an even more pessimistic view of our effectiveness. It seems that at least half of the American people believe that we are ineffectual in communicating our point of view to our public officials.

The second problem area in which communication plays a vital part is banking's leadership role in the community. Traditionally, this is something in which bankers have always taken great pride. Up to a point, the public appears to agree with us.

A sizable majority—73% of opinion leaders and 57% of the public—felt that bankers should take leadership in solving community problems. The leaders went a step further, with 80% flatly rejecting the old argument that bankers should stick to banking and not get involved in community problems. Sixty-eight per cent said that banks had a duty to help solve community problems, and 62% said that banks were in a financial position to take a leadership role in solving social problems.

Thus, the public agrees that bankers should be leaders in the community. The problem is that few people think we have been as effective as we might be in exercising this leadership. In building the local economy—an area where most of us believe we contribute substantial leadership—only 40% of the opinion leaders felt we were very effective. Those same opinion leaders rated our effectiveness even lower in other areas: only 26% in helping young people to go to college; only 18% in helping to maintain law and order; only 18% in helping to improve the caliber of local government; only 15% in improving public education; 10% in helping to ease racial tension; 6% in helping the needy; and a whopping 4% in helping to control air and water pollution. The general public seemed to agree. Only 38% felt that bankers have a "high concern" in helping the community.

From these percentages, one would assume either that the public has broadened the definition of community leadership or that it is not aware of our contributions in this area. There well may be a great deal of substance to the view that bankers are not providing the necessary community leadership at present. Indeed, it has always been my position that bankers should be playing a stronger leadership role. Even granting this, however, it is apparent that not enough people are aware of how much leadership we are now providing. Consider that only 26% of the opinion leaders —theoretically, the most informed members of the public—felt that bankers were effective in helping young people go to college, in spite of the fact that banks have provided more than 87% of all the loans granted under the Guaranteed Student Loan program, one of the most ambitious student aid efforts in the history of our country.

Rather than "fret and delay," in Mr. Truman's words, we should respond realistically and responsibly. Because some of the most immediate problems are amplified by a need for more effective communication, this should be one of our first targets. In other words, it's time to tell it like it is. And that's exactly what we are attempting to do through the "Banking Serves America" program, a joint program combining the talents of the Foundation for Full Service Banks and the ABA.

This information effort is designed to improve banking's communication with all segments of the American public. I have the honor of serving as chairman of the program's policy committee.

I won't go into the details of the "Banking Serves America" program. Most of you undoubtedly are familiar with them, since action kits already have been mailed to every bank in the country. However, in closing, I would like to point out two important facts about this program.

The first is that "Banking Serves America" is not a one-shot effort. Effective communication will continue to have top priority with our industry long after the one-bank holding company question has been resolved. Consequently, this program is planned as a continuing on-going effort.

The second important point is that "Banking Serves America" not only deserves, but requires, the active support of every banker in America. While there are a number of activities scheduled at a national level, this is basically a grass-roots effort and it must have grass-roots support if it is to achieve the desired goals. I urge each banker to give it his personal backing in his bank and in his community. • •

School Calendars Popular

First National, Neosho, Mo., has found specially made school calendars to be an excellent public relations tool. Last year was the third year the bank used calendars containing the local high school's football and basketball schedules and the Crowder Junior College basketball schedule. The response, said the bank, was tremendous. In fact, First National increased its 1969 order for the calendars with the Crowder schedule by 1,000.

According to a bank officer, the calendars—manufactured by Pica Publishing Corp., Chicago—are appreciated not only by residents of the area, but they have proved to be an effective means of advertising for First National.

Pica Publishing reported that repeat business on these school calendars runs more than 95%. The biggest customers so far are S&Ls, which use about 100,000 of the calendars each year. These calendars begin with September, when school starts, and display all 12 months ending with the following August. They are designed to be carried in pockets, wallets, in purses and in notebooks and can be placed on desks and school walls in all 50 states. They have space to jot down mid-year exam schedules, month-end tests, proms, dates with a favorite boy or girl and PTA meetings. One style allows the imprinting of local high school football and basketball schedules.

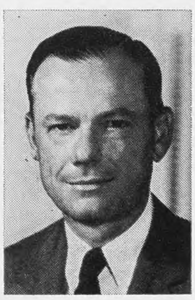
Convention
CLOSE-UP

Banking Flexibility: Key to Future Competition

By NAT S. ROGERS

President
American Bankers Association

AS BANKERS, we are involved in an age in which economic performance has exceeded the most optimistic forecasts. Yet our freedom and flexibility are no match for our unregulated competitors. Moreover, our public image has recently suffered from our participation in the battle against inflation. Our business is fair game for others, but when we respond to new needs with innovative services, our efforts are threatened and curtailed.



ROGERS

Naturally, such experiences form the basis of our discontent. You would think the implementation of competition needs no justification, but that the restriction of it does. Surely the public interest is ill-served when options in the marketplace are constricted.

Fundamental to the problem is the type and extent of bank regulation. There is a dichotomy between a fluid and fast-paced economy on the one hand and an unresponsive, legalistic, overlapping body of regulatory requirements on the other. This gap cannot be bridged completely, even under ideal conditions, but the increasing tempo of change in the marketplace emphasizes the need for greater flexibility in the processes of bank supervision.

Banking has long been one of the most heavily regulated industries in the nation. Laws and regulations tell us when and where our institutions may do business. They determine the kinds of business we do, the hours we keep and the prices we pay for our inventory of deposits.

History of Bank Regulation. There is, of course, a sound historic precedent for bank regulation. Quite early in American banking, a concern for the safety of the public emerged as a controlling factor. So, the first regulatory axiom is the maintenance of the banks' solvency and liquidity. And the second, the public convenience and necessity concept, aims to insure the responsible performance of banks as depositories of the major source of the nation's money supply. Hence, our basic concerns are safety and service.

These ideas were enunciated clearly in the New York Free Banking Act of 1838 which became the model for the National Banking Act. This gave New York banks "such incidental powers as shall be necessary to carry on the business of banking." Twenty years later, the courts affirmed this grant, stating that the implied powers cannot be enumerated and must be "left to implications." Finally, in 1863, Congress incorporated the exact words of the New York law into the National Banking Act.

In the century that followed, Congress made no attempt to spell out "such incidental powers" more specifically. As late as 1962, an amendment to the Federal Reserve Act authorized foreign branches of U. S. banks to exercise "such further powers as may be useful in connection with the transaction of the business of banking."

The accompanying remarks of Mr. Rogers are a condensation of a talk he delivered before the Arkansas Bankers Convention in Hot Springs last month.

Nevertheless, the past five years have seen noticeable shifts in federal policy. The courts have asserted that: (1) Lacking a clear-cut definition of incidental powers, each asserted power must be judged independently; (2) No activity will be permitted that will in any way put the banks' assets at risk; (3) An "incidental" activity must have a reasonable relationship to a bank's regular business.

The emphasis on bank regulation continues to focus on depositor protection, but regulation has been expanded to include the monetary and fiscal policies of the government, the encouragement of high-priority social goals of the nation, the fear of economic concentration, the protection of the consumer of financial services, the preservation of the dual banking system and a raft of other widely diffused and frequently inconsistent considerations. It was inevitable under such a framework that bank regulation would evolve into a hodgepodge, reflecting past pressures and problems of the economy.

The Legislative Atmosphere. Unlike other industries, banks are subject to few technological constraints. Basic processes for making steel are quite limited, but the business of exchanging values can be conducted in an infinite variety of ways. While a steel company's assets are largely fixed, most bank assets are relatively liquid.

The liabilities through which a bank raises its funds are also subject to rapid change. For banks, then, there is great premium on flexibility. Bank profits and bank response to public needs are dependent on such flexibility and the freedom to compete.

In other countries, banks have been allowed to take advantage of their technological freedom to engage in a

(Continued on page 56)

Convention CLOSE-UP

Armageddon Is Not Here!

Country's Communicators Are Deeply Pessimistic, But Nation Is Trying, With Some Success, to Face and Solve Its Problems

By WALTER B. WRISTON
Chairman
First National City Bank
New York City

EACH of the various cultures of the world has something to teach us, and I would like to borrow from part of the philosophy of Buddha and project it against our current environment. Buddha said, in effect, "Don't just do something, stand there." This reversal of the usual American advice has a certain relevance for us today.

We are flooded with data on radio, television and in the newspapers, which, if taken at face value, would leave the human race no alternative but mass self-destruction. The communicators of the world pound home the message day after day that every problem has become critical. Every battle is Armageddon, and every crisis may be mankind's last best chance to survive.

Without in any way downgrading the problems of our time, I suggest that the people who say the world is about to stop and repeat it constantly are guilty of a kind of intellectual overkill. These proponents have either never read any history, or, if they have, failed to understand it. Recently, for example, a national columnist who writes for the New York *Times*, Tom Wicker, made a judgment about our country when the Senate passed the Stennis Amendment, which in the end came to nothing. Mr. Wicker was moved to this grave assessment: "Poor old Union! Its great and generous dreams falling one by one to dusty death." He is a modern reincarnation of a British historian who studied our Constitution at the time of its birth and solemnly opined that it was all sail and no anchor, and the ship of state would flounder.

Mr. Wicker's dark pessimism was reflected by another honored member of the journalistic profession, NBC's Chet Huntley, who in a recent speech in New York said: "I can find no record of a time when we in journalism were so assailed and ridiculed. Journalists were never intended to be the cheerleaders of a society, the conductors of applause, the sycophants. Tragically, that is their assigned role in authoritarian societies, but not here—not yet." If Mr. Huntley could find no record of such a time, it was only because he did not look, as such times abound in history.

It seems to me that these gentlemen, and many like them, who say that Armageddon is here and that the world will stop tomorrow completely miss the main message of American life today. The real news in American society is not that our problems are complex and have multiplied, but rather that our sensitivity to these problems is greater now than at any time in the long history of man. This is enormous progress, for every problem solver knows that quantifying the problem, and recognizing it for what it is, is often half the battle. One grows weary of strident voices whose owners' ignorance of the past is matched only by the extravagance of their language. Our generation, like each one before it, has made mistakes, but at least we are facing the major problems of our time with candor and energy. Our record is not that bad. Recently a historian at the University of Montana, K. Ross Toole, said that he was "tired of the tyranny of spoiled brats" and wrote: "My generation has made America the most affluent country on earth. It has tackled, head-on, a racial problem which no nation on earth in the history of mankind had dared to do. It has publicly declared war on poverty and it has gone to the moon; it has desegregated schools and abolished polio; it has presided over the beginning of what is probably the greatest social and economic revolution in man's history. It has begun these things, not finished them. It has declared itself, and committed itself, and taxed itself, and damn near run itself into the ground in the cause of social justice and reform." This is not a message of despair, but of hope and achievement. It is a record of sensitivity to our environment of a magnitude never before achieved.

The Bible, for example, tells us that "the poor are always with us," and they always have been with us. The fact that our generation does not accept this as a God-given state of af-

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The talk on which this article is based was given by Mr. Wriston at the Texas Bankers Association's convention last month.

fairs, but rather is putting its energy, skill and imagination to work to reverse this ancient state, is good news, not bad. That we Americans have not achieved in a few years what the world has been unable to do in 2,000 years is not a valid cause for despair. Our banks are sensitive to their environment and the need for us all to do something to improve their quality. Our banks are anchored in our communities. We can't—and don't want to—move out of town the way a factory can. We have been and will continue to be involved in the lives of our communities and now have a deeper interest in the condition of our environment. This state of affairs is both a circumstance and subject that would not even have been thought of 20 years ago. The fact that we all have become acutely aware of our mistreatment of our environment is not a cause for despair, but rather, in any kind of perspective, a source of encouragement. We have now defined the problem, which up until now has been largely undetected. We overlooked it because it was growing at such a rate that only yesterday no crisis was foreseen. Half the people in our nation have been born since the end of World War II. It is perfectly plain that twice the number of people living on the same land mass would cause a pollution problem even if we had been much more skillful than we have been. Pollution is caused by people, and it starts with the throwing of a beer can out the window of a student's car while he is on the way to picket an automobile company's annual meeting.

Before the poor old Union goes down to dusty death, it would be useful to remember that the economy of the Greek civilization, which many of our friends admire so much, was in fact built on human slavery. It might be instructive to recall that George Washington was a slave owner and that in those days, most people of his time who suffered a long and costly war for liberty did not make the distinction between owning slaves and supporting the Declaration of Independence—that great document, you recall, was silent on this subject. In this day of concern about voter registration, literacy tests and giving the ballot to the 18-year-old citizen, we overlooked the fact that the principal drafter of the Declaration of Independence, Thomas Jefferson, believed that only a man who held real property should be entitled to the vote. Far from going down to dusty death, the American dream has sharpened its focus in the last decade, but the clamor for instant solutions to ancient problems obscures the enormous progress we have made.

Our own industry is illustrative of this problem. There are some members in Congress who would have the world believe that bankers are somewhat less than honorable men. One of them said that bankers are "motivated by raw greed . . . predators . . . unconscionable" and compared us to the Mafia. The miracle of modern communication spreads this falsehood far and wide, while more moderate, objective voices are lost in the electronic wind.

No one knows better than bankers that money and banking are a complicated business and that it gets more so every day. The simplistic approach of extremists gains currency only when the value of our money is eroded as fast as it has been over the last five years. Peter Drucker pointed out that "every banker I know understands what his role is. And most of them probably do it better than most of the rest of us carry out our assignments, because, despite regulation, banking is probably the most competitive industry in the world."

This propensity of Americans to overstate and overkill is not new. The only difference today is that the technical scope and reach of our communications are much wider than ever before in history.

One reason for the deep pessimism of our generation's communicators is that somehow they got it into their minds that prior to the 1960s America was largely a happy and serene country. They brush under the rug the violent upsets of 1919-1920, when wholesale violations of our civil liberties were carried out. These freedoms must be won by every generation. They apparently forget the Whiskey Rebellion when the Appalachian farmers protested against debt and tax collection. They overlook the urban riots between newly arrived immigrants and so-called native Americans that took place in the mid-1800s. Somehow the racial and labor disturbances throughout the late 1930s have faded in their memories, if indeed they ever knew about them.

It would be interesting to speculate about what some of the noisy undertakers of American democracy would say if they took the time to read anything about our country's history and stumbled across the Espionage and Sedition acts of 1917-18. These two bills provided a $10,000 fine and a 20-year prison sentence for such felonies as interfering with the draft, encouraging disloyalty, obstructing the sale of United States Treasury bonds or "using disloyal or abusive language" about the government, the Constitution, the flag or the uniform. Some 2,700 people were convicted, including a man who ran for President of the United States and polled more than one million votes. Quite naturally, these statutes were tested in the courts, and their constitutionality was upheld by the Supreme Court.

During the height of the so-called red scare in 1919, a duly constituted jury in Hammond, Ind., took less than five minutes to acquit an assassin of an alien who yelled "to hell with the United States." Early the following year a salesman in a clothing store in Connecticut was sentenced to six months in jail for having remarked to a customer that Lenin was one of the brainiest of the world's political leaders.

When the Attorney General made a public statement that the work of private espionage and vigilante groups was unnecessary and unwanted, the New York *Times* complained that the Attorney General "has perhaps been a little hasty in telling the patriotic and defensive societies that their help in guarding the Republic is neither needed nor welcomed."

With respect to all concerned, this is a long, long way from the trial of the Chicago Seven.

An imperfect past does not excuse an imperfect present, but a knowledge of past realities and past mistakes is critical if we are to avoid the same mistakes twice.

Recently Saul Bellow, the novelist, made this point when he wrote, "Maybe civilization is coming to an end, but it still exists, and meanwhile we have our choice: We can either rain more blows on it, or try to redeem it." It is my view that we Americans are trying with some success to redeem it. We have not solved all our problems, but we have faced them squarely. We sometimes are assaulted so much by our failures that we overlook the progress that has been made. I ask that we consider the advice of an eminent American historian who, from the vantage point of 80 years, wrote about the American scene: "It is unwise to call every battle Armageddon. Extravagance in the interpretation of current events destroys perspective and contributes nothing to poise and stability. It plays into the hands of the extremists at both ends of the political spectrum."

Perhaps, from time to time, it would be useful to restore our perspective and to rejoice about our sensitivity to human problems, which is, in fact, unmatched in the history of this or any other country. • •

Bank 'Crusader' Seeks Memberships to Finance Pro-Business Efforts

By RALPH B. COX, Editor and Publisher

CRUSADERS out after big business make the headlines almost daily. And the banking industry is currently writhing as an unwilling victim of a "bad-boy" public opinion situation. Is it not logical, then, to wish for an effective crusader for banking and its kindred interests?

MOLTHROP

Such a crusader exists in the person of David M. Molthrop, community education consultant of the National Small Business Association (NSBA). The organization, by the way, is in the midst of a campaign for bank memberships.

Mr. Molthrop is a champion of free enterprise and the responsibilities that go with it. An independent businessman, he is beholden to no person or group. He is a fervent believer in the business policies that the U. S. was founded upon and he relishes in taking his convictions to those who would destroy free enterprise or shackle it in any way. He makes more than 300 addresses annually across the nation, bearding the opponents of free enterprise in their dens, forcing his audiences to come to grips with the vital economic issues of the day.

He tells his audiences frankly that he doesn't care if they agree with him or not. He says his goal is to force people to consider the direction of the U. S. He wants those in his audiences to draw their own conclusions, after he has presented them with the economic facts of life, because he has faith in the people and in their common sense.

He has been applauded for his critique on credit unions and his attempts to explain to credit union members and officials how their type of operation undermines banking and free enterprise. He says that he is beginning to see positive results in his campaign to place credit union operations on a par equal with those of banking, urging them to forsake their subsidized and tax-exempt status because they are unfair and un-American.

Mr. Molthrop's program is showing tangible results. Since his campaign against unfair credit union operations began 14 years ago, about 7,000 organizations have dissolved operations. Many cancelled their charters after their members understood the implications of their credit union's unfair competition with private enterprise.

And the credit unions have come up short of their goal in terms of assets. In a speech late last year, Mr. Molthrop spelled out the results as follows:

"Back in 1953 the Health, Education and Welfare Bureau of Federal Credit Unions issued a 25-year projection growth chart for federal credit unions. At that time their assets were $707,400,000. Up until 1961 credit union assets were annually exceeding the growth anticipated by HEW.

"In 1956 it was my pleasure to start on a campaign to alert the business community to the dangers of co-op competition and chastise some of our major firms for practicing socialism in their plants by providing free rent, heat, light, clerical help and the check-off for tax-exempt co-op credit unions.

"From 1956 through 1962 it seemed to be a losing battle. However, like water dripping on the stone, the campaign is now having a noticeable effect on the growth picture.

"According to the Bureau of Federal Credit Unions projections, the assets of all federal credit unions were supposed to be $10,889,800,000 by December 31, 1968. They actually reached $6,902,200,000 on that date, or $3,987,600,000 short of their goal. When you add the state-chartered credit unions to the picture, the credit unions were over $7½ billion short of their anticipated goal at the end of 1968."

Membership dues paid to NSBA by banks will help provide Mr. Molthrop and his associates with the funds to continue this program. NSBA uses its funds to supply speakers free of charge to debate any spokesman who attacks private enterprise or the interests of the banking community.

Articles by Mr. Molthrop have appeared in magazines such as *Reader's Digest*. In 1955 he debated, for the U. S. Chamber of Commerce, 50 of the nation's top union leaders on the subject of a guaranteed annual wage. He handled the successful 1956 Right-to-Work campaign in Nevada. In prior years he gained intimate knowledge of the private enterprise system through employment with U. S. Steel, U. S. Gypsum, Richardson Co. and Anderson Co.

Mr. Molthrop's talks have been enthusiastically received throughout the nation. A Baltimore businessman had this to say, "Mr. Molthrop may well be known as the David who slew the Goliath of government bureaucracy with the stone of public opinion." Another listener wrote, "They are still talking about your potent message and the spark of realism it ignited in their thinking. I, for one, determined that day that I have become much too complacent and have vowed to take a more active role in areas where I have a voice." • •

JOIN THE FIGHT TO STOP UNFAIR COMPETITION

TEN REASONS WHY Your Bank Should Be A Member of

NATIONAL SMALL BUSINESS ASSOCIATION

1. **NSB Performs at** the grassroots and in Washington, D.C.—Actively and Effectively.
2. **NSB Means Action!** More than 7,000 credit unions have closed since the beginning of the NSB Community Education Program.
3. **NSB Means Effective.** Credit unions (state and federal) are over $7½ billion short of their anticipated goal, as a result of NSB's campaign.
4. **NSB Represents the** interests of the small business-banking community.
5. **NSB Successfully opposes** unfair tax exempt competition and led the fight to tax savings and loan associations.
6. **NSB Debates** 'face-to-face' anytime, anyplace, anywhere those who attack the banking community.
7. **NSB Through 14** years of anti-credit union activity has helped banks retain 7.5 billion dollars.
8. **NSB Fights, fortified** by over 30 years of expertise, for you as a small business man and banker.
9. **NSB Is Pro-capitalism,** pro-equal tax treatment for all small business, pro-control of business by businessmen with no surrender to idealists, theorists or bureaucrats.
10. **Your Bank membership** will insure a continuing and more aggressive fight against unfair credit union competition.

Your Dues Will Be Earmarked For The Community Education Program

JOIN TODAY
AND INSURE A
LONG BUSINESS LIFE

DUES SCHEDULE

Minimum (10 employees or less) $	30.00
11-50 Employees	50.00
51-75 Employees	75.00
76-100 Employees	100.00
101-200 Employees	150.00
Over 200 Employees	200.00

This schedule includes all types of businesses, banks and other financial institutions.

Dues paid to NSB are deductible as a business expense.

(cut out and mail with your check)

MEMBERSHIP APPLICATION

Date ....

NATIONAL SMALL BUSINESS ASSOCIATION
JEFFERSON BLDG.—1225 19th Street, N.W.
Washington, D.C. 20036

This is my application for membership in the National Small Business Association, representing my financial participation of $ .... annually in the work of the Association for the preservation of the Free Enterprise System.

....

Signature & Title

Bank Name ....

Address .... Congressional District ....

City .... State .... Code .... County ....

No. of Employees ....

Check enclosed ☐ Please invoice ☐

COMMUNITY EDUCATION PROGRAM

Tellers' Seminar Planned June 27 in Jefferson City by Missouri Bankers Assn.

The Missouri Bankers Association will hold its first tellers' seminar June 27 at the Ramada Inn in Jefferson City. The program will begin at 9 a.m. and end at 3:30 p.m. The seminar will be sponsored by the MBA's committee on the AIB, of which Harry W. Adams Jr. is chairman. Mr. Adams, vice president and cashier, North Side Bank, Jennings, also will be chairman of the seminar.

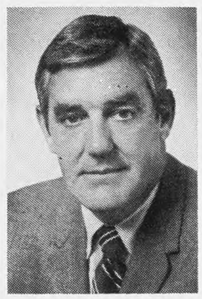
Scheduled first on the agenda is a panel, to be moderated by Mrs. Mary Harper, assistant vice president, Commerce Bank, Kansas City. Participants and their topics will be: William R. Mills, cashier, Boone County National, Columbia—"Qualities of a Good Teller and What Tellers Should Know About the Bank Protection Act"; Mack D. Hartsell Jr., special agent, Secret Service, Kansas City—"Counterfeit Money and Its Detection"; Paul N. Shy, Commerce Bancshares, Inc., Kansas City—"The Teller's Role in Public Relations and Business Development"; Calvin K. Hamilton, first assistant U. S. attorney, Western District of Missouri, Kansas City—"Banking From the District Attorney's Viewpoint."

Following the panel session, Mason G. Working will speak on "Victim or Witness?" Mr. Working is assistant special agent in charge of the FBI, Kansas City.

A luncheon will be followed by a special workshop on check-loss prevention and identification with and without credentials. The workshop will be headed by Richard M. Reilly, vice president, Manchester Bank, St. Louis.

K.C. Correspondent Post Given to Coulson

KANSAS CITY—Commerce Bank has elected Fred N. Coulson Jr. vice president and head of the correspondent banking department. Mr. Coulson succeeds James Bartels, who has purchased a substantial interest in Farmers State, Hays, Kan., and has become Farmers State's executive vice president.


COULSON

Mr. Coulson has had extensive experience in serving banks in the areas of credit life and casualty insurance. Since 1964, he has been vice president and director of sales of four related companies: Old Security Life Insurance; Old Security Casualty; First Southwest Life Insurance and Financial House Insurance Services, Inc. Mr. Coulson also was western regional sales manager and supervision director at Interstate Securities Co., Kansas City, for 17 years.

Milton F. Brown Dies; Dallas Banker Since 1911

DALLAS—Milton F. Brown, retired chairman of Mercantile National, died May 6 at 77. He retired as chairman in 1966, but continued as a director and member of the executive committee until his death.


BROWN

Mr. Brown, who began his banking career in 1911 as a runner for American Exchange National in Dallas, joined Mercantile in 1917. He was promoted to vice president in 1928; executive vice president, 1943; president, 1947; chairman of the executive committee and chief executive officer, 1961; and chairman in 1964.

Six Promotions Made by First American

NASHVILLE—W. Lane Abernathy has been promoted from vice president and trust officer to senior vice president and trust officer at First American National. An employee since 1949, he was elected vice president in 1962 and president and trust officer in 1967.

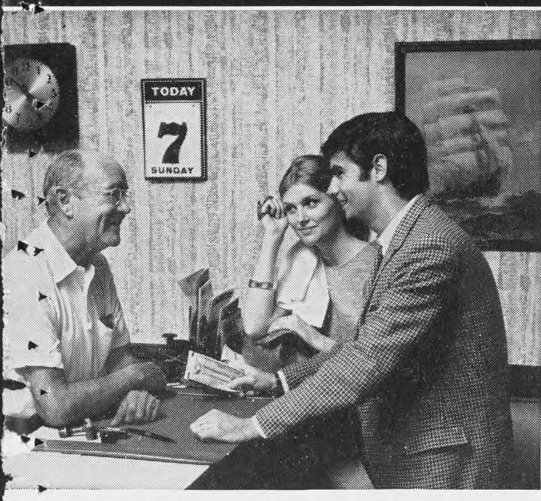

ABERNATHY

Advanced from trust officers to vice presidents and trust officers were W. Irby Bright III, William L. Midgett and Bob L. Andrews. Robert O. Franklin has been promoted from trust officer to vice president in charge of corporate planning. C. R. Berquist, assistant trust officer, was named trust officer.

In other action, First American elected F. Murray Acker an advisory director. Mr. Acker is former manager, textile fibers department, E. I. du Pont de Nemours & Co. at Old Hickory, Tenn.

"My boss always told me, when you buy travelers cheques, get American Express.

I found out why when I lost some in Newport News on a Sunday."



Good thing Don Adley was carrying American Express Travelers Cheques.

