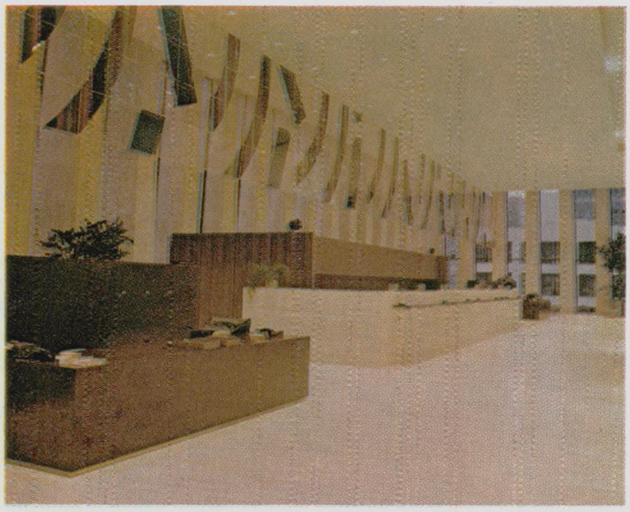
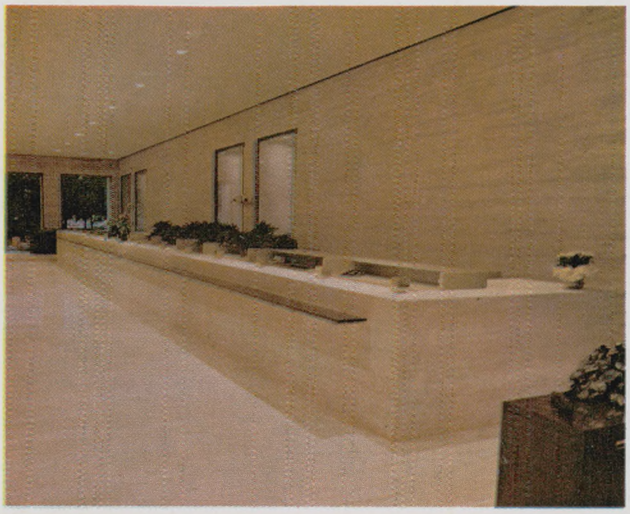
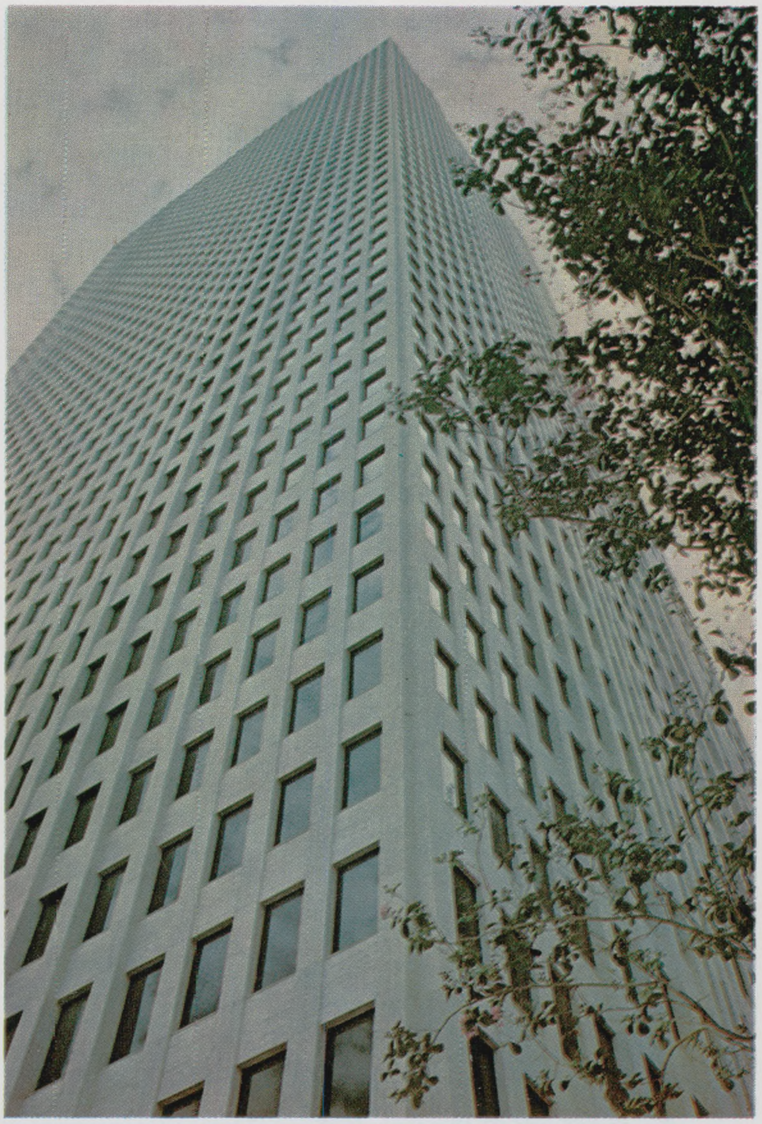
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

JANUARY, 1972







**Bank of Texas,
Houston First Savings
Begin Side-by-Side Operation
In Houston's Tallest Building
Page 56**

OUTLOOK ISSUE

The world-famous Gateway Arch on the St. Louis riverfront—a good engineering idea that rejuvenated a city!

Dick Bacon Ed Schoor Dan Jasper Elmer Austermann

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Major Realignment Made At City Nat'l of KC; Kemper Named Chairman

KANSAS CITY—City National last month announced a major realignment of senior management responsibilities and titles, including election of R. Crosby Kemper Jr. as chairman, Jerome H. Scott as president and a director and William J. Bolt as chairman of the executive committee.

Mr. Kemper, formerly president and chief executive officer, succeeded Charles G. Young Jr. The latter took early retirement from City National to become president of Texas Bank, Dallas (a related story appears elsewhere in this issue).

SCOTT

KEMPER

The bank also has four new executive vice presidents: Theodore S. Chapman, Stuart L. Murdock, Frank R. Terry and Byron G. Thompson. In addition, there are five new senior vice presidents: Ralph E. Gray, Kurt Levi, Marion K. Mabry, Derald J. Slagle and Don V. Thomason.

Under the realignment, Messrs. Scott and Bolt are directly responsible for day-to-day operations, with the six major banking departments reporting directly to them. This will permit Mr. Kemper to devote a greater portion of his time to the development and expansion of the parent holding company, United Missouri Bancshares. For this reason, no chief executive officer was named. Mr. Scott is responsible for the business development, trust and operations departments and Mr. Bolt for the asset management department, which includes all loan functions and the personal banking and investment departments.

Mr. Kemper joined City National in 1950 and became president in 1959, when he was 31. He left the bank in 1963 to become chairman of Kansas City's Grand Avenue Bank, but returned to City National as president in 1966. He is president and CEO of United Missouri Bancshares and chair-

(Continued on page 51)

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 68, No. 1 ***January, 1972***

FEATURES

DEPARTMENTS

STATE NEWS

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

Unionization and Two-Way Communication

THERE IS much bankers should know about unionization and the motivational forces that encourage employees to join unions.

But the main point to be established is that one of the prime factors leading to unionization attempts is a breakdown in communication between management and employees.

The purpose of this article is to provide a workable tool whereby management can gauge the effectiveness of its communications with employees.

Although wages and fringe benefits are not the most important source of satisfaction, these benefits are objective and tangible—and thus provide a vehicle for communication. Today's bank salaries, coupled with fringe benefits that amount to about one-third of most salaries, make for remuneration that favors well with pay scales of other professions.

Yet few banks seize upon this subject as a topic for communication. Most banks do not provide their staffs with formal breakdowns concerning the fringe benefits they receive.

Regular Reminders

Employees should be reminded—at regular intervals—of the benefits they receive. If they aren't, they are likely to consider benefits as rights rather than as "extra" incentives. Employees should also be reminded periodically that management is concerned that wages and working conditions be in conformity with community standards as well as with bank earnings.

The current uncertainty concerning how long Phase Two wage stabilization controls will be exercised provides a fine opportunity for management to indicate concern for employees' welfare. Instead of Phase Two guidelines being considered in a negative light, they should be considered as likely vehicles for communication with employees. This applies whether the term "management" is applied to a section head, junior officer or senior management.

During my visits to banks I make it a point to query management about how well they think they have communicated with employees. The great majority feel they have been rather successful.

Without attempting to go behind management's back, I have also made it a point to query employees as to their opinions of the success of management's communication efforts. Most employees report they are not made aware of many of the things they think they should know about the desires, goals, plans and wishes of management. Questions employees ask include the following: Where is the bank going? What is the bank going to be doing in the next year? Are there going to be basic changes in the structure of departments, a new building, a branch, a computer?

Adequate Dissemination

Of course, management may not want to tip its hand in some of these areas, but it owes its personnel adequate dissemination of all broad policy concepts. This gives individual employees the opportunity to identify with the goals management has attempted to project for itself. Such cannot occur if management has failed to pass on its goals to employees.

That a union can improve general working conditions is one of the strongest arguments for unionization. Sometimes actions taken by management to improve bank operations result in what could be considered poorer working conditions—such as the installation of computer equipment that may take the challenge out of certain jobs that have become predominantly automated. A smooth running communication system would provide a means for employees to let management know of computer-related job dissatisfaction, thereby opening the door for remedial steps.

The fact that an employee has made the transition from nonofficial to official status does not mean he will feel free to communicate with top management. He very likely will bring his feeling of the futility of meaningful communication with him to his new duties and thus will not be in the position to encourage channels of communication with those over whom he has supervision.

It is a grave fault for management to beileve its communication pattern is more effective than it actually is.

Concept of Fairness

Union organizers like to dwell on the concept of fairness. To illustrate: I recently visited a large bank and talked with both top management and employees. In this bank a number of senior staff members are over 65. Yet a forced retirement policy for non-officer employees at age 65 is maintained. Due to poor communications, management did not realize that employees felt this double standard to be unfair.

The same bank felt it was complying with the equal opportunity employment program, yet the clerical staff felt that women were not encouraged to improve themselves for ascension up the management ladder. Women constituted over half the employees, yet the official staff had a makeup of one woman to about 15 males. Furthermore, not one of the women, clerical or officer, had been encouraged to attend an advanced banking school; yet management made a strong pitch for male officers to attend such schools.

Test Effectiveness

The following short test is designed to measure the effectiveness of a bank's communication program. If the results indicate that communication from management to personnel is lacking, remedial action can be taken. By administering this test periodically, management can keep tabs on its communication effectiveness.

If valid grounds for dissatisfaction on the part of employees are communicated upward to management, then management is provided with the op-

(Continued on page 14)

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NEWS OF THE BANKING WORLD

• **Ben H. Wooten**, 76, died recently in Dallas. At the time of his death, he was chairman of Dallas Federal Savings & Loan Association, the position he assumed in 1964 upon his retirement as chairman of First National of Dallas.

Mr. Wooten began his banking career in 1919 and served on the state banking board and on the Federal Home Loan Bank board. In 1944, he became chairman of the Federal Home Loan Bank of Little Rock and vice president and member of the executive committee of Republic National, Dallas.

He later joined First of Dallas and served as president from 1950 to 1960, before being advanced to chairman.

For his civic involvement, Mr. Wooten received such honors as the Linz Award for outstanding community service in 1953 and the Horatio Alger Award from the American Schools and Colleges Association in 1959. He also was honored by such groups as the Dallas Sales Executives Club, the Press Club of Dallas, the United States Army, the Dallas Chamber of Commerce, Baylor University and North Texas State University.

P. B. ROBINSON

WOOTEN

• **P. Booker Robinson**, vice chairman of Citizens Fidelity, Louisville, has retired after 21 years with the bank.

Mr. Robinson joined Citizens Fidelity in 1950 as a vice president in the commercial loan department. He later was promoted to executive vice president in administration and in 1960 was elected president. He served as president for six years before being named vice chairman.

• **First National, Memphis**, has advanced Jack B. Donaldson to executive vice president and head of the corporate group.

Mr. Donaldson was responsible for organizing the bank's accounts receivable inventory financing department

DONALDSON

BLASCO

and has worked in the credit and commercial loan departments. He was elected senior vice president in 1968 and was made head of the area development division last April.

Also promoted at the bank were: Richard S. Childs, Ronald Hart and Thomas M. Melton, vice presidents; and Richard Bump, Gilbert B. Payne Jr. and David Ramsey, assistant vice presidents.

• **Samuel A. Blasco**, senior vice president, City National, Kansas City, has announced his resignation in order to assume the presidency of the new Mark Plaza State Bank, Overland Park, Kan. The new bank, which will be located at 9900 Santa Fe Drive, is scheduled to open February 15 in temporary quarters.

Erection of a three-story bank building is scheduled to begin in either March or April.

Mr. Blasco began work at City National as an office boy in 1938. He has had experience in all phases of banking except trust business at City National and for a number of years has served in the correspondent department in the Southwest. Most recently, as senior vice president, he headed Group B of the correspondent department, comprising Missouri, Arkansas, Oklahoma, Texas, Louisiana, New Mexico and the southeastern states.

Mark Plaza State will open with a capitalization of $1 million, consisting of $500,000 capital, $300,000 surplus and $200,000 undivided profits. John Blasco, brother of Samuel Blasco, will be vice president, coming from a similar position at Community State, Kansas City. T. A. Terrall, who has been cashier at First National, Independence, Mo., will have the same post at Mark Plaza State.

• **First National**, Tulsa, has promoted Robert R. Gilbert from vice president to senior vice president. He is head of the petroleum division, chairman of the planning committee and a member of the executive committee.

Others promoted at the bank were: W. E. Mize and Don R. Turner, vice presidents; David Barker and R. L. Cauthon, assistant vice presidents; John Harding, assistant vice president and loan officer; and B. A. Kilburn Jr., trust officer.

Newly elected officers are: John D. Bennefield, data processing officer; C. Dee Carrico, James R. Boyd, Clark S. Richie, Mrs. E. Louise Swank and Orvis Crowson, assistant cashiers; Jimmy D. Ross, loan review manager; George D. Moore, trust officer; L. T. Laughlin, assistant trust officer; and Frank Eby, investment officer.

GILBERT

T. L. ROBINSON

• **American National**, Chicago, has appointed Thomas L. Robinson administrative assistant in the correspondent bank division. He services the bank's correspondents in Kansas, Missouri, Iowa, Nebraska and Colorado.

Mr. Robinson joined the bank in 1968 as a management trainee. He holds a bachelor's degree from the University of Notre Dame and a master's degree from the University of Michigan.

• **Bank of the Southwest**, Houston, has announced several new appointments and a major realignment of its operating structure.

William B. Black Jr. and Oscar E. Einkauf Jr. have taken new positions with Southwest Bancshares, the bank's holding company. Mr. Black, former senior vice president of the bank, is now vice president in charge of all marketing activities for the parent corporation. Mr. Einkauf, bank controller, is vice president in charge of financial reporting and accounting for the holding company.

The bank also has created three new divisions: retail banking, managed by

News of the Banking World

Weyman W. Horadam, senior vice president; international banking, managed by Merle R. Crockard, vice president; and commercial banking, for which a manager will be named later.

Two new departments within the commercial banking division are: national accounts, headed by Ed S. Chapline Jr., vice president; and metropolitan Houston department, directed by T. Orman Taylor, vice president.

Other new promotions at the bank include: Robert G. Harris, from assistant controller and accounting department manager to controller; and Oscar Turner III, assistant vice president, real estate loan department, to department manager.