He'd taken his wife, Jane, along on a sales trip through the South. But on a Sunday in Newport News, a pickpocket lifted his wallet. Could have meant big trouble, because Don was due in Charlotte for a business meeting the very next morning.

If he'd been carrying any other travelers cheque than American Express, he couldn't have gotten a refund until Monday at the earliest. But American Express came to the rescue—even though it was a weekend. And the Adleys made it to Charlotte with time to spare.

American Express is the only Travelers Cheque that gives refunds 365 days a year. We call it "Refund 365."

It works like this. If one of your customers loses his Cheques in the U.S. on a weekend or holiday, he calls Western Union Operator 25 for our toll-free New York number. This number connects him directly with our Inspector's Office. There we can verify your customer's claim of loss by computer and authorize an emergency refund up to $100 at a nearby Western Union office. (If the loss exceeds $100, your customer can pick up the balance later at any American Express office or representative in the United States.)

"Refund 365" is just one more reason for you to make sure your customers carry American Express Travelers Cheques.

Don Adley certainly thinks so.

American Express Travelers Cheques

AMERICAN EXPRESS®

Small Change Bank Club Caters to Less Affluent

By JIM FABIAN

Associate Editor

BANKS HAVE BEEN making headlines of late by offering depositors expensive autos, color TVs—almost anything their hearts desire—if they will but deposit a specified amount with the bank. This is all part of a trend to corral the big money that is either hidden under mattresses or deposited in institutions that adhere to more conservative banking practices, i.e., they don't do anything spectacular for their depositors.

But what about the small-time depositor—the "silent majority" of savers? What have banks been doing to woo those at the bottom of the economic ladder—those who think of savings in terms of pennies, not in hundreds of dollars?

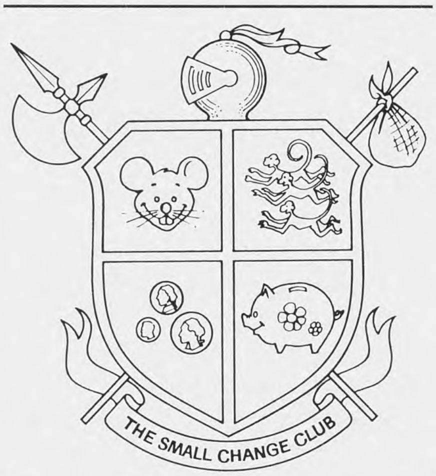
There is at least one financial institution that has appeared on the scene in the garb of a shining white knight. This bank, through wise thinking on the part of management, has come up with a savings club that actually caters to the forgotten saver.

The bank is First Western in California. The club is the Small Change Club. The intent is the construction of a solid base of small depositors, so that, when the next boom begins, First Western will be on the ground floor or in a prime position to receive the deposits of its many Small Change Clubbers. For these savers, according to Robert J. McMahon, senior vice president, will flock to the bank to salt away their new-found affluence, once the tight money situation eases.

This reasoning is based on the belief that people actively maintaining savings accounts, no matter how small, will strive to build up the balances in those accounts whenever their economic situation permits. Those who do not have established savings accounts, the reasoning continues, might put their extra funds under the mattress.

The Small Change Club is billed as a non-exclusive organization. However, the bank has set a tongue-in-cheek membership limit of 15 million Californians (practically the entire population!). It takes a minimum deposit of $5 to open a membership and the account must be a new one, not an add-on. Each depositor receives an ornate hand-painted ceramic coin bank to be used to save small change for future depositing. The coin banks are distributed by Wyatt, Dunagan & Williams, Inc., Los Angeles, and wholesale for $1 each.

First Western tested the Small Change Club in 10 of its branches, scattered throughout California, before launching it in its 93-branch system. The test period ran for 28 working days, and retention studies are to be made quarterly over a year's time. The promotion was tied in with an employee incentive program, with each branch receiving a portable TV when it logged 144 new accounts. The disposition of the TV was up to the branch manager—it could be raffled or given to the employee who had chalked up the largest number of Small Change Club accounts. Each participating branch received an additional TV for each block of 144 accounts opened.



Tongue-in-cheek announcement of Small Change Club includes this emblem equating knight in shining armour with hobo's gear.

The club was publicized in the local press and in-bank publicity was provided by handbills, ad blow-ups and teller ribbons.

After the initial 28-day promotion, total new accounts in the 10 branches was 2,200, with deposits totaling $535,000. The average-deposit figure stood at $243.

The club went branch-wide the last week in March. As of April 30, one of the bank's five regions reported more than 3,000 new Small Change Club accounts, with one of its branches, located in an agricultural area, racking up more than 1,000 accounts. After the first four-week period, average club accounts opened, per branch, was 125, or over 10,000 accounts.

The small coin banks were sleepers at first, according to Mr. McMahon, but soon they started attracting customer attention and queries about how the banks could be obtained were heard.

One branch that was not pushing the club very enthusiastically found that its customers, the majority of whom were elderly, became so enthusiastic over the club that they literally flocked to the bank, demanding applications for club accounts. These people were resourceful enough to open accounts in the names of their pets in order to qualify for memberships!

The entire promotion has resulted in a plus-factor for First Western, as it

There is a big difference in field warehousing—the difference in the way your bailee does the job. For years at Douglas-Guardian, we have used the bulldog as our symbol. He is a good watchdog, certainly. More than that, he is the symbol of our determination to give borrower and lender the highest level of service. That means cutting red tape; providing clear, accurate records; reducing time and paperwork and, above all, acting as a strong responsible link in the financial chain between bank and businessman. So when you require the best in field warehousing service, try the determination of the bulldog. You will appreciate the results.

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has given employees the incentive to promote bank services in their attempts to win a TV, it has made the bank's public relations image soar among customers, and, as previously mentioned, it has laid the groundwork for an influx of new deposits when the thousands of Small Change Clubbers become more affluent. Naturally, it is reasoned, they will think of First Western first when they start lugging their small change to the bank! • •

S&Ls Make Heavy Use of $-Building Premiums

What's the competition doing in the premium promotion field?

S&Ls are generally credited with discovering the benefits of premium campaigns to attract new business. And they're still going strong.

A survey of S&Ls in the St. Louis area shows that Missouri Savings Association recently provided a free dinner for two to anyone adding $200 to an existing account or opening a new account. The dinners were available at one of the city's finest restaurants.

An Illinois S&L recently sponsored a promotion that presented customers with coupons redeemable for 20% discounts on purchases up to $25 at a local nursery when they opened new accounts or added to existing ones.

One of the area's most persistent premium campaigners is Carondolet Savings & Loan, which recently offered a large selection of premiums, including an eight-piece Corning ware set, a seven-piece cookware set, a 45-piece dinnerware set and a 36-cup coffee maker. Anyone depositing $5,000 was eligible for any one of the premiums. Those depositing $20,000 could take all four premiums home.

Carondolet also has promoted glassware premiums, offering sets of monogrammed tumblers and other types of glassware to those depositing $100 or more. More than 7,500 sets of glasses were given out during the most recent campaign.

Most of Carondolet's premiums are supplied by Northwestern Bottle Co., St. Louis. Part of the glassware campaign's success is attributed to the fact that since the merchandise was on hand at the bank, customers could select what they wanted and take it right home. Northwest Bottle supplied the monogrammed tumblers in assortments based on U. S. Census Bureau population figures so there were more of the most popular initials and fewer of the less-used initials on hand. Customers desiring extra sets of glassware could purchase them at $3.95 each.

Northwestern Bottle offered a buy-back agreement in regard to the monogrammed tumblers, so that Carondolet was not stuck with unused merchandise at the conclusion of the campaign.

Louis Harris Poll

(Continued from page 26)

content. Five out of six persons are having more trouble making ends meet today than they did a year ago. Three out of four do not believe that inflation is coming under control. And the same three out of four are saving less today than they were a year ago.

Reports from the nation's leaders—many of them businessmen—are equally alarming—46% classify economic conditions in their home areas as negative; 58% think the health of the economy has declined over the past 12 months. Almost half the leadership group in this country think we are heading straight for a recession.

Against this bleak backdrop, you probably are bracing yourself for really bad news when people were asked questions about banking. Yet banks came off well in this area. Only 6% of the public and 12% of the leaders surveyed blamed banks for inflation. In fact, 64% of the public and 86% of the leaders put the blame on the federal government; 57% of the public and 60% of the leaders blamed big business, and 55% of the public and 69% of the leaders held labor unions responsible for inflation.

Even better, more than two-thirds of the people said that banks are doing all they can to control inflation. And three-fourths said banks can't be held responsible for high interest rates, since these are mainly set by governmental action.

Most gratifying, with certain exceptions, the American people gave banks, bankers and banking uniformly high marks on the performance of the retail banking function. Bearing out this finding is the impressive record on usage of banks during the past four years. Regular checking accounts, for example, have increased from 56% in 1966 to 68% of all families today. Savings accounts have risen from 52% to 67% of all households. Cashing personal checks is up from 29% to 53% and use of drive-in banking from 23% to 39%. Banking by mail increased from 11% to 21%. Personal loans are up from 11% to 17% of all households, and ownership of savings certificates jumped from 3% to 8%.

In addition, the Harris survey found many good things about bank-affiliated credit cards. Over half the households in

the country—54% of them—have either charge or credit card accounts and (other than gasoline credit cards) bank cards now lead the way with 28% of the public owning BankAmericard and 26% Master Charge cards. Another 7% have other bank-affiliated cards. By contrast, only 6% use American Express and 3% use Diners Club. Even better, bank credit cards are rated positively by a four-to-one majority of the public. Bank credit cards, by a seven-to-one margin, are believed to be easier to sign up with than the travel and entertainment cards—by six to one are more accurate in their record-keeping —by five to one, more convenient to use—by three to one, more widely accepted—and by four to one, preferred to T&E cards.

With such satisfaction with bank services and innovations, it is little wonder that by 65% for to 21% against, the American people agree that "banks and banking are more important than nearly any other institution because they help individuals handle their money and help local businessmen when they need it." Six to one say banks welcome their business. Five to one deny that banks forget them once they are customers.

Four Problem Areas. All this is great, but if we are doing such a great job in handling the banking function, why are banks in such serious trouble in Washington? According to the survey findings, four serious problem areas emerge.

The first is in the profits area. By 49% to 30% among the public and by 51% to 41% among the leaders, banks are viewed as "making a lot of profits with the high interest rates they have been charging." The public believes this is profiteering.

The second major problem area, oddly enough, is not a criticism of banks and banking; it is a concern over banks' ability, or willingness, to move into new areas of financial services sought by people enjoying today's explosive growth of discretionary income—money left over for saving and investment after essentials have been paid for. Today such income has gone up to $180 billion—by 1975 it likely will be $250 billion and by the end of this decade an estimated $350 billion.

For banks, this means the revolution that has taken place in retail banking is only a small beginning. Let's take a look at what people hope banks will provide them—soon.

A single monthly statement for all business transacted with the bank is wanted by 47% of the public. A substantial 37% would like the banker to help prepare their taxes; 33% would like to buy mutual fund shares from

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banks, and a significant 35% would like all of their financial services under one roof—and that, of course, should be the retail bank.

Among the leaders, 58% favor banks going into the data processing service business, 53% into mutual funds, 44% into travel services and 36% into life insurance selling.

Surprisingly, at a time when people don't want to pay more for anything, a majority of 58% to 30% say they are willing to pay banks for providing this integrated financial service.

The market, these people say, is ripe. The demand is there. And there is also a tangible threat to banks deciding not to enter these new areas of expansion. For example, for short-term savings and investments, full service banks won easily over the competition. But when the focus was shifted to long-term, stocks and mutual funds finished on top by a substantial margin, double the number who singled out full service banks. So the message has been spelled out for us: *If banks do not expand into complete and full financial institutions, handling a full roster of financial needs, the public will turn elsewhere. And that is a serious problem for us to consider.*

The third serious problem, the one-bank holding company, is closely related to the second one. Many bankers see the holding company concept as the umbrella under which banks can expand into broader financial services. Yet you know the trouble we're having in Washington on that one. But cheer up. We may have found the reason.

In the survey of leaders, only 34% were familiar with the one-bank holding company concept and of these, only a slim majority (44% to 40%) favored it. The big fear of the leaders was that one-bank holding companies might lead to monopoly and concentrate too much economic power in one place. Forty-seven per cent versus 43% worried that one-bank holding companies will allow banks to enter fields they have no business in—51% to 40% said banks will turn into powerful conglomerates with too much influence on the economy, and a terrific 70% to 19% said big banks will get bigger and more powerful.

All this proves what a dismal job banks have done in explaining the one-bank holding company idea. The survey proved that a winning story can be told. For example, 61% to 31% agreed that allowing banks to broaden and expand their services permits maximum use of bank assets through diversification; 67% to 24% believe that such expansion and diversification would attract top talent to banking, and 65% to 22% said this concept will allow banks to have a full and positive impact on the community.

Why then, Mr. Harris asks, do bankers continue to hide this positive reputation with the public under a bushel? Healthy majorities, the survey discloses, feel that banks are well regarded by local public officials, local businessmen, the Republicans, the Nixon Administration and the people of the community in which they operate. And a slightly lesser number feel there is a positive view toward banks from the governors of their states, their congressmen and their U. S. senators. But less than a majority feel that their state legislatures—and the Democrats—look favorably upon banks. In fact, only about 40% of the leaders thought bankers were effective with local public officials, Congress and the Democrats. Obviously, the governmental area seems to be the soft underbelly of banking in the United States.

And that leads us to the fourth and last major problem emerging from this study—the role banks and bankers play in their local communities.

By sizable majorities, bankers are viewed as leaders in their communities. By 57% to 23% among the public and 73% to 16% among the leaders, bankers were told to take leadership in community problems. By 68% to 29%, leaders say banks have a duty to help solve community social problems. Almost two to one, they say banks are in a financial position to take this leadership to solve social problems. And 87% say it is to banks' best interest to take leadership so that they can operate in a stable community.

Ironically, only 40% of the leaders said bankers were effective in helping young people go to college, 18% in helping maintain law and order, 18% in improving the caliber of local government, 15% in improving public education, 10% in helping ease racial tensions, 6% in helping the needy and 4% in helping control air and water pollution.

The public didn't view us in a much better light. Only 38% believe bankers have a high concern in helping the community. Apparently providing an expanded, first-rate banking service is no longer enough. In the future we also will be judged on how we conduct ourselves in the broader area of our society.

One thing is certain. The big gap in bank communications on matters such as one-bank holding companies and in relations with government is clearly related to the lagging reputation of banks and bankers in the community and social areas. If banks, banking and bankers were better known for good works in their communities, the job in the state capitols and in Washington would be infinitely easier.

Briefly, gentlemen, that is what Lou Harris and his colleagues have reported to the ABA and the Foundation for Full Service Banks. Or, I should say, that is a part of the information he has uncovered. Much, naturally, must be kept confidential while campaign strategy is formulated. And I remind you again that this survey is just the start of this major effort in behalf of all banks.

What comes next?

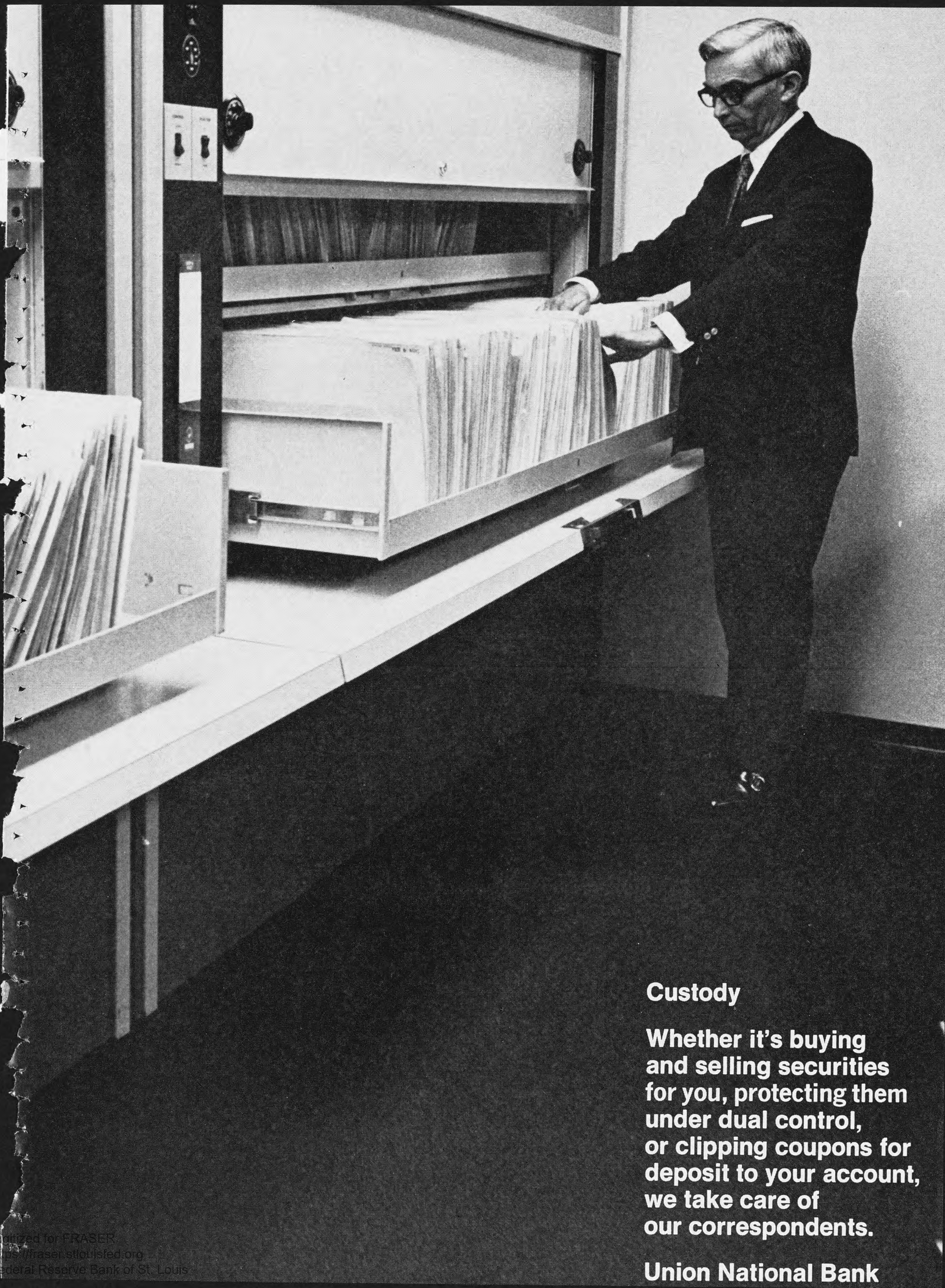
Plenty. In fact, much has been done, even before the survey was started. Because education—like charity—begins at home, 900,000 copies of a kit for bank employees were produced and distributed some months ago. With this kit, every banker in the nation can make sure his own employees know banking's story. They will be more sold on their jobs and the service they provide. They will be able to answer questions from their families, relatives and friends—as well as from the customers they serve. And, with over 14,000 commercial banks in the nation, their combined staffs, after they receive this kit's indoctrination, will give banking a "sales force" of thousands to spread the message.

Now, what comes next?

First, of course, careful study is being given to the complete Harris report. From this a specific campaign plan will be developed. Finally, this plan will be put into operation on both local and national levels. On the national level will be a wide range of activities to carry our story to the public through mass media—articles in newspapers and national magazines and special programs on television and radio.

On the local level, other action kits (such as the one for employees) will be produced and distributed. These will be aimed at stockholders, directors, the press and public officials. In addition, material for speeches, consumer pamphlets and other materials will be delivered to bankers. Through the ABA and the Foundation, banks will be given the tools to help them do their part of the job.

It is important to remember—even though a quarter of a million dollars will be put into this campaign—that a more favorable public opinion cannot be bought with dollars. The only way this can be accomplished is by our own actions in our own cities. The success or failure of the total program depends on the extent of individual involvement of every banker in the country—starting with the chief execu-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tive officer and carrying through to every member of top management.

One thing I stress. My remarks are not a sales talk for the Foundation for Full Service Banks. After hearing this story, no banker should need a sales talk. We are in this together. We must all work together if we are to succeed. That means—keep your bank's Foundation membership active—or, if you are not a member, sign up. You've never had a chance to buy so much "insurance" for your industry for so little money. • •

First of St. Louis Elects Knapp to Cover Arkansas Area

ST. LOUIS—First National has elected Robert W. Knapp a commercial banking officer in the correspondent banking department. Mr. Knapp will travel in Arkansas with Louis E. Straub, assistant vice president.

KNAPP

Mr. Knapp, who has been with First National since 1966, was named business development officer, charge card department, in 1968 and was promoted to assistant manager in 1969. He is a graduate of the University of Arkansas.

Hurst Gets New FDIC Post

The FDIC has named Louis A. Hurst Jr. assistant regional director in its Memphis Office. The Memphis region covers Arkansas, Louisiana, Mississippi and Tennessee.

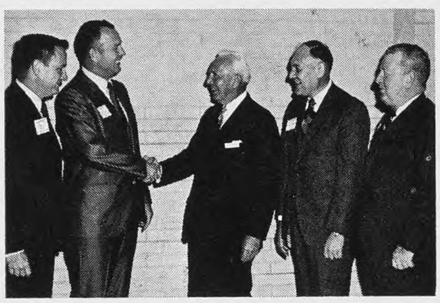
First National, Montgomery, Holds Seminar for Directors of Correspondent Banks

AN UNUSUAL correspondent seminar was held May 6 by First National, Montgomery, Ala. Instead of having a conference for *officers* of its correspondent banks, First National was host to more than 450 *directors* of those banks located throughout Alabama.

Speakers were: Frank A. Plummer, chairman and president of the host bank; W. C. Tiede, deputy regional administrator of national banks, Eighth National Bank Region, Memphis; C. E. Avinger, Alabama superintendent of banks; Walter E. Trabbold, comptroller, Bank of Delaware, Wilmington; R. E. Steiner III, Steiner, Crum & Baker, and a director of First National; and C. E. Lanphier, senior vice president of First National.

Mr. Plummer described the seminar's objective in his talk, "The Director's Role in the Banking System." He said it was to improve the strength of Alabama banking. All banks should avoid "me-tooism" and analyze problems in light of their own institutions and communities, said Mr. Plummer. He emphasized how regulated banks are by saying that they are supervised by three government agencies and 50 state agencies. Thus, banking needs good communications, he continued.

Mr. Plummer discussed the traditional role of bank directors and listed their responsibilities as: 1. Sound administration. 2. Sound policies (lending and investments). 3. Audit procedures. 4. Evaluation of capital adequacy and liquidity. 5. Evaluation of asset quality and liquidity. 6. Evaluation of earnings. 7. Policing of self dealing.



Frank A. Plummer (c.), ch. and pres., First Nat'l, Montgomery, welcomes C. E. Avinger (2nd from l.), Alabama superintendent of banks, to bank's correspondent bank directors seminar. Looking on are: J. Allen Raynolds Jr. (l.), exec. v.p. of host bank; W. C. Tiede (2nd from r.), deputy regional administrator of national banks, Memphis; and Danner Frazer, pres., American Nat'l, Mobile.

Mr. Plummer suggested that chairs of finance could be established at the University of Alabama and at Auburn University if the top 10 banks in the state each contributed $1,500 a year and the remaining banks each gave $50 a year. He pointed out that these donations would not be gifts because the college programs would train bankers and would create a good public reaction.

Mr. Tiede told listeners "What a Bank Supervisor Expects of a Bank Director." "To be chosen a bank director is an honor in a community," he said, "but there is a moral responsibility of a director to his fellow shareholders, depositors and the community that are affected by the soundness of the bank. Directors, through use of their names, inspire confidence to the public in the supervision of a bank. Beyond moral responsibility, a director has legal responsibility under statutory and common law."

Mr. Tiede said his office believes that an able and active group of bank directors is a positive element of strength and value to every banking institution. He pointed out that directors are legal bosses of a bank, that the board sets the rules governing a bank's operations, but should not hamper the officers in carrying out the rules. He described management as the chauffeur who is to watch for ruts in the road, with the board riding at management's side, reading the road map and watching for direction signs.

"One thing is clear," continued Mr. Tiede. "The directors cannot manage the bank. They can set policy. They can guide. They can bring new accounts. They can bring new viewpoints and valuable ideas. They can often save management from mistakes, but it is not practicable for directors to operate a bank. That is the role of management."

Superintendent Avinger said there's a necessity to have a working board, and each director must be fully informed on the bank's affairs. He said that directors must carry out their responsibilities in policy-making decisions and that supervisory authorities expect directors to see that bank policies are carried out.

"Bankers are now entering into a

new area of banking," said Mr. Trabbold in his talk, "Developments in Bank Operations." He advised his listeners to break out of the narrow service patterns of the past, with their built-in profit limitations, and develop new services that are operable and marketable. He cited statistics showing the youthfulness of the present-day population and said these young people comprise a whole new market that thinks differently and will require new and different services than did previous bank customers. He warned that if banks don't supply these services, they will be supplied elsewhere.

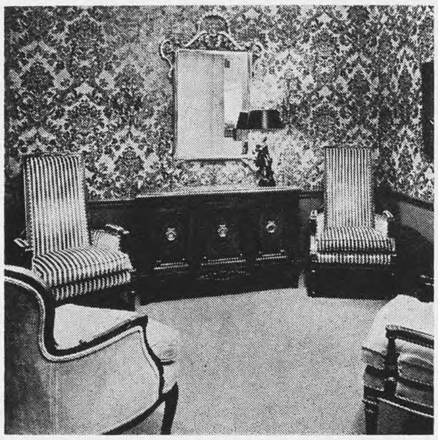
Mr. Trabbold also advised his audience to take advantage of computer technology available to banks today.

Mr. Steiner discussed the "Legal Responsibilities of a Bank Director" and listed four ways that directors can constructively aid their banks and, at the same time, protect themselves against liability: 1. Frequent inquiries into loan and investment policies. 2. Careful regular inventories of operating and statistical reports of banks (if these reports are not sufficiently detailed, directors should insist that details be furnished). 3. Insistence on adequate audit programs (internal and external) with reports directly to boards. 4. Careful consideration of the reports of the bank regulatory authorities.

In his talk on "Monetary Policies and Asset Management," Mr. Lanphier discussed portfolios of banks that are affected every day by monetary policies. He told the directors, "You cannot be expected to follow every day the workings of monetary policy, but, as bank directors, you certainly should know how it works and what it affects and how it is affected. . . . Bank directors should have a knowledge of the over-all economy of the country and the areas that the directors' banks serve. Communication with bank management should be reduced to written form so there can be no misunderstanding as to where the board of directors would like management to steer the bank. This written policy could well be the most important asset of well being to banks over the next five to 10 years as capital gets more and more scarce. There will be no more cheap and easy bail-outs of the money supply on savings and certificate growth. It will be up to banks to supply their liquidity from assets they already have, and the bank that does well in this aspect not only will be highly profitable, but very safe with the ability to move into new fields aggressively, quickly, with a minimum of adjustment." • •

Participating at ribbon-cutting were Bank of St. Louis Chairman Jack G. Butler (l.) and St. Louis Mayor Alfonso Cervantes (c.). Directors in background were given conducted tour of bank following ceremony.

West executive reception area on second floor is furnished with Louis XV chairs, sculptured Oriental rug and Tuxedo love seat.



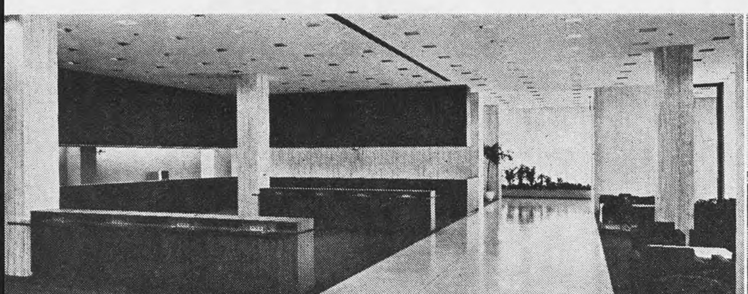
Bank of St. Louis Opens New Headquarters

THE NEW headquarters office of Bank of St. Louis was officially opened on May 4 when Miss St. Louis cut a white satin ribbon with a pair of golden shears. Assembled for the occasion were St. Louis Mayor Alfonso Cervantes and the directors of the bank.

The opening has provided downtown St. Louis with its first new major banking office in many years and came as the bank enters its sixth decade of service to the community. Founded in 1912, the bank was capitalized at $200,000. Present assets exceed $197,000,000, making Bank of St. Louis the city's fourth in size.

The new headquarters office is located in the Laclede Gas Co. Building at 8th and Olive. The building is the tallest in St. Louis. The bank's 9th and Washington location will remain operative as a facility to serve customers in its area.

Bank of St. Louis is the principal bank in General Bancshares Corp., a registered bank holding company created in 1946—the first such corporation in the state. General Bancshares controls banks in 15 locations in five cities in Missouri, Illinois and Tennessee. • •



Main banking floor (l.) houses customer service department, teller operation and correspondent banking division. Decor features terrazo aisle, solar bronze glass, teak paneling and travertine marble walls.

Commercial loan department (r.) features russet carpeting and overstuffed chairs in deep olive.

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DETROIT BANK & TRUST

Rogers

(*Continued from page 29*)

wide range of financial activities. By spreading out, functionally and geograpically, foreign banks have been able to compensate for the constant erosion of their traditional base. In the U. S. the constraints of law and regulation have frequently prevented banks from doing so.

New and Proposed Legislation. The past few months have recorded an even greater intensification of efforts by Congress to regulate the banking industry. The question, of course, is, "Why banking?" Well, for one thing, we are in a period of low public favor because of high rates. Moreover, banks have often been negligent in accepting responsibilities which are imposed on them by their charters. Competitive savings services, mortgage lending and installment credit are only a few of the fields that we once left to competition and which we belatedly reentered. But now that we are competing and innovating to meet the needs of our changing economy, special interest groups decry bank competition and threaten litigation.

In numerous instances, we have been stopped from competing when we have attempted to be creative and innovative. Access to areas in which more efficient and lower-cost service could be extended to our customers has been denied and the public welfare has suffered. The most decisive regulation has been in the area of new service development. Presently, our right to engage in lease transactions, to offer travel services, data processing services and to manage investment funds are being contested in the courts or in the Congress, even though banks are offering these services with the expressed consent of bank regulatory agencies. And they are all being contested as so-called unfair competition by various groups whose actions are inconsistent with their expressed dedication to the maintenance of the private, free-enterprise system.

One of the most significant factors affecting the course of banking legislation during the first session of the present Congress was the battle to bring inflation under control. It is an unfortunate fact that many people hold our industry responsible for the present tight money situation. This basic misunderstanding of the role and function of the banking industry in our nation's economic life is often reflected in legislative efforts designed to restrict banks to a relatively narrow range of financial services.

The most obvious example, of course, was House passage of a one-bank holding company bill, which, if allowed to become law, would severely affect the ability of the banking industry to adapt to the changing market.

James M. Hall, former superintendent of banks for California, quite correctly attributed House passage of the bill to a desire to "blame and punish" banks for a tight money situation which was not of their making.

To a certain extent, this critical attitude toward banking could be detected in a large number of other bills before Congress. As might be expected, non-bank financial institutions and other industries which wished to evade competition were quick to move to support restrictive legislation.

It seems that the past session of Congress passed everything from A to Z. As a matter of fact, Regulation Z is one of the major pieces of restrictive legislation passed during 1969. Legislation is already being considered that would add a provision to Regulation Z prohibiting the issuance of unsolicited credit cards and limiting the liability of consumers for the unauthorized use of credit cards.

The Federal Trade Commission has already claimed that under its general powers to stop unfair trade practices, it can prevent banks from

issuing unsolicited credit cards. The determination by the FTC that such acts represent unfair trade practices will add to Congressional pressures to place banks under the same restrictions that apply to retailers. Banks have no right to escape responsibility for fair consumer practices, but the rising tide of consumerism has accomplished more in bureaucratic red tape than in consumer benefits.

The Tax Reform Act, the most comprehensive revision of the tax laws ever undertaken, set forth new rules that will have an adverse effect on banking. A sharp cut in the authorized bad debt reserve levels and the decimation of the non-parallel capital gains tax treatment of security transactions are major cases in point.

Another recent blow to the industry was struck when the Supreme Court reversed a long-standing precedent to allow banking competitors to challenge rulings of the currency covering banking services authorized under the "incidental powers" authority. This granting of legal status is calculated to encourage a rising tide of litigation against banks in the future.

Proposed Legislation. A long list of banking bills introduced during the past session of Congress will have a profound effect upon the banking industry, if enacted into law. Legislation dealing with the one-bank holding company, bank stock tender offers, bank issuance of unsolicited credit cards, fair credit reporting, consumer credit insurance, mutual fund reform, bank involvement in minority business enterprises, restrictions on bank services and unnecessarily burdensome record keeping threaten to put the industry under a stultifying umbrella of federal restrictions.

Momentarily at least, lawmakers have lost sight of the basic need to maintain a dynamic, flexible industry, capable of meeting the rapid economic changes in most American communities. That is the reason for the major new communication effort which the ABA and the Foundation for Full Service Banks have mounted. It deserves the full support of every bank in the nation.

Indeed, it is difficult to be optimistic when we realize that the present legislative climate is not only conducive to the passage of such legislation as previously detailed, but also to the proposition of additional restrictions on the banking community. A major conversion in public attitudes is the job before us.

In Congress, the theory is articulated, more and more frequently, that bankers should stick to banking. What "sticking to banking" means is not altogether clear, for banking varies depending upon the economic atmosphere, its geographic location, the composition of its markets and the needs generated by these markets.

We have no right to complain about fair competition and we do not. Nor do we challenge the right of Congress to legislate in order to insure bank solvency or the safety of bank deposits. But we have every right to question the unequal terms of competition that are imposed upon us.

Certainly, we cannot afford for the banking industry to run rampant into fields unrelated to finance. Rules and guidelines must be established and enforced as for any other regulated industry. Indeed, in our changing environmental structure, such regulations must often be reviewed in order to be relevant. But it seems to me that the supervision and control of banks should be left primarily in the hands of the regulatory agencies. After all, they are in constant contact with banks. Yet they are public officials, responsive to consumer needs and answerable to governmental authority.

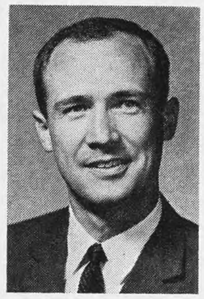
It seems to me that no arm of the federal government is better able or better equipped to judge objectively where the structure of banking needs modification. We should not allow the political expediency of the moment to restrict the long-run financial capacity of the banking community.

Conclusion. A part of the blame for restrictive legislation can be traced to the banking community. We have not been as effective as we should be in communicating our position to the public and the legislative community. The responsibility for explaining and justifying the reasons why there is an "incidental powers" clause, and why it must be exercised at this time, lies not with Congress, or the Supreme Court, or the regulatory agencies, but with the banking community itself. That is why the Banking Serves America program for better public relations is so important.

It will include national advertising through the Foundation for Full Service Banks, together with a professionally constructed communications program for local, state and national application.

The ultimate answer for banking —indeed its salvation—rests upon a far more competitive financial industry. It is essential that we project this public need persuasively, if we are to overcome the proposed legislative restraints. If we are successful, our right to compete cannot be denied. • •

AVP Roberts to Cover Illinois for Bank of America



ROBERTS

Bank of America in San Francisco has elected Roger E. Roberts assistant vice president in the international and trade services section of the national division. He will be traveling in Illinois, among other states.

For the past three years, Mr. Roberts had been a loan officer with the Export-Import Bank of the U. S. in Washington, D. C. A 1960 graduate of William & Mary, Mr. Roberts also has a master's degree in international business from San Francisco State College.

Burch, Crutsinger Promoted at City Nat'l of K. C.

KANSAS CITY—Five assistant cashiers have been promoted to assistant vice presidents at City National. Promoted are: E. L. Burch and Jerry L. Crutsinger, correspondent banking department; Bryon D. McReynolds, loan and credit division; Gilbert H. Bledsoe and James C. Thompson Jr., municipal bond department.

Mr. Burch will travel in Missouri, and Mr. Crutsinger will represent the correspondent department in Oklahoma and Texas. Mr. McReynolds joined the bank in 1965. Messrs. Bledsoe and Thompson are sales and portfolio management analysts.

CRUTSINGER

BURCH

Phoenix Complex Planned

PHOENIX—Valley National plans to build a new headquarters complex in downtown Phoenix. The complex, said to be the largest structure in the Southwest, will be located in an area bounded by Central Avenue, Van Buren and Second streets and Monroe.

W. R. Hafford, executive vice president for property development, will administer the entire project.

Four Vice Presidents Named at Chase Manhattan Bank

NEW YORK—Four vice presidents have been elected at Chase Manhattan: Robert L. Denner, Thomas A. Hayne, Kenneth R. Murray and Alden K. Small. They are in the United States department, which serves correspondent banks.

MURRAY

Among other states, Mr. Small oversees Chase's business in Illinois. An employee of the bank since 1946, Mr. Small was assigned to the U. S. department in 1952, appointed assistant treasurer in 1954 and second vice president in 1961.

SMALL

DENNER

Mr. Denner is responsible for business in Kansas, Missouri and New Mexico, among other areas. Mr. Denner, who joined Chase in 1951, was promoted to second vice president in the U. S. department in 1965.

With responsibilities in Mississippi, Mr. Murray has been with the bank since 1963 and was elected assistant treasurer in 1966 and second vice president in 1968.

An employee of Chase since 1962, Mr. Hayne was transferred to the U. S. department in 1965, named assistant treasurer in 1966 and second vice president in 1968. He travels in the East.

First National Gives New Posts to 4 in Commercial Lending

LITTLE ROCK—Malcolm W. Gannaway Jr. and Mrs. Tanya VanBrunt have been elected vice presidents, commercial loan department, at First National. Mr. Gannaway had been with National Mortgage Loan Co. since 1968, and Mrs. VanBrunt has been with the bank since 1962.

First National also has named Patrick C. Koch assistant vice president, commercial loans, and Harold Moore loan officer.

Central Bank of Birmingham Begins 'All-Day Banking'

BIRMINGHAM—Central Bank has begun a policy of "all-day banking" hours. It is the first Birmingham bank to be open to the public eight hours a day, five days a week, and on Saturdays, according to President Harry B. Brock Jr.

Central also has extended the hours of suburban branches on Saturdays. The Main Office on the southside has been limited to drive-in window service and the Downtown Branch has been closed on Saturdays.

Young Bank Presidents Discuss Varied Topics

The newly organized Alabama Association of Young Bank Presidents recently discussed such topics as earnings, profits and asset management and salary administration.

The association, organized last January, provides a forum for the discussion of internal bank management matters. The group was formed as a result of the growing number of young men entering banking in Alabama and to identify banking needs of the public, according to Chairman Charles M. Jager, president of First Western Bank in Bessemer.

Troll Made Correspondent Head at National Bank of Tulsa

TROLL

TULSA—Vice President Arthur L. Troll has been elected head of the correspondent bank department at the National Bank of Tulsa. Mr. Troll, who began his employment with NBT in 1924, was transferred to the correspondent department in 1955.

Mr. Troll was named assistant cashier in 1953, assistant vice president in 1956 and vice president in 1959. He attended the University of Tulsa and is a graduate of the School of Banking of the South at Louisiana State University.

Texas Bank Assigns Powell to Correspondent Dept.

POWELL

DALLAS—Ray Powell, vice president, has been promoted to correspondent bank representative at Texas Bank. Mr. Powell will travel in Arkansas, eastern Oklahoma, northern Louisiana and northeastern Texas.

Previously, Mr. Powell had been loan officer in charge of all sales, installment loan division. He began his employment with Texas Bank in 1958 after four years with General Motors Corp.

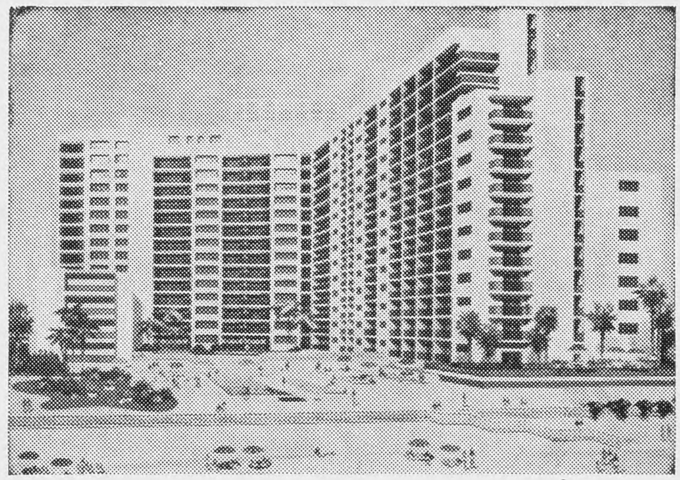
Removing Past for Future

The inscription from the Tulsa Banking Co. building, predecessor of First National of Tulsa, has been removed and will be placed in First National's proposed 41-story tower. Lindsay L. Alexander, vice president, marketing and public relations, rides a "cherry-picker" to the top of the 72-year-old structure and removes the tablet, which bears the words "Tulsa Banking Co." and the date 1898. Removal of the stone also marks First National's 75th year.

Five Promotions Announced in Birmingham

COOK LEWIS GILBERT PONDER SPIVEY

Five vice presidents have been promoted to senior vice presidents at Birmingham Trust National. Receiving the promotions were W. Ralph Cook, Roy W. Gilbert Jr., Frank R. Lewis, John B. Ponder and C. R. Spivey.



Bank Stock Prices

(*Continued from page 14*)

payout rate on the stock, the action became a *favorable* influence to encourage high tax-bracketed individuals to acquire the stock. They were well aware of the desirable compound-interest curve produced by retained earnings.

At this point, another phase of stockholder strategy was introduced. The bank's executive officers were encouraged to review their contacts with affluent leaders in the community with the view of encouraging them to become shareholders and thus develop a loyalty to the bank. While some of the social and business leaders were customers of the bank, many were not —and might be described as potentially desirable accounts.

Since the new management of the bank was convinced that their management would (and did) improve earnings, such new shareholders did in fact have empathy with the bank. In more than a few cases, substantial bank accounts and trust business could be traced to such bank identification.

While not every CEO could successfully accomplish it, this banker was able to convince several superannuated director-stockholders *not* to stand for re-election to the board and to make some of their shares available for "sweetening" situations.

At this point, a number of sophisticated bankers are negatively shaking their heads: All too many "inside" bankers don't want a lot of shareholders; they like to know that each share is in "friendly hands," and often the "friendly hands" are "insiders."

They also prefer a low price times earnings—and share sales at discounts for book value, at least when they are in positions to buy bank stock.

Conclusion: The typical bank is a small unit bank and has a thin market for its stock. The advanced technology of computers, giro systems, credit cards and fund remission already are putting substantial pressure on the small unit banks to merge or join holding company operations. A small select group of shareholders and a low-priced stock probably will make for easier negotiation for those in control and who consider merging or joining HC's as inevitable. However, unit banks that want to stay independent, to grow and directly participate in the expansion of their communities may well consider the desirability of improving the breadth of the market for their stocks and be concerned that their stocks' prices are in a fair range of their inherent value.

The "depressed stock price" is an open invitation for a takeover by outsiders. Banks in New York, Chicago and California have been targets of takeovers by the "tender" route. Some have failed but some have not. • •

Inflation Fight

(*Continued from page 25*)

market interest rates in the short run, or, as some argued, actually lower them permanently. Such actions were deemed desirable in order to shelter savings institutions and the housing industry from market forces set in motion by the excessive total spending. *Second,* many argued that monetary actions, as indicated by changes in the money stock, have little influence on total spending. As a consequence, those holding this view were little disturbed by the exceedingly rapid growth in the money stock. *Third,* in contrast with the previous view, many believed that rapid growth in money was desirable in early 1967 to avoid an anticipated recession. *Finally,* the national debt was increasing, and it was thought desirable by many that the Federal Reserve "even keel" the money markets at times of Treasury financings.

All of these reasons have proved to have been spurious.

Slow Response. With inflation mounting, restraining actions have been adopted since mid-1968, but the response of inflation has been agonizingly slow. People naturally ask why. The answer is fairly simple. As a result of avoiding monetary actions to curb inflation until 1969, an inflationary momentum was allowed to develop. As a result, the general price level has continued to rise rapidly up to the present time, and market interest rates remain near their extremely high levels of late 1969. This is the legacy of the excessive total spending from 1965 to 1968, which requires more restraint and patience to overcome now that inflation is moving under its own momentum.

Some have begun to question whether monetary restraint will result in slower growth in the price level in a reasonable period of time. But our research indicates that a marked move to monetary restraint, such as we had in 1969, generally slows total spending only with a two- to three-quarter lag.

So here we are again in 1970, with the stage set for reducing the rate of price increase, just as was the situation at the end of 1966. But 1970 is not like 1966; inflation has built up a longer and stronger momentum since then. Consequently, it is more difficult to curb inflation this time; and the public, as well as economic policy makers, must be patient for the results of monetary restraint to appear.

Many have become concerned that the extreme monetary restraint of 1969 may result in a recession, and hence, they have recommended a resumption of monetary expansion.

Some Threats. I turn now to my final subject—some possible threats to a successful fight against inflation.

A policy of moderate 4% rate of monetary expansion during the next three years most likely will produce reasonably stable prices by late 1972, along with lower interest rates. Let us now examine the implications for late 1972 of alternative monetary policies over the balance of this year that would be designed to achieve short-run objectives. In each case, I will assume, after 1970, a 4% rate of growth in money. Given the existing inflationary momentum, extreme monetary actions in terms of growth in money would be required to achieve any one of the objectives by the end of this year.

Let us examine first the proposal that the rate of inflation be reduced below 4% by the end of this year. Many actually have forecast a rate of price increase in the 3.5 to 4% range. In order to accomplish this objective, the money stock would have to be *decreased* at a 4% rate from the first to the fourth quarter. The price situation would be good in 1972, when the price level would be virtually constant. Such an action would result now, however, in an extremely severe recession. Output would probably decrease sharply during the next five quarters and the unemployment rate would be markedly higher in 1972 than now. In my opinion, the cost of attaining this short-run price-level objective would be far too high for it to be given serious consideration.

The next short-run objective to be examined is one calling for actions to avoid a recession and to hold the unemployment rate below 5% during the remainder of this year. This is based on the same kinds of fears of a recession as in early 1967 which led to a high rate of growth in the money stock. Accomplishment of this objective, according to our studies, would require a 10% rate of monetary expansion during the last three quarters of this year.

Such a course of monetary action would result in little reduction in the rate of price advance this year and a rate of inflation still in excess of 3% in late 1972. It could be said that this would be very slow progress in curbing inflation, and I agree. This course of monetary expansion would result in only a temporary spurt of growth in real output. By 1972, as a result of the shift back to a moderate rate of monetary expansion, real output would be growing at about half the increase in full-employment potential. Consequently, the unemployment rate most likely would increase to above 5% by late 1972.

Finally, I would like to consider the possibility of achieving a sharp and immediate reduction in market interest rates. Such an objective has been suggested, just as in 1967 and 1968, in order to help savings institutions and the housing industry. With respect to long-term interest rates, because the inflation premium incorporated in them is so great, the rates could be affected to the extent of only a few points by year's end even with extremely rapid monetary expansion. Furthermore, if rapid monetary expansion were used to reduce long-term rates this year, these rates would remain at relatively high levels through 1971 and into 1972. With respect to short-term rates, we may expect some declines this year if money supply increases only moderately. More rapid monetary expansion could bring yet greater declines, but at the expense of higher rates in 1971 and 1972.

Pursuit of such a policy would result in no headway in controlling inflation this year and only slight improvement by 1972. As a result of the continuing high rate of inflation, short-term interest rates would soon return to their present levels, or higher, and long-term rates would rise further from their present levels. The year 1972 would still be one of high interest rates.

The preceding analysis suggests several conclusions. *First*, given the existing momentum of inflation, relatively stable prices cannot be achieved in a short period of time, unless we are prepared to accept high costs in terms of reduced output and employment. *Second*, monetary actions to achieve the short-run employment and interest-rate objectives mentioned are self-defeating over the longer run. *Third*, delaying moderate monetary expansion until after the end of this year, in order to achieve these unemployment and interest-rate objectives, would seriously impede efforts to curb inflation within the next three years. *Finally*, if we are to contain inflation, there will be accompanying output and employment costs. Such costs can be postponed this year by high growth rates in money, but they cannot be avoided if we are ever to achieve relative price stability.

Conclusion. It is my opinion that the current resumption of monetary expansion be kept moderate and maintained for at least the next three years. Such a course, in my view, is optimal —it would produce relative price stability by 1972 without incurring as high a cost in terms of output and employment as would a more restrictive course of action. Although unemployment would rise, this problem in the long run cannot be treated by monetary and fiscal policy and should be treated by other means. For example, better approaches to ameliorate unemployment would be to remove the many impediments to the free functioning of our labor markets, to improve the mobility of our labor force and to upgrade the skills of the disadvantaged.

As at the beginning of 1967, the stage now is set for achieving relatively stable prices. Let us firmly resolve to seize the opportunity. Let us further resolve that our patience will be equal to the time required. Above all, let us not throw away this opportunity for achieving price stability, as we did a few years ago. If we do, not only will our efforts to date go for nothing, but the battle against inflation will be more difficult and more costly the next time we attempt to make a stand. So this time, let's not drop the ball in the fight against inflation. • •

Unit Banking and Single Slate of Officers Endorsed by IBA

By LAWRENCE W. COLBERT

Associate Editor

PEORIA—Unlike the 1969 Illinois Bankers Association convention that was unorthodox in several ways, the 1970 meeting here May 17-19 was smoothly run with few exceptions. The only waves made actually came from the Constitutional Convention being held in Springfield. Bankers for and against branching in Illinois were keeping a wary eye on the old state capitol, where voting was scheduled to begin May 20 on a proposal to remove the present referendum requirement on any legislation that would permit branching.

Those bankers against branching reportedly believe that removal of the referendum requirement would open the door to branch banking in the future through passage of such legislation in the General Assembly.

The president of the Illinois Constitutional Convention—Samuel W. Witwer—spoke to conventioners during the first general business session. He appealed to them to support the finished product of the convention despite the fact that some actions taken during the convention may run counter to banking's "special interest." He urged his listeners to evaluate the finished constitution as a "total concept" from the standpoint of its long-term impact on state government and economy, adding that nobody will be completely satisfied with every aspect of the finished product.

Mr. Witwer, a Chicago lawyer, stressed the need for reform of the state's constitution, which hasn't had such reform in 100 years. He said that the state has not lived *with* its constitution, but *around* it through a "tragic pattern of evasions and subterfusions in order to get by." The costs to the state's economy have been immense, he continued.

As usual, the IBA officially re-endorsed its stand for unit banking and against branching in the declaration of policy that was adopted at the IBA convention. A section of the policy called for support of all legislation that upholds the unit-banking system and one-bank holding companies and opposition to any legislation that would permit branching or multiple-holding-company banking. Approximately 20 banks went on record opposing this section of the declaration of policy, including the state's two largest banks.

New Officers. Only one slate of officers was offered IBA members this year (an opposition slate was introduced, but defeated, last year). The 1970-71 officers are: president, Fred W. Heitmann Jr., president, Northwest National, Chicago; vice president, Lewis H. Clausen, president, Champaign National; second vice president, John F. McKnight, president, Oak Park National; and treasurer, Glenn W. Storme, president, First National, Carbondale.

ABA Officers. ABA members elected Mr. Heitmann to the ABA executive council, along with Ray G. Livasy, president, Millikin National, Decatur; and R. L. Walton, president, Farmers & Merchants State, Bushnell. Mr. Clausen was elected to the ABA nominating committee to serve during the 1970 convention next fall. B. H. Ryan Jr., president, State Bank of East Moline, was chosen as alternate.

Amendment to Constitution. During this year's convention, the IBA proposed an amendment to its constitution. The proposal—approved by convention delegates—will allow only one slate of officer nominees to be presented at each annual meeting, and that list must be published and presented to the membership ahead of each convention. The amendment says that no nominations can be made, received or considered at conventions except those listed in each nominating committee's report. Also, under the new amendment, no candidate reported by the nominating committee will be allowed to stand for election until he has filed his written consent with the committee's chairman.

Economy in Government. The enormous growth of state and local governments, with the resultant tax load

NEW IBA OFFICERS. Elected assn. pres. was Fred W. Heitmann Jr. (seated, center), pres., Northwest Nat'l, Chicago. Named assn. v.p. was Lewis H. Clausen (standing, center), pres., Champaign Nat'l. New second v.p. is John F. McKnight (l.), pres., Oak Park Nat'l; and assn. treas. is Glenn W. Storme (r.), pres., First Nat'l, Carbondale.

OUTGOING PRESIDENT RECOGNIZED Myron Heins (r.), outgoing IBA pres. and pres., Bank of Pontiac, was recognized for his service to the assn. at the closing banquet. Here Allen P. Stults, immediate past president of the association and ch., American Nat'l, Chicago, presents Mr. Heins with a gift from the IBA.


The view from LaSalle & Monroe.