BLACK


EINKAUF

• **Paul E. Brandt** has been elected a vice president of Security Pacific National, Los Angeles. He is in charge of correspondent banking in New Mexico, Colorado, Utah, Wyoming, Idaho, Montana, Alaska, Washington, Oregon, Nevada and southern California.

In 1950, Mr. Brandt began his banking career with Farmers & Merchants Bank, which later was merged with Security Pacific. He was appointed assistant cashier in 1959 and manager of the commercial services department in 1962.

Mr. Brandt joined the organizing directors of Valley National, Salinas, Calif., in 1964 as vice president and cashier. He held this position until 1969 when he rejoined Security Pacific in the correspondent division.

• **First National,** Chicago, has formed a new corporate finance division in its commercial banking department. The new division has three units—financial services, corporate research and merger and acquisition services.

John S. Hinchman, who recently joined the bank as a vice president, is head of the new division. Formerly, Mr. Hinchman was first vice president and general partner of Eastman Dillon Union Securities & Co., Inc., and its affiliated partnership and before that was a vice president at Northern Trust.

• **James S. Gaskell Jr.** was elected president of First National, Montgomery, succeeding Frank A. Plummer, who continues as chairman and chief executive officer. Mr. Plummer also is president and chief executive officer of First Alabama Bancshares, Inc., the bank's holding company.

Mr. Gaskell previously had been executive vice president and a director. He has been with the bank since 1952.

• **American National,** Chicago, has made several new promotions, including that of Martin J. Noll, correspondent bank officer, to second vice president. He covers Illinois and St. Louis and has been with the bank three years.

Sidney Goldstein was elected a vice president. He has been with the bank since 1946, most recently as second vice president in the bank operations department.

Promoted to second vice presidents were: Thomas M. Howard, loan officer; Miss Blanche Kirian, trust officer; and Paul L. Whiting, loan officer.

Newly elected officers are: Peter C. Anderson, Theodore C. Axton, Marshall W. Craig and Richard S. Goldstein, loan officers; Donald Stoneham, international banking officer, London Branch; James J. Christy, James P. Shea and Richard M. Stellers, installment loan officers;

David S. Brown, correspondent banking officer; Berthil W. Ivarson, customer service officer; Miss Louise Hake, trust officer; Earl C. Petersen, assistant comptroller; and Richard W. Schmidt, operations officer.

• **Tyrus R. Stansberry** has been named senior vice president at Manufacturers National, Detroit. Mr. Stansberry, who has been with the bank since 1933, continues as loan controller. He had been vice president-administration since 1966.

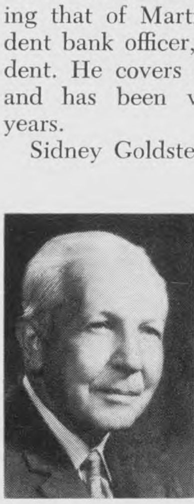
Robert E. Field was advanced from vice president to vice president-administration. He is in charge of the mortgage department and has been with the bank since 1958.

Also promoted were: Philip D. Head, vice president and head of the Southfield Office; and Robert R. Schoonbeck, vice president and trust officer.

• **Robert L. Kramer** has resigned as director of marketing research at Bankers Trust, New York City. He is forming a firm specializing in market research for financial institutions. Called Actionfacts, Inc., the firm will be located in suburban Glen Cove, Long Island.

Mr. Kramer joined Bankers Trust in 1962 as a member of the management science division and later served as director of the division. He served as vice president and director of marketing research since 1967.

Succeeding Mr. Kramer is Bertram H. Lowi, assistant vice president.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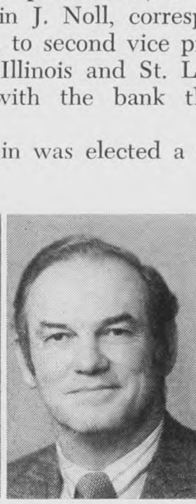
GASKELL


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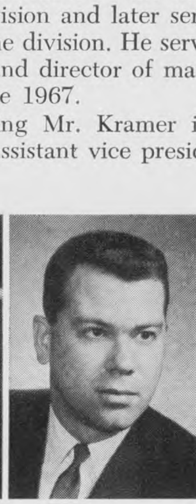

FIELD


STANSBERRY

NEWS OF HOLDING COMPANIES

Multi-Bank HC Acquisition Freeze Asked For Missouri By State's Independents

A FREEZE on multi-bank holding company acquisitions in Missouri was sought by the Independent Bankers Association of Missouri at the third in a series of state legislative hearings on bank HCs. At a hearing held jointly late in November in Kansas City by Senate and House banking committees, the IBAM called for passage of a law creating a Bank Holding Company Study Commission. (Editor's Note: At press time, it was learned that two bills restricting expansion of multi-bank holding companies in Missouri were introduced in the state legislature.)

Under the Independents' proposal, this commission would study "the advisability of legislation for the control of multi-bank HCs." Such a commission would report back to the legislature in 1975.

In the meantime, the IBAM also proposed, the law would make it illegal for any new multi-bank HCs to be formed or for any existing HCs to acquire additional banks.

John W. Bowyer, professor of finance at Washington University, St. Louis, appeared on behalf of the IBAM. He said a monopoly of large HCs was obtaining increasing control of the nation's and Missouri's banks. As one danger to the public, continued Mr. Bowyer, a holding company and its board could control a large number of banks and a person in personal disfavor with an employee of one of those banks might be unable to get loans from any of the HC's banks. The inability of a bank customer to obtain credit may be completely unrelated to his credit worthiness, he said.

At the first hearing, held last September, the Missouri Independents proposed a bill that would severely restrict future expansion of multi-bank HCs in the state. The bill would prevent HCs from acquiring banks located more than 50 miles from their largest subsidiaries and from controlling more than 10% of total commercial bank deposits in the state. • •

• **First Alabama Bancshares, Inc.,** Montgomery, has announced plans to acquire Real Estate Financing, Inc., subject to approval of supervisory authorities and shareholders. Officials said they expect the transaction to be approved by March 31.

• **Stockholders** of Northern Trust, Chicago, have approved a plan to make the bank a wholly owned subsidiary of a new bank holding company to be named Nortrust Corp. The holding company will have the same executive management and directors as Northern Trust.

• **Conill Corp.,** parent holding company for Continental Illinois National, Chicago, announced that it plans to file a registration statement with the Securities & Exchange Commission for the sale of $100 million of 7½-year notes. The notes would not be callable within seven years and would be offered only by means of a prospectus.

Donald M. Graham, chairman of Conill and the bank, said the decision to market the notes is not final and that no date has been set for the sale. He said proceeds would be used by Conill to purchase shares of the capital stock of Continental Bank. The bank, in turn, would use the funds primarily for making loans and providing other banking services.

• **Third National,** Nashville, stockholders have approved the merger of the bank into Third National Corp., registered bank holding company. The move is subject to approval of regulatory authorities.

D. W. Johnston, a director and former chairman of the bank, has been elected chairman of Third National Corp. and Chase Moss, executive vice president of the bank, was named president of the new bank holding company.

• **First Union, Inc.,** St. Louis, has reached affiliation agreements with Missouri State, Sedalia, and First National, Liberty. Under the agreements, both banks would operate independently with present management and employees. Both the proposed acquisitions are subject to approval by regulatory authorities.

The affiliations are the eighth and ninth for First Union, whose lead bank is First National, St. Louis.

• **First Commerce Corp.,** holding company for First National Bank of Commerce, New Orleans, has signed an agreement to acquire two real estate development advisory firms based in New Orleans.

W. R. Smolkin & Associates, Inc., and Smolkin-Siegel Corp., an affiliated firm, both will become wholly owned subsidiaries of the holding company upon approval from regulatory authorities.

W. R. Smolkin will be chief executive officer of the wholly owned subsidiary and Robert L. Siegel will continue as president of Smolkin-Siegel Corp. The firm will retain its present personnel and operating policies.

• **United Missouri Bancshares, Inc.,** Kansas City, received Fed approval to acquire Brookfield Banking Co.

The holding company also reached an agreement in principle, subject to approval of regulatory authorities, to acquire Manufacturers & Mechanics Bank, Kansas City.

• **First National Charter Corp.,** Kansas City, has acquired Citizens Bank, Belton, North Side Bank, Jennings, and Bank of Overland. The holding company also recently reached an agreement in principle to acquire Butler State. Another pending acquisition is Livestock National, Kansas City.

• **Mercantile Bancorp., Inc.,** St. Louis multi-bank holding company, has completed acquisition of Mercantile Bank, Kansas City. The holding company also has received Fed approval to acquire Red Bridge Bank, in suburban south Kansas City, and has reached an agreement in principle to acquire Trenton National, subject to approval of regulatory authorities.

Other proposed affiliates include County Bank of St. Charles and Franklin County Bank, Washington.

• **First Tennessee National Corp.,** Memphis, has received Fed approval to acquire White Creek Bank and Banking & Trust Co., Jonesboro.

The holding company also has reached affiliation agreements with First Bank, Dyersburg, and Kimbrough-Kavanaugh & Associates, Inc., mortgage banking firm based in Nashville.

• **First City Bancorp.,** Houston, announced it has reached preliminary agreements to acquire La Porte State and First State, Clear Lake City. The proposals are subject to stockholder and regulatory authority approval.

Formation of New HC Gives Alabama $500-Million Banking Institution

A NEW $500-million banking institution came into existence last month when Central & State National Corp. of Alabama declared effective its exchange offer to shareholders of State National Bank, Decatur, and Central Bank, Birmingham. The exchange offer was made by prospectus mailed to shareholders of both banks last November 7 to form a bank holding company.

Harry B. Brock Jr., president, Central & State National Corp., said the exchange offer had been accepted by the holders of over 90% of the common stock of both affiliating banks and that all other conditions of the offer also were satisfied. He also said Central & State National Corp., as of December 13, 1971, is in operation as a bank holding company and is the third largest banking institution headquartered in Alabama.

State National Bank of Alabama and Central Bank, the two banks affiliated with the holding company, currently have assets of $329 million and $171 million, respectively. Their affiliation has produced a financial institution with total resources of over $500 million and ends a three-year effort to join the two banks. A proposed merger of the two banks was announced in December, 1968, but numerous competing banks and a stockholder in one of the banks filed suit to prevent the merger on a number of grounds, including the ground that an affiliation of both banks in different counties violated state banking laws. Litigation resulted in a court order preventing the merger, but while the litigation was pending, or soon after it terminated, a number of the banks suing to prevent the merger announced plans to form a holding company affiliating banks in different counties in the state.

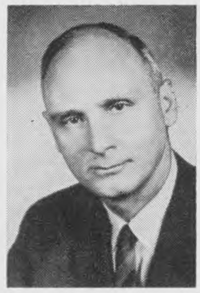
The Board of Governors of the Federal Reserve System approved formation of Central & State National Corp. of Alabama as a bank holding company on October 7, 1971. In its opinion, the Board of Governors stated that formation of the holding company would provide an additional alternative for existing services and a source for meeting increased demands for financial services brought about by economic development in the state. The board concluded that the proposed transaction would be in the public interest. • •

• **Hamilton Bancshares, Inc.**, Chattanooga, recently announced three executive promotions. John Vorder Bruegge was elevated to vice chairman; T. Wendell Holliday was elected executive vice president and Richard A. Chepul was named vice president, secretary-treasurer and member of the executive committee.

Mr. Vorder Bruegge is president of Hamilton National, Chattanooga, and is a director of Hamilton National, Johnson City. Mr. Holliday was elected vice president and comptroller of Hamilton National, Chattanooga, in 1964. He is a director of First National, Lenoir City; First National of Polk County, Copperhill; and Hamilton Bancshares, Inc.

Mr. Chepul is an assistant vice president of Hamilton National, Chattanooga, and has been with the bank since 1968.

HOLLIDAY



VORDER BRUEGGE

Unionization

(Continued from page 6)

portunity to take appropriate actions, which, in turn, should reduce the likelihood of any successful attempt at unionization.

Staff Questionnaire

This questionnaire is intended to determine whether the channels of communication are effective between management and staff, and between staff and management.

It does not call for identification, so feel free to comment on any additional points that are not covered by the questionnaire in the blank space provided. Check the appropriate answer to each question.

1. Do you clearly understand the duties and responsibilities of your present position? Definitely yes ——; Mostly yes ——; Undecided ——; Mostly no ——; Definitely no ——.

2. Has your superior, within the last three months, clearly communicated with you about the quality of your work? Definitely yes ——; Mostly yes ——; Undecided ——; Mostly no ——; Definitely no ——.

3. Have you communicated with your superior regarding some negative feature of your job and have reasonable corrective efforts been made? Definitely yes ——; Mostly yes ——; Undecided ——; Mostly no ——; Definitely no ——.

4. How would you rank your present job in comparison to other jobs you may have had? One of the most important ——; Among the more important ——; Undecided ——; Among the less important ——; One of the least important ——.

5. To what extent are you interested in learning (or learning more) about banking and the next higher job to yours? Very ——; Somewhat ——; Undecided ——; Not too ——; Not at all ——.

6. To what extent are you interested in taking course work in banking to improve your knowledge of the subject? Very ——; Somewhat ——; Undecided ——; Not very ——; Not at all ——.

7. Do you intend to make banking your career? Definitely ——; Probably ——; Undecided ——; Probably no ——; Definitely no ——.

8. What is your present inclination toward recommending a friend to seek employment with this bank? Definitely would ——; Probably would ——; Undecided ——; Probably not ——; Definitely not ——.

9. Do you agree or disagree with the following statement? "Bank management is sincerely interested in my welfare and career." Strongly agree ——; Agree ——; Undecided ——; Disagree ——; Strongly disagree ——.

10. How would you describe your present attitude toward your current job? Very favorable ——; Mostly favorable ——; Undecided ——; Mostly unfavorable ——; Very unfavorable ——.

Additional comments: • •

Memphis Bank Promotes Three

HALL

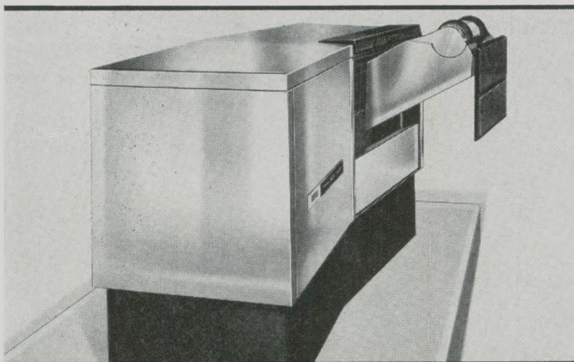
CALAME

HOBSON

Recently promoted from assistant vice presidents to vice presidents at Memphis Bank were: Harry J. Hall, mgr., Whitehaven Branch; Paul A. Calame, mgr., Union Avenue Branch; and Lynn Hobson, business development department.

New from Diebold

A Report on Products and Services of Interest to Bankers



Helping Your Bank Reach Your Customers

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CORPORATE NEWS ROUNDUP

News of Firms Serving Banks

• **Mosler Safe Co.** Three top-level executive appointments have been announced by Mosler Safe Co., Hamilton, O. The firm has established a new information and automation systems division, headed by John C. Heiland, vice president and general manager. The division is located in Milford, O., and has responsibility for all document retrieval systems, automatic banking systems and security locks.

Replacing Mr Heiland as vice president of planning and research is Philip Zenner, former vice president of marketing. Mr. Zenner is responsible for all business planning for the firm.

Joseph MacDonald was appointed vice president and general manager, sales and service, and directs all group marketing, sales activities of security related products and installation and service functions. Mr. MacDonald recently had been elected vice president of bank sales.