WITWER KURTZ TAYLOR ARENDS HARDIN

on individuals, was discussed by Michael J. Howlett, auditor of public accounts for Illinois. Mr. Howlett said that if people really want to keep taxes down, they should understand two things: 1. Everytime we ask for a new service, it is *all* the people who have to pay for it. We may run to Springfield or to Washington for help, but the taxpayer is the one who pays the bill. 2. The people must take an active interest in their government, or their elected representatives will be forced to listen to the special interests who speak with louder voices.

He suggested that businessmen, especially bankers, should be willing to serve in government. To a larger extent, the responsibility of government has been abdicated to lawyers, he continued. Lawyers are qualified and do a good job, said Mr. Howlett, but government needs the management techniques, record keeping and accountability that are second nature to businessmen.

"We need in government, at every level, the fiscal know-how which bankers can offer," he said. "Bankers are essentially a conservative people in the best sense of the word. In a democracy, a banker's instinct would be to conserve the taxpayers' money."

Support for President. In a discussion of "The Current Washington Scene," Representative Leslie C. Arends (R.,Ill.) voiced support for President Richard Nixon's decision to go into Cambodia, saying that this move is not an invasion, but a limited military operation and its primary purpose to destroy the Communist sanctuaries a short distance from South Vietnam that constitute a real threat to U. S. troops in South Vietnam.

Turning to the President's war on inflation, Representative Arends said it was determined that the only way to deal with that problem was to follow a policy of both fiscal and monetary restraint. Accordingly, he continued, the Federal Reserve was to hold a tight rein on credit, and the Administration was to strive to keep the budget in balance, cut spending wherever possible and maintain a tax-revenue level necessary to combat inflation. According to the Illinois legislator, the President's recommended tax-reform bill last year was virtually converted into a tax-relief measure by Congress; when Mr. Nixon recommended a 10% increase in social security benefits, Congress made it 15%, thus, continued Mr. Arends, adding to the already large "built-in" increase in federal expenditures.

Dale W. Hardin, vice chairman, Interstate Commerce Commission, spoke to Illinois conventioneers. He gave a little of the ICC's history and briefly discussed its operations. However, he devoted most of his talk to mass transit. He pointed out that the ICC does have certain jurisdiction over passenger operations conducted by railroads and bus lines, primarily limited to the area of rates and operating rights, but its jurisdiction over travel within a metropolitan area is extremely limited. Therefore, he said, his remarks should be considered as being made by one who is interested in all aspects of transportation and not by one who has any assigned responsibility in the area of mass transit.

Mr. Hardin described how the current mass-transit crisis came about and asked what the solution is. He believes it lies in rapid-transit systems that are a part of a soundly conceived, well-balanced transportation network. He defined "balanced" as a well-coordinated network that incorporates autos on expressways, feeder buses, outlying parking and high-speed rapid transit.

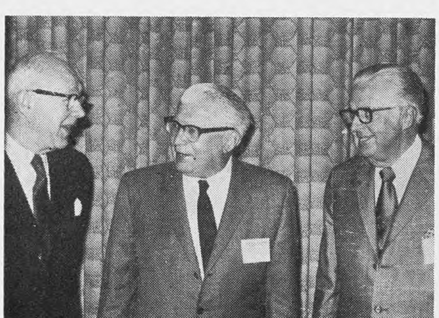
There is no technological deficiency preventing the creation of a balanced mass-transit system capable of serving the urban areas, according to Mr. Hardin. This country has the commitment *now* to move great masses of people safely, in relative comfort, on rail or on rubber wheels, he said, and added that what is needed is a national commitment.

Alfred J. Taylor Jr., executive director of the Office of Economic Opportunity planning and review committee, told the convention of an experimental funding program to give banks more incentive to channel funds into low-income communities.

"Opportunity Funding, An Economic Development Demonstration" has been launched to generate increased economic activity among financial institutions and complement the OEO's present economic development projects in minority rural and urban areas.

The pilot program will offer participating banks four loan and deposit guarantees that will: 1) finance working capital requirements of community development corporations, 2) repay deposits to poverty area banks above the $20,000 FDIC limit, 3) repay capital notes issued by poverty area banks, and 4) offer a guarantee on standby loans issued by a bank to a community-owned shopping center for initial equity and funds for start-up expenses.

Louis Harris Poll. The opinion survey of banking taken recently by the Louis Harris organization was discussed by William O. Kurtz Jr., state chairman, Foundation for Full Service Banks, one of the survey's sponsors. The survey is the subject of a feature on page 26 by Orville R. Goerger, vice president, Mercantile Trust, St. Louis. Mr. Kurtz is senior vice president, American National, Chicago.



NEW MEMBERS OF 50-YEAR CLUB. Two new members of the 50-Year Club received their pins at the convention. They are shown here flanking Eugene Abegg (c.), ch., Illinois Nat'l, Rockford, and pres. of the 50-Year Club. Arthur C. Ohs, cashier, Cosmopolitan Nat'l, Chicago, is on the left and W. K. Crawford, pres., Murphy-Wall State, Pinckneyville, is on the right.

Top Posts Are Given to Easton and Pardee at St. Clair Nat'l

BELLEVILLE—Marshall Easton, senior vice president and cashier, has been elected chairman and G. Winn Pardee, executive vice president, has been advanced to president at St. Clair National. Both men succeeded Harold Knollhoff, who resigned as chairman and president. Mr. Easton remains cashier. Mr. Pardee had been executive vice president since 1964.

EASTON PARDEE

Others elected were: Everett Kassing, vice president and trust officer; Mesdames Evelyn Stoneking and Dorothy Dressel, assistant cashiers, and Mrs. Gloria Biegler, corporate secretary and secretary to the board.

First Aid

...for banks not set up to diagnose overseas problems.

Your good friend and customer is in the food processing business. He has found a promising new market for his products in Brussels, Belgium. He needs information on international financing and know-how, fast.

We have both to spare at The First. A call will put you in touch with a banker whose full-time job is helping people like you. A banker who talks your language and understands your problems. He, in turn, is backed by our international banking specialists both here and abroad. In addition to our full-service branch in Brussels, The First has a fast-growing network of international branch offices.

International banking help is only *one* way our correspondent bankers give you First aid. We'll help solve your problems involving investment management, agricultural transactions, cash letter service, transfer of funds—and many more.

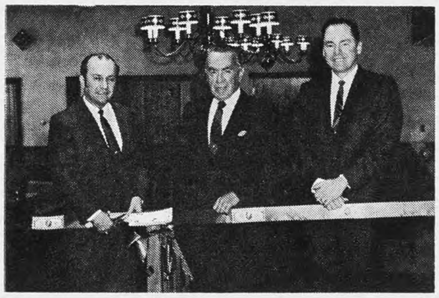
So talk to a banker whose only customer is his correspondent—you. Phone (312) 732-4119 for First Aid.

The 1st First National Bank of Chicago

LONDON • FRANKFURT • BEIRUT • TOKYO
PANAMA CITY • JAMAICA • MEXICO CITY
BRUSSELS • MILAN • PARIS • DÜSSELDORF
FIRST CHICAGO INTERNATIONAL
BANKING CORPORATION,
NEW YORK

Indiana News

Frankfort Bank Expands



The completion of Clinton County Bank of Frankfort's renovation program, which began more than a year ago, is celebrated by: Mayor James Brown (l.), Robert E. Hall Sr. (c.), chairman, and Robert E. Hall Jr., president. An adjoining building was razed, and a new two-story building was constructed to house the data processing, installment loan and trust departments. A split-level lobby connects the two buildings.

Fidelity Bldg. Acquired by Subsidiary of AFC

INDIANAPOLIS—The 111 Realty Corp. has been merged into the 101 Monument Corp., the real estate subsidiary of American Fletcher Corp. The 111 Realty Corp. is the previous owner of the Fidelity Building, headquarters of the American Fletcher National Bank on Monument Circle.

About half of the Fidelity Building is occupied by the bank and AFC subsidiaries. American Fletcher Corp. owns the 16-story Fletcher Trust building on Pennsylvania Street, and the bank occupies 70% of that building.

■ NATIONAL CITY BANK in Evansville has presented its eighth annual Charles B. Enlow Scholarship to Miss Mary Ann Sigward, a senior high school student. Worth $5,000, the scholarship was established to pay a qualified student's four-year college tuition fee. The scholarship is a memorial to Charles Enlow, former president and chairman of the bank.

■ J. G. LISTE, vice president and senior trust officer, has retired after 25 years with Purdue National, Lafayette. Harold C. Davies, assistant vice president and senior trust officer, has been named to succeed Mr. Liste as head of the trust department.

■ R. REED ADELSPERGER, vice president and cashier, First National, Richmond, has been awarded a Junior Chamber International Senatorship by the Richmond Jaycees.

Reifel Promoted to President at Franklin County National

BROOKVILLE—Carl C. Hofer, president, has been elected chairman in an advisory capacity and William F. Reifel, executive vice president, has been advanced to president at Franklin County National. Mr. Reifel, who has been with the bank since 1924, was elected cashier in 1949 and executive vice president in 1966.

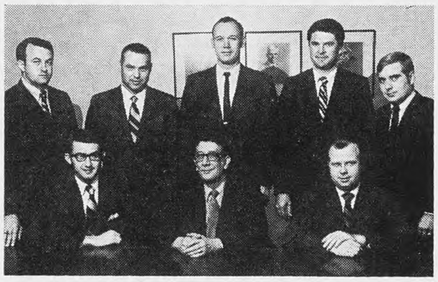
In other action, the bank has boosted capital from $250,000 to $300,000 by a 20% stock dividend.

■ J. J. HOFFMAN has been advanced from president to chairman at Union Bank, Loogootee. John T. Prather, executive vice president, has been promoted to president.

■ THOMAS M. DOUGLAS has been elected assistant vice president at American Fletcher National, Indianapolis. Mr. Douglas, who joined the bank last April, has been assigned to the automated financial services department, corporate division. He has an extensive background in data processing.

■ R. E. SWEENEY JR., chairman of Merchants National in Indianapolis, has been elected president of the Indianapolis Clearing House Association. Mr. Sweeney succeeds J. Fred Risk, president of Indiana National. Felix T. McWhirter, president of Peoples Bank, has been elected vice president of the association.

Irwin Union Advances Eight



Eight employees have been promoted at Irwin Union in Columbus. They are, seated (l. to r.): James E. Luse, loan officer; David M. Giles, vice president; and Elmer J. Whipker Jr., loan officer. Standing (l. to r.) are: William P. Guffey, assistant vice president; Donald A. Maschino, assistant cashier and assistant manager, Eastbrook Office; Walter E. Babbs, loan officer; Thomas T. Rusk, farm management officer; and James D. Keller, assistant cashier and manager, Columbus Center Office.

Frank Bernard of Muncie Dies; Headed Ind. Bankers in 1930

MUNCIE—Frank B. Bernard, vice chairman of Merchants National, died May 9 at 83. He was MNB president from 1923 to 1946.

BERNARD

Mr. Bernard, who was president of the Indiana Bankers Association in 1930-31, began working for MNB in 1905. After graduating from the University of Michigan and after employment as an accountant in Chicago, he rejoined the bank in 1913 as manager, savings and investment department. In 1916, Mr. Bernard was named a director and vice president. He retired in 1946 but was reelected to the board last January.

Gary National Promotes Lewis, Transfers Branch Managers

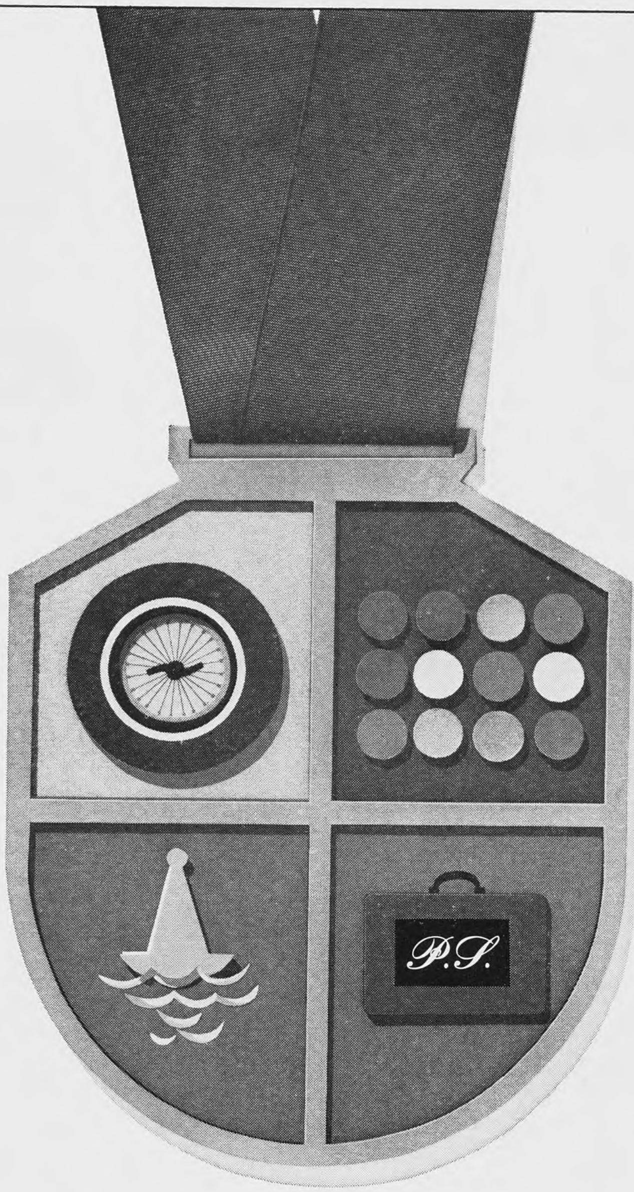
GARY—W. Dean Lewis, assistant vice president at Gary National, will assume a new post as personnel director July 1. Before his promotion, he had been manager of the Merrillville Branch. Mr. Lewis succeeds Mrs. Dorothea Coover, who will retire as assistant cashier after more than 40 years with the bank.

James C. Johnson will succeed Mr. Lewis as manager, Merrillville Branch. Mr. Johnson, who was Merrillville manager from 1961-64, left that post to organize and become manager of the Munster Branch. Elected to succeed Mr. Johnson as Munster manager is Robert Lee. Mr. Lee, assistant cashier, had been assistant manager, Glen Park Branch.

■ TWO OFFICERS at Irwin Union of Columbus have won first place in the Ohio Valley Chapter of Robert Morris Associates case study and paper writing contest. Robert E. Davis, loan officer, and Richard D. Little, commercial loan representative, coauthored a paper entitled "Contract Receivable Lending—Pitfalls of a Commercial Bank."

■ ANTHONY WAYNE BANK in Fort Wayne has elected Robert F. Boitet assistant vice president of marketing. Mr. Boitet had been assistant to the president and marketing director at First Federal S&L, Fort Wayne.

■ AMERICAN FLETCHER National, Indianapolis, held its annual Indiana Legal Forum awards dinner recently. The annual event honors students of the Indiana University Indianapolis Law School with cash awards for their journalistic work on the *Indiana Legal Forum*.



You deserve a medal . . . for keeping on top of Transit problems. It's no small task. That's why so many Hoosier Bankers clear their items through AFNB. Our multi-shift Transit operation (utilizing the most modern automated equipment and experienced personnel) speeds availability straight from you to the most direct point of collection. There's more . . . *Safety,* with all items microfilmed (including returns) . . . . *Float Analysis,* reporting exact cash position . . . *Personal Service,* from experts who speak the language. Call on your man from AFNB to get your Transit wheels rolling.

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AMERICAN FLETCHER NATIONAL BANK

Indiana Division (317) 633-2106

Kentucky News

James Roland Elected Exec. VP at First Farmers in Owenton

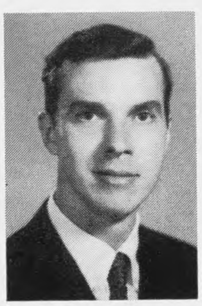
James D. Roland, assistant vice president, correspondent banking department, Louisville Trust, has joined First Farmers, Owenton, as executive vice president.


ROLAND

Mr. Roland had been assistant vice president at Louisville Trust for more than a year. An employee of the bank since 1965, he was elected assistant treasurer and assigned to the correspondent banking department in early 1966. Mr. Roland also had been manager of Louisville Trust's Taylor Boulevard Branch. He began his banking career in 1960 with Peoples Bank in Owenton.

Liberty National of Louisville Elects John A. Brennan VP

LOUISVILLE—Liberty National has elected John A. Brennan vice president and trust officer. He had been a trust officer at Citizens Fidelity.


BRENNAN

Mr. Brennan is a graduate of Bellarmine College. He also attended the University of Louisville School of Law.

■ J. B. KINSTLER, chairman and executive vice president, has retired at First National of Louisa after 67 years with the bank.

■ FORT KNOX NATIONAL recently celebrated its 10th anniversary.

■ FIRST SECURITY NATIONAL, Lexington, has named Robert T. Mayes, land developer, to the board. He is president of Thistleton, Inc., of Frankfort.

■ HANCOCK BANK, Hawesville, has opened its first drive-in window.

■ CITIZENS BANK, Pikeville, has advanced Maurice E. Hall from senior vice president to executive vice president.

■ LOUISVILLE TRUST has promoted James Q. Troutman to trust officer, corporate trust division. Mr. Troutman joined the bank last year.

■ WINCHESTER BANK is constructing a new branch at the Winchester Plaza. The branch is expected to open early in July.

Pre-ABA Convention Cruise Planned by 1st of Louisville

LOUISVILLE—First National is offering a Gulf of Mexico cruise for bankers who will attend the ABA convention this October. The tour will leave Louisville October 2 for Miami and board the S. S. Ariadne for a seven-day cruise. Rooms on the ship will be outside with two lower beds and private bath.

For a brochure and more information, write: Travel Department, First National Bank of Louisville, P. O. Box 1019, Louisville, Ky. 40201.

■ CITIZENS NATIONAL, Paintsville, is planning to expand its Motor Bank Branch. Construction of two additional drive-up windows for the branch will be handled by Bank Building Corp., St. Louis.

■ UNITED BANK, Versailles, is planning to establish a branch at 152 Locust Street.

A Nine-Foot Error

What a difference nine feet can make! The April issue of MID-CONTINENT BANKER carried an article about the proposed new building for First National, Louisville. In the article, one of the bank's officers was quoted as saying the 495-foot-high structure was the tallest yet announced in Kentucky and *taller than any in Indiana* or Tennessee. However, is seems the neighboring Hoosier State has been slighted.

The Indiana National Tower, now nearing completion in Indianapolis, rises 504 feet, according to John R. Walsh, vice president of the bank. Therefore, MCB editors now officially set the record straight. Anyway, both buildings, the nearly finished Indiana National and the planned First of Louisville, will be splendid additions to the skylines of their respective cities. Then, too, they are far enough away from each other that it will be almost impossible to tell which is taller.

Citizens Fidelity Names Stanley to Correspondent Dept.


STANLEY

LOUISVILLE—Craig W. Stanley has been assigned to the correspondent bank department at Citizens Fidelity. Mr. Stanley, an assistant cashier, had been in the BankAmericard department the past three years.

Mr. Stanley has been in the financial field for 20 years. He attended the University of Cincinnati.

Morris Smith Named President at Citizens State, Owensboro

OWENSBORO—Morris R. Smith has been advanced from vice president and cashier to president of Citizens State. Mr. Smith, who also was elected a director, has been with the bank since 1965. He succeeded the late Joseph P. Joyce.


SMITH

Also promoted were Robert P. Zachary, vice president, to senior vice president and Edward F. Johnson, assistant vice president, to vice president and cashier. J. B. Phillips, who began his employment with Citizens State as a branch manager in 1964, has been elected vice president.

Corporate, Stockholders Dept. Created by Citizens Fidelity

LOUISVILLE—Citizens Fidelity has created a new department called corporate and stockholder relations. The new department will embrace corporate and industrial development, stockholder, public and press relations.

Henry V. Graves, vice president and former manager of marketing, will direct the new corporate and stockholder relations department. Vice President R. Gene Smith has replaced Mr. Graves as manager, marketing department. Mr. Smith previously had duties in the bank's BankAmericard and retail marketing areas.

Kentucky Deaths

JOSEPH P. JOYCE, 52, president of Citizens State, Owensboro. Mr. Joyce had been with the bank since 1955 and was elected president in 1966.

ROBERT H. HOBBS, 66, chairman, First National, Pikeville, after a long illness. Mr. Hobbs was founder and president of R. H. Hobbs Co.

Member Federal Reserve System, Federal Deposit Insurance Corporation

Tennessee News

'Best Ever' 80th TBA Convention Is Warned, Chided by Speakers

By JIM FABIAN
Associate Editor

MEMPHIS—Tennessee bankers were cautioned to protect their profession from crippling federal legislation and were chided by the president of the Memphis Area Chamber of Commerce for their seemingly contradictory positions on easy credit and tight money, while thoroughly enjoying themselves at what many said was the best convention in TBA's 80-year history.

The convention was held May 17-20 at the Holiday Inn Rivermont located on the bluffs overlooking the Mississippi River. The almost-new hotel played host to its first TBA convention in a manner that seemed to satisfy all conventioneers.

John W. Holton, ABA senior deputy manager and federal legislative council, was forthright in his review of federal legislative measures currently being considered in Washington. He touched on the Fair Credit Reporting Act, commenting that it could force banks to furnish unsuccessful loan applicants with the source the bank used to obtain credit information on the applicant—an extremely sticky business. He predicted the end of the practice of banks sending unsolicited credit cards and assailed the "laundry list" provision of the One-Bank Holding Company bill, which, he said, was aimed at the heart of all banking, not merely one-bank holding companies.

George Houston, president of the Memphis Area Chamber of Commerce, gave conventioneers a warm welcome to Memphis, but suggested that they do something to convince the public that banking is not a two-faced profession, one that encourages easy credit with charge cards while at the same time appearing to ration credit with high interest rates and tight money conditions.

Edward L. Palmer, chairman of the executive committee of First National City Bank, New York, spoke on "Creeping Controlitis." He commented that many business firms are not curtailing their operations because they don't really believe a recession is imminent. They have found ways to raise capital by circumventing banks and are finding that it costs more to slow down than it does to maintain normal operations.

New TBA Officers. Elected to lead TBA for the coming year were W. C. Adams, president, Bank of Maryville, TBA president; D. R. Nunn, president, Bank of Halls, executive council chairman; Joe LaPorte Jr., president, Citizens Bank, Elizabethton, vice president for eastern Tennessee; Jack O. Weatherford, chairman, Murfreesboro Bank, vice president for middle Tennessee; and Robert W. Conley, executive vice president and cashier, Bank of Alamo, vice president for western Tennessee.

New executive council members include J. P. Douglas Jr., senior vice president and manager, Peoples State,

TOP PHOTO: Enjoying convention were (from l.) James C. Merkle, pres., and Joe B. Rives Jr., v.p., both of Union Planters Nat'l, Memphis, and C. B. Harrison, ch., Farmers-Peoples, Milan. 2ND FROM TOP: Hearty smiles belong to (from l.) Creed Daniel, Union County Bank, Maynardville; Jake F. Butcher, ch., 1st Nat'l of Anderson County, Lake City; Cecil H. Butcher Jr., ch., Union County, Maynardville; and Tenn. Sen. Brown Ayres, Knoxville. 3RD FROM TOP: Posing at pirate party hosted by Memphis Bank were Mrs. Scott Fillebrown Jr.; Mr. Fillebrown, pres., 1st American Nat'l, Nashville; and Lynn Hobson, a.v.p., Memphis Bank. BOTTOM: Early risers for breakfast were (from l.) Mrs. Grover C. Graves; Mr. Graves, ch., Sweetwater Valley Bank; Mrs. Ernest C. Newton; Mr. Newton, pres., Park Nat'l, Knoxville; and Paul R. Cobble, v.p., Hamilton Nat'l, Chattanooga.

NEW TBA OFFICERS include (from l.) Joe LaPorte Jr., pres., Citizens Bank, Elizabethton, v.p. for eastern Tenn.; Jack O. Weatherford, ch., Murfreesboro Bank, v.p. for middle Tenn.; D. R. Nunn, pres., Bank of Halls, exec. council ch.; W. C. Adams, pres., Bank of Maryville, TBA pres.; and Robert W. Conley, exec. v.p., & cash., Bank of Alamo, v.p. for west Tenn.

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We hope you will decide to let us collect your checks in the bathtub, too. Or in the shower. Whichever you prefer. It is only one of many services we can share with you.

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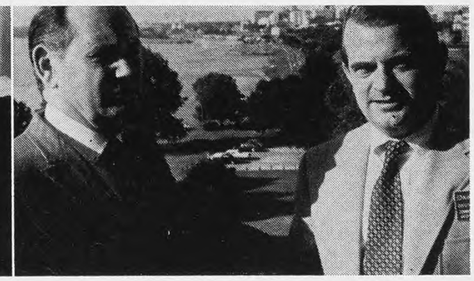

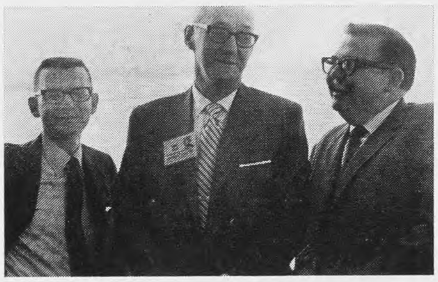

HOTEL BALCONIES were popular gathering spots during TBA convention. Upper l. photo (from l.)—W. L. (Bill) Killebrew, v.p., 3rd Nat'l, Nashville; Mrs. Dorothy Moss, wife of outgoing TBA Pres. Chase Moss, exec. v.p., same bank; Mrs. Robert Lane; and Robert Lane, pres., Citizens Union, Rogersville. Above —Mrs. D. V. Proctor Jr.; William H. Thomas, a.v.p., and Clyde N. Tate, sr. v.p., both of Central Bank, Birmingham, Ala.; and D. V. Proctor Jr., v.p., Commerce Union, Nashville. Upper r.—Riley C. Thomas, ch. & pres., Sunbright Bank, and Edward G. Nelson, exec. v.p., Commerce Union, Nashville. Lower l.—John E. York Jr., pres., Bank of Friendship; James D. Dillon, sr. v.p., 1st American Nat'l, Nashville; and Stallings Lipford, exec. v.p., 1st Citizens Nat'l, Dyersburg. Lower r.—Dewey Jones, v.p., Brownsville Bank; Charles M. Ozier Jr., v.p., Nat'l Bank of Commerce, Memphis; Stallings Lipford, exec. v.p., 1st Citizens Nat'l, Dyersburg; and M. R. Forrester, pres., Bank of Yorkville.

Millington; Virgil H. Moore Jr., president, First Farmers & Merchants National, Columbia; and John L. Wright, president, American National, Chattanooga.

New officers for the state bank section are Walter G. Birdwell Jr., executive vice president and cashier, Citizens Bank, Carthage, chairman; and Jack E. Veazey, president, First Trust & Savings, Paris, vice chairman.

The Federal Reserve Section was renamed the National Bank Section by means of a bylaw change. Its new officers are W. E. Terry, vice chairman and senior trust officer, First National, Jackson, chairman; and George A. Morgan, president, First National, Greeneville, vice chairman.

ABA Meeting. William M. Johnson, Tennessee ABA vice president, and president, First National, Sparta, reported on ABA activities for the past year. Elected to a two-year term on the ABA executive committee was Hugh Lewis, president, Bank of Crockett, Bells. H. B. Roney, president, City Bank, McMinnville, was elected to serve on the ABA nominating committee, and M. D. Crabtree, president, Lincoln County Bank, Fayetteville, was named as alternate.

Resolutions. The report of the resolutions committee included an endorsement of Joe H. Davis, executive vice president, First National, Memphis, as candidate for ABA treasurer for the 1971-73 term. Superintendent of Banks Marvin A. Bryan was the subject of a resolution commending his work. The committee also obtained approval of a plan to submit a standing list of five candidates for superintendent of banks to the state governor for use in case of a vacancy in the superintendent's post. According to state statute, TBA must furnish the governor with names of possible candidates to fill the office of superintendent of banks.

Other Activities. A report on the Junior Bankers Section was given by Billy M. Wheeler, executive vice president, Selmer Bank, immediate past president of the section. W. C. Adams, outgoing chairman of the TBA executive council, and president, Bank of Maryville, reported on the activities of the council during the past year. He noted that the 1971 convention will not be held in conjunction with an ocean cruise, as was previously planned. The cruise was postponed due to next year's anticipated busy legislative session in Nashville. Dr. Andrew Holt, president, University of Tennessee, Knoxville, addressed the convention on moral values. At the close of his talk outgoing president Chase Moss presented Dr. Holt with a $14,000 check from TBA for use in promoting banking education at the university.

Speakers at the Federal Reserve Section meeting included Eugene Leonard, senior vice president and manager, Memphis Branch, Federal Reserve Bank of St. Louis, and Kenneth W. Leaf, newly installed as regional administrator of national banks, Memphis. James W. Thompson, supervising examiner for the FDIC's Memphis district, addressed the State Bank Division meeting, held concurrently with the Federal Reserve Section meeting. • •

■ HAMILTON NATIONAL, Chattanooga, has named Sidney T. Parrott and Eric C. Cole data processing officers and Edward D. Warwick assistant trust investment officer.

■ RAYMOND B. VEASEY JR. has joined Dayton Bank as executive vice president and cashier. Mr. Veasey was formerly a vice president at First National, Dalton, Ga.

50-YEAR CLUBBERS pose at breakfast meeting. Standing, from l., are Roy Cox, exec. v.p. & cash., Bank of Sevierville; R. J. Howard, exec. v.p., Farmers State, Mountain City (holding membership certificate awarded at meeting); Walter J. Diehl, hon. ch., 3rd Nat'l, Nashville; G. C. Graves, ch., Sweetwater Valley Bank; and R. M. McKay Sr., v.-ch., Middle Tennessee Bank, Columbia. Seated, from l., are C. H. Harrison, ch., Farmers-Peoples, Milan; Miss Manye Hammock, pres., & cash., Bank of Hartsville; Mrs. Cox; and Mrs. McKay.

Behind every good man, there are other good men at First American.

HARRY DILLON
Vice President

JIM SMITH
Vice President

LARRY VICKERS
Assistant Cashier

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Alabama News

LeMaistre New ALaBA President; Mary George Waite, 1st V. P.

By RALPH B. COX, Editor & Publisher

MOBILE—Tuscaloosa banker George A. LeMaistre was elected president of the Alabama Bankers Association at the close of its convention in this city last month. Mr. LeMaistre, who is president of the City National, succeeded C. Logan Taylor, chairman of First State of Oxford.

Alabama bankers also moved closer to scoring a "first" in that Mary George Waite, president of Farmers & Merchants of Centre, is scheduled to become AlaBA president in 1971. Mrs. Waite, who advanced from second to first vice president, will become the first woman to head a state banking association.

Alabama's new second vice president is Harold O. Glass, president, Bank of Thomasville. Howard J. Morris was reelected executive vice president; and Mrs. Sue Evers was reelected secretary-treasurer.

ABA Officers. In other official action, Alabama bankers elected Roger Jones, president of Selma National, to the 1970 ABA Nominating Committee. Robert S. Bacon, president of First National, Mobile, was selected as alternate member; and L. Y. Dean III, president of Eufaula Bank, was named to the ABA Executive Council.

President's Address. Retiring AlaBA President C. Logan Taylor, in his talk, discussed the many changes that are taking place in the banking industry and the need to adjust to and develop ways of meeting these changes.

One of the real challenges to all bankers, he said, is the need to plan today for the bank staff of the future. "I fear that 90% of us," he said, "are not training the numbers of men and women who will be permanent staff members to properly do the job in the days ahead. A real weakness in banking," said Mr. Taylor "is the shortage of well-trained men and women who look on banking as a profession, requiring much thought, much reading and a 24-hour-per-day dedication."

Mr. Taylor also pointed to the changes in federal tax laws that ultimately will reduce reserves for bad debts to .6%. This action, he said, will weaken the banking industry in the United States and at the same time increase taxes.

Truth-in-Lending legislation also has increased our costs, slowed our activity and hasn't helped anyone, said Mr. Taylor. "This is change forced upon us, but we must live with it."

Mr. Taylor also speculated on the future of banking in Alabama, suggesting that in the '70s "We may be forced to live with statewide branching and possibly multi-bank holding companies. Good or bad," he said, "this is change and a challenge."

Mr. Taylor strongly recommended to Alabama bankers that they take a keen interest in state legislation. We must know our legislators, he said, and the effect of various types of legislation upon banking. If bankers do not accept this challenge, he warned, they are failing in their responsibilities to their banks, their customers and their communities.

Legislative Report. In a report of the state legislation committee, George S. Shirley, executive vice president, First National, Tuscaloosa, echoed Mr. Taylor's concern for banker participation in the legislative field. He reminded bankers that the AlaBA's legislative policy drawn in 1965 can be a most useful tool if bankers in the state will use it.

Mr. Shirley then outlined the policy, which, he said, "Is short and to the point.

TOP—Convention speaker Ashton Albert, v.p., Trust Co. of Georgia, Atlanta; AlaBA President Logan Taylor, ch., 1st State, Oxford; speaker Dr. Jerry Rosenberg, author.

CENTER—Speaker Somers H. White, Arizona state senator; and Convention Chairman Dwain G. Luce, exec. v.p., 1st Nat'l, Mobile.

BOTTOM—Mrs. LeMaistre; incoming AlaBA President George A. LeMaistre, pres., City Nat'l, Tuscaloosa; Frank Plummer, pres., 1st Nat'l, Montgomery; Mrs. Plummer.

ALABAMA OFFICERS for 1970-71—President George A. LeMaistre, pres., City Nat'l, Tuscaloosa; Vice President Mary George Waite, ch. & pres., Farmers & Merchants, Centre; 2nd Vice President Harold O. Glass, pres., Bank of Thomasville; Executive Vice President Howard J. Morris; and Secretary-Treasurer Mrs. Sue Evers.

LEFT—James Andress, v.p., 1st Nat'l, Mobile; Dick Pennington, v.p., Com'l Guaranty, Mobile; J. F. Nettles, sr. v.p., Peterman State. NEXT—Joe Jolly, Hugo Marx, Birmingham; C. G. Jeffrey, pres., 1st Bank, Linden; Paul Angell, Protective Life, Birmingham. NEXT—Chuck Allen, Exchange Security, Birmingham; Mrs. Wilder; Robert Wilder, pres., Bank of Dadeville; Sam Malone, v.p., Exchange Security, Birmingham. FAR RIGHT—Ray Bolden, Bank of Atmore; Jack Crigger, v.p., American Nat'l, Chattanooga; Henry Schaub, v.p., Merchants, Mobile.

LEFT—Mrs. Barrett; J. M. Barrett, pres., 1st Nat'l, Wetumpka; Mrs. Gilmore; Harry Gilmore, v.p., 1st Nat'l, Montgomery. CENTER—Charles Edwards, pres., Shoals Nat'l, Florence; John Woods, pres., 1st Nat'l, Birmingham; Wallace Hill, pres., Citizens Bank, Selma; J. Van Henagan, a.v.p., 1st Nat'l, Birmingham. RIGHT—Joe Tome, Robinson, Humphrey, Atlanta; Bill Akridge, sr. v.p., 1st Nat'l, Mobile; Mrs. Akridge; Andrew Brennan, Irving Trust, New York; Mrs. Bowes; Fred Bowes, 1st Nat'l, Chicago.

LEFT—E. E. Talbert, sr. v.p., Deposit Nat'l, Pritchard; Logan Taylor, ch., 1st State, Oxford; Everett Phillips, sr. v.p., Central Bank, Birmingham. NEXT—John Neill, pres., Union Bank, Montgomery; David LaCroix, Continental Bank, Chicago. NEXT—Guy Caffey, pres., Birmingham Trust; T. J. Lindsey, v.p., Citizens Bank, Fayette; W. T. Cothran, ch., Birmingham Trust. FAR RIGHT—John Wright, pres., American Nat'l, Chattanooga; Obie Jones, NYTCO, Albany, Ga.; William Willford, NYTCO, Atlanta.

"The Alabama Bankers Association strongly believes that it has the right and the duty to encourage banker participation in public affairs. In the field of legislation, it believes that bankers cannot afford to be passive but must diligently study the basic issues and express informed views to their elected representatives in both the Congress and the state legislature.

"In federal legislation, AlaBA relies on the ABA for research and guidance. In the main, it will offer full cooperation to ABA requests for assistance. It will, however, reserve the right of independent position in all issues.

"In state legislation, AlaBA policy is to research and inform the bankers of the state so they, in turn, may contact their legislators with well-informed opinions on issues at hand.

"AlaBA will not conduct a lobby by soliciting the several legislators' votes directly, but will depend on bankers acting in the proper function of the democratic process to make their views known to their own elected representatives.

"In order to keep its membership properly informed on legislative circumstances and prospects, AlaBA will cause one of its staff to mingle with the legislators during the sessions of the legislature and during off duty hours. Only such entertaining will be conducted as is necessarily incident to this function.

"On request, the knowledge and research ability of the association staff in the general area of banking and finance will be made available to any legislator regardless of whether the request concerns a bill in which AlaBA has interest."

This policy, said Mr. Shirley, has been in effect with AlaBA since November 16, 1965. Through this policy, he said, bankers can make known their views to their elected representative. This is a proper function in our democratic process, he said, and AlaBA, as well as individual bankers, cannot be criticized for improper action.

Sales Objectives. Atlanta banker Ashton J. Albert spoke to bankers regarding sales ideas they can implement in their own banks. Mr. Albert, who is a vice president of the Trust Company of Georgia, offered the following broad outline as proper sales objectives for any bank:

1. Make present customers feel more at home with your bank; treat customers as honored guests.
2. Attract new customers through new services.
3. Improve the image of your bank in your community.
4. Help your community grow, develop and prosper.
5. Make banking more enjoyable for your customers.
6. Offer more financial services to present customers. At the same time, ask yourself: Do present customers know about auto financing, trust services, safe deposit boxes and all the other services that your bank offers?

Resolutions. Among resolutions adopted at the convention was one *encouraging* all banks to close on Saturday and another *encouraging* all non-par banks to adopt par clearance. • •

Mississippi News

MBA Will Sponsor New Schools; Davis Is Elected President

TOP—Donald E. Sutter, exec. v.p., Hancock Bank, Gulfport, presents an "oyster bib" to Kenneth Murray, v.p., Chase Manhattan, New York. Mrs. Murray and Buddy Hutchins, v.p., Hancock Bank, look on.

CENTER—Retiring MBA President C. E. Morgan Jr., Kosciusko; and convention speaker, Darryl R. Francis, pres., Federal Reserve, St. Louis.

BOTTOM—Mrs. Tullos; John Tullos, exec. v.p., 1st Nat'l, Jackson; and Mrs. Mary Anne Day, whose husband is a vice president of 1st Nat'l, Jackson.

By RALPH B. COX, Editor & Publisher

BILOXI—Mississippi bankers held their 82nd annual convention here last month and at their final business session elected as their new president, Sidney D. Davis, president, Peoples Bank, Mendenhall. He succeeded Clarence E. Morgan Jr. of Kosciusko.

The association's vice presidency went to Crawford S. McGivaren, president, Bank of Clarksdale; and the treasurer's post to J. C. Whitehead Jr., president, Bank of Mississippi, Tupelo.

MBA members also named three new members to their executive commmittee: W. E. Howard Jr., president, Commercial National, Laurel; Ben R. Lampton, president, First National, Jackson; and Greg Breland, president, State Bank, Collins.

Mr. Davis, the incoming president, was named to the 1970 nominating committee of the ABA, and Mr. McGivaren, incoming vice president, was selected as alternate. Liddon McPeters, president, Security Bank, Corinth, was named to a two-year term on the ABA executive council.

Executive Committee Report. Mr. Davis, in presenting a report of this committee to the membership, pointed out that Mississippi again has the distinction of 100% membership in the American Bankers Association. This record, he said, has been maintained for a number of years.

Mr. Davis also announced two new banking schools to be sponsored by the MBA. One is the Mississippi School of Banking, to convene this year, June 21-26, at the University of Mississippi in Oxford. The other: the Summer Institute for Women in Banking, which will open in 1971 on the campus of Mississippi State College for Women at Columbus.

The Mississippi School of Banking will be a co-educational school and will teach banking basics to young people in banking. The course will consist of one-week sessions for two summers.

Dr. J. Van Fenstermaker, who occupies the chair of banking at the University of Mississippi, heads the new school.

The Summer Institute for Women will offer one-week sessions, over two summers, and will offer banking fundamentals to women students only.

In his executive committee report, Mr. Davis also restated the association's opposition to the one-bank holding company bill (HR 6778) in its present form. The bill, as passed by the House, would limit bank activities in such fields as insurance, leasing, data processing and travel service.

Mr. Davis said that the one-bank holding company should be regulated appropriately by federal agencies, that restricted activities should not be delineated by law and that activities in which one-bank holding companies are allowed to be engaged should be financial in nature or functionally related to banking or finance.

Mr. Davis reminded MBA members that their association had contributed $5,000 to the "We Care" fund, which was initiated by the Mississippi Broadcasters Association following Hurricane Camille. The money collected, he said, was used to assist the communities affected by the hurricane.

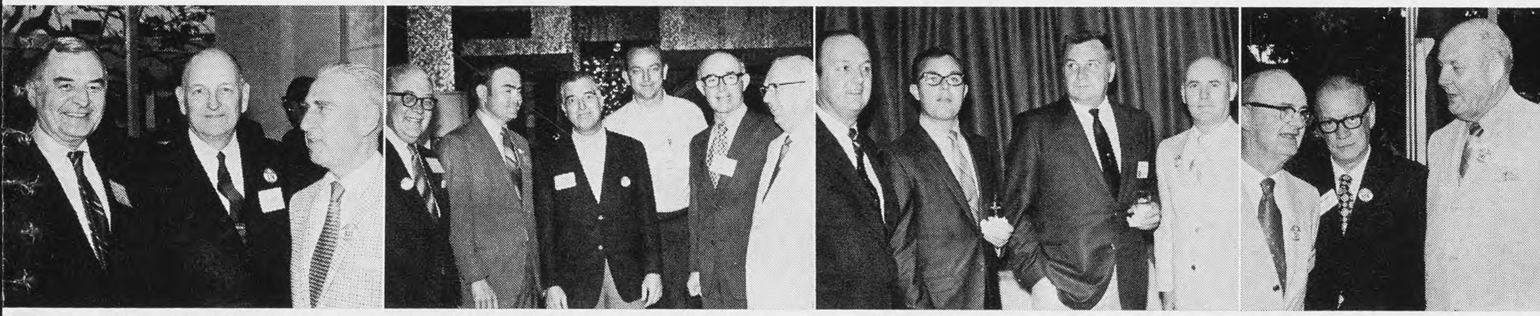
Featured Speakers. Among featured speakers at the convention were Darryl R. Francis, president of the Federal Reserve Bank of St. Louis, and Clifford C. Sommer, vice president of the American Bankers Association and president, Security Bank, Owatonna, Minn.

A full report on Mr. Francis' talk appears in the feature section of this issue.

Mr. Sommer presented a discussion of the one-bank holding company bill and recommended to bankers that they protest to their representatives the present form of HR 6778.

"Far too many bankers," he said,

MISSISSIPPI OFFICERS FOR 1970-71—MBA President Sidney D. Davis, pres., Peoples Bank, Mendenhall; Vice President C. S. McGivaren, pres., Bank of Clarksdale; and Treasurer J. C. Whitehead Jr., pres., Bank of Mississippi, Tupelo.



LEFT—John Pisarkiewicz, v.p., Mercantile Tr., St. Louis; Russ M. Johnson, ch., Deposit Guaranty, Jackson; S. C. Caldwell, pres., Bank of Hazlehurst. NEXT—Dick Chotard, pres., and Wayne Freeman, a.v.p., 1st Columbus Nat'l; Alan Bodet, v.p., Deposit Guaranty, Jackson; John Rial, sr. v.p., and J. C. Whitehead, pres., Bank of Mississippi, Tupelo; Milton Zeller, v.p., Nat'l American, New Orleans. NEXT—Donald Nalty, v.p., Hibernia, New Orleans; John Wells, a.c., and Harry Cook, a.v.p., 1st Mississippi Nat'l, Biloxi; Charles Mayfield, sr. v.p., Hibernia, New Orleans. FAR RIGHT—Charles Arrington, 1st v.p., and Hamp Jones, sr. v.p., Deposit Guaranty, Jackson; Dooley Dawson, v.p., Bank of Southwest, Houston.

LEFT—Millard Wagnon, v.p., Bank of New Orleans; Max Allen, pres., Mississippi Bank, Jackson; Herbert Thompson, exec. v.p., Com'l Nat'l, Laurel. NEXT—Walter Ireland, v.p., 1st Nat'l, Memphis; T. J. Prince, cash., Bank of Macon; Mrs. Prince; Joe Davis, exec. v.p., 1st Nat'l, Memphis; Mrs. Ireland. NEXT—Jim Newman, v.p., Union Planters, Memphis; C. P. Fortner, sr. v.p., Bank of Eupora; R. E. Kennington II, pres., Grenada Bank. FAR RIGHT—Herb Wilmesherr, pres., 1st Nat'l, McComb; John Jensen, Continental Bank, Chicago; D. D. Patty, exec. v.p., Merchants & Farmers, Columbus; Mrs. Jensen.

"believe that HR 6778 is a narrow bill that will affect only one-bank holding companies." He continued by saying that Dr. Arthur Burns (chairman, Federal Reserve Board), in testimony on this bill before the Senate Banking and Currency Committee, said: "If banks . . . are to be prohibited from offering service simply because it might compete with a non-bank business, we can expect a stagnant banking system and, perhaps also, a drag on the economy."

Many bankers, said Mr. Sommer, do not see the importance of banks retaining the freedom to expand into functionally related areas. The key to the issue is quite simple, he said. Former FDIC Chairman K. A. Randall put his finger on it with a single question: "Will banks be forced to stop growing?"

Retiring MBA President Clarence Morgan Jr. presented a report to bankers that was concerned with the economic growth of the state of Mississippi. "We must," he said, "develop a long-range view for the economy of this state."

The real problems of Mississippi, he said, are poverty and ignorance. Mississippi, in spite of recent growth, said Mr. Morgan, is still the poorest state in the nation with the lowest per capita and family income.

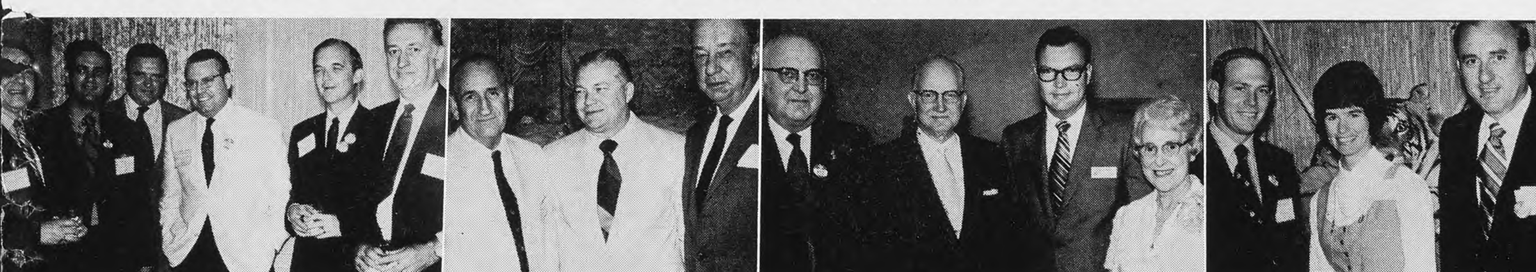
"We are a capital-deficit area," Mr. Morgan continued. "This is not because our people are less intelligent or less enterprising than other Americans. It is simply that they do not have the same chance.

"Not only must we develop an understanding of this, but we must select leadership which understands and is devoted to its correction. We must get money into Mississippi for use in the building of a commercial system and the education and training of our people, no matter what the source.

"About 35% of our people," he said, "support the other 65%. In this day of high costs this is an impractical situation. We must prepare every citizen to carry his share of the load."

Mr. Morgan stated that the state needs an "economic revolution."

"I have come to realize," he said, "how limited is the financial view of our people. They look to us (bankers) for leadership in this field. We must discharge our duty of leadership lest a void develop to be filled by men of less experience and less discernment. We must not be distracted by political and emotional issues from our real purpose, which is the development of a more affluent society. We must utilize our intelligence and our energy to this end." • •



LEFT—Dick Kaczmarek, a.c., Nat'l Bank of Detroit; John McIntosh, American Courier, New Orleans; John Bryan, a.v.p., Mississippi Bank, Jackson; Alex MacColl, a.v.p., Nat'l Bank of Detroit; Jim Pollard, v.p., 1st Nat'l, Mobile; John Butts, Lawrence Warehouse, New Orleans. NEXT—Morgan Whitney, sr. v.p., Whitney Nat'l, New Orleans; Bill Brannan, pres., 1st Nat'l, Canton; Dave Pointer, pres., State Bank of Como. NEXT—W. W. Rotchild, pres., and J. A. Bostick, ch., Bank of Benoit; John Robbins, v.p., NBC, Memphis; Mrs. Rotchild. FAR RIGHT—Al Garrett, a.c., NBC, New Orleans; Mrs. Garrett; Greg Breland, pres., State Bank, Collins.

Louisiana News

Willis Named LBA President; Oulliber Gets No. 2 Post

By RALPH B. COX

Editor and Publisher

NEW ORLEANS—Louisiana bankers held their 70th annual convention in this city last month, registering more than 1,200 delegates and their wives. At the conclusion of the convention, LBA members followed tradition in advancing their vice president, Pat F. Willis, to the president's post. Mr. Willis, who is president, American Bank, Opelousas, succeeded L. J. Hebert Jr., executive vice president, Lafourche National, Thibodaux.

The vice president's post went to New Orleans banker John A. Oulliber, chairman, National Bank of Commerce. The association's new treasurer is Parker C. Gabriel, vice president, Guaranty Bank, Amite.

LBA delegates also named two new members to their board of directors: Ed B. Noland Jr., vice president, Commercial National, Shreveport; and Marvin O. Ramsey, president, Sterlington Bank.

New ABA Officers. Association members elected two new members to the executive council of the American Bankers Association: W. P. Sevier Jr., president, Tallulah State; and Clayton Rutledge, vice president, Capital Bank, Baton Rouge.

The association's new president, Pat F. Willis, was named to the ABA nominating committee; and Mr. Oulliber, the new vice president, was named alternate member of that committee.

Once again it was announced at the convention that Louisiana had 100% membership in the ABA, with 301 banks as voting members.

President's Report. Retiring President L. J. Hebert Jr. in his report to LBA members, recited the accomplishments of various committees and the results of numerous educational conferences held during the year by the association.

One of the highlights of the year, he said, was the biennial visit to Washington, D. C., by the LBA board of directors and its federal affairs committee.

This group visited with congressional representatives and various bank supervisory agencies, and the resulting exchange of viewpoints and information was and continues to be most beneficial to the association, said Mr. Hebert. Such an exchange, he said, provides closer ties with the Louisiana congressional delegation as well as with officers of the various banking agencies.

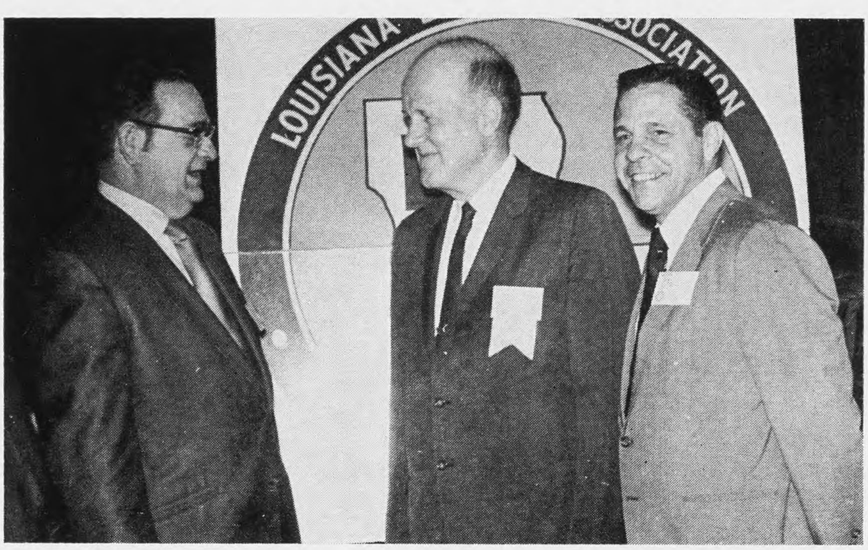
Mr. Hebert announced that the association had retained the firm of Gilsbar, Inc., as "broker-consultants" to the LBA employee benefits program. This firm, he said, will advise the association on the *best* insurance program possible.

Mr. Hebert also reported that a special building committee, appointed the year before, had been continued in his administrative year and that it was still seeking a new location for the association's headquarters office in Baton Rouge. No action has been taken to date, he said, although several new locations have been considered.