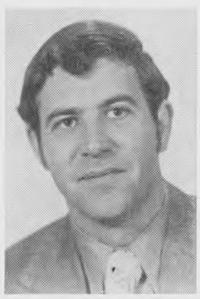
MacDONALD HEILAND ZENNER

• **Howard J. Blender Co.** New offices in Dallas have been opened by Howard J. Blender Co., Northbrook, Ill. The company, a bank management consulting firm, offers professional services in bank operations.

• **Diebold, Inc.** John T. Murphy has been appointed St. Louis regional manager and Thomas C. Baxter Louisville regional manager of Diebold, Inc., headquartered in Canton, O.

Mr. Murphy had been district manager in the St. Louis region. He is responsible for Diebold accounts in Missouri and Illinois, as well as in metropolitan St. Louis. Mr. Murphy joined Diebold in 1966 as a sales representative in the Milwaukee Office.

MURPHY



BAXTER

Mr. Baxter had been serving as district manager in Toledo. Before that, he was sales representative in the Philadelphia Office.

• **Studley, Shupert & Co., Inc.** Herbert A. Trucksess has been elected a senior vice president of Studley, Shupert & Co., Inc., Philadelphia. He joined the firm in 1953 and is an investment officer.

Mr. Trucksess is a graduate of the University of Pennsylvania Wharton School of Finance and Commerce and has been a faculty member of the Stonier Graduate School of Banking at Rutgers University.

BASTIAN

DeOGNY

• **Bank Building Corp.** Dean DeOgny has been named executive administrator of the banker associate and advisory program of Bank Building Corp., St. Louis. The banker associates are retired financial executives who provide nationwide professional assistance to Bank Building and its clients.

Before joining Bank Building, Mr. DeOgny was assistant vice president at Mercantile Trust, St. Louis.

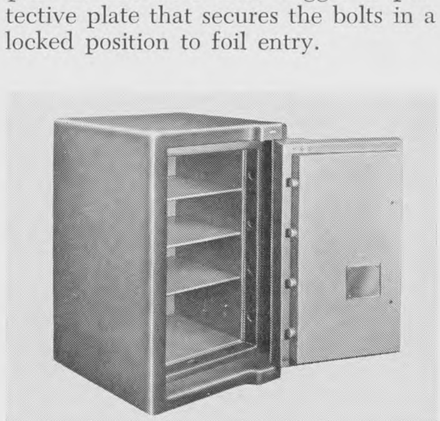
• **Delta Corp. of America.** Arthur T. Bastian has been named executive vice president of Delta Corp. of America, Miami, and is responsible for the overall operations of the nationwide company.

Mr. Bastian has been with Delta for seven years as treasurer, vice president and for the past two years as senior vice president. He also is a director of the company.

• **Meilink Bank Equipment.** The Fortress Safe is now available from Meilink Bank Equipment, Toledo, O.

The safe's 4½-inch-thick body has a 1½-inch protective metal thickness throughout. More than one inch of special heavy duty reinforced alloy is combined with a reinforced monolith of material to resist oxygen cutting, blowtorch, drilling and other similar methods of entry, according to the manufacturer.

Developed and tested to meet highest security requirements, the safe's boltwork has anti-explosive and automatic relocking devices. Pressure, impact or excessive heat trigger a protective plate that secures the bolts in a locked position to foil entry.



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MID-CONTINENT BANKER NEWS ROUNDUP

News From Around the Nation

PEOPLE

• ROGER E. ANDERSON and JOHN H. PERKINS have been elected vice chairmen of Continental Bank, Chicago, and its parent holding company, Conill Corp. Both were executive vice presidents of the two firms and also are on their boards.

According to DONALD M. GRAHAM, chairman, the promotions were the first step in a program of restructuring executive and senior management to meet current and future administrative needs.

PERKINS

ANDERSON

• WILLIAM W. SHERRILL has resigned as a member of the Board of Governors of the Federal Reserve System. He was appointed to the post by President Lyndon B. Johnson in 1967 to fill the unexpired term of CHARLES SHEPARDSON. His reappointment to a 14-year term was confirmed by the Senate in 1968. Mr. Sherrill was a Houston banker prior to 1966, when he was named a director of the FDIC.

• JOHN F. McGILLICUDDY and JAMES R. GREENE, president and senior vice president, respectively, Manufacturers Hanover Trust, New York City, have received the highest honor the Colombian government confers on foreigners. The bankers were given the Orden de Boyaca in recognition of MHT's financial services to Colombia as well as the leadership of the recipients. Mr. McGillicuddy also was honored by the American Jewish Committee's appeal for human relations at a testimonial dinner November 23.

• SAMUEL MARDIAN JR., executive vice president and treasurer, Mardian Construction Co., has been elected a director of First National of Arizona, Phoenix.

House Okays Bank Loans to Candidates

Legislation making it legal for banks to make loans to political candidates was passed last month by the House. The loan provision was part of a campaign-financing package passed by the House 372-23 and is identical to one contained in similar legislation passed last August by the Senate. A House-Senate conference committee now must settle differences between the two measures.

Purpose of the legislation is to solve a problem brought out when four banks in Ohio and one in Texas were indicted last year for giving credit to political office seekers. The Justice Department contended the loans violated a federal law prohibiting campaign financing contributions by national banks, corporations and labor organizations. In its first action against banks under the statute, Justice interpreted the law to prohibit bona fide bank loans to political candidates. Later the loans were ruled to be legal by a federal district court in Ohio, but Justice asked the Sixth Circuit U. S. Court of Appeals to overrule the decision.

Because the case is still in litigation and in view of the present wording of the statute, bankers aren't eager to grant loans to political candidates. On the other hand, congressmen planning next year's election campaigns want to have the matter resolved so they can get loans.

Keep HCs Out of Insurance, Says NAIA

A campaign to prevent or at least curtail the incursion of bank holding companies and S&Ls into the insurance field is being put together by a new committee of the National Association of Insurance Agents. This was the latest action taken by the NAIA to combat what it considers the unfair competitive threat posed by financial institutions that allegedly make use of their relationships with borrowers to sell insurance.

The NAIA effort was largely inspired by the 1970 amendments to the Bank Holding Company Act and subsequent regulations of the Fed that allow bank HCs to operate insurance agencies if the service is closely related to their banking functions.

The new NAIA committee is being realistic, though. If it cannot keep banks and S&Ls from selling insurance, according to its chairman (Stanley Betts, partner in a Chevy Chase, Md., agency), the committee at least will work toward guidelines to "prevent the bad practices which are so common when a financial institution enters the insurance agency business."

Chicago Bank Boosts Minority Loans

At about the same time that Senator Philip A. Hart (Dem.,Mich.) was urging bankers in his state to put more emphasis on lending to the poor, Chicago's First National announced a new program to further expand home-improvement loans in the city's black neighborhoods.

First National has earmarked an initial $2 million for FHA home-improvement loans of up to $5,000. Interest rates vary with the size of loans and terms of up to seven years and range from 5½% a year on amounts up to $2,500 to 4½% a year on amounts between $2,500 and $5,000. For example, said William G. Heise, assistant vice president in charge of the installment loan division, the interest on a five-year, $3,000 loan for a $3,525 improvement would amount to $793.20 over a five-year period, or a true annual interest rate of 9.65%.

Senator Hart said he was not asking bankers to abandon "the hard economics of loan judgments," but he indicated there is room for a rethinking of banker attitudes on what it takes for a minority individual to qualify for a low-cost loan. He appealed to banks to come to grips with their social responsibility in the minority lending area or watch the cities further deteriorate "and the ship eventually sink."

Outlook for 1972: Phase II and Banking

Controls will remain for a long period; Interest rate controls would cause backlash

By GEORGE S. CRAFT, Chairman, Trust Company of Georgia, Atlanta

THE NEW Economic Program affects every man and woman in this country, including every business, large and small. As broad as that may sound, the real significance of this program is even bigger—since it must be viewed in a worldwide context. Indeed, it was a worldwide dollar crisis that finally forced the Administration to take steps which shocked even those who knew that all was not well—and that drastic action was needed.

CRAFT

Over an extended period, many critical areas of the national economy—price inflation, the growing rate of unemployment, sluggishness of industrial production, and the availability and cost of money—had become sources of serious disappointment. Mr. Nixon and his advisers saw to their dismay that their "game plan" was proving inadequate.

During this past spring, there was a slight slowdown in the rate of price increases, but this provided only small and short-lived comfort. By mid-summer, it became clear that the rate of price increases was again accelerating and that business activity was picking up slowly. There was little real optimism for any meaningful recovery as things stood and the basic element of confidence seemed to be seriously lacking. Events at home and abroad gave us little reason to expect improvement without positive actions.

As August began to unfold, the Administration had in hand many facts and figures which showed just how dangerous our position had become. The international dollar crisis, which had been papered over in May, could no longer be ignored.

The most significant data documented an alarming upturn in our international payments deficit, which had been running counter to our interests for a long time. For full calendar year 1970, the U. S. balance of payments deficit was at the then record level of $9.8 billion. In the first half of 1971, the deficit rose to the shocking annual rate of $22½ billion. Figures which have only recently reached the public, but whose import must have been available to those attending the famous Camp David weekend in August, show that for the third quarter of 1971 the payments deficit was at an annual rate of $48 billion! Clearly, the time had come for positive steps by our government to stop this serious economic erosion worldwide.

The 90-day wage-price freeze imposed by the Administration, coupled with the import tax and a "floating" dollar disassociated from gold, was not a pleasant step. However, measured against the alternatives, it was a constructive move which most serious-minded citizens applauded.

I wish I could say that the Phase One freeze had solved our problems. Obviously, it did not nor was it expected to. As we move further into Phase Two, we remain in a difficult situation. There is the ever-present danger that the thaw in the freeze could produce treacherous slush. Quite expectedly, the problems of managing Phase Two are proving to be much more delicate than was the case with Phase One.

The big keys to our success in Phase Two will be our ability to hold the line to the 5.5% average annual increase in wages, and the implied 2-3% increase in prices. Formulas for managing these guidelines on wages and prices are extremely complicated and subject to variations of interpretation. Space does not permit an analysis of the specific regulations. Hopefully, those charged with responsibilities for enforcing these guidelines can find effective ways to carry out their duties without repeating the errors evident in the coal miners' settlement. If we can move ahead with these guidelines, and allowing for the liberal fiscal policies built into the New Economic Program, there is reason to hope that industrial production will move forward and unemployment will be reduced.

Sooner or later, we will move into another phase of this economic program—an era that logically will become known as Phase Three. That will be when present guidelines are lifted or are further modified to bring us back closer to free enterprise. We really don't know when that might be. It should be noted that the President has asked for an extension of certain executive powers until April, 1973. I think we are likely to live with Phase Two for a long period.

What we are now beginning to experience is an "incomes policy"—not unlike many similar efforts in recent years by various European nations—to establish control over prices and wages in a manner consistent with medium-term economic stabilization, employment and growth goals. Records in Great Britain, France, Germany, the Netherlands and Sweden have not been encouraging. However, the Nixon Administration at least has an opportunity to learn from the mistakes of these nations.

The most obvious lesson to be learned from European experiences is that wage and price restraints do not cure inflation. They merely suppress or postpone it. The record clearly shows the dangers of inequities which arise under wage and price controls, with dislocations in labor and distortions in the wage-price relationships.

The question of guidelines—with or without compulsion—offers the largest stumbling block. Since wages are the prime target (as they are the biggest single element in business costs), organized labor tends to get its nose out of joint and claims that it is being asked to sacrifice more than other segments of society. Unless our labor unions can be made to see that everybody's ox is being gored, the concept of an "incomes policy" blows up—and there is likely to be an explosive new outbreak of inflation.

We had barely gotten Phase Two off the ground when we saw the test posed by the soft coal miners. The Pay Board flunked that test and got an "F" on its first report card. The decision in that case created an unfortunate credibility gap which must be closed if we are to see Phase Two move ahead with any degree of success. We all have sympathy and concern for labor, but we will find ourselves in deep trouble if organized labor is allowed to call the plays.

But let's look at the positive side. Successful enforcement of the 5.5% average for wage increases should help greatly in removing expectations for continued growth of inflation. That would be an extremely significant accomplishment and would help to reestablish the much needed confidence that we are indeed capable of managing our economic affairs. Parenthetical-

(Continued on page 38)

Banks, State Associations, IRS Try to Field Phase II Queries

A NEW free booklet designed to answer basic questions about the Phase Two economic control program is being offered by the Internal Revenue Service at its offices as part of an effort by the IRS, banks and state associations to answer Phase Two-related questions from bankers.

The booklet, entitled "General Information—Economic Stabilization Program" gives examples of how the wage and price standards apply to firms and employees and tells how to file complaints or ask for exemptions from the controls.

Only a limited number of the booklets has been printed, due to the fact that additional regulations are expected to be issued soon, which will necessitate a revised edition.

The booklet should be helpful in answering questions that bankers have been asking of their correspondents and state associations.

Personnel officers of major banks have been doing their best to field Phase Two questions, but they often advise questioners to take their queries to the IRS, which monitors Phase Two controls, since that office has the latest information.

In attempts to assist bankers with Phase Two questions, banks and state associations have been disbursing information. The Indiana Bankers Association, for one, has included general information in its general bulletin to members. Its December bulletin covered interest and dividends, wages and the proper place to go for more information.

The bulletin advises that, although most banks are not covered by dividend limitations, it would be desirable for all banks to adhere to the spirit of the guidelines enumerated by the Committee on Interest and Dividends, Washington, D. C. 20551.

Under the topic of wages, the bulletin advises that, in general, pay raises are to be held to an increase of 5.5% per year. A similar increase in fringe benefits can be given. The 5.5% limit does not apply to individual employees, but to "appropriate employee units," which are defined as an industry, company, large department or a bargaining unit.

Banks with less than 1,000 employees can grant pay increases without advance notice or reporting to the government, according to the bulletin. Banks with from 1,000 to 5,000 employees can grant pay increases without advance notice, but the increases must be reported to the Pay Board. Banks with more than 5,000 employees must obtain advance approval for wage increases.

First National, Montgomery, Ala., included a discussion of Phase Two guidelines in its 26th annual Bank Forum, held last month.

Mrs. Katharine Edney, vice president and personnel director, stated that banks maintaining written salary plans with minimum and maximum rate ranges for job classifications or categories established before November 14, 1971, appear to be in a favorable position. Under the new regulations, Mrs. Edney said, such banks may make individual salary adjustments within rate ranges as frequently and in such amounts as deemed appropriate, so long as the ranges are not increased more than 5.5%.

She further stated that, in the absence of established pay plans, banks should be prepared to show IRS compliance officers the total paid for base salaries and fringe benefits on November 13, 1971, the date from which regulations require annual measurement, and that the bank's annual aggregate salaries, including fringe benefits, have not increased beyond the general pay standard of 5.5%.

Economists at Northern Trust, Chicago, contend that the wave of enthusiasm that initially followed the President's mid-August announcement of his new economic policy has increasingly given way to questions and doubts about the efficacy of the program.

The December issue of Northern Trust's economic newsletter notes that policy developments this autumn have failed to produce an effective improvement in the attitudes of the business and financial communities. This has occurred despite the apparent success of the Phase One wage-price freeze and signs of greater vigor in consumer spending.

Much of the uncertainty about the program stems from concern over the manner in which broad wage and price rules will be interpreted in individual cases, the bank's economists observe.

The Pay Board has set a relatively stringent "standard" of 5.5% for wage and benefit adjustments negotiated after November 13, 1971. However, various allowable exceptions have acted to boost the effective average above the guideline figure, the economists say.

Initial decisions by both the Pay Board and Price Commission have tended to be liberal, and the resultant deviation from standards has helped to make Phase Two somewhat ambiguous, say Northern Trust economists.