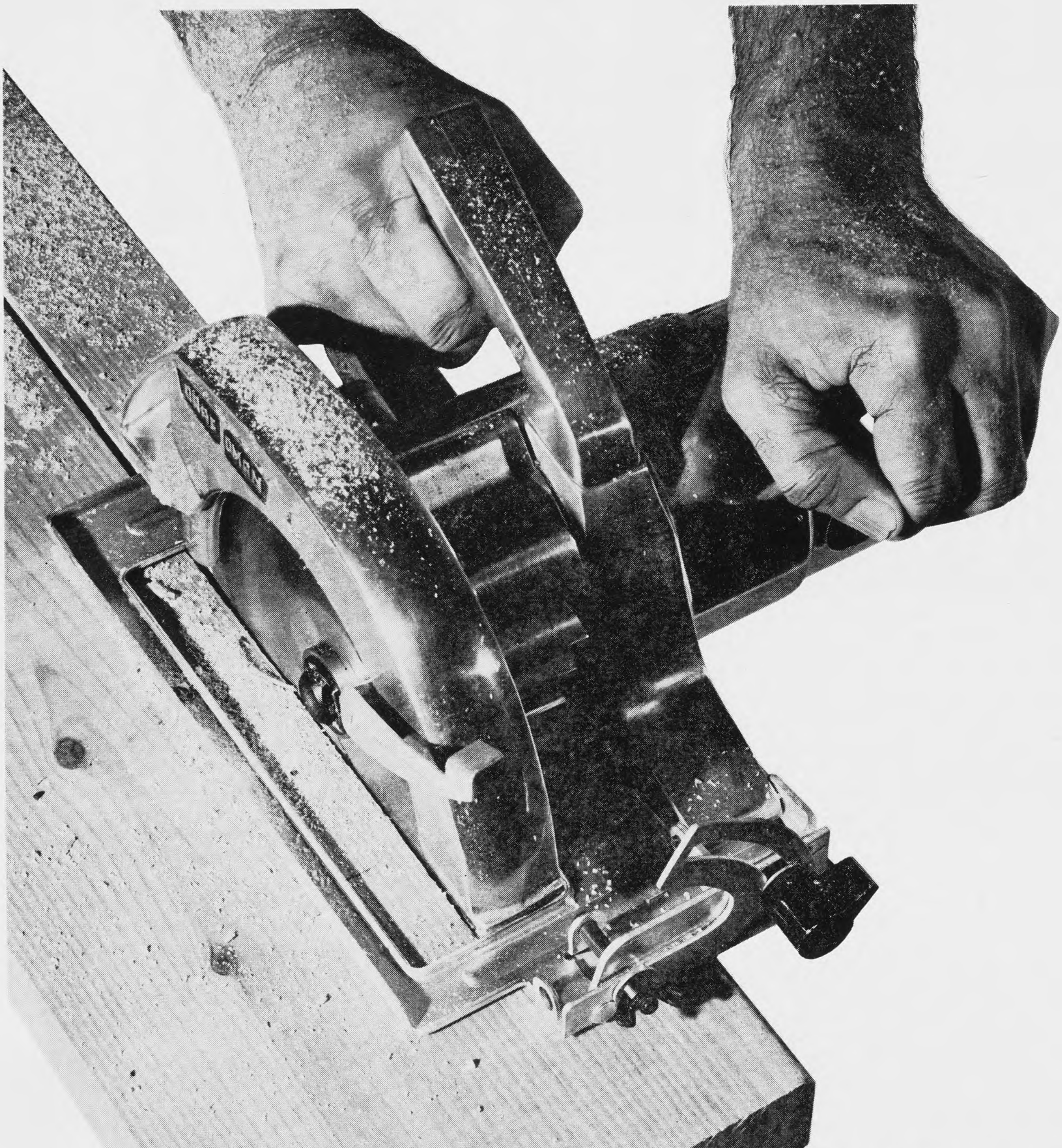
The coming year, he pointed out, will be a legislative year for the association and one of the bills that is to be considered will be a complete revision of the savings and loan code in the state. Mr. Hebert reported that the LBA had met with the Louisiana Savings & Loan League for briefings on the new code and that some differences of opinion had been worked out. Mr. Hebert reported that some changes in the code are still not acceptable to the LBA should they pass as now

1969-70 PRESIDENT OF LBA, L. J. Hebert Jr., visits with convention speaker, Clifford C. Sommer, ABA vice president, and pres., Security Bank, Owatonna, Minn. Mr. Hebert is exec. v.p., Lafourche Nat'l, Thibodaux.

NEW LBA BOARD MEMBERS: Ed B. Noland Jr., v.p., Commercial Nat'l, Shreveport; and Marvin O. Ramsey, pres., Sterlington Bank.



NEW OFFICERS OF LBA (left): President Pat F. Willis, pres., American Bank, Opelousas; Vice President John A. Oulliber, ch., Nat'l Bank of Commerce, New Orleans; Treasurer Parker C. Gabriel, v.p., Guaranty Bank, Amite.

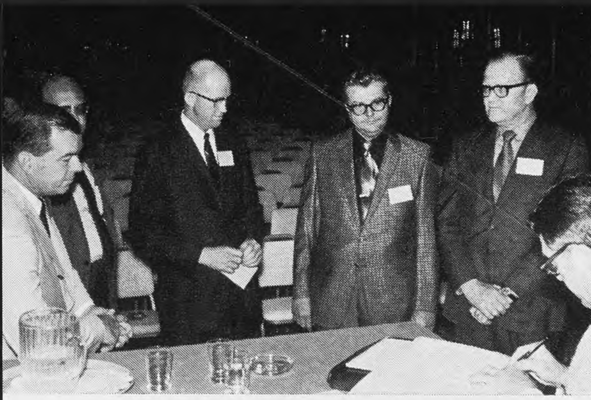
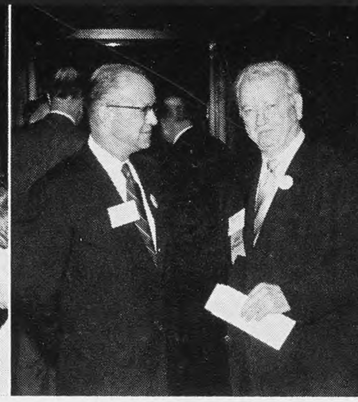
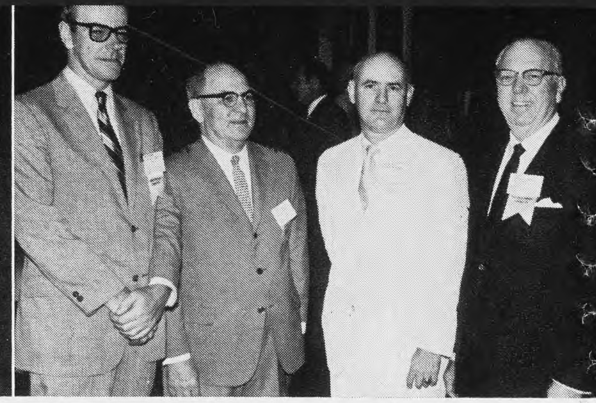


As the 70's rip along,
there's big money to be made
in the financing of construction
for sound real estate enterprises in
the Gulf-South. And we at NBC would
like to help you get your fair share of this
burgeoning industry. So, if you need help
with participations, or if you simply want some
professional advice, pick up the phone and give us a call.
We'll be glad to lend a hand.

THE NATIONAL BANK OF COMMERCE
IN NEW ORLEANS

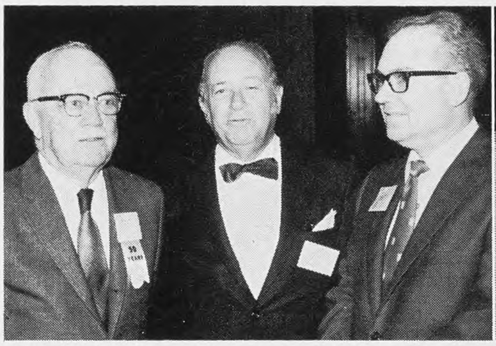
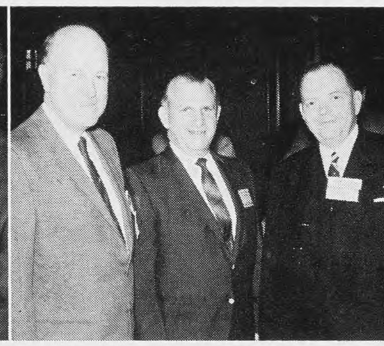
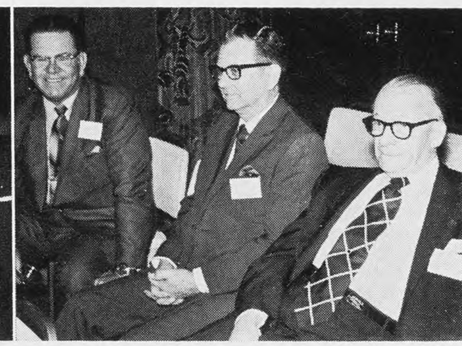
The Businessman's Bank of the Gulf-South

Member FDIC

LEFT—LBA nominating committee in a quick pre-meeting briefing session. CENTER—Clyde Hendrix Jr., pres., Hibernia Bank, New Orleans, who presented welcome address as president of New Orleans Clearing House; and W. Richard White, pres., First Nat'l, Gretna.

RIGHT—Four New Orleans convention committee chairmen: registration, Dan Neiswender, v.p., Hibernia Nat'l; general chairman, Pierre J. Laiche, a.v.p., Whitney Nat'l; golf, Charles Mayfield, sr. v.p., Hibernia Nat'l; and entertainment, Milton Zeller, v.p., Nat'l American.

LEFT—Weber Pope, Hibernia Nat'l, 50-year banker, retired; Jules F. Landry, ch., Capital Bank, Baton Rouge; and Evert L. Reed, exec. v.p., Bank of Commerce, St. Francisville. CENTER—John Oulliber, ch., NBC, New Orleans; Carl A. Wilson, Marbury Building, Ruston; and William A. Marbury Jr., pres., Ruston State. RIGHT—W. J. Ward, v.p., Texas Commerce, Houston; J. J. Cummings, pres., Bank of Sunset; and Robert Schaefer, pres., Merchants & Farmers, Leesville.

written into the revision. Member banks, he said, will be notified on the full contents of the code and the association's stand on proposed changes.

Legislative Report. Baton Rouge bankers Hermann Moyse Jr. (exec. v.p., City Nat'l) and William B. Gladney (v. ch., Fidelity Nat'l) reported to bankers on possible legislative problems that might come up during the current session, which started May 11.

Neither was aware of any detrimental legislation "at this time," as they put it. Mr. Gladney optimistically reported that he did not anticipate the introduction of a "no par" bill in this session. However, he admitted, sooner or later the LBA would have to design a bill that it could live with because he felt that a "no par" bill was inevitable at some time in the future.

Mr. Gladney did anticipate some changes in official holidays that would follow the national pattern of moving holidays to the Monday of the week in which they occur. These changes would be more or less routine, he said.

Chair of Banking. Dr. Don L. Woodland, who heads the LBA chair of banking at Louisiana State University, reported encouraging progress in the program. His current class numbers 45 students, largest in the four-year-old banking course, and a special banking seminar was offered for the first time this year, he reported.

Twenty-seven students worked in Louisiana banks last summer, he said, and 21 are scheduled for summer jobs in 1970.

Most encouraging, he said, was the fact that seven commercial banks interviewed students "on campus" this year. This type of activity points up the opportunities in banking and serves to stimulate participation in the program, he concluded.

ABA Vice President. Featured speaker of the convention, in addition to President Hebert, was Clifford C. Sommer, vice president of the American Bankers Association and president of Security Bank, Owatonna, Minn. A more detailed report of Mr. Sommer's talk is reported in the feature section of this issue.

Mr. Sommer advised that bankers must learn to live with the fact that bankers, as well as the banking industry, will always be subject to public criticism. "Like the man who wins high public office," he said, "this is simply the price we have to pay for the success of our industry and its resultant increased visibility."

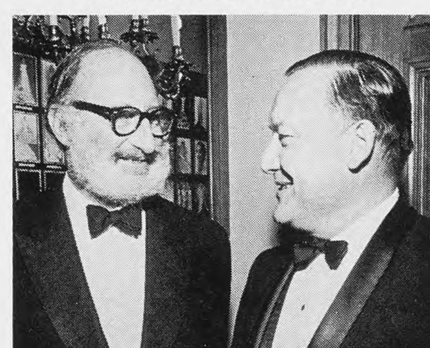
Recent criticism of banking, he said, indicated that the industry is being indicted on two counts:

1. The first is based on the banker's traditional role as middleman between those who make economic policy and the public. However, the growing economic sophistication of the American people, he said, seems to be taking some of the heat off banks in times of inflation or depression.

2. The second is banking's leadership role in the community. Despite the fact that bankers do play important roles in the communities, he said, the public either is not aware of the part that bankers play in local affairs or, in any case, they expect bankers to do more.

The ABA vice president concluded, "It seems that we haven't been too effective in communicating how much bankers are doing today (in the role of community affairs). • •

Poitevent Gets British Post



A. J. W. Hockenhull, left, consul general of Great Britain at Houston, congratulates Eads Poitevent, president and chief executive officer, International City Bank, New Orleans, after Mr. Poitevent's appointment by the British government as honorary consul for Louisiana. Lonnie Blanchard, vice president and cashier at ICB, has been named honorary vice consul for Louisiana to assist Mr. Poitevent in strengthening ties between Louisiana and Great Britain.

NBC Opens Ruston Center

National Bank of Commerce in New Orleans has opened a bankers' computer center in Ruston. James H. Jones, president and chief executive officer of NBC (left), and William A. Marbury Jr., president of Ruston State, complete the contract that makes Ruston State the first client of the center. With an IBM 360 Model 20 computer, the new center offers payroll processing, accounts receivable, inventory, billing and check reconciliation. The Ruston location is NBC's fourth computer center in the state.

Bond Club Elects Officers

The Women's Bond Club of New Orleans has elected the following 1970 officers: Mesdames Louise Rosenweisen, president, and Frances Hoffmann, vice president, both of Hibernia National, and Eunice Allen, treasurer, Bank of Louisiana.

■ METROPOLITAN BANK of Jefferson, Metairie, has named John A. Cacioppo and Paul Stropola Jr. assistant cashiers. Mr. Stropola has been with the bank since last year and Mr. Cacioppo joined Metropolitan last February.

■ JACKSON PARISH BANK, Jonesboro, has moved into a new building, which is located on the site of the former bank structure.

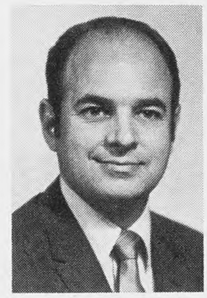
■ DAVID L. BUSSELL has been promoted to auditor of Shreveport Bank. He has held several posts since joining the bank in 1968.

■ BANK OF GRAND CANE has become a branch of First National, Mansfield. First National bought the Grand Cane bank last April. Allison Smith, president of Grand Cane, has been elected branch manager and a vice president of First National.

■ BANK OF JENA has named Huey Morris executive vice president. He had been vice president at American Bank, Monroe.

■ GULF NATIONAL, Lake Charles, has opened its new University Branch. Wayne Robideaux, assistant cashier, is branch manager.

Named to New Posts



BORDELON

WALKER

Morgan W. Walker, a director for more than 30 years, has been elected chairman of Guaranty Bank, Alexandria. Mr. Walker, chairman of Continental Southern Lines Division, Continental Trailways, and an owner of Walker Farms Dairy, succeeds J. W. Beasley, who retired. J. W. Beasley Jr. continues as vice chairman and A. R. Johnson III as president. Guaranty also has elected Donald L. Bordelon assistant vice president and director of personnel. Mr. Bordelon is a 1963 graduate of Louisiana State University with a bachelor of science degree in personnel management.

BNO to Become 1BHC Subsidiary

NEW ORLEANS—Shareholders of the Bank of New Orleans have approved plans that would make the bank a wholly owned subsidiary of its newly organized parent company and one-bank holding company, New Orleans Bancshares, Inc.

Arkansas News

Arkansas Bankers Increase Dues; Wilkinson Named to Presidency

By RALPH B. COX, Editor & Publisher

HOT SPRINGS—Arkansas bankers voted a 10% increase in their dues structure at their 80th annual convention last month. The increase was recommended by retiring Ark.BA President George R. Shankle and also by the resolutions committee.

Mr. Shankle, president of First National, Camden, pointed out in his presidential address that the association had not revised its dues since 1962 and that costs had risen by one third since then.

Various committee-sponsored programs, said Mr. Shankle, are covered by registration fees. These seminars, workshops and the convention itself are self supporting, but the day-to-day operation of the association must come from individual dues. Thus, to meet the objectives of the association in its major fields of action—administration, education, legislation, public relations and publications—the increase is needed, he counseled.

Mr. Shankle also reported on the results of a recent study made by the Ark.BA teller facilities committee. This study showed a discrepancy between teller window laws passed in 1935 and again in 1961. However, it was the consensus of the committee that teller windows established after 1961 should not have any greater banking powers than those organized under the 1935 law. (Arkansas teller windows are limited to deposit and withdrawal transactions.)

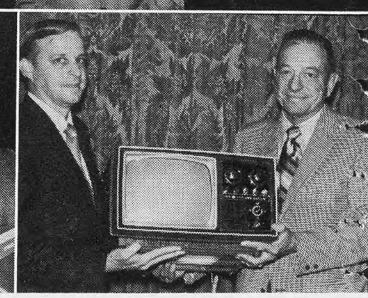
The committee affirmed that the state banking commissioner should enforce the law against violations of teller window banking limitations. In order to clarify the circumstances in which the commissioner would be compelled to take legal action, it was agreed that the law should be changed so that a written complaint would be enough to require action by the commissioner. The committee was unanimous in favor of this legislative change, said Mr. Shankle.

The committee also considered the subject of full-service branching. The following tabulation indicates the opinion of the committee on various aspects of branching.

1. Should full-service branching be allowed anywhere in Arkansas? (9 for, 3 against)
2. Should full-service branching be allowed in cities of 100,000 or more, confined to city limits? (10 for, 2 against)
3. Should full-service branching be allowed in cities of 75,000 or more, confined to city limits? (4 for, 8 against)
4. Should full-service branching be allowed in cities of 50,000 or more, confined to city limits? (4 for, 8 against)
5. Should full-service branching be allowed in cities of 25,000 or more, confined to city limits? (4 for, 8 against)

The committee was carefully balanced, Mr. Shankle reported, with members selected from various geographic areas, from national and state banks, and from large and small banks. The report will be distributed, he said, to the legislative committee and also to the banks of Arkansas for consideration and reaction.

New Officers. At the close of the convention, Mr. Shankle was succeeded



TOP—General Convention Chairman Thomas W. Stone, pres., Arkansas 1st Nat'l, Hot Springs; James M. Thompson, FDIC reg. dir., Memphis; George Shankle, ArkBA pres., and pres., 1st Nat'l, Camden; and Kenneth W. Leaf, reg. administrator of nat'l banks, Memphis.

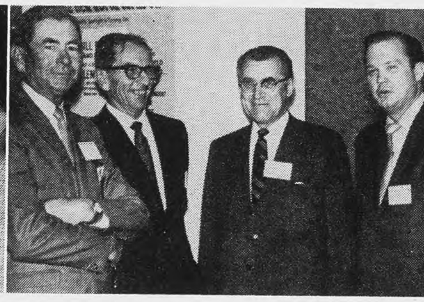
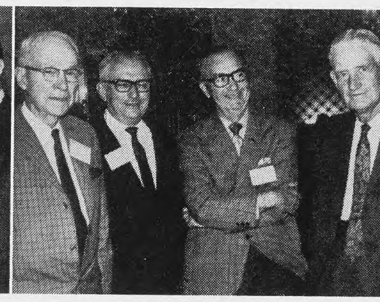
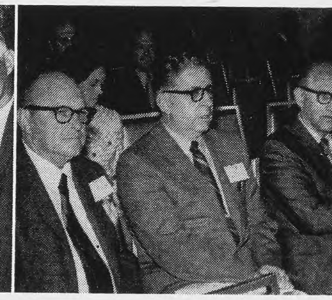
CENTER—Convention speaker Nat S. Rogers, pres., American Bankers Association, and pres., 1st City Nat'l, Houston; Cecil W. Cupp Jr., pres., Arkansas Bank, Hot Springs; and Arkansas Treasurer C. W. Harper, pres., 1st Nat'l, Conway.

BOTTOM—President of Junior Bankers Section, Leonard K. Dunn, a.v.p., Nat'l Bank of Commerce, Pine Bluff, presents his report to ArkBA. On the far right: John Ed Chambers, pres., Danville State, wins TV door prize. Presenting prize is D. E. McCoy Jr., pres., Grant County, Sheridan.

ARKANSAS OFFICERS for 1970-71—President Means Wilkinson, pres., Farmers Bank, Greenwood; 1st Vice President Donald W. Stone, v.p., Simmons 1st Nat'l, Pine Bluff; 2nd Vice President Finley Vinson, ch., 1st Nat'l, Little Rock; and Treasurer James C. Hobgood, pres., Merchants & Planters, Arkadelphia.




LEFT—Little Rock Clearing House reception shows William Rice, pres., 1st American, North Little Rock; Finley Vinson, ch., 1st Nat'l; Edward Penick, pres., Worthen Bank; Richard Butler, pres., Commercial Nat'l; and Mrs. Penick. NEXT—Tom Wilson, pres., 1st State, Conway; and Harold Neal, pres., Bank of Russellville. NEXT—James Hall, exec. v.p., 1st Nat'l, Trumann; and Charles F. Luter, pres., Tyronza Bank. FAR RIGHT—W. W. Shaver, v.p., Cross County Bank, Wynne; Will Weaver, dir., Malvern Nat'l; and Ray N. Boyle, pres., Bank of Malvern.

LEFT—Jerry Henshaw, dir.; Joe M. Steele, ch., and J. T. Bain, pres., all of 1st State, Springdale. NEXT—Elmer Ferguson, pres., and Julian Brown, sr. v.p., DeWitt Bank; Gene Tamillo, v.p., Continental Bank, Chicago; and Carl Benson, a.c., Bank of Southwest, Houston. NEXT—G. H. Sexton, retired, Arkansas Bank, Hot Springs; Doyle Jones, Stephens, Inc., Little Rock; Albert M. Hayes, ch., 1st Nat'l, Stuttgart; and Roy Leonard, Ark.LA Gas Co., Little Rock. FAR RIGHT—George Peck, pres., Commercial Nat'l, Texarkana; Robert Lawyer, exec. v.p., 1st Nat'l, Mountain Home; and Elmer Yancey, ch., 1st Security, Searcy.

in the presidency by Means Wilkinson, president, Farmers Bank, Greenwood. The post of first vice president went to Donald W. Stone, vice president, Simmons First National, Pine Bluff; and that of second vice president to Finley Vinson, chairman, First National, Little Rock. James C. Hobgood, president, Merchants & Farmers, Arkadelphia, was named treasurer.

Arkansas members of the American Bankers Association named Mr. Wilkinson as a member of the 1970 nomnating committee, with Mr. Stone to serve as alternate.

Resolution on Regulation Z. Arkansas bankers took a position on one phase of Regulation Z, which they urged be eliminated from the present law. This resolution pointed out that those portions of the law requiring disclosure on loans to farmers have caused unnecessary burdens to both individual farm customers and to the banking industry. The resolution recommended that Congress should take steps to eliminate these listed requirements from the law.

Featured Speakers. One of the convention's featured speakers was George W. Mitchell, a governor of the Federal Reserve System. Mr. Mitchell discussed the Fed's monetary policies presently being used to combat inflation.

Mr. Mitchell pointed out that present monetary restraint dates back to December, 1968. Although these policies became known to the banking industry in the first quarter of 1969, bankers were not convinced that the Fed really "meant business," he said, until the second quarter of 1969.

The governor admitted that present restrictive policies have had an adverse effect on the housing market and also on state and municipal bond issues.

Present policies also have had their desired effect on the economy, he said. Savings have increased from 5.3% in the first half of 1969 to 6.2% in the first quarter of 1970. Excess demand has been eliminated. Spending on new plant and equipment is being moderated. Prices have not been rolled back, he said, but price increases also have been moderated.

Governor Mitchell emphasized that the Fed is determined, at this point, to push on with its efforts to control the psychology of inflation.

J. P. Hammerschmidt, Arkansas representative from the Third District, spoke on several current pieces of legislation in Congress, as well as the subject of rural development.

A presidential task force last year, he said, studied many ways that rural America could be developed, including formation of a new credit bank. This would be a rural development credit bank, he said, which would provide rural areas with greater access to private capital. It would be structured into the Farm Credit Act and eventually would be completely owned by the users, although it would start out with government "seed money."

A featured speech by Nat S. Rogers, president of the American Bankers Association, and president of First City National, Houston, is reported on elsewhere in this issue. • •


PAST PRESIDENTS
of the Arkansas Bankers Association are pictured here on the occasion of a traditional pre-luncheon "social" hour. Immediate past president, George Shankle, is pictured on the left of the bottom photo.

Texas News

Frost Elected President of TBA; Lindemann Is Vice President

By HAROLD R. COLBERT, President

and LAWRENCE W. COLBERT, Associate Editor

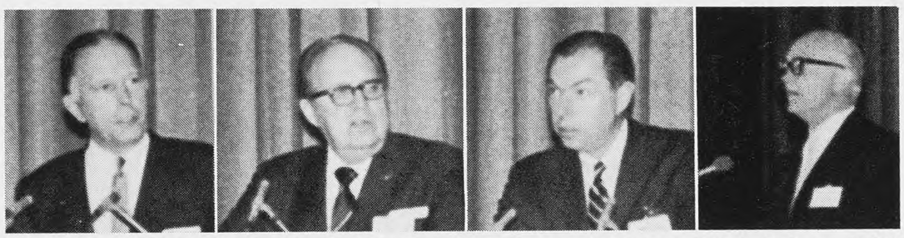
FORT WORTH—Tom C. Frost Jr., the fourth-generation member of the Frost family to head Frost National of San Antonio, was elected president of the Texas Bankers Association at its 86th annual convention in Fort Worth last month. He succeeds Derrell Henry, president of the American Bank of Commerce, Odessa, as TBA president.

Oscar C. Lindemann, president, Texas Bank, Dallas, was elected the association's vice president. J. B. Wheeler, president, Hale County State, Plainview, was named treasurer.

The new TBA president joined Frost National in 1950 upon graduation from Washington & Lee University. In 1962 he was named president. He also serves as chairman of the board of the Frost Realty Corp. and director of D. Ansley Co., Inc., Mortgage Bankers.

Mr. Lindemann, the new TBA vice president, joined Texas Bank in Dallas in 1951 after serving as instructor in banking and finance at the University of Texas from 1948 to 1951. He also has served on the teaching staffs of the Southwestern Graduate School of Banking at Southern Methodist University and the School of Banking of the South at Louisiana State University.

Mr. Wheeler, the new treasurer, has been associated with Hale County State since 1946 and its president since 1966. He served as president of the South Plains Bankers Association prior to the formation of District Eight of the TBA and in 1968 was chairman of the TBA's State Banking Division.