A Brighter 1972 Forecast

Economy Is Viewed by Three Prominent Bankers As Due for Upturn During New Year

By R. CROSBY KEMPER JR., Chairman
City National Bank & Trust Co., Kansas City

IN LIGHT of recent national and international developments—devaluation of the dollar, reduction of the Fed rediscount rate, lowering of the prime rate and increasing tension in the Middle East, to name just a few—we approach 1972 with relation to the national economy with cautious optimism. Locally, however, we are looking forward with great enthusiasm and confidence and anticipate an excellent economic picture for greater Kansas City.

Construction and remodeling are at an all-time high. There are $3-billion worth of construction projects currently underway or in the planning stages for the greater Kansas City area.

Kansas City International Airport, the $215-million, 5,000-acre jet-age terminal, 14 miles north of Kansas City's downtown area, is due to be completed

(Continued on page 30)

By JAMES H. JONES, President & CEO
First National Bank of Commerce, New Orleans

NEW ORLEANS is entering an economic boom, the center being the $129.5-million domed stadium for which our bank was the underwriter. This great structure, which will house conventions and other public gatherings, in addition to football and all other sporting events, has occasioned the construction of a number of hotels and office buildings nearby, which probably will exceed $1 billion in value within a few years. Already on the drawing boards are $500-million worth of buildings, including hotels now appearing on the skyline, which will add 4,000 rooms to our present capacity.

The effect on our tourist industry is expected to be dramatic. During 1971 New Orleans received an estimated $52-million sales from convention participants and nearly $200 million from vacationers. The Sugar Bowl and Super

(Continued on page 24)

By DOW OSTLUND, President, Robert Morris Associates,
And Executive Vice President, Valley National Bank of Arizona, Phoenix

I HAVE been asked to present my views concerning two questions for this special "forecast" issue. The first is my view of commercial loan demand for this year compared to 1971. The second is what category of commercial loans I expect to see increase the fastest during this new year.

There seems to be rather unanimous opinion in economic, business and financial circles that our economy is in a state of recovery and that, in general, business will be considerably better in 1972 than it was in 1971.

And it is business spending that will lead the way in our economic recovery. The "confidence factor," which comes into play as business improves with the prospect of continuing, will have impact on corporate borrowing plans. And stronger commercial loan demand will result this year over last.

(Continued on page 36)

James H. Jones

(Continued from page 23)

Bowl games, together with the new conventions, will add materially to our economy this coming year.

The second largest port in the country is located here. The Port of New Orleans, our largest industry, ranks with Rotterdam, New York and Hamburg as one of the world's greatest seaports. It is the gateway to world shipping lanes for two-thirds of the United States. Like other ports in our nation, we have some unsettled labor issues temporarily that may leave us with no additional tonnage in 1972.

Louisiana, and its offshore reaches, is a heavy producer of oil and gas, and the western part of our state enjoys a healthy lumber and forest products industry. With a convenient port facility, readily accessible construction materials and a plentiful fuel supply, our area is a natural region for relocating company headquarters from more overpopulated sections of the country. A recent study by our Economic Development Council has led to efforts along this line and a number of corporations have voiced genuine interest in relocating here. We anticipate adding thousands of job opportunities in the near future.

The purchase of a $30-million tract of land in the eastern part of the city is being arranged through HUD, and a program is underway for creation of a totally planned "New Town." This will be a city within a city, complete with residences, schools, shopping center, etc. A 114-acre Louisiana Medical Complex also is near to reality, with $150 million being invested in making New Orleans even more attractive as a world-renowned location for professional expertise. Louisiana Medical Complex alone is expected to generate 2,500 new and permanent jobs. More important than the number is the nature of these job opportunities, for New Orleans needs higher-level work for its educated citizenry than that offered in industries providing services for tourists.

The area is served by an excellent group of colleges and universities. Approximately 30,000 students are enrolled in the seven colleges and universities in New Orleans, and this number is expected to grow.

Airport Improvement

Moisant International Airport will be upgraded during the year in an $18-million project that will enable this terminal to handle additional flights, as well as the new, larger aircraft now in use. Meanwhile, studies are being conducted to locate and build a new $450-million international airport in or adjacent to the city in the near future.

This ties our city in with Latin American trade, as well as travel for vacation, medical and educational purposes. Our retail business increased its sales by 10.5% in 1971, and at least that much growth is expected for 1972.

As 1971 closed, the Metropolitan Business Index, published by Louisiana State University in New Orleans, showed results that exceeded everyone's expectations. The city's productivity registered an 8.4% gain, and 1972 should see even better performance.

During the year just ended, the construction industry contributed the most dramatic increases, including the contract signed for our $129.5-million domed stadium. Putting together this financial transaction was only the beginning. We have been called on to set up other large arrangements since then, to the extent that New Orleans has once again been recognized as the financial center of the Gulf South area. With this in mind, we look forward to a highly successful 1972, particularly in banking.

Earnings of banks in the area should pick up, and deposits should grow. We believe interest rates will move upward later in the year, with a prime rate of 6.5% not being out of the question by year-end 1972. Commercial CDs and consumer savings certificates should follow this upward trend.

Savings passbook and installment loan rates, however, haven't fluctuated sharply in our area, and we expect no changes for them in 1972. The Administration's Phase Two program has not caused any important issues unique to the Gulf South region, nor do we expect any to materialize.

New Orleans continues to need upgrading in the manufacturing and wholesaling sectors of its economy. A renewed impetus in this direction is being vigorously pursued by the Economic Development Council, as it continues to seek to bring new industry to our area.

Nationally, we view as the greatest challenges for banking, the broadening of holding company activities and a continuation of the struggle against inflation. Other challenges facing banks in our environment are to reverse the deterioration of the central cores of our cities, to provide adequate housing and educational facilities for our citizens, the proper planning and implementation of public transportation systems and to make our population better informed in every respect.

In our own state, the banking issues coming up are: abolishment of nonpar banking, legislation permitting multi-parish (county) branching and removal of the laws in Louisiana prohibiting registered bank holding companies.

All in all, we at FNBC are optimistic about 1972, both in terms of bank earnings and growth and in terms of economic progress. We have set our goals high and expect to continue to exert a strong influence in making the area we serve ever more attractive, healthy and progressive. • •

ABA President Forecasts '72 Economic Upturn, Lists Indications for Better Conditions

ALLEN P. STULTS, president of the American Bankers Association, says the stage is being set for an economic upturn in 1972.

Mr. Stults, who also is chairman and chief executive officer, American National, Chicago, listed several indications that better conditions lie ahead.

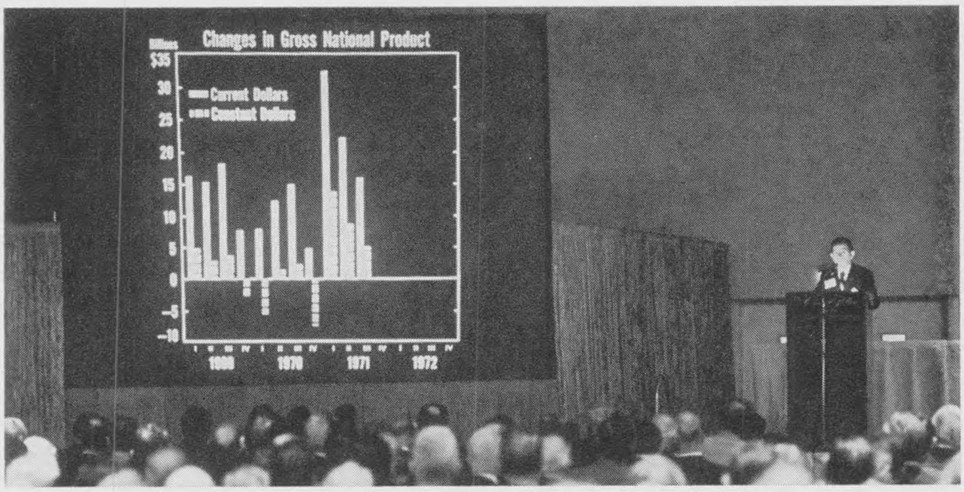
STULTS

"Declines in the rates of increase in wholesale and retail prices encourage the view that President Nixon's new economic program is taking hold," Mr. Stults said. "Also, recent surveys show an improvement in consumer confidence and an increase in investment spending by business.

"Within banking, we can expect a strong demand for credit to finance this improving economy. If this demand is accompanied by appropriate monetary measures, we can expect to service it without a return to the tight-money conditions caused by the pressures of inflation."

Mr. Stults said he shared the view that the Gross National Product will rise in '72 by at least 8% in terms of current dollars and perhaps 5% in constant dollars.

"If this expansion in output materializes," he said, "the unemployment level will be reduced, and, hopefully, we will see at least 95% of the labor force employed by the end of 1972." • •



Mr. Korsvik presents his Outlook for Business at First of Chicago's annual correspondent bank conference.

The Outlook for Business

Output will be up; unemployment and inflation down; Business might be too good!

By WILLIAM J. KORSVIK
Vice President
First National Bank
Chicago

A YEAR AGO, these were the headlines you were reading in the *Wall Street Journal:*

"Construction contracts off 12% from a year ago" . . . "Consumer prices last month rose at a 6% annual rate" . . . "Increasing layoffs rob many of jobs and pensions" . . . "Consumer confidence lower" . . . "Car sales fall 37% in mid-November" . . . "Industrial output decline worst since 1959."

Despite those headlines, the forecast a year ago was for an "accelerating continuation of a slowly rising trend," then just evident, "nurtured in large measure and to an increasing extent by a recovery in consumer buying . . ."

How did the economy do in the last 12 months?

- Total output of goods and services —the gross national product—increased about $75 billion, a rise of 7½%.
- If we adjust for price changes, real output increased almost 3%, or $20 billion. In the previous four quarters output actually declined $3.5 billion!
- In the process, one million new jobs were created so that employment is at record levels and unemployment did not rise above the high of December, 1970.
- Personal income rose about 7½%.
- Consumer expenditures went up almost 10%.
- Housing starts soared.
- Corporate profits rose about 10%.

These indicators suggest a pretty good recovery from the recession low of November, 1970. As a matter of fact, such an evaluation is particularly valid in view of the worsening international exchange situation that dominated the first half of 1971, and the not unanticipated pause in the upward pace of business in the third quarter, reflecting the adjustments precipitated by the threat of a steel strike in mid-summer.

The major disappointment of 1971 was the behavior of prices. Although the rate of rise had slowed from the high of about 7% in the second quarter of 1969, to a low of 2.7% early in 1971, prices began to accelerate in the second quarter. The rate of rise for the first nine months of 1971, however, was at an annual rate of less than 4%.

These developments—the pause in business, the behavior of prices, and more importantly, the worsening international situation—prompted the Administration to take decisive action last August. The new economic program, although an abrupt departure from previous policies, got rave reviews—at least in the U. S.—and packed an immediate psychological wallop.

The initial enthusiasm it engendered in the market place at that time, as evidenced by the surge in stock prices, has waned. In its place, a kind of blanket of uncertainty about Phase Two has settled over the business and financial community; the gains in the stock market have been largely erased and business sentiment today is rather gloomy. As a matter of fact, a certain parallel exists between attitudes today and a year ago.

Actually, the economy of the U. S. and the pace of business have not changed all that much in the past few months.

The economic environment today and in which business will operate in the next six to nine months is, in fact, already determined and was largely in place prior to the President's speech on August 15, 1971. It is an environment of recovery and expansion determined largely by a shift in fiscal and monetary policies underway for well over a year.

First, the federal budget shifted from

The talk on which this article is based was given by Mr. Korsvik at First of Chicago's annual correspondent bank conference in November. Mr. Korsvik is in the bank's business and economic research division.

a surplus in 1969 to a widening deficit, a deficit that will be substantially larger (over $30 billion), as a result of measures proposed by the President on August 15, than has been officially forecast ($28 billion).

Second, and in similar fashion, monetary policy, as evident by the behavior of the monetary aggregates, has been clearly expansive. (Money supply increased at 7.6% from January-October, 1971.)

The reports of the policy actions of the open market committee, as well as the more recent behavior of the money supply—2% annual rate of growth in the last few months—give evidence that the Federal Reserve is moderating the pace that characterized policy in the early months of 1971. However, the rate of growth in time deposits, while slowing, continues to rise sharply.

In such an environment, the present uncertainty notwithstanding, there is only one way we can go—*up!* The President's new economic program clearly introduced an additional expansionary thrust to the economy. These included a proposed reduction in taxes for individuals, the reinstatement of the investment tax credit in an effort to spur capital spending by business and the repeal of the 7% excise tax on automobiles.

Thus, the recovery, which was proceeding reasonably well, will be accelerated. The most immediate impact probably will be reflected in the behavior of consumers—205 million of them—who, in the aggregate, account for about 65% of the business activity of our economy.

Currently, a record number of Americans are employed. Last summer, employment was only fractionally below the peaks of early 1970. In the past few months, successive new highs have been reached. Employment typically lags, because rises in output are not matched by additions to the work force. Despite this, there are over one million more jobs today than there were a year ago. With demand rising under the expansive thrust of the new program, further gains in employment in the year ahead are certain.

As a consequence of the improvement in employment, the November, 1971, unemployment rate at 5.8% remains below the recession peak of 6.2%. It will tend to edge down to the 5% level a year from now.

The present unemployment rate is deceptively high, however, because of the changing composition of the labor force—women and teenagers accounting for a larger share of the labor force.

With the improvement in business last year, personal income has risen sharply (an annual rate of increase of about $5½ billion a month)—more rapidly than in 1969 or 1970, when it continued to rise despite the recession.

The rise in employment and the growth in incomes have caused the consumer to loosen his purse strings despite his continued uncertainty over the future. Retail sales, accordingly, have jumped sharply and currently are running about 9% above year ago levels, with durable goods sales 10 to 12% higher. Actually, the rise in retail sales in the last 11 months—since the recession low—has been sharper than in any similar recovery period following the last four postwar recessions.

(Continued on page 30)

Forecast of Gross National Product*

Seasonally Adjusted Annual Rates ($ Billions)

	ACTUAL	PROJECTED							
	Year	Year 1971		1972				Year 1972	
	1970	Level	% Change	I	II	III	IV	Level	% Change
Gross National Product	974.1	1,050.7	7.9	1,111.1	1,136.8	1,163.8	1,189.4	1,150.5	9.5
GNP: $58	720.0	741.5	3.0	769.5	781.8	794.9	806.9	788.4	6.3
Personal Consumption Expenditures	615.8	666.1	8.2	703.0	719.0	734.0	749.0	726.3	9.0
Durables	88.6	102.7	15.9	110.0	112.0	114.0	116.0	113.0	10.0
Non-durables	264.7	280.1	5.8	293.0	300.0	306.0	312.0	302.8	8.1
Services	262.5	283.3	7.9	300.0	307.0	314.0	321.0	310.5	9.6
Gross Private Domestic Investment	135.3	151.1	11.7	160.6	165.0	170.5	175.7	168.0	11.2
Producers' durable equipment	65.4	69.2	5.8	71.5	72.5	74.5	77.0	73.9	6.8
Nonresidential structures	36.8	38.5	4.6	39.1	39.5	40.0	40.7	39.8	3.4
Residential structures	30.4	40.3	32.6	44.5	45.5	46.5	47.5	46.0	14.1
Inventory change	2.8	3.1		5.5	7.5	9.5	10.5	8.3	
Net Exports	3.6	0.9		3.7	4.0	4.3	4.7	4.2	
Government Purchases	219.4	232.6	6.0	243.8	248.8	255.0	260.0	252.0	8.3
Federal defense	75.4	72.1	− 4.4	72.8	73.8	75.0	76.0	74.4	3.2
Federal civilian	21.9	25.2	15.1	28.0	28.0	29.0	30.0	28.8	14.3
State & Local	122.2	135.3	10.7	143.0	147.0	151.0	154.0	148.8	10.0
Final Sales	971.3	1,047.7	7.9	1,105.6	1,129.3	1,154.3	1,178.9	1,142.2	9.0
GNP price deflator (1958 = 100)	135.29	141.69	4.7	144.40	145.40	146.40	147.40	145.92	3.0
Potential $58 GNP	758.4	791.0	4.3	812.1	820.7	829.4	838.2	825.1	4.3
GNP gap: $58	38.4	49.5		42.6	38.9	34.5	31.3	36.7	
Total personal income	803.6	859.7	7.0	903.2	921.1	943.6	962.3	932.6	8.5
Disposable personal income	687.8	743.8	8.1	785.1	799.3	817.8	832.7	808.7	8.7
Savings rate	7.9	7.9		8.0	7.6	7.8	7.6	7.8	
Industrial production (1967 = 100)	106.7	107.0	0.3	113.1	115.4	119.5	120.3	117.1	9.4
Housing starts (000)	1,467	1,979	34.9	2,038	2,038	2,050	2,050	2,044	3.3
Corporate profits before taxes	75.4	81.4	8.0	90.3	93.9	98.2	102.1	96.1	18.1
Taxes	34.1	35.9		37.9	39.5	41.2	42.7	40.3	
Net profits	41.2	45.5	10.4	52.4	54.4	57.0	59.4	55.8	22.6
Dividend payments	25.0	26.1		27.6	28.2	29.0	29.7	28.6	
Undistributed profits	16.2	19.4		24.8	26.2	28.0	29.7	27.2	
Capital consumption allowances	56.2	64.8		65.2	66.3	67.4	68.6	66.9	
Corporate cash flow	72.4	84.2	16.3	90.0	92.5	95.4	98.3	94.1	11.8

* This tabulation was prepared as of November 9 by Manufacturers Hanover Trust, New York City.

Credit Demand and Interest Rate Outlook

By NICHOLAS J. De LEONARDIS

Vice President
First National Bank
Chicago

LOOKING BACK over the last two and one-half decades, we cannot help but reflect on the challenges and significant changes which have occurred in the marketplace and in the structure of corporate and financial institutions. In some respects these alterations have been somewhat self-generating, inasmuch as a modification in one sector almost immediately brought about an innovation in another. These shifts have left an indelible pattern in the form of rising interest rates.

De LEONARDIS

The banking community has been deeply affected by the events of the traumatic '60s, which witnessed a significant change in the deposit and lending structures of the commercial banking system. Rising short-term interest rates, greater utilization of the money market and the sophistication of corporate treasurers who—equipped with computerized cash flow analyses—initiated a program that would leverage surplus funds to propel bankers into a new era of banking.

The first immediate impact of these combined factors occurred in the deposit structure of commercial banks with a switch in emphasis from the demand sector to the time sector. Thus, while in 1955 time deposits accounted for 29% of total deposits, they now amount to approximately 53%. Thus, bankers must now buy and compete for their raw material in the open marketplace.

The money market, however, has not only played an important role in bank liability structure, but it also has had a meaningful impact on the asset side. As more and more corporations began to utilize commercial paper markets, the loan structure of commercial banks, from a maturity standpoint, began to change; that is, it shifted from the traditional short-term borrowing to the longer term-loan concept.

Thus, while the overall loan portfolios of banks increased, both in the short- and long-term areas, what is significant was the growth, since 1960, of the proportion of term loans to regular commercial and industrial loans and the emergence of the term loan as a dominating factor in bank lending policies.

Therefore, as somewhat of a preamble to our examination of the demand for credit and outlook for interest rates, there must be a recognition by bankers —and especially the central bank—that the banking community no longer depends solely upon demand deposits for growth. Rather, it must find its raw material in the marketplace, and as a consequence, the implementation of future monetary policy must take into consideration not only the term structure of bank lending portfolios, but also the involvement of the banking community in the money market.

Thus, not only must the avenues of the money market remain open to the banking community in order to meet the credit demands of our society, but allowance must be made for innovation and new techniques. This latter point will emerge as our greatest challenge.

Turning to the demand for credit, I would like to begin with the private sector. Here we will find that the demands of the nation's nonfinancial corporations will be a continued reflection of the many complex problems—such as in productivity, in working capital and in environment—that have been confronting the corporate treasurer. Certainly one of the most plaguing problems was the steadily increasing rate of inflation that began in 1965. Corporate managers, concerned over the effects of inflation, began to shift from a posture of cash and short-term assets into inventories and fixed assets. While this latter move may have been considered a protective measure, it

In audience to hear Mr. De Leonardis' talk were (from l.) William T. Dwyer, v.p. and head of corres. dept., First Nat'l; Richard Frey, ch., Lake Shore Nat'l; and Fred Heitmann Jr., pres., Northwest Nat'l, all of Chicago.

The talk on which this article is based was given by Mr. De Leonardis at First of Chicago's annual correspondent bank conference in November. Mr. De Leonardis is in the bank's bond department.

nonetheless had the effect of lowering corporate liquidity positions.

The sharp downward shift in liquidity and the ensuing attempt to correct this imbalance during the last 18 months can be shown by an examination of the internal and external generation of funds since 1965.

In 1966, when corporate treasurers found the banking community unable to meet their external requirements, they increased their participation in the bond market from $10.2 billion in 1966 to $14.7 billion in 1967. As the squeeze on profits began to become apparent in 1968, corporate treasurers once again turned to their banks as a source of funds. But time seemed to be running out on the leverage game.

In 1969 the federal government, concerned over inflation and a runaway economy, began to pursue a policy of restraint that climaxed in June of 1970, but which saw a complete reversal of corporate policies with a return to rebuilding liquidity and debt-to-equity ratios.

The year 1970 saw the nation's nonfinancial corporations acquire $20.3 billion through the sale of bonds and $6.8 billion by way of equity financing. Estimates for 1971 indicate they will have acquired close to $23 billion in the bond market and $11 billion through the sale of equities.

Looking ahead into 1972, the external demands of corporations, as in the past, will be highly dependent upon earnings, and all indications suggest corporations will enjoy somewhat higher earnings as we get into 1972.

Taking these projected earnings into account, plus a reasonable upturn in the economy, suggests that corporations may not depend as heavily on the corporate bond market as they have in the last two years, but rather may shift their emphasis back into the banking community, which, in turn, should lead toward somewhat higher bank loan portfolios.

Therefore, for 1972, I submit that nonfinancial corporations may only tap the bond market for $15 to $16 billion and call upon their banks for approximately $5 to $6 billion. However, although corporations have, based upon recent data, regenerated their cash positions, I still feel they will continue to participate and look toward the equity market as a source of funds and attempt to raise $10 billion in this sector of the market—about the same level as 1971.

Departing now from the private sector, let's focus attention on the public sector where a rather dramatic growth pattern is evolving. This is readily illustrated by the need for funds from state and local governments. Faced with a continually growing demand for expanded services and emphasis on quality-of-life needs—water and air pollution—our municipal governments' need for funds has begun to mushroom.

Whereas in 1961 the new-debt requirements of state and local governments amounted to only $5.5 billion; by the end of 1971 the total net short- and long-term borrowings were expected to surpass $23 billion. And we have just begun to meet and grasp the problems of this and coming decades.

As for 1972, our preliminary analysis suggests that there will be no diminution in the need for funds by states and their various political subdivisions. As a consequence, we will probably witness a continued demand for money in 1972 at around 1971 levels.

Finally, our analysis brings us to the federal government and it would seem that just a simple statement suggesting that the federal government will be in the market for a substantial amount of cash would be sufficient. But examining the government's needs can turn out to be quite an exercise. We know that the Administration is determined to stimulate our economy and has presented many and varied programs to the Congress in order that this end may be reached.

However, not knowing which measures the Congress will pass or reject and what proposals of their own they may enact makes the government's demands a rather large numbers game. Data suggest that the deficit for fiscal 1972 could easily reach the $30 billion level. The impact of this demand on the market is rather clouded since a large amount of the Treasury's needs have been met by funds from foreign central banks. What will happen to these foreign funds once the current monetary crisis is settled is open to speculation.

We can expect that the various government agencies will continue to play an ever-increasing role in federal projects and funding and will maintain their present postures in the marketplace. As for 1972, their needs in the marketplace are estimated to run between $8 to $9 billion—or about the same as last year—with a significant amount of this borrowing coming from housing-related agencies.

As to the future, the outlook, perhaps, has never been more clouded, especially in the light of the President's recent program. The wage-price freeze and contemplated extensions under Phase Two make it rather difficult to present more precise numbers on the growth of the economy and subsequent over-all demands.

However, this much we know—the

Guaranty Bank of Alexandria Holds Seminar For Local Businessmen on Phase II Guidelines

REALIZING that guidelines laid down by the Phase Two economics program were causing a considerable amount of confusion and uncertainty in the minds of business leaders everywhere, Guaranty Bank, Alexandria, La., decided to take steps to end the confusion for businessmen in their area.

The bank secured the services of Ronald A. Chevis, attorney for the Economic Stabilization Program in New Orleans, to speak at a bank-sponsored seminar in Alexandria. The response to the program was overwhelming with over 250 business leaders from throughout the community attending the seminar.

Mr. Chevis outlined the basic concepts of the program and its administration as compared to the "No, you can't" attitude of Phase One and expressed optimism for continued public acceptance of the program.

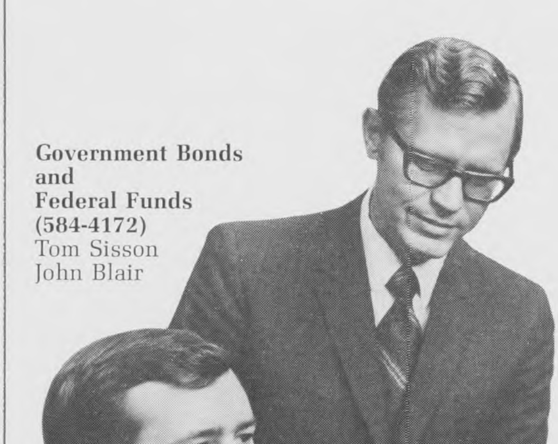
"Guidelines for Phase Two," Mr. Chevis said, "are not set in concrete and they could change completely in six months. The program is very flexible and has only one goal—get inflation down."

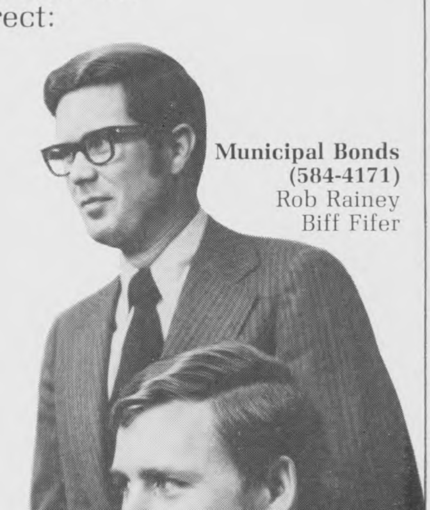
Unlike Phase One, where most questions like "Can I?" made by businessmen met with "No!," each request for an exception is studied and answered within a maximum of three working days from the Economic Stabilization Program office.

A short reception was held after the seminar.

In view of the overwhelming response, A. R. Johnson III, president of Guaranty Bank, has promised more seminars in the future for the community. • •

Ronald A. Chevis (r.), attorney with Economic Stabilization Program in New Orleans, speaks at Guaranty Bank of Alexandria's seminar. At left is A. R. Johnson III, pres. of bank.





President's contemplated program is expansionary in effect and can have a significant impact on the entire economy. The price-wage freeze, which expired on November 13, and Phase Two extensions have had the effect of driving interest rates lower, and—with the possible exception of Treasury bills—there is no reason to believe that these lower yields will not carry over to the early part of the first quarter of this year. The contemplated extension of controls under Phase Two will probably act somewhat as a brake on interest rates during 1972, but the sheer enormity of the President's program and subsequent demands that this program will place on the credit markets will cause interest rates to move higher.

I would like to suggest that after the first quarter of 1972, interest will begin to gradually move up, and by year-end we could see 90-day commercial paper trading between 5½% to 5⅞%, and 91-day Treasury bills yielding 5¼% to 5½%. In the corporate bond area, I would expect that, if we are reasonably successful in making inroads on inflation, we will see AAA corporate bond yields go below 7% to perhaps the 6¾% level, but would expect that, by the end of 1972, they will inch back to around the 7% level.

Thus, over the immediate term, the outlook is reasonable, but we have all the ingredients for an escalation of inflation and interest rates during 1973. This can be avoided only by the judicious handling of this stimulative policy by the President, the Congress and the central bank. • •

Business

(Continued from page 26)

To finance some of these purchases, the consumer has borrowed funds. As extensions of credit exceed repayments, consumer debt again has been rising in contrast to the pattern that prevailed throughout most of 1969 and all of 1970, when consumer reluctance to borrow was clearly evident.

The continuation of these trends seems a reasonable expectation. Retail sales will be further aided by a step-up in consumer outlays for durables reflecting the recent boom in home building as units reach the completion stage and home furnishings are required.

Accordingly, we anticipate a rise of 10% in total consumer expenditures in 1972. They rose about 8% in 1970.

Despite this improvement in sales, consumers continue to save record amounts, nearly 8¢ out of every take-home dollar. We expect this savings rate to edge down to more typical levels of 7% or so in 1972. (The 1966-70 average was 6.9%.)

The enormous flow of funds into banks and thrift institutions has aided home building, which has soared. Housing starts in the past eight months are about 45% above the same period a year previous—one of the strengths of the current recovery period. Starts may top out, however, as the flow of savings slows and funds are diverted from mortgages and housing to business investment, assuming the President's program stimulates capital spending.

Spending by business for inventories, plant and equipment accounts for about 15% of the nation's output. Outlays for inventories have been modest, reflecting the hesitancy of businessmen (up about $7 billion, or 4%, to $176 billion in the past year). This, together with more rapidly rising sales, has dropped the inventory-sales ratio. The ratio for durable goods manufacturing shows a similar dramatic decline despite the rise in steel stocks.

This is one of the strong underpinnings for the economy, for the rise in sales eventually will trigger additions to inventories, a step-up in new orders and production, and a rise in working capital requirements. We anticipate inventory growth will total about $8 billion in 1972, compared with about $3.5 billion last year.

Business outlays for plant and equipment, after rising fairly steadily for almost a decade, topped out about a year ago. There is some evidence that outlays may be turning around and recent surveys suggest a substantially larger increase—7%—projected for 1972.

Although the gap between capacity and output suggests a continued hesitancy on the part of businessmen to step up their investment spending, the new economic program may hasten that development. Not only will product demand rise, lifting production schedules and closing the gap between output and capacity; but, in addition, the tax investment program will be a further stimulant to larger outlays. Our projection is that outlays for fixed business investment in 1972 will rise about 10%.

Spending by governments accounts for the remaining 20% of the output of the economy, divided between state and local governments and Washington. Expenditures for state and local governments have risen steadily over the post-war years—about 10% annually—and 1972 will be no exception.

Federal spending for goods and services will rise sharply this year, notwithstanding the President's urging that outlays be limited. Federal purchases that have actually declined fractionally for two years are likely to be up $9 billion, or about 9%.

Combining these three major buying sectors of our economy—consumers, businessmen and governments—it is our expectation that the economy in 1972 will be expanding sharply, with total output up 10%—with the gross national product in the area of $1,155 billion. We shall make some progress on prices —with real output up hopefully a robust 6.5% in contrast to 3% in 1971 and a decline in 1970.