PRINCIPAL SPEAKERS. Speakers addressing the entire convention included (left to right) Allen P. Stults, trustee, Foundation for Full Service Banks, and ch., American Nat'l, Chicago; Wallace E. Johnson, vice ch., Holiday Inns, Inc., Memphis; Walter B. Wriston, ch., First Nat'l City Bank, New York City; and Preston Smith, Governor of Texas.

At meetings of the State and National Bank divisions of the association, new officers were elected as follows:

State Bank Division: Henry B. Clay, president, First Bank, Bryan, chairman; John M. Griffith Jr., president, Bank of Commerce, Fort Worth, vice chairman; Jeff E. Bell Jr., president, Portland State, secretary.

National Bank Division: Max A. Mandel, chairman, executive committee, Laredo National, chairman; Bookman Peters, president, City National, Bryan, vice chairman; William G. Fuller, president, Texarkana National, secretary.

Although attendance topped 1,600, the mammoth and magnificent Tarrant County Convention Center, which was used for business and entertainment events, made that many tall Texans appear like a group of Lilliputians in the acres and acres of spacious beauty comprising the new downtown Convention Center. The Convention Center Exhibit Hall, which housed the opening night "Carnival in Fort Worth," could easily have accommodated a three-ring circus as well. Those who tarried a bit long at the social hour and found themselves seated around the perimeter of the "dining hall" at the Monday night dinner should have brought opera glasses or, better still, field glasses for a good view of the head-table guests. The dining area makes the huge ballroom of the Sheraton-Fort Worth Hotel seem like a dinette by comparison.

Just as the staging was on the grandiose side, so was the program. A topflight lineup of speakers discussed a wide variety of topics that gave weight and balance to the program.

Outgoing President Henry, who maintained his record of always saying something new and worthwhile at every gathering of Texas bankers since he became president, did not disappoint his audience in Fort Worth.

He reviewed the accomplishments of his administration and touched on legislative problems and the problems

NEW TBA OFFICERS. Tom C. Frost Jr. (l.), pres., Frost Nat'l, San Antonio, was elected assn. pres. Oscar C. Lindemann (c.), pres., Texas Bank & Trust, Dallas, was elected assn. v.p., and J. B. Wheeler, pres., Hale County State, Plainview, assn. treas.

We're the people who know the people <u>your</u> customers need to know in Dallas and the Southwest.

Republic National Bank of Dallas

(A) John R. Bunten
Vice President

(B) Donald P. Flynn
Senior Vice President

(C) Richard H. Crosby
Vice President

(D) Joe Funk, Jr.
Banking Officer

(E) J. H. Baldwin, Jr.
Banking Officer

(F) Ronald Brown*
Vice President

(G) Jerry M. Smith
Vice President

(H) Bill R. Morrow
Vice President

(I) Robert B. Seal
Vice President

**Now Vice President of Republic's new London branch*

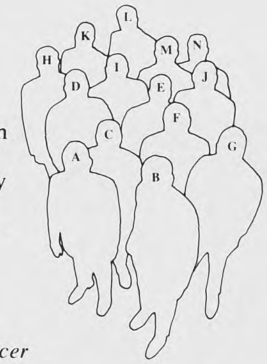
(J) Douglas L. Weedon
Vice President

(K) C. Norman Ramsey
Vice President

(L) Theron W. Brittain
Vice President

(M) William R. Sachs
Vice President

(N) Horace Little
Administrative Officer



NEW DIVISION OFFICERS. LEFT: Max A. Mandel (c.), ch. of the exec. comm., Laredo Nat'l, was elected chairman of the national bank division. Bookman Peters (r.), pres., City Nat'l, Bryan, was named vice ch., and William G. Fuller, pres., Texarkana Nat'l, was named secretary. RIGHT: Henry B. Clay (r.), pres., First Bank & Trust, Bryan, was elected chairman of the state bank division. John M. Griffith, Jr., pres., Bank of Commerce, Ft. Worth, was elected division vice ch. (not pictured), and Jeff Bell Jr (l.), pres., Portland State, was named division secretary. The new officers pose with outgoing ch., Eldon Bebee, pres., North Austin State.

of transition in banking affecting Texas bankers.

Texas Governor Preston Smith reviewed the changes taking place in the economy of Texas and the challenges that the state and its people face as Texas becomes more highly industrialized.

Nat S. Rogers, the transplanted Mississippian who became president of First City National, Houston, before becoming president of the ABA last October, talked on banking in transition. He alluded to such issues as bank holding companies, branching, regulatory structure, but chose to hammer home the point that bankers must be alert to developments that would substitute, in the place of the banker's discretion about the kind of loan he will make, a system for governmental directing of the flow of bank lending. He labeled inflation as the chief cause of governmental intervention in the types of lending that banks will be called upon to accommodate. "Clearly an impressive array of federal officials are of the opinion that the traditional freedom of banks and other lending institutions to allocate credit as they may consider wise or profitable or economically sound, within the broad confines of monetary policy, is not at present in the public interest.

"Should the present banking transition carry us radically toward a new system of directed or controlled credit allocations, the change would be tragic. It would involve a head-on collision with the philosophy of a private banking system. Let's determine as we go the price of any compromises we make," the ABA head declared.

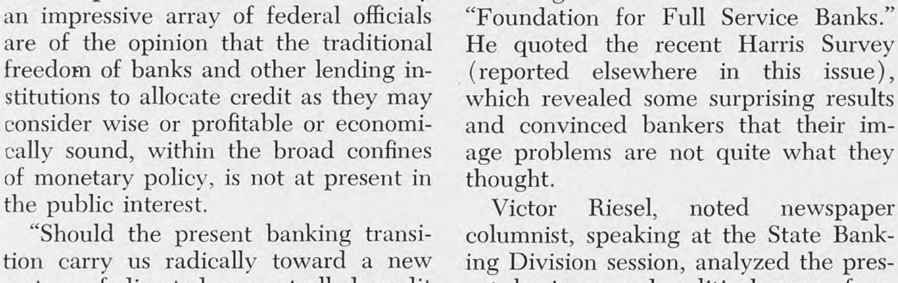
Donald E. Lasater, president, Mercantile Trust, St. Louis, in a well-documented talk before the National Bank Division, explained why the Mercantile Trust Co. of St. Louis became Mercantile Trust Co. National Association. The Mercantile is one of the nation's largest institutions to switch from a state to a national charter. The young bank president, with a legal as well as a banking background, traced the chronology of regulatory restrictions that convinced Mercantile to switch to a national charter. "I am fearful that we tend to get too embroiled in the stature of one regulatory agency as against another, or in the competitive position of a state bank as against a national bank or vice versa. We would be far better advised to concentrate our efforts as an industry, working to improve our industry and to counteract the continuing inroads that are being made by other companies engaged in one or more kinds of financial business which overlap some of our services," Mr. Lasater concluded.

Allen P. Stults, chairman of the board, American National, Chicago, trustee of the Foundation for Full Service Banks, and a candidate for vice president of the ABA, discussed the joint program "Banking Serves America" and the "Foundation for Full Service Banks." He quoted the recent Harris Survey (reported elsewhere in this issue), which revealed some surprising results and convinced bankers that their image problems are not quite what they thought.

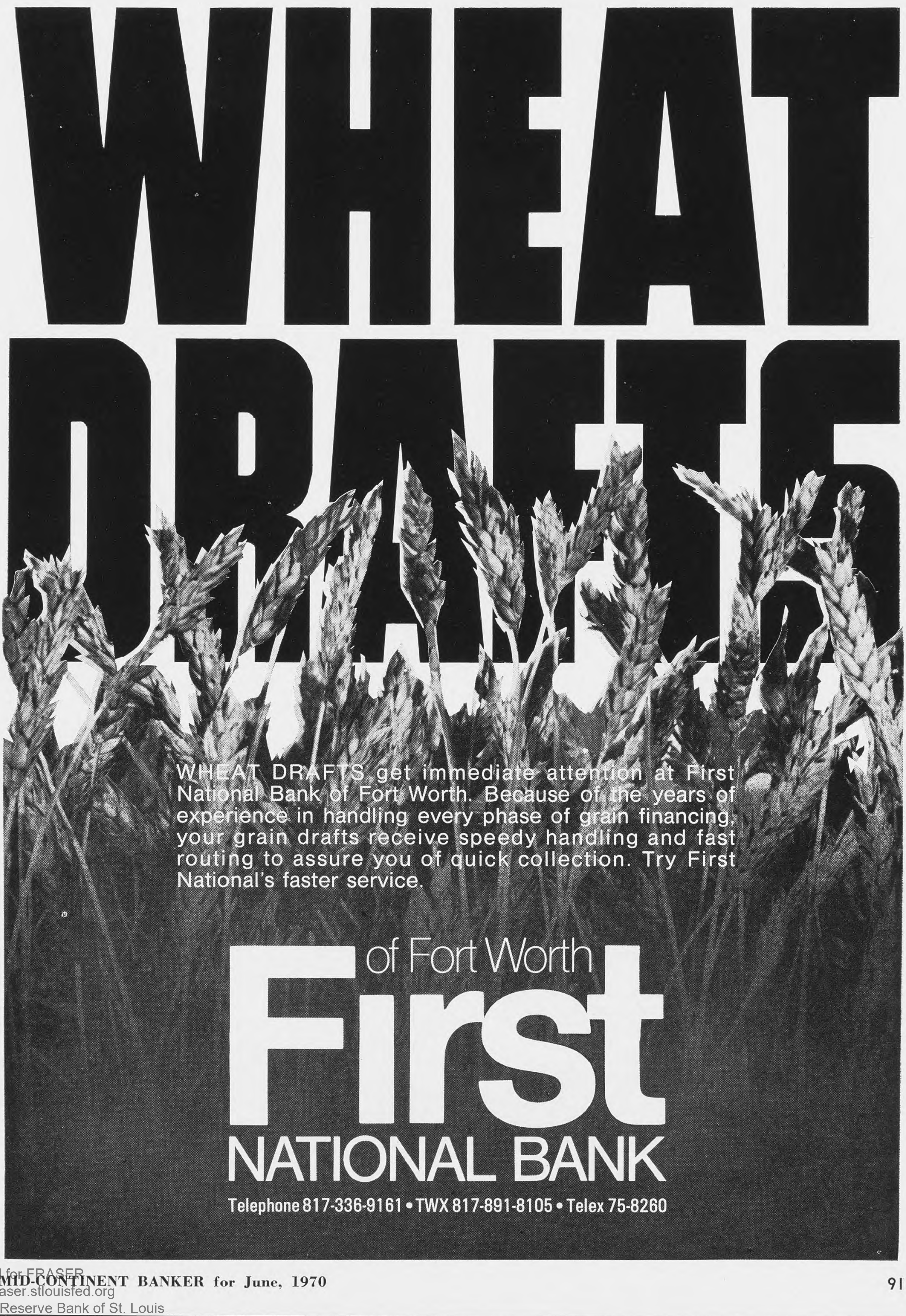
Victor Riesel, noted newspaper columnist, speaking at the State Banking Division session, analyzed the present business and political scene from the vantage point of four decades of covering world affairs and the administrations of five U. S. Presidents. Mr. Riesel sees our giving into the demands of labor on wage increases without commensurate increases in production as fanning the flames of inflation, reducing the profits of business, creating the present business downturn and setting us on a course of moving constantly toward a labor government as has happened in so many European countries.

Two speakers with widely different backgrounds ended the convention on an optimistic note. Walter B. Wriston, chairman of the board, First National City Bank, New York (in a speech quoted at length elsewhere in this issue), urged bankers to read their history rather than becoming unduly alarmed with today's tensions and frustrations. He expressed the view that we tend to magnify daily problems, forgetting that "not every battle is Armageddon." Wallace E. Johnson, vice chairman of the board, Holiday Inns, Inc., a lively 68-year-old optimist with youthful enthusiasm (and plenty of accomplishments to make him that way), challenged the bankers to think positively and imaginatively, to "start being the Daniels of your community." No head of a bank is worthy of his calling, Mr. Johnson declared, unless he and his officers get involved in the civic, political and religious life of the community. "Bankers have an opportunity second to none to build America," he said. The rate at which Mr. Johnson's firm is building accommodations in which to feed and put Americans to bed lent believability to the speaker's confident words.

In a meeting of ABA members, the following were elected to the ABA Administrative Council: Derrell Henry; Ernest R. Esch, chairman of the board, First National, McGregor; and Lloyd Pipes, president, First State, Rusk. J. D. Francis, chairman of the executive committee, Mercantile National, Dallas, was named member of the nominating committee, with S. H. Collier Jr., president, First National, Mercedes, as alternate. • •



A DOZEN PAST PRESIDENTS. Twelve past presidents of the TBA were recognized during the convention. Left to right (with bank affiliation at the time of their presidency shown) are: A. A. (Buck) Horne, City Nat'l, Galveston; Jeff Austin, First State, Frankston; L. S. Goforth, Comfort State; S. R. (Buddy) Jones Jr., First Pasadena State, Pasadena; Virgil P. Patterson, First Nat'l, Amarillo; Joe A. Clarke, Fort Worth Nat'l; Roy Selby, Citizens State, Ganado; James W. Aston, Rebublic Nat'l, Dallas; P. B. (Jack) Garrett, Texas Bank & Trust, Dallas; John F. Geis, First Security Nat'l, Beaumont; John M. Griffith, City National, Taylor; and Walter F. Johnson, First Nat'l, Abilene.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New Mexico News

Peoples State in Artesia Joins New Mexico Banking Group

Peoples State in Artesia has joined a banking group headed by Jack Rich, president of Coronado State, El Paso, and John Muir Kipp. The group operates Hot Springs National, Truth or Consequences, and other banks in New Mexico and west Texas.

Joining the transaction were William and Rex Kipp Jr. of Lordsburg. Rex Kipp is president of First National, Lordsburg. Of the 4,000 shares outstanding of Peoples State, 2,040 were purchased by the new owners. There will be no changes in personnel at Peoples State.

■ ORVILLE COOKSON, assistant vice president, has retired after 43 years with First National, Roswell. He had been manager, Southeast Main Branch.

■ RUIDOSO STATE has filed an application with the State Banking Department and the FDIC to establish a branch in Capitan. The proposed branch would be located on Lincoln Street (Highway 380) in Capitan.

■ CITIZENS BANK, Tucumcari, has named J. M. Dennis to the board. He succeeds his father, Elder Dennis, who resigned after 13 years as a director. J. M. Dennis owns Denmors Corral in Tucumcari.

■ ALBUQUERQUE NATIONAL is planning to construct its 10th branch. The new building will have two drive-up windows and a parking area

■ WILLIAM BUNCH, senior vice president, has been elected president of First National, Portales.

■ PAUL H. BARNES, senior vice president and cashier at Albuquerque National, recently celebrated his 35th anniversary with the bank. Mr. Barnes is in charge of operations.

1st Nat'l Promotes Carl Weiner, Names Brewer Division Head

ALBUQUERQUE—Carl Weiner has been promoted from sales manager, BankAmericard division, to assistant vice president, business and industrial development, at First National. Mr. Weiner, an employee since 1965, was named manager of the Winrock Branch in 1966.

First National also has named Curtis A. Brewer head of the BankAmericard division. Mr. Brewer had been a consultant with Touche Ross & Co. in Detroit.

■ TRAVIS WALLER, cashier and chief operations officer at First National in Alamogordo, has accepted a post as executive vice president at Yampa Valley State in Hayden, Colo.

■ TYRONE BRANCH of Grant County National in Silver City has been burglarized of $15,000 to $17,000. Burglars broke into the branch building through two glass doors and opened the safe with a torch.

■ DONALD J. BRADY, assistant vice president at American Bank of Commerce in Albuquerque, has been given a certificate in data processing by the certification council, Data Processing Management Association. The award recognizes individuals who have knowledge important to data processing management information.

Rare Postal Collection Marks 1st of Santa Fe's Centennial

SANTA FE—A rare collection of New Mexico territorial postal cards, letters, stamped envelopes and illustrated hotel envelopes has been loaned by an anonymous Santa Fe philatelist to First National as part of the bank's centennial anniversary.

The earliest letter in the collection, which is on display at the Main Office, was written July 24, 1851, by a sick soldier or adventurer to his brother in New York. The illustrated envelopes show several early plush hotels in Albuquerque, Las Cruces, Roswell, Silver City, Artesia and Santa Fe.

Several territorial cancellations are from post offices in Luna, Lake Valley, Questa, Santa Rosa and Raton.

Other envelopes have cancellations from post offices located in what have become ghost towns—Black Hawk, Loma Parda, Marion, Naranjos and Nutt. The collection will be rotated among First National's four branches during the centennial year.

■ FIRST NATIONAL, Belen, is planning to install an IBM System-3 data processing computer. The bank also intends to enlarge its building to house the computer and additional personnel.

■ BANK OF NEW MEXICO, Albuquerque, is constructing a new building to house data processing operations. Estimated at a cost of $120,000, the building is expected to be completed in late fall.

■ AMERICAN NATIONAL, Silver City, has begun closing on Saturdays but has extended hours on Friday evenings.

■ W. C. STEIN, senior vice president and cashier at First National, Albuquerque, has been appointed to the City's Urban Renewal Commission.

■ FIRST NATIONAL, Santa Rosa, has elected Von Vennum Fitzgerald assistant cashier. He had been cashier at First National in Levelland, Tex.

New Mexico Deaths

OSCAR THOMAS, 66, chairman, Citizens Bank, Farmington. Mr. Thomas also was Farmington mayor from 1962-64. He was elected a bank director in 1967 and was advanced to chairman in 1969.

LESTER W. ECHOLS, 51, assistant vice president and manager, First State, Corrales. He also was treasurer of Bank Securities Inc., Alamogordo.

If your bank has a problem, we'll give it another thought.

Not necessarily a better thought.

But perhaps an alternative, that you might like better and find useful.

For example, we'll review annual reports. Work with you on profit planning and profit sharing. Offer executive talent referrals.

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No matter what problem pops up at your bank, ask Irving Trust.

We'll do more than just sit on it.

Your bank has resources it hasn't even used yet. Ours.

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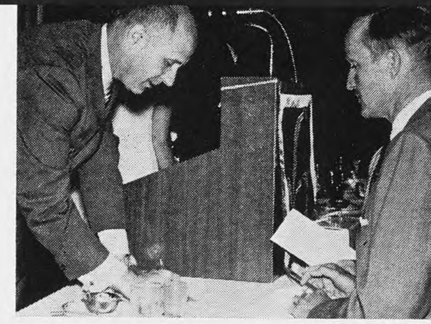
Oklahoma News



AUTOGRAPH FROM AN ASTRONAUT. Col. Thomas Stafford signs autographs following his talk at the final luncheon of the convention.

Rainbolt Succeeds Kidd as Pres. at Well-Attended OBA Convention

By HAROLD R. COLBERT, President and LAWRENCE W. COLBERT, Associate Editor

OKLAHOMA CITY—The 73rd annual convention of the Oklahoma Bankers Association, held here May 5-7, attracted approximately 1,000 persons. More than a dozen speakers were heard during the two days of business sessions.

H. E. Rainbolt, president, Federal National, Shawnee, was elected OBA president succeeding Philip C. Kidd Jr., president, First National, Norman. Frank G. Kliewer Jr., president, Cordell National, was elected vice president, and Harry E. Leonard, president, Bank of Elgin, was elected chairman of the Executive Council. This places him in line for OBA president in two years. Curtis A. Brooks, president, First National, Chickasha, was elected treasurer, succeeding C. L. Priddy, president, National Bank of McAlester.

At a meeting of the members of the American Bankers Association at which Hugh C. Jones, ABA state vice president for Oklahoma, and executive vice president, Bank of Woodward, presided, Mr. Leonard was elected to serve as a member of the ABA Nominating Committee. Frank G. Berry, president, Stillwater National, was named alternate.

President Kidd, reporting on his stewardship of the association during the past year, pointed out that 78 bills affecting banking had been introduced in the legislature during the past year. Of these, 67 were opposed successfully by the association. In addition to the regular group meetings, the association conducted more than two dozen conferences on consumer credit throughout the state. A recently completed analysis of the public relations needs of the association resulted in the employment of a public relations firm and a revamping of the association's official publication, *Oklahoma Banker*.

Governor Dewey F. Bartlett, who spends much of his time developing industrial prospects for Oklahoma, praised OBA for its help in getting the Economic Development Bill passed by the legislature. He pointed out that Oklahoma offers three appealing attributes to industrial development: availability of labor, ability to train personnel and a favorable financial climate. He said that there had been an increase in employment in the state of 126,000 during the past decade, of which 66,000 came in the past three years.

PRINCIPAL SPEAKERS. Willis Alexander (l.), exec. v.p., American Bankers Assn., visits with William Sherrill, member of the board of governors of the Federal Reserve System, following talks by each to the convention.

Reginald H. Jones, vice president-finance, General Electric Co., pleased the bankers when he stated his company's philosophy regarding bank relations as "working hard to keep cash lockup to a minimum, but never letting our zeal in this effort impair good bank relationships." Mr. Jones painted a somewhat less than optimistic picture about the nation's ability to meet the capital demands of the next decade and beyond. He believes that we must establish priorities on the uses of available capital.

Willis Alexander, executive vice president, America Bankers Association, explained the commission which President Nixon is appointing to study the structure and regulation of financial institutions. It is expected that banking will be in the center of this study. The ABA has expressed its full support for the establishment of the commission and for the need of a study of the financial system.

Regarding H.R. 6778, adopted by the House of Representatives last November, Mr. Alexander said that this disturbing legislation, instead of being a bill intended to deal with the question

NEW OBA OFFICERS. H. E. Rainbolt (l.) pres., Federal Nat'l, Shawnee, was elected association pres. Frank G. Kliewer Jr. (c.), pres., Cordell Nat'l, was elected vice president, and H. E. (Harry) Leonard, pres., Bank of Elgin, was elected ch. of the exec. comm. (not pictured). Curtis A. Brooks (r.), pres., First Nat'l, Chickasha, was elected treasurer.

SPEAKERS. Among the speakers were (left to right) Reginald H. Jones, v.p.-finance, General Electric Co., New York City; Ralph Fontaine, exec. v.p., Kentucky Bankers Assn., Louisville, Ky.; Dewey F. Bartlett, Governor of Oklahoma; and Frederick J. Blake, pres., Bank Public Relations and Marketing Assn., and sr. v.p., Central Nat'l, Cleveland, Ohio.

of whether the Bank Holding Company Act of 1956 should be amended to include one-bank holding companies, became instead a device by which banking's detractors and banking's competitors sought to deal a serious and damaging blow to the future of the banking industry.

"Abandoning all pretense of legislating with respect to bank holding companies, a small group of congressmen managed to record their antagonism toward banking in general, and were aided in their efforts by all of those who saw an opportunity to insulate themselves from banking competition," Mr. Alexander declared. "The American banking industry has little to fear—and much to gain—from the results of any study which has as its primary objective meeting the future financial needs of our economy. We have already demonstrated a versatile ability to serve these needs as they have developed in the past. Innovation and responsiveness have been the hallmarks of our industry. We cannot fail to thrive and grow under any system which permits us to exercise, in a responsible and effective manner, the talents of our industry and its people. And the public welfare requires nothing less," the ABA spokesman said.

What was billed as a discussion on "unit banking versus branch banking" failed to develop as advertised when Ralph Fontaine, executive vice president of the Kentucky Bankers Association, who was to present the pros of branch banking, chose instead to discuss the recently released study of the banking structure in Kentucky which showed Kentucky banking in an unfavorable and, according to Mr. Fontaine, an unfair light. Donald M. Carlson, president, Elmhurst (Ill.) National, and first vice president of the Independent Bankers Association, presented the case for unit banking, but following a discussion of the banking study in Kentucky, Mr. Carlson's remarks lacked the punch of an orderly debate.

William Sherrill, member of the Board of Governors of the Federal Reserve System, reviewed the state of the economy and the delicate balance that characterizes today's efforts to slow down inflation while still preventing a deepening recession. His deft fielding of questions in a question-and-answer period following his formal talk won him much praise from the bankers who admired his willingness to speak out forthrightly.

Colonel Thomas Stafford, Chief, Astronaut Office, National Aeronautics and Space Administration, Houston, wound up the two-day meeting at a luncheon with a discussion of the manned space program, and its present and future potential.

A proposal to increase association dues 50% across the board was approved. • •

Thomas Welch Elected VP at Mercantile National

TULSA—Mercantile National has elected Thomas H. Welch vice president. Mr. Welch had been vice president and chief financial officer at Consolidated Electric Co.

WELCH

Mr. Welch entered banking in 1962 at National Bank of Commerce, where he had been assistant vice president and credit manager. In 1968, he joined Republic National as vice president and commercial loan officer. Mr. Welch is a graduate of the University of Oklahoma, where he received BA and LLB degrees.

Fidelity Nat'l Begins Work on 14-Story Office Complex

OKLAHOMA CITY—Construction began May 18 on Fidelity Center. The center will house new quarters for Fidelity National in a 14-story office tower. Slated for completion in early 1972, the building will cost approximately $9,000,000.

More than 90,000 square feet will be leased in the complex. A subterranean garage will provide inside parking for 100 cars. Also planned is an underground access to the present parking facility west of the future center.

Audio Response System Installed by Liberty Nat'l, OC

OKLAHOMA CITY—Liberty National has installed a computer-operated audio response system that enables tellers to complete transactions within seconds. The system is the first to be installed by an Oklahoma bank, according to a Liberty official.

Heart of the system is the Touch-Tone telephone connected to the 360/40 IBM computer of National Sharedata Corp., which handles the bank's data processing. In short, the teller dials the computer via the telephone, enters an identification and transaction code with a prepunched card, then taps out the customer's account number and the inquiry data on the phone's buttons. The computer is programed to respond. The system, which provides 13 different inquiries about demand deposits, is updated every 24 hours. The system is available for correspondent banks presently receiving services through National Sharedata.

Liberty Nat'l Organizes Club for Young Adults

OKLAHOMA CITY—Liberty National is offering a program for young adults under the name "2135—Ages of Distinction." With the "2135" tag, the bank offers newlyweds, young singles and families free checking account service, a $5 savings-account starter and a Liberty BankAmericard.

For a fee of $3 a month, participants also become members in five of Oklahoma City's private clubs, have access to worldwide reservation services for hotels, motels and car rentals and special tour travel rates and may attend the bank's periodic "2135" seminars on investments, budget counseling and money management.

Bank in Stillwater Sold

STILLWATER—R. R. Guest has been named president of University National. Mr. Guest, formerly vice president at Fulton National in Fulton, Mo., succeeds Ken Domnick, chairman and president. Mr. Domnick has sold controlling stock in University National to Dwight Rymer and associates. Mr. Rymer is president of Citizens State, Morrison, and chairman of several banks in Oklahoma and Kansas.

Kansas News

KBA Elects Dreiling President; Banker Participation Urged

By LAWRENCE W. COLBERT

Associate Editor

WICHITA—Banking and the public interest, social and political involvement and today's youth were the main topics of discussion at the Kansas Bankers Association's 83rd annual convention held here May 20-22.