Corporate profits are likely to be up 15%.

Despite the uncertainty and hesitancy that prevails in the business and financial community today, underlying forces suggest a strong business expansion in 1972.

Accordingly, we anticipate:

- Total output to rise about 10%, spurred largely by continued increased spending by consumers;
- Employment will strengthen and unemployment will decline to the 5% level a year from now;
- Further progress on the inflation front is probable, with the rise in consumer prices slowing to about a 3% annual rate in the fourth quarter of 1972.

Finally, and this is a caveat I would make—the risk of the new economic program and of Phase Two is not that business in 1972 will not be good—but that in a sense, it will be too good! The risk is that the expansive policies of government—the widening deficit and the rapid growth in the monetary aggregates—will not be moderated. Instead, they will be extravagantly expansive and inflation, which has been dampened, will burst forth anew come 1973 and the excesses and imbalances so engendered will again develop.

Hopefully, policies will be altered and this risk will be avoided. • •

R. Crosby Kemper Jr.

(Continued from page 23)

in mid-1972. The Harry S Truman Sports Complex, which includes separate stadiums for baseball and football and will cost $64 million, is due for completion in time for the 1972 baseball and football seasons.

The first phase of Crown Center, a 15-year, $200-million redevelopment program sponsored by Hallmark Cards and located just south of the downtown area, is expected to be completed in late 1973. Eventually, this mammoth center will cover 25 city blocks with some 50 new buildings. The first phase includes five 7-story office buildings, a 750-room hotel, 425 apartment units, a new two-story structure for the Grand Avenue Bank of Kansas City and a 4,000-car underground parking facility. Phases Two and Three are scheduled for completion in 1977 and 1983, respectively.

Exciting projects are also underway

for an overall revitalization of the downtown central core. A long-range master-plan redevelopment program for the 145 blocks in this area has been approved by the city fathers. City National will play an important role in the downtown redevelopment. The bank has purchased the majority of the block just south of its present quarters and plans to construct an all-new banking center. It is anticipated that this project will start in 1972.

Plans also are underway for an all-new convention center, which also will be located in the downtown area. The addition of this facility will provide great impetus to a very important segment of Kansas City's local economy.

Based on preliminary figures (this outlook was written in early December), it would appear that United Missouri Bancshares (parent holding company for City National Bank—Ed. Note) will report earnings for 1971 comparable to those reported in 1970. In the face of increased operating expenses, declining interest rates and a general downturn in the economy, we feel fortunate to have maintained this level of earnings. However, and for many of the same reasons, it will be more and more difficult to continue this profit picture in 1972.

Time deposits have continued their upward trend during the past year. If the prime rate continues to fall, banks will have to look seriously at appropriate reductions in the interest paid to depositors for all types of savings. We have seen minor adjustments in these rates in the final two quarters of 1971.

Despite the Administration's freeze (Phases One and Two), inflation continues to be one of the most serious problems facing the nation, and at this time it is too early to pass judgment and to gauge the effectiveness of the government's new policies. We feel that a realistic projection for 1972 would be a 3-5% increase in the cost-of-living index.

It may be an old cliche, but one word best sums up the banking industry in relationship to 1972—challenging. • •

Robert Morris Associates To Hold Regional Workshop

Robert Morris Associates will hold its first regional workshop February 7-8 at the Hotel Sonesta in Hartford, Conn. The meeting will provide an in-depth treatment of credit department organization and operation.

The workshop is for member banks with total assets of $100 million or less in the following nine RMA chapters: Buffalo, Chesapeake, Connecticut Valley, Empire, New England, New York, Northern Ohio, Philadelphia and Pittsburgh.

Dollar Devaluation, Phase Two Among Topics Discussed At Alabama Bank's Forum

DEVALUATION of the dollar within 45-60 days was foreseen by Frank A. Plummer, chairman, First National, Montgomery, Ala., at his bank's 26th annual bank forum December 6-7. Mr. Plummer's prediction became fact in less than 10 days.

In his talk, "The Changing Banking World," Mr. Plummer said he saw the devaluation as inevitable and a constructive move to realign international money markets. In his opinion, it will have no damaging effect on owners of American dollars. Gold already has been de facto demonetized, he continued, and the only development that could harm Americans would be unbridled inflation. Fortunately, said Mr. Plummer, the rate of inflation appears to be abating. Looking ahead, he said he believes the permanent solution to international monetary problems will be matching increasing costs with increased productivity.

Mr. Plummer also discussed Alabama's first registered bank holding company, First Alabama Bancshares, to which his bank belongs. In the firm's early months of operation, he said, large credits have been effectively coordinated for the benefit of customers and new investment techniques have been developed. He pointed to the acquisition of Real Estate Financing, a $200-million mortgage service corporation, and said it should implement solution of Montgomery and Alabama housing problems.

More than 400 bankers and their wives attended the forum. In addition to Mr. Plummer, they heard the following First National officers: Daniel G. Miles, senior vice president; Paul E. Norris, vice president; William C. Youngstrom, vice president and investment officer; John A. Holleman, correspondent bank investment officer; and Mrs. Katharine Edney, vice president and personnel director.

"Phase Two and Salary Administration" was Mrs. Edney's topic. "Banks maintaining written salary plans with minimum and maximum rate ranges for job classifications or categories established before November 14, 1971, appear to be in a favorable position," she said. "Under the new regulations, such banks may make individual salary adjustments within rate ranges as frequently and in such amounts as deemed appropriate so long as rate ranges are not increased more than 5.5%.

"In the absence of established pay plans, banks should be prepared to show Internal Revenue Service compliance officers the total paid for base salaries and fringe benefits on November 13, 1971, the date from which regulations require annual measurement, and that the bank's annual aggregate salaries including fringe benefits have not increased beyond the general pay standard of 5.5%."

The Pay Board has stated that under newly established and well-defined pay plans, administered in good faith and in accordance with previous policies and practices, increases may be made without regard to the general standard within minimum and maximum ranges, she said. Thus, she recommended that banks without systematic written pay plans should waste no time in establishing such plans.

Mr. Miles, whose subject was "What's New in Operations?," discussed a remote self-service teller system completely operated by the customer. The machine is open for business 24 hours a day, seven days a week. According to Mr. Miles, any one of 14 different types of transactions can be handled, such as deposits to checking and savings accounts, withdrawals from checking, savings or credit card accounts and transfers of funds between various accounts, such as withdrawal from checking account for credit to a loan.

He also described a new method of capturing information on microfilm.

TOP: Frank A. Plummer (r.), ch., First Nat'l, Montgomery, welcomes two Alabama bankers to his bank's 26th annual bank forum last month. At left is A. G. Westbrook, pres., Commercial Nat'l, Demopolis; in center is William B. Joiner, exec. v.p., Phenix-Girard Bank, Phenix City.

CENTER: Pictured at First of Montgomery's bank forum are these Alabama bankers (l. to r.): John McGarity, v.p., First Farmers & Merchants Bank, Troy; George Hulme, pres., First Nat'l, Alexander City; J. Allen Reynolds Jr., exec. v.p. of host bank; and R. F. Blake, pres., Auburn Nat'l.

BOTTOM: During bank forum, Harry S. Gilmore Jr. (c.), v.p. of host bank, chats with two Alabama bankers—John J. Flowers (l.), pres., Dothan Bank; and Noel Dowling, ch., Bank of Abbeyville.

Now installed in the bank's data processing department is a computer output memory (COM) system that produces microfilm directly from magnetic tape. The COM unit will enable the bank to speed up the output of information normally contained on hard-copy printout, said Mr. Miles, and the COM system prints the information on microfilm seven to eight times faster than the information can be printed on hard copy. According to Mr. Miles, this system also reduces the amount of storage necessary because of the tremendous volume of paper that a computer generates.

Mr. Norris' topic was "Mini-Code, Truth-in-Lending, Fair Credit Reporting . . . What's New?" "The attitudes and actions of an increasing number of consumers and politicians are alarming," he said. "The growing trend of class-action suits could seriously undermine many of today's legitimate businesses. Congress, the states, the courts and the consumer must realize that those businesses which they may attempt to regulate and punish are a part of the same society to which they belong and are deserving of equal protection from consumerism itself."

Mr. Youngstrom and Mr. Holleman both spoke on "It's Your Money." Mr. Youngstrom said, "Today's small-town banker, through his city correspondents, is an active participant in this country's major money market and has developed both sophistication and a keen awareness of market conditions. However, this fast-moving market demands that its participants be agile. To protect his interests, the country banker must develop yardsticks to continually measure his performance and sophistication. He must know what his liquidity needs are, what he pays for his excess liquidity and what options are open to him for participation in this market."

Mr. Holleman talked about employment of liquid reserves through First National's federal funds operation, commercial paper and other money market obligations.

"Professional assistance in liquidity analysis can be of great value—you want your bank to be safe, both for depositors and stockholders, but excess liquidity means you are not maximizing profits," said Mr. Holleman. "Your portfolio represents a significant portion of the earning assets of your bank and demands more time than many of us have given it in the past." • •

Central Trust Transfers Funds

CINCINNATI—Directors of Central Trust have authorized the transfer of $5 million from undivided profits to surplus. The action increases the bank's capital and surplus to $45 million.

As of November 30, total capital accounts amounted to $53,250,000 as compared to $28,487,000 10 years ago.

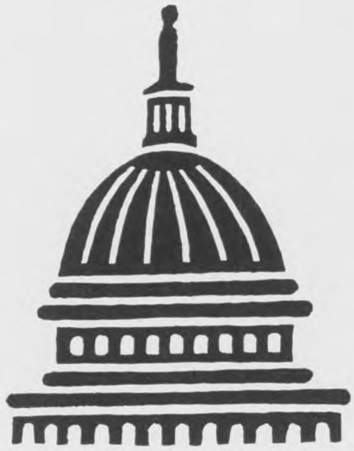
Trust Automation Workshop Planned by ABA March 12-15

The American Bankers Association will hold a trust operations and automation workshop at the Roosevelt Hotel in New Orleans March 12-15. The workshop is being sponsored jointly by the trust division and operations and automation division of the ABA.

Co-chairmen of the workshop are Alan F. Rothmayer, first vice president, Bankers Trust, New York, and Van R. Gathany, senior vice president, Northern Trust, Chicago.

The meeting will deal with a wide range of topics, including on-line systems, computerized portfolio analysis, automated tax accounting, selection of software packages, mini-computers and information systems.

Legislative Outlook:



It Could Be a Quiet Year

IT WOULD appear that 1972 will not be as traumatic as its immediate predecessors in the legislative arena. But that doesn't mean bankers can sit back and relax simply because Congress has had much of its attention diverted by the New Economy Policy and a few state legislatures will not be convening in 1972.

However, if the report of the Presidential Commission on Financial Structure and Regulation gets a hearing in 1972 (which some consider doubtful), a real hornet's nest of legislation could be born.

And things could get sticky in some state capitals, what with the Consumer Credit Code continuing in the spotlight and proposals to legalize multibank holding companies surfacing in a few states.

Federal

Following is a rundown of the federal and state legislative outlook for 1972:

• *Private pension plans*—Both the House and Senate have pension bills pending, and each has funded a subcommittee study in this area. In addition, the White House is expected to submit a bill of its own which will probably cover minimum vesting and fiduciary responsibility.

• *State taxation of national banks*—The Federal Reserve Board has recommended permanent law on the taxation of national banks by states, and the Congressional banking committees are expected to hold hearings in 1972 on the Fed's proposals. Exemptions in existing law have been extended to December 31, 1972.

• *Bank Reform Act*—The House Banking and Currency Committee has completed hearings on a bill that could have far-reaching effects on banking. As yet, however, there appears to be no consensus by committee members to report out any bill. Future action may be affected by the report of the Presidential Commission on Financial Structure and Regulation.

• *Bank credit cards*—A pending Senate bill on credit cards contains several provisions that could drastically alter established practices. These provisions cover billing and collection practices, interest rate regulation and liability of card issuers for breaches of warranty. The Senate is expected to resume consideration of the bill in 1972.

• *Federal Financing Bank*—The President has submitted to Congress a proposal to consolidate the financing of a number of existing and proposed credit programs. Specifics of the plan to create a Financing Bank are as yet unknown.

• *Presidential Commission on Financial Structure and Regulation*—Congress may be asked to consider the report of the commission as well as possible recommendations that President Nixon might make in this area.

• *Estate and gift taxation*—Possible revision of estate and gift taxes is a matter of interest, but may not be up for Congressional consideration for some time. Interest dates back to the Treasury studies of 1968 and proposals of the American Law Institute.

• *Rural development bank system.* Opposition by bankers and the ABA in late 1971 is thought to have been successful in squashing a Senate bill to set up a federally capitalized banking system to finance rural development. The possibility of this bill resurfacing in 1972 is believed doubtful.

Other matters affecting banking that the Congress might consider in 1972 could include bills concerning mergers and competitive factors in large corporations and the regulation of lobbying.

State

The outlook for legislation affecting banking in Mid-Continent-area state capitals is as follows:

• *Arkansas*—The General Assembly will not convene until January, 1973. However, should a special session be convened in 1972, it is expected that the question of bank taxation could be taken up.

The State Legislative Committee and the Executive Council of the Arkansas Bankers Association have adopted a policy in support of a recommendation by the Citizens Committee on Tax Reform, which was created by the Legislative Council of the General Assembly, to provide that banks (state and national) be taxed like corporations.

William H. Bowen, president, Commercial National, Little Rock, and a former tax attorney, is chairman of the ArkBA Bank Taxation Committee and George R. Shankle, president, First National, Hot Springs, and a past president of ArkBA, is chairman of the ArkBA State Legislative Committee. Both committees and the ArkBA Executive Council have endorsed the recommendation and the concept of the Citizens Committee on Tax Reform that has been presented to the Legislative Council.

• *Illinois*—Consideration of the Uniform Consumer Credit Code is probable during the 1972 session of the Illinois Legislature. This could be considered the Number One issue for 1972.

Other possible legislation could involve a branch banking bill, which would authorize the establishment of branch offices within the same county in which the headquarters office of a bank is located. The legislation also would allow banks to merge or consolidate and it would prohibit branches in counties of less than 5,000 population.

Two pending bills would alter the state's facility law. One would permit banks to have more than one motor facility so long as other statutory requirements are met. A companion bill would extend the distance a motor facility can be located from the main bank from 1,500 feet to 3,500 yards.

Four trust bills are up for consideration. One would amend the provision of the Principal and Income Act that deals with the allocation of trustee fees; another would create a new statute authorizing corporate trustees to register and hold securities in bulk; and the other two would amend the Common Trust Fund and Probate Acts to extend investment authority of executors, administrators, conservators and guardians.

• *Indiana*—There is anticipation that several amendments to the Uniform Consumer Credit Code will be enacted. Labor interests are expected to encourage the lowering of interest rates permitted by the code. The Indiana Bankers Association's position is that it is too early to make changes in the code, which went into effect last October 1.

The IBA is opposing a bill to permit state-chartered S&Ls to branch beyond county lines within 100 miles of their home offices. Federally chartered S&Ls already have this privilege in Indiana.

Legislation regarding investment in the capital stock of Minbanc will be sponsored by IBA. Present state law permits state-chartered banks to make this type of investment only as a contribution that must be charged off. The IBA's proposed legislation would permit state banks to carry the purchase of stock as a legal investment.

There is increased interest among some Indiana bankers to eliminate the prohibition against multi-bank holding companies. Since 1957, Indiana has had such a law. It is doubtful, however, whether this issue will come up in the short 1972 session of the Indiana Legislature.