Almost 1,400 registered for the full convention. Total attendance reached 2,040 through purchase of tickets for special convention events, including a dinner and evening of entertainment featuring Nipsey Russell and other TV personalities.

New Officers. At the concluding session, Dan J. Dreiling, president, Citizens State, Seneca, was elected KBA president, succeeding George E. Lister, president, Peoples National, Ottawa. Mr. Dreiling had served as vice president for the past year. Art J. Collins, president, Hutchinson National, was elected KBA vice president. Willis E. Stout, president, First National, Goodland, was elected treasurer.

Carl A. Bowman was re-elected and his title changed from executive secretary to executive vice president. Roger D. Kirkwood was re-elected secretary and director of public relations.

In a meeting of ABA-member banks, outgoing KBA President George E. Lister was named to a two-year term on the ABA executive council. Francis E. Carr, president, First National, Wellington, was named to the ABA nominating committee, and Willis E. Stout was named alternate member to serve at the ABA's annual convention at Miami Beach in October. The meeting was conducted by John M. Peck, ABA state vice president and president Cloud County Bank, Concordia.

Mr. Lister, in his presidential address, challenged his fellow Kansas bankers to "get committed to improving our country and our society. The job is expected of us, and its accomplishments will be deeply rewarding. I would like to suggest that each of us, businessmen and women, should devote a substantial part of his or her time, thought and influence to improving our society," Mr. Lister stated.

"We hear a great deal these days about what is wrong with our country, but this is a great country. Not only do we enjoy unparalleled wealth and the greatest production of goods and services, but also we have a high degree of equality, a deep sense of justice and a significant measure of security.

"I think the first reason we must accept the responsibility for improving our society is self-interest.

"If we step back from the immediate consuming interest in our business and look at the conditions necessary for our success, we would realize that in order to make a profit—which is the basis of our present economy—we need, first, a political system in which private property is respected and the private profits are legally permitted, and second, economic conditions sufficiently stable that profits are possible and have continuing value.

"We should not take these two conditions for granted and just assume their continuation," Mr. Lister admonished.

Speakers. Governor Robert Docking, a Kansas banker himself, addressed the convention on the current student protests. ". . . while the overwhelming majority of students is trying to better themselves and, in turn, better our country and our world, a small group has become determined to destroy the foundation and moral fiber upon which this nation has stood so strong for so many years.

"These few are determined to obey only those laws with which they personally agree. They would rather tear down our institutions than strengthen them. In destruction, they apparently believe they will find an immediate cure for our nation's ills.

"Jerry Rubin's group and his ilk have tried to close our nation's colleges and universities. His small band of rabble rousers did cause more than 300 schools in this country to close a few weeks ago. Universities closed in California and New York, and in Ohio.

"But, that small group of Rubin-type revolutionaries did not close the schools in Kansas with violence and threats of violence; and while I am governor, that minority will not force the schools in this state to close.

"The colleges and universities in this state do not belong to the students, the board of regents or the governor. The colleges and universities belong to the people of this state who support and maintain them.

"I think it is time we direct our attention to the 98 or 99% of our nation's young people who are concerned, but who realize that this is a nation in which if you have a better way to do

NEW KBA OFFICERS. New association officers pose with outgoing KBA Pres. George E. Lister (c.), pres., Peoples Nat'l, Ottawa. They are (from l.) KBA Exec. V.P. Carl A. Bowman; KBA Treas. Willis E. Stout, pres., First Nat'l, Goodland; (Mr. Lister) KBA Pres. Dan J. Dreiling, pres., Citizens State, Seneca; and KBA V.P. Art J. Collins, pres., Hutchinson Nat'l.

BADGE OF OFFICE. Outgoing KBA Pres. George E. Lister (l.) pins the president's badge on Dan J. Dreiling, new KBA pres. and pres., Citizens State, Seneca.

something, the people will accept it. I think it is time we began listening to that large majority of youth who know our system is based on that "better than" philosophy and that nothing is accomplished in tearing down unless you have something better to build in its place.

"I think it is time we started listening to that overwhelming majority of our nation's youth who are talking not about rights but rights coupled with duties and responsibilities.

"The vast majority of today's youth are fair minded and responsible—but this does not mean they are satisfied with the status quo. They see need for reform, just as we do.

"All of our youth will learn, as all of us over 30 have learned, that the road to progress and a better quality of life is always under construction," the governor concluded.

ABA Vice President Clifford C. Sommer, president, Security Bank, Owatonna, Minn., addressed a session of the convention. His topic was "Banking and the Public Interest."

"Not since the calamitous years of the Great Depression has our industry been under such virulent attack as in the past year. Commercial banks have been charged with being the perpetrator of inflation—that we are responsible for high interest rates.

"You and I know such charges are baseless. But these charges have been widely publicized, and we cannot afford to ignore them.

"We have been charged, too, with being unresponsive to the socio-economic changes taking place around us.

"You and I know that for more than a century, our commercial banks have expanded their services, and introduced new services, in step with our nation's economic growth and socio-economic advance. Indeed, the catalogue of services commercial banks offer today is proof positive that our critics simply destroy or ignore the truth when they accuse us of being unresponsive to change—and to changing human needs.

"Our record speaks for itself. But our problem is that we haven't been playing this record loud enough—at least not loud enough for the present Congress to hear.

"Can any of you recall from recent memory a time when Congress has passed, or has pending before it, so much restrictive and even punitive banking legislation? In spite of coordinated efforts by a knowledgable Washington staff, not only have we been getting laws we don't want, we also have been singularly unsuccessful in obtaining legislation we do want.

"We bankers have no trouble in identifying with the public interest; our task is to show the public that their interest is indeed our interest.

"Our major problem is that a serious, even dangerous, communications gap has opened. Banking has not been speaking loudly enough or often enough in its own behalf. And often when banking does speak, it is with many voices.

"The reason for this, of course, is in the nature of our industry. Within the banking industry we are quite conscious of the differences between money market banks and family banks, between banks that finance large corporations and those that finance agriculture and between those in branch systems and those which operate under unit-banking rules. I could mention numerous other divisions in our industry.

"Our failure to communicate with our federal legislators has had the indirect result of producing legislation adverse to our individual and collective interests.

"We must lose no time in doing everything possible to bridge this communications gap.

"I urge all of you to join hands with your fellow bankers around the country in giving full support to our "Banking Serves America" program. (An explanation of this program appears in a story beginning on page 27 of this issue.)

"I urge each of you to make known to your legislators in Washington that excessively restrictive and punitive banking legislation militates not only against the growth of a strong banking industry, but also—and even more importantly—against the money system upon which the nation's over-all well-being depends.

"You and I know banking is truly aligned with the public interest; but it is not enough that we know it: The public must know it as well," Mr. Sommer concluded.

ASTRONAUT VISITS WITH 4-H YOUTH. Mike Collins (2nd from r.) chats with 4-H youth leaders who were recognized during the convention. They are Jerry Meng (l.), Troy; Deanna Tuck (2nd from l.); and Elaine Sturgeon (r.), Nickerson. Hope Daugherty (3rd from l.), 4-H supervisor, and Max Dickerson (c.), KBA agricultural comm. ch. and sr. v.p., Commercial Nat'l, Kansas City, Kan., join in the conversation.

ASTRONAUT COLLINS

GOV. DOCKING

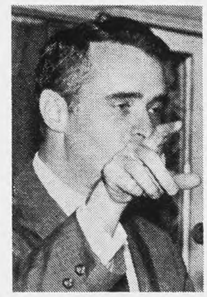
Resolutions. A resolution urging member banks to make at least a 10% increase in residential mortgage portfolios for 1970 was passed by the convention, as well as one endorsing Eugene H. Adams, president, First National, Denver, for ABA vice president in 1971. Also adopted was a resolution urging Congress to await a report by the Presidential Commission on Financial Structure and Regulation before passing the so-called "one-bank holding company legislation," but if legislation is to be enacted by Congress in 1970, it be the Administration bill (S.B. 1664) with a June 30, 1969, non-divestiture date.

The executive council adopted a motion to continue the work of the long-range planning commission and the work of its various committees. Also, it approved a proposed research study by Midwest Research Institute to cost no more than $19,000 and to be completed by December, when the council next meets. • •

Missouri News

MBA Members Adopt Resolution Strongly Opposing 1-BHC Bill

By ROSEMARY McKELVEY, Managing Editor and LAWRENCE W. COLBERT, Associate Editor



EAGLETON

CROSSE

ROBERTS

BUCK

ST. LOUIS—Strong opposition to the One-Bank Holding Company Bill (HR 6778), now before the U. S. Senate, was voiced in a resolution passed by the Missouri Bankers Association at its annual convention here last month. The meeting drew a record 1,255 persons.

The resolution said the bill, if passed, would do grave damage to the banking industry because:

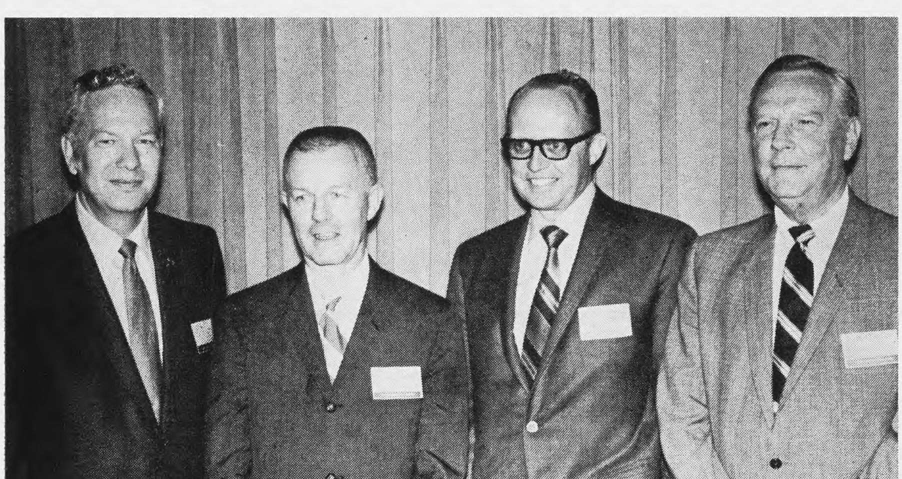
1. The bill would prohibit or severely limit seven bank-related financial services now offered by bank holding companies. 2. By inference, these restrictions would apply to all commercial banks so that many communities would be adversely affected because banks that depend for a substantial portion of their income on such ancillary sources would be compelled to reduce the quality of their banking services. 3. Bank trust activities would be seriously disrupted by the bill's requirement that a trust including in its assets as little as 5% of a bank's stock could make a bank accepting the trust a holding company, requiring permission from, and submitting to regulation by, the Federal Reserve. 4. The bill invites banks' financial competitors to initiate litigation subjecting bank holding companies and, by inference, banks to the possibility of endless lawsuits. 5. The bill requires the divestiture by bank holding companies and, by inference, all banks, of subsidiaries or affiliates engaged in prohibited or restricted activities established since 1956. 6. The resulting disruptions to banking and the financial services it now renders, the adverse effects on the economies of many communities and the general reduction of healthy competition could clearly be against the public interest.

Portfolio Management. In a talk given on the first day of the convention, Howard D. Crosse, vice chairman, Franklin National, New York City, advised bankers not to be deterred from taking profitable securities losses by the new accounting rules that require them to compute securities transactions in their net income. "These losses may not look good on the so-called bottom line of net income," said Mr. Crosse, "but they will increase your income over the years ahead. The loss in capital will more than be made up by the gain in earnings."

Mr. Crosse referred to the tax effect of such losses whereby they are used to offset taxable income while the funds from their sale are reinvested in high-yielding investments. The loss in capital comes about, he said, because the banks value the securities they hold at their purchase or "book" value. If they hold older, low interest-bearing obligations to maturity, Mr. Crosse continued, there is no loss, but if they sell them in the current high-yield market where their prices are depressed, they receive less than they paid for such bonds and, consequently, can buy less of new bonds.

Mr. Crosse said record high interest rates and low bond prices were not the reason for 1969 being "the year of the debacle" for banks. Instead, it's his opinion that it was due to the elimination of the capital gains tax treatment of bond profits and the accounting changes that focused attention on net profits after securities gains and losses. According to the New York banker, the changed tax treatment in particular hit banks hard since "many of them bought deep discount bonds in the expectation that they could count the appreciation to maturity as capital gains." Under the new tax law, such profits will be treated as ordinary income subject to the approximate 50% corporate tax rate, he pointed out, and he urged bankers to re-examine their investment policies and practices with a view to improving their after-tax yield in other areas.

A Pessimistic Outlook. Senator Thomas F. Eagleton (D.,Mo.) said he's frankly pessimistic about the short-term economic outlook. He said he



NEW MBA OFFICERS are shown with outgoing pres., Robert J. Gaddy (l.), ch. & pres., Tower Grove Bank, St. Louis. James F. Martin Jr. (2nd from l.), exec. v.p., Bank of Lee's Summit, is pres.; Larry E. Lumpe (2nd from r.), exec. v.p., State Bank, Poplar Bluff, is v.p.; and Ben A. Parnell Jr. (r.), pres., Peoples Bank, Branson, is treas.

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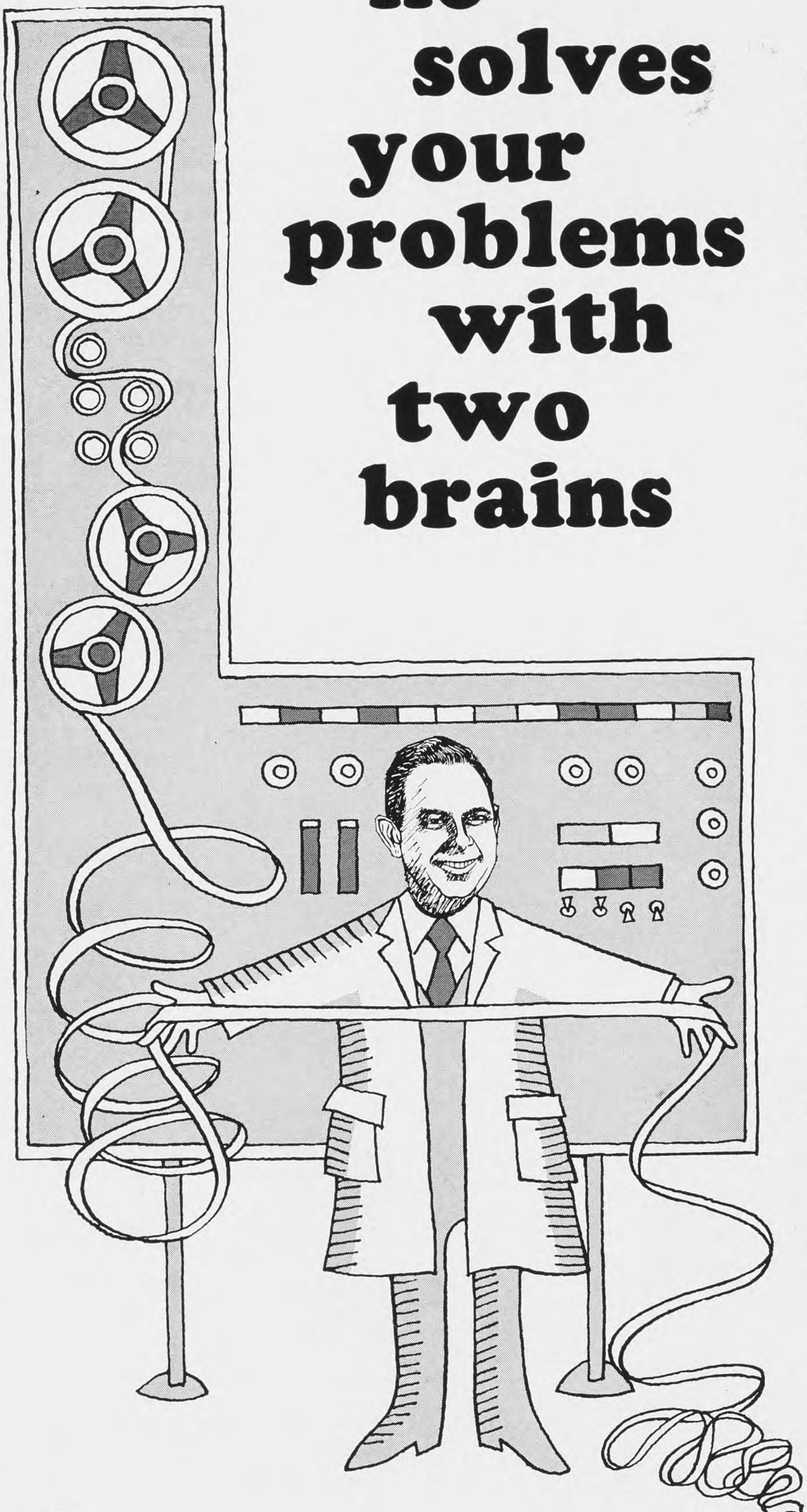

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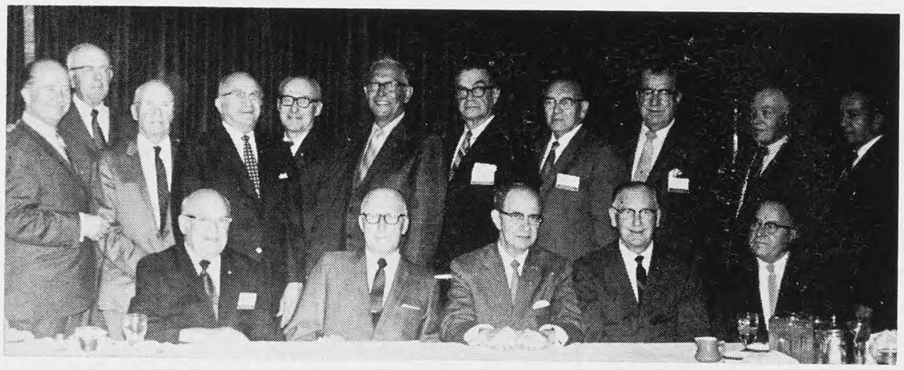

NEW 50-YEAR CLUB MEMBERS are pictured with three officers of club—Harold G. Kuhlman (standing, l.), sec. of club and a.v.p., 1st Nat'l, St. Louis; Jesse McCreery (standing, 2nd from l.), v.p. of club and retired from Bank of Higginsville; and Oscar J. O'Bryant (standing, 3rd from l.), pres. of club, Bank of Table Rock Lake, Reeds Spring. New members (standing, in order) are: Albert C. Boettcher, Mercantile Trust, St. Louis; George Frank, retired from First Nat'l, St. Louis; Joseph J. Marchlewski, Mercantile Trust, St. Louis; Henry C. Gardner, Farmers Bank, Unionville; R. L. Brown, Aurora Bank; Walter J. Goebel, South Side Nat'l, St. Louis; William Tennent, First Nat'l, St. Louis; and Walter A. Heidell, First Nat'l, St. Louis; (seated, l. to r.) Gilbert Alsmeyer, Normandy Bank, Northwoods; A. A. Christian, Bank of St. Louis; John J. Dolis, Mercantile Trust, St. Louis; August J. Kamman, Mercantile Trust, St. Louis; and Frank A. Lembeck, South Side Nat'l, St. Louis.

thinks the country is in the early stages of a painful recession—the totally unnecessary result of several years of misguided public policies that persist today.

However, he sees the long-term outlook as probably brighter because "As the economic consequences of these mistaken policies begin to pinch hard in every household, people may begin demanding greater realism in our choice of national objectives. They may begin demanding more attention to things we all want in our daily lives—jobs . . . and education . . . and health care . . . and safer streets . . . and the prospect of a secure retirement and less pursuit of costly, distant objectives in Southeast Asia or in space."

Returning to the short-term outlook, Senator Eagleton said the question no longer is whether there will be a recession; it is how long it will last and how much damage it will do. He cited the Gross National Product, which has declined for the last two quarters, with no suggestion of an upturn in the third. Inflation, he pointed out, continues unabated although the present belt-tightening was designed to correct it. He said the rate of unemployment had one of its most precipitous rises in history when it went from 4.4% in March to 4.8% in April.

Why are we in this predicament, the senator asked his listeners and said at least part of the answer is the cost of the Vietnamese war—now the Indochina war. A wealthy nation perhaps can afford to spend $20 or $30 billion a year abroad if necessary, said Senator Eagleton, but it cannot expect at the same time to continue business as usual at home.

The Washington Scene. Another speaker from the nation's capital—Charles Roberts, contributing editor, *Newsweek*—discussed President Nixon's first 16 months in office and both criticized and praised the Chief Executive. Mr. Roberts measured Mr. Nixon's performance against the promises he made during the 1968 campaign and against what still must be done. He said that the President must do as he himself thinks best, that he cannot take his advice from a mob and he called for support for Mr. Nixon. Mr. Roberts reminded his audience that if Americans don't like his program or his priorities, they can express their will at the polls this fall and, if by 1972 they believe he has not made a big enough dent on our problems, they can make him—as he has suggested—a "one-term President."

President's Report. Robert J. Gaddy, outgoing MBA president, took a comprehensive look at the banking industry in Missouri in his report to convention delegates.

GADDY

According to Mr. Gaddy, chairman and president, Tower Grove Bank, St. Louis, bank deposits in the state at year-end 1969 totaled $10.9 billion, and there are 670 banks (he used Polk's Directory for the statistics in his report). Mr. Gaddy said that in 1950 deposits were $4.6 billion, and there were 605 banks. Thus, in 19 years, he said, deposits have more than doubled. Since 1960, when they totaled $6.2 billion (627 banks), deposits have grown about 76%. Missouri banks ranked 11th among all states in total deposits, both at year-end 1960 and 1969, but 10th as of year-end 1950, Mr. Gaddy continued.

The outgoing MBA president went into detail as to how these deposits are divided among the state's banks. He also said that there are at least seven registered bank holding companies, plus three other bank holding companies that have announced agreements to acquire other banks. Of banks with more than $100 million, he said, all but one (or possibly two) are owned either by one-bank or registered bank holding companies.

A report on the recent banking survey made by the Louis Harris organization was made by Orville R. Goerger, vice president, Mercantile Trust, St. Louis, and a feature on his talk appears elsewhere in this issue.

Sports Spotlighted. On the lighter side, Jack Buck, the "voice of the St. Louis Baseball Cardinals," gave an entertaining and informative talk on sports at the convention.

New MBA Officers. James F. Martin Jr., executive vice president, Bank of Lee's Summit, succeeded Mr. Gaddy as MBA president for 1970-71. Mr. Martin had been vice president, a post to which Larry E. Lumpe moved up from treasurer. Mr. Lumpe is executive vice president, State Bank, Poplar Bluff. The new treasurer is Ben A. Parnell Jr., president, Peoples Bank, Branson.

ABA Officers. Outgoing MBA President Gaddy was elected to the ABA nominating committee for the 1970 convention in Miami Beach. As alternate member, MBA members of the ABA chose Jordan Lindsey, chairman and president, Allen Bank, Harrisonville. Two representatives were elected to serve on the ABA executive council for two years—Horace Dunagan Jr., president, First State, Caruthersville; and Roger Wilson, president, Bank of Weston. • •

LADIES' LUNCHEON during MBA convention is presided over by Mrs. Richard Pfleging (at podium), whose husband is pres., Bank of St. Ann. Seated (l. to r.) are Mrs. Robert J. Gaddy, wife of outgoing MBA pres. (Mr. Gaddy is ch. & pres., Tower Grove Bank, St. Louis); Mrs. Merle Sanguinet, wife of ch. of 1970 convention (Mr. Sanguinet is sr. v.p., St. Louis County Nat'l, Clayton); and Mrs. John Ridgeway, wife of deputy commissioner of finance for state of Missouri. Mrs. Pfleging and Mrs. George Guernsey III were co-ch. of ladies' luncheon, which was sponsored by Associate Bankers of St. Louis and St. Louis County. Mrs. Guernsey's husband is v.p., Manchester Bank, St. Louis.

Controversy

(*Continued from page 24*)

meetings held throughout the state last month. Mr. Fontaine presented KBA's official stand on the report, defending the present unit banking system with county-wide branching.

He also proposed KBA's answer to the Spindletop Report—called a human priorities study of Kentucky banking—the purpose of which would be to learn what the public thinks of the present state of banking in Kentucky. The study will also seek to learn what Kentuckians expect from banks.

Each KBA group has appointed a special committee to carry out this study and all findings will be channeled to a central "blue ribbon" committee which will collate them and prepare a report that will make recommendations as to what changes should be made in the state banking system.

Mr. Fontaine stressed that the blue ribbon committee will not be composed of bankers only, but will be one that enjoys professional assistance and unbiased counsel.

Upon completion of the study and the issuing of conclusions, KBA plans to conduct a series of meetings with Kentucky bankers to determine what action to take in regard to the study. • •

Ill. Federation Names Officers

The St. Clair-Monroe County Bankers Federation of Illinois has elected the following officers for 1970-71: president, Ron Wallace, vice president, First National, East St. Louis; vice president, Dean Kamper, executive vice president, First National, Belleville; and secretary-treasurer, Paul Kennedy, cashier, First National, Waterloo.

Congressman Cites Banker for Lowering Prime Rate

An Alabama banker recently received personal congratulations from his U. S. congressman when his bank lowered its prime rate to 7.5%. The banker is Robert R. Pope, president, Bank of Heflin. The congratulations, in the form of a letter, came from Bill Nichols (Dem.) of Alabama's Fourth District. Mr. Nichols wrote:

"I believe this may set some sort of a national record, and I would like to call this to the attention of my colleagues on the floor of the House. Your bank's reduction to its borrowers is especially welcome news to me at this time because it complements the President's efforts to halt a runaway inflation trend. Such a reduction will be especially helpful to the business community, and I hope that it might start a nationwide trend for other lending institutions. It likewise will be stimulating to the home-building and construction industry."

Wayne Carlton Named VP at Columbia National

COLUMBIA, MO.—Columbia National has elected Wayne Carlton vice president. Mr. Carlton succeeds H. Duane Pemberton, who resigned as senior vice president to take a post in Springfield, Mo.

Previously, Mr. Carlton had been executive vice president and managing officer at Bricknell Bank in Miami, Fla. He also is a former president of Security Bank, Midwest City, and assistant vice president, Del State, Del City, both in Oklahoma. Mr. Carlton also has been an FDIC examiner.

New Post for Schmidt

CHICAGO—First National has named Chauncey E. Schmidt, senior vice president, to head the administrative department.

• Index to Advertisers •

KCK Merger in Sight

KANSAS CITY, KAN.—The proposed merger of Commercial National and Exchange State banks has been approved by directors and stockholders of both banks. As Mid-Continent Banker went to press, the banks were expecting approval for the merger from several regulatory agencies. There will be no change in personnel.

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