• *Kansas*—The Kansas Bankers Association will seek legislation in the 1972 Kansas Legislature to authorize banks to open more offices and extend their services to the public. The proposal, recently approved by the KBA Executive Council, would permit banks two additional drive-in type facilities within the city limits, subject to the approval of the appropriate regulatory agency.

At present, banks can have one detached facility, or service office, and it must be located within a half mile of the home office.

The proposed legislation would treat the metropolitan Kansas City area of northeast Johnson County as one city for the purpose of establishing additional facilities.

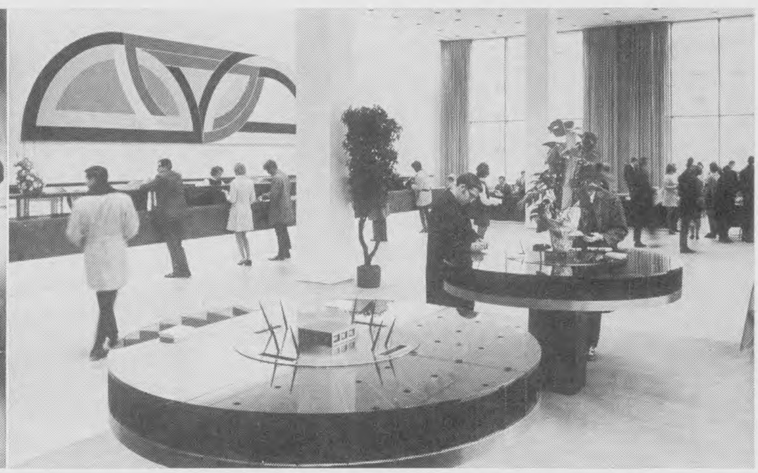
Other matters that could be considered in 1972 include the Uniform Consumer Credit Code, a proposal to increase the interest rates banks pay on state inactive funds, legislation to allow state-chartered banks to invest up to 2% of their capital and surplus in Minbanc and proposals to increase taxes on banks.

• *Louisiana*—Three bank-related subjects are expected to occupy the attention of the state legislature in 1972: Abolishment of nonpar banking, authorization for multi-parish (county) branching and removal of prohibitions against the formation of registered bank holding companies.

• *Mississippi*—The Mississippi Legislature is expected to consider the Uniform Consumer Credit Code, cease and desist powers for the state bank comptroller and revolving credit interest rates.

• *Texas*—No legislation directly affecting banking is expected, but the legislature is expected to seek ways of raising additional revenue to pay for the state's part of welfare and medicare costs as well as to defray ordinary state operating expenses. Corporate and/or personal income taxes might result. • •

Boatmen's National, St. Louis, Opens Equitable Building Facility



Boatmen's National, St. Louis, recently opened its new Equitable Building Facility. The walk-in, drive-in facility occupies about 13,000 square feet of floor space on the first and ground floors of a low-rise section of the Equitable Building adjoining the tower part and has about 4,000 square feet of drive-up space. First floor ceilings are double-height and the two exterior walls are of glass. The lower lobby level houses the vault, office space and employee lounge. LEFT: Shown participating in ribbon-cutting ceremonies are: (from l.) Donald N. Brandin, pres.; St. Louis Mayor A. J. Cervantes; David H. Morey, ch.; and William Behan, newly elected president of the Chamber of Commerce of Metropolitan St. Louis. RIGHT: The lobby of the facility features a 32-foot-long stylized painting by contemporary artist Frank Stella.

Dow Ostlund

(Continued from page 23)

Some estimates of the increase in commercial lending go as high as 10 to 15%. We are not going to notice this immediately, however. I look for moderate increases in the first and second quarters, with the greater upward trend coming in the third and fourth quarters.

Prospective capital expenditures by corporations are encouraging. The rate of industrial-capacity utilization is expected to improve so that, in the interest of efficiency, spending for plant and equipment necessarily will increase. Historically, the banking community has participated in financing this business need. Such things as the investment tax credit and liberalized depreciation guidelines will add to the boost in capital spending.

We also can look for a rise in loans to finance inventory buying. Some quarters are predicting a sharp growth here. Consumer spending, which is expected by some to increase by as much as 9%, will provide this impetus. And business will add to their stocks in anticipation of the increased sales.

Loan Categories. The trend is away from the short-term, self-liquidating seasonal loan. Our top customers continue shifting to the public and commercial paper markets, and commercial banks are more and more becoming grantors of intermediate and longer-term credits. I see more revolving credits and term loans in store for us.

As far as specific loan categories are concerned, in 1972 I look for fastest growth in all areas of construction loans, particularly those to finance residential structures (projects). Direct-leasing volume is also on the increase, and this type of financing will become more broadly based throughout the banking community as more banks gain sophistication in this area.

The service industry maintains its rapid growth and will continue to cause increases in loan demand. Finally, the "socially desirable" loans will keep gaining in importance. For example, the Environmental Protection Agency calculated that $9.3 billion was spent on pollution control alone in 1970. By 1975 it estimates the outlay will exceed $18 billion.

Conclusion. In summary, then, 1972 looks like an improved year for commercial bank lending. I cannot stress too strongly the need for bank management to be prepared for the wider variety and greater complexity of all problems it will have to solve. This includes those which will affect commercial lending. I take this opportunity to repeat what I said at RMA's annual fall conference in Los Angeles last October—I feel that banking will have to change much of its management development emphasis, which is now too heavily oriented toward producing specialists. I feel there must be more training in learning to isolate and identify problem areas, in selecting management alternatives and objectives and in considering the consequences of each course of action. I am not saying we do not need specialists. What I am saying is that even our specialists must have a broad-based management orientation. • •

■ NEW YORK—Chase Manhattan has named four new vice presidents—Richard W. Armstrong and David M. McConney in the financial controls group, William H. Powers in operations and William T. Powers Jr. in trust.

School Names Honorary Grad

Mike Foster (second from l.) was named an honorary graduate of the National Commercial Lending School at the University of Oklahoma, Norman, after leading several banker-students to safety during a recent fire that filled a dormitory with smoke. Mr. Foster, a campus newsdealer, turned in the alarm and fought the fire in aiding bankers attending the two-week school session. From left are: Peter A. Reilly, dir. of the school; Mr. Foster; B. Floyd Boone, sr. v.p., National Bank of Commerce, Jackson, Tenn., and a lending school student; and John Boardman, dir. of executive programs, Oklahoma Center for Continuing Education.

Nadler Predicts Economic Gains for '72 At Commerce Bancshares Conferences

THE ECONOMY will experience 6% real growth in 1972. The rate of inflation will decline from the 5% figure for 1971 to 3½% in 1972. Equipment spending will show a 2% real growth gain in 1972 over the zero growth of 1971.

These are some of the predictions made by Dr. Paul S. Nadler, professor of business administration at Rutgers University, in a series of lectures delivered in various sections of Missouri last month, sponsored by Commerce Bancshares, Kansas City.

Dr. Nadler spoke in St. Louis on the day President Nixon announced the devaluation of the dollar. Dr. Nadler commented that the U. S. hadn't done anything more than make foreign nations happy by the devaluation move. He said the fact that the value of the dollar has declined is both bad and good—bad because it indicates that the U. S. is not the productive nation that it was formerly, and good because the devaluation indicates the U. S. is making an effort to solve its internal problems.

He said the devaluation will be quite painless for Americans. Although it will result in higher prices for foreign goods, it will more than compensate by creating more jobs in this country. Thus the devaluation indicates a change in priorities—from foreign to domestic problem solving.

Dr. Nadler said the tax reduction bill signed by the President in December will be the last such cut for a long time because the government will be needing more revenue—not less—in the future.

He said that inflation controls are working because of the excess capacity of business and the high unemployment rate. This does not mean, however, that inflation is licked. Only competition in the marketplace can eradicate inflation, Dr. Nadler said, because competition defeats the power block situations created by business and labor.

James M. Kemper Jr. (l.), ch. & pres., Commerce Bancshares, Kansas City, chats with Dr. Paul S. Nadler, speaker at series of economic conferences held throughout Missouri last month, sponsored by the bank holding company.

Back to predictions for 1972—Dr. Nadler said interest rates will continue to decline, but that they are almost at rock-bottom. He said rates will stay soft until the election in November. After that, rates will respond to the fact that the U. S. is a capital-short nation.

He said stock prices will move up "nicely" in 1972 and that the long-range investment picture for stocks looks good.

Dr. Nadler summed up his remarks by saying that we have seen runaway inflation place the U. S. in a vicious circle. What was needed was a freeze to curtail the freedom to push for more endlessly, even though we knew that inflation would eat up any gains.

Now that we have had the cooling off period with price and wage controls, it is hoped that the New Economic Program will fade in importance so we can return to more competitive markets without governmental interference.

One point remains crystal clear, Dr. Nadler said. And that is that while we dislike controls and hope they will be temporary, whatever we face today is better than the situation that existed prior to August 15, 1971, when everything possible was going wrong for the American economy. • •

First National, Denver, Publishes 'Survey of Bank Contributions'

DENVER—First National recently published its "1970 Survey of Bank Contributions." The study covers contributions made by banks around the country for health and welfare, education, civic and cultural, religious and other charitable purposes.

Banks requesting the study may write to either Eugene H. Adams, president, First National Bank of Denver, P.O. Box 5808, Denver, Colo. 80217, or to the marketing division.

Bank Directors Assembly Set For Feb. 18-21 in Palm Springs

Applications now are being accepted for the Fourteenth Assembly for Bank Directors, to be held February 18-21 at the Riviera Hotel in Palm Springs, Calif.

Director of the assembly will be Chester A. Rude, retired vice chairman, Security Pacific National, Los Angeles, and co-director will be Carl E. Bahmeier Jr., executive director, California Bankers Association, San Francisco.

Phase II and Banking

(Continued from page 22)

ly, our success in this area would not be lost in the eyes of the world.

Evidence at hand indicates rather strongly that, ultimately, we are going to have to devalue our currency in relation to gold before a lot of international problems are cleared up. Stated another way, we are going to have to secure the cooperation of major foreign governments in establishing an upward value of their currencies in relation to the U. S. dollar.

The fact that interest rates, per se, were not specifically included in the Phase One freeze seemed to distress a number of people, headed as might be expected by Representative Wright Patman. Now that the 90-day freeze has passed, it should be noted that rates *did not* increase during that period and that most rates showed a downturn. This, I suspect, is one strong demonstration of what we in banking have contended all along—that interest rates are not a cause but an effect.

If Phase Two succeeds in meeting the guideline goals of a 2.5% ceiling on the general price picture, this could herald a period of somewhat lower long-term interest rates. (I will avoid prognostication about the short-term for fear of being proved wrong tomorrow morning.)

As we move further into Phase Two, we hear talk from Washington about the establishment of interest-rate controls. It is my strong personal and professional belief that this course of action would serve no useful purpose and would have the same adverse backlash that developed from Regulation Q. Restrictions Regulation Q placed on banks caused a wholesale exodus of funds out of the banking system into other areas where the Fed has no jurisdiction. This created a serious dislocation—felt most painfully during the money crunch of late 1969 and early 1970. Banks found it necessary to search for new sources of funds, such as Eurodollars, and were forced to pay much higher rates than would have been necessary if Regulation Q had not been on the books—or if it had provided some flexibility.

Banking, by its very nature, is a highly regulated industry. One control more or less is not, of itself, a matter of great concern to us. But a direct control to regulate interest rates is likely to produce a dislocation in the credit mechanisms of the U. S.—with possible, even probable, unfortunate results. It is sobering to consider the possibilities of a situation where the interest rates banks charge are under some sort of voluntary or mandatory control—but where there is no accompanying control of rates on money market instruments—that is, the price that we have to pay for money.

The news media seem to get excited about changes in the prime rate. There has been much talk of late about a "floating" prime rate as a workable tool in credit management. Regardless of what you call it or how it is determined, there is always going to be a need for a "lowest rate" charged for loans to "best customers." And this situation is not made any easier by the highly competitive nature of the banking business.

The fact is that the prime rate actually affects relatively few people. It doesn't mean a thing to you or me when we are borrowing to buy an automobile, to finance a house or to purchase other big-ticket items.

Once upon a time, the prime remained at a stable level over extended periods. However, in the last four years—starting with 1968—there have been 21 changes in the prime rate. Only eight of these changes were upward.

In mid-1969, we saw the prime reach a record level of 8.5%. It probably would have gone higher had there not been some strong political pressures to hold the line. Had the "floating" formula proposed by First National City Bank been in effect at that time, the prime would have gone as high as 9½% or more.

I won't discount any problems being experienced by other businesses, but controls do work hardships on our banking institutions. Our income is derived from interest and dividends (the latter being a minor factor for most banks) and from fees. We are especially puzzled in the fee area, which in the case of my own company represents about 20% of our gross income.

Actually, we are long-term losers in many of our fee areas. This is particularly true where we make charges based on the number of items handled and in our data processing services. We are charging 1½ cents per item in some cases where we really ought to be charging two cents. To bring this fee into line with costs would mean a 33⅓% increase—and there is a real question whether we will be able to accomplish that anytime soon.

Even with the support of labor, ultimate success in ending inflation is by no means assured. However, unlike the situation when previous controls in this country have been applied to a wartime economy full of excess demand, the present economic environment is certainly more propitious for success. Until now, we have had no history of controls applied to cost-push inflation and to an economy with substantial excess capacity. So, past failures in the use of controls do not rule out hope for success this time.

Successful or not, controls are likely to be with us for some time to come, and I'm thankful that there are a lot of people who want to make this thing work.

Let me conclude by repeating and emphasizing a few points:

- Our hope is that Phase Two will be handled impartially and fairly, with great firmness, by those charged with administering it. An "incomes policy" might work, since it is being implemented at a time when the rate of industrial production is far below capacity levels—a circumstance far different from that abroad when this concept was tried and found wanting.
- Controls will be with us for some time, but might well be lifted when (and if) the rate of price inflation is reduced to, say, 2 or 3% on an annualized basis.
- The banking industry is in a great squeeze. There is no telling what we might have to pay for money and we are under pressure as to what we can charge as interest. There may be mandatory interest ceilings or other interest controls placed on us. Also, I am afraid that we are behind the eight-ball as to what we can do about adjusting our fee schedules.
- Bank managers have a really tough job ahead. But the past record is good and there are a lot of smart people running a lot of banks, large and small. I personally think they will somehow do the job, and the record some day—in retrospect—will be satisfactory. • •

■ CINCINNATI—William N. Fackler has been promoted from assistant cashier to assistant vice president at Central Trust. Roi E. Baugher II and Richard H. Burgin have been named trust officers and Charles Randall Egan an assistant trust officer.

Bank Acquires Rare Tapestry

Richard Hague examines a panel of a valuable, three-part Flemish tapestry depicting 16th-century English country life at American National, Chicago. Mr. Hague, pres. of the Chicago architectural and interior design firm of Hague-Richards Associates Ltd. that is executing a Colonial Williamsburg refurbishing of the bank, escorted the art object from London. The 300-year-old tapestry will be hung on a wall on the bank's second-floor commercial division.

American Express Co. Develops Anti-Crime Radio Campaign

American Express Co. has launched a campaign to teach the public how to protect themselves against crime and to alert them against confidence swindles. The company has created a series of 30- and 60-second public service radio announcements designed to alert citizens to common crime hazards.

According to Michael Lively, senior vice president of American Express, ". . . It is our purpose to alert the public to common crime hazards so they'll make fuller use of banks and bank services—not only to protect money and valuables, but also to avoid attracting a thief and becoming a crime statistic."

During the past year, about 1,000 radio stations in the United States have carried the announcements voluntarily as a community service. The radio spots are created by the Consumer Education Service of American Express and are distributed without charge to the radio stations.

More than 40 spots have been produced thus far, each on a specific type of crime hazard, including the so-called "bank examiner" swindle.

An unusual feature of the radio series is that real-life victims and lawmen, as well as burglars and thieves, tell about the hazards of crime. Experts provide specific information for safeguarding against those hazards.

Michael Lively (l.), sr. v.p. of American Express, and Milton Lipson, v.p. for corporate security, prepare series of public service radio announcements alerting the public to crime hazards.

Manufacturers Hanover Offers International Money Orders

NEW YORK—Manufacturers Hanover Trust has introduced International Money Order, a new form of check that can be cashed for any amount up to $250 and is negotiable anywhere in the world.

The bank has mailed information on the new forms to 250 domestic correspondent banks and to head offices of foreign banks throughout the world.

Issued only in U.S. dollars and drawn on Manufacturers Hanover, the money orders are geared to the needs of individuals and large companies sending money abroad. The money orders are payable at the bank of the customer's choice, instead of at a predirected foreign bank.

What Kind of Year Will 1972 Be?

Bankers, Economists, Businessmen Make Bright Forecasts For Auto, Mobile Home, Construction Industries, But Predict Unemployment Will Continue

THE NEW YEAR is being welcomed by government and private economists and many bankers with cautious optimism, an overworked, but extremely descriptive, phrase. Forecasts are bright for such segments of the economy as autos, mobile homes and construction, but the one dark spot on the horizon appears to be employment.

As James S. Underwood, personnel director, National Boulevard Bank, Chicago, put it, the puzzle in employment lies in its recovery: How much and when? Major employment indicators are down and sluggish, he continued, and great numbers of primary wage earners either have been terminated or furloughed through reductions in force, while thousands of secondary wage earners literally abandoned their efforts to find suitable employment. Until aggregate demand picks up, said Mr. Underwood, those now unemployed will be competing with students and returning veterans to fill a limited number of available jobs.

"In short," said Mr. Underwood, "we are now in a surplus situation, and the labor force appears to be increasing at a rate faster than the present economy can absorb. I don't envision any real recovery until the third quarter of 1972."

Another Chicagoan, Robert A. Wallace, vice chairman of Exchange National, said that people forget how difficult it is to cut unemployment after a recession has ended and economic activities quicken. People forced to work part time go back to full-time jobs, he continued, and existing work-

By ROSEMARY McKELVEY
Managing Editor

ers often work longer hours before new hiring takes place. Meanwhile, new entries into the labor force absorb many of the new jobs that are created during economic recovery. Thus, said Mr. Wallace, who was Assistant Secretary of the Treasury in the Kennedy and Johnson administrations, while we can expect a 1972 unemployment rate lower than the current 6% level, we should expect it to remain excessively high—probably not much below 5½%.

Autos. One of the most cheerful forecasts is being made about the auto industry, with U. S. car sales expected to run between 10.5 and 11 million units this year. Richard L. Terrell, group vice president, General Motors Corp., speaking at First of Chicago's year-end business outlook session—hinged his optimistic estimate on continued expansion of economic activity and rising consumer confidence.

Lynn A. Townsend, chairman and chief executive officer, Chrysler Corp., pointed to the removal of the 7% excise tax on new cars and 10% tax on light trucks as an encouraging development. According to Mr. Townsend, it signals the feeding of an estimated \$600 to \$700 million of withheld automotive excise taxes into the mainstream of the economy through refunds to those who purchased new cars and light trucks during the retroactive periods covered by the bill. At the same time, he continued, those who have been waiting for final enactment of the tax-cut bill and the appearance of lower list prices on new automotive products now have the evidence they need to make their purchases.

Henry Ford II, chairman, Ford Motor Co., forecast U. S. car sales of about 10.5 million in 1972, but said if the national economic program achieves better balance and if business and consumer confidence are restored by its success, car and truck sales this year should exceed the forecast.

A banner year for the auto industry was forecast by Peter W. Johnson, vice president, National Boulevard Bank, Chicago. He based his prediction on elimination of the excise tax on cars and a nominal price increase of 2% to 3% on 1972 models.

Savings. The growth of savings in 1972 at commercial banks will continue to be substantial, but not at the same rate as during 1971, said Richard S. Peterson, vice president and economist, Continental Illinois National, Chicago. He based this projection on two reasons: 1. It's likely that the savings rate of after-tax incomes in 1972 will be somewhat less than in 1971 because consumer spending is expected to grow at a more rapid pace. 2. Market rates on investment alternatives to savings, e.g., short-term government securities, are likely to be higher and thus more attractive.

It's also likely, said Mr. Peterson, that a greater percentage of individual savings will go into CDs rather than passbook savings than during 1971. Some commercial banks in the last

year, he pointed out, have at times been reluctant to offer the higher-yielding CDs at times when the expected rate of earning assets would not appear justified. Also, at times last year, investors were reluctant to tie up funds for one or two years because they expected yields on marketable securities to rise, he said. With somewhat higher interest rates in the year ahead, Mr. Peterson predicted that investors will be more reluctant to maintain liquidity by putting funds into passbook savings.

Milton F. Darr Jr., chairman and chief executive officer, LaSalle National, Chicago, anticipates little or no growth in consumer savings, but increased consumer expenditures on both durables and non-durables. He expects growth in consumer disposable income to be modest this year. Mr. Darr said the impact of a reduced savings rate will have greater influence on bank deposits than on other components of the savings rate.

Interest Rates. Short-term interest rates and demand for credit will rise in 1972, said Gaylord Freeman, chairman, First National, Chicago, at the bank's annual business outlook session. He said the reduction in the prime rate that occurred during the week of December 15 is likely to be the last one for some time and predicted that business will pick up all through 1972 and that long-term interest may ease, then rise for the balance of 1972.

Mr. Freeman would not commit himself on how fast or how high the rates will move. "But," he continued, "I would guess that if justified by the strong economic resurgence that we anticipate, there would be little administrative or congressional resistance to an increase of as much as ¾ of 1% or possibly even 1% in the average prime rate, although more resistance might be generated by increases of that magnitude in consumer credit or home mortgage rates."

LaSalle National's Mr. Darr foresees interest rates leveling off in the first half of 1972, then increasing in the second half.

Housing. Housing starts last year were expected to total two million units, about 35% above 1970, said Leon B. Gould, economist, Franklin National, New York City. For 1972, he forecast an 11% increase to approximately 2.2 million.

"The sharp increase in 1971, followed by a slower rate in 1972, should not come as a surprise," continued Mr. Gould. "Historically, residential construction has exhibited a strong countercyclical pattern. It generally rises during the latter stages of an economic recession and the early stages of the ensuing expansion. However, it frequently begins to turn down well in advance of the business-cycle peak. The National Bureau of Economic Research has classified housing starts as a leading indicator of business-cycle turning points because of the consistence of its countercyclical pattern."

Mr. Gould pointed out the demand for housing has been persistent in recent years and is, therefore, pretty much of a constant in the housing equation. On the other hand, he said, the important variables have been the supply of savings, government activity and interest rates. During periods of uncertainty and recession, said Mr. Gould, personal savings generally increase and are reflected by large deposit inflows into thrift institutions. These institutions, in turn, provide most of the mortgage money for the ensuing housing boom. As consumer spending increases during the recovery, he said, savings decline and are reflected in a slowing of savings deposits.

Mr. Gould pointed to the federal government as also sparking the housing boom since approximately a quarter of all current housing starts have been getting some form of federal subsidy.

"Residential construction generally has been stimulated during the latter stages of recession periods when interest rates fall to lower levels," said Mr. Gould. "Lower interest rates permit thrift institutions to compete for funds which otherwise might go into the money and capital markets. Declining bond rates also tend to make mortgages a relatively attractive investment to these institutions. In addition, lower rates avoid problems with statutory mortgage rate ceilings in many states, he pointed out.

"Both short- and long-term interest rates currently (as of this writing) are well below their August 13 levels (the start of the Administration's new economic policy)," he said. "In recent weeks, however, some upward movement in rates has occurred, especially in long-term rates. The back-up has been due to an increase in supply, concern over inflation because of some very generous rulings by the Pay Board and some 'monetary flukes' by the Federal Reserve System. However, Dr. Arthur F. Burns, chairman of the Federal Reserve Board and head of the Committee on Interest and Dividends, has made lower interest rates on residential mortgages and consumer credit a prime goal."

A prediction that single-family loan activity will continue to be strong in 1972 was made by Louis J. Ross, vice president of Chicago's National Boulevard Bank.

"Housing activity has led the economy out of prior business recessions," he said, "and the Administration will continue to place heavy reliance on housing to bring about an upturn in economic activity. During 1972, we can look to greater government housing programs and an expansion of the existing housing and mortgage subsidy programs already in existence."

Mr. Ross believes multifamily projects will be under extreme pressure during 1972, the reason being that long-term interest rates have been on a downward trend since mid-1971 and the freezes on rents are at levels too low to cover rising costs of real estate ownership.

The outlook for mortgage interest rates for 1972 will depend largely on the success of Phase Two and other anti-inflation programs, according to Mr. Ross. However, he concluded, typical conventional loan rates should remain stable.

In his discussion of housing, Exchange National's Robert Wallace said it will depend primarily on Federal Reserve monetary policy—whether there will be ample funds in the mortgage market in 1972 to finance a continuation of the two-million-unit housing-start rates of 1971. If there is a big increase in GNP, he said, this will add to inflationary pressures, causing the Federal Reserve Board to cut back on the increase in the supply of money, and this action would hurt housing.

Real Estate Construction. Outstandings in construction loans will peak in the first quarter, trail off in the middle months of the year and swing up in the fourth quarter, said Mr. Darr of LaSalle National.

"A good overall gain for the construction industry and its suppliers" was forecast at First of Chicago's annual year-end business outlook by Robert B. Pamplin, chairman, Georgia-Pacific Corp. Mr. Pamplin said housing starts should remain at a high level and construction of shopping centers, suburban offices and service centers will more than offset the "peaking out" of multimillion-dollar high-rise construction in 1972. The industrial segment of nonresidential construction, he continued, "should pick up as retailers return to inventory buying and the consumer gains confidence."

Mobile Homes. A spokesman for Exchange National, Chicago, said the bank believes mobile home sales will peak in 1972 and that an estimated 500,000 such homes will be sold—this is 20% higher than the predicted 1971 figures. In subsequent years, the bank foresees modular houses making inroads into this market.

National Boulevard's Peter Johnson said the financing of mobile homes has developed to a point where it has become an integral part of the bank's loan portfolio and should show a marked increase in volume in 1972 and in years to come.

Loan Demand. Two Chicago bankers made forecasts on loan demand in 1972. Exchange National's Robert Wallace said it should be better this year than last year, but banks will continue to find it necessary to put a lot of effort into making loans.

Peter Johnson of National Boulevard said 1972, in all probability, will be a bumper year for installment lending. Personal loans will stay at a high level and increase about 10% in 1972, he predicted.

Gross National Product. "GNP should increase more in 1972 than it did in 1971," said Robert Wallace of Chicago's Exchange National. "However, the economy still has many adjustments to make, primarily as we lower the proportion of federal expenditures designated for defense activities. Much will depend, of course, on what consumers do—whether they spend a greater portion of their incomes than they now are spending. The consumer savings rate, which has been ranging between 7 and 8%, normally runs only about 6%. Should the consumer lower this savings rate by only one percentage point, the result would be an $8-billion extra increase in GNP. Such a higher rate of spending also would induce businessmen to invest more in plant equipment and inventory, further adding to GNP. All of these factors give promise of improvement, but there still are too many question marks for us to count on a boom year."

Milton Darr of LaSalle National told MID-CONTINENT BANKER he anticipates about a 10% increase in GNP this year.

A member of the economics department staff of New York City's Bankers Trust foresees total real output (GNP) showing a rise of around 5½%, nearly double the growth registered in 1971, while industrial production can be expected to increase in the neighborhood of 7-8%, after registering no growth in the year just ended.

Farm Equipment. Members of the farm equipment industry expect their business to improve this year, with a few anticipating sales to increase as much as 10%, according to an article in the December issue of *Farm & Power Equipment*. Spokesmen for both International Harvester Co. and Deere & Co. indicated they believe sales for

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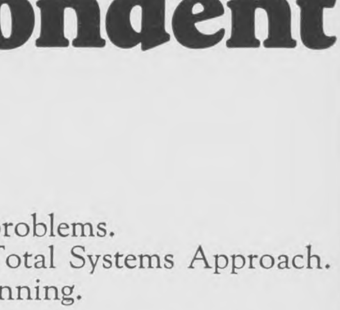

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1971 would end up ahead of those for 1970 and should improve this year. In fact, the International Harvester officer said sales in the industrial equipment market should increase 10-12% this year.

"A more solid farm climate in the year ahead" was forecast by a spokesman for J. I. Case Co., and he expects a 5-10% boost in farm equipment sales in 1972.

An Allis-Chalmers representative noted the favorable impact of increased acreage of corn and small grains, generally good yields and favorable soybean prices. Another industry member believes the short-term effects of President Nixon's economic programs should benefit the farm equipment industry, particularly in regard to reinstatement of the investment credit. The new Nixon policy also was credited by another industry spokesman with giving American industry an opportunity to make a new start on improving productivity at prices that will sustain the farm equipment business.

A Sperry Rand Corp. man pointed to American farmers who were harvesting near-record crops of feed grains, wheat and soybeans and said second-half sales have improved so that he sees a favorable outlook in the selling season ahead.

Perhaps the situation can best be summed up by William E. Haberlin, vice president, corporate planning and research division, Union Bank, Los Angeles, who said, "Our view of the economy in 1972 is close to the standard forecast: 1972 should prove to be a better year than 1971, with more real gains in GNP and less inflation. Unfortunately, the progress will not satisfy many, including labor leaders, who want a faster recovery, especially in reducing unemployment. Nevertheless, I think it is quite likely that the Price Commission will be able to reduce inflation to levels near enough to the President's goal, so that controls can be lifted for the most part by election time." • •

Phase Two Will Be Effective, Say Chicago Business Leaders

CHICAGO—Eight out of 10 business leaders think Phase Two will be at least moderately effective and expect gains in virtually all aspects of the U. S. economy in 1972, according to a survey by First National.

The survey was taken Dec. 15 among 880 business leaders from more than 20 states attending the bank's 18th annual year-end business outlook session. Those responding look for higher employment, sales, productivity and profits, and are more confident that inflation will be brought under control than they were a year ago. Four hundred thirty guests completed the questionnaire, which is identical in part to a survey made at the same session last year.

Seventy-two percent think Phase Two will be "moderately effective," and 7% think the wage-price controls will be "effective," while 21% checked "ineffective." If Phase Two controls should prove ineffective, 55% said they favor strengthening them either by tightening restrictions (28%) or making the controls more inclusive (27%), while 45% favor abandoning them.

Northern Trust Symposium Survey Predicts Increased Earnings

CHICAGO—Strong optimism regarding 1972 bank earnings was displayed by correspondent bankers at a recent symposium given by Northern Trust.

A survey of 85 bankers from seven states who participated in the financial planning symposium showed that three-fourths of the bankers expect to see their bank's earnings increase in 1972. This contrasts with expectations for this year as evidenced by a similar survey taken by Northern Trust in July, at which time only one-fourth of the respondents were looking for improved earnings in 1971. Only 15% predict lower earnings in 1972, while 9% foresee no change during the coming year.

The outlook for loan demand in 1972 is extremely bright for the majority of the bankers. Again, three-fourths of the respondents are looking for increased demand in the commercial loan area, with 92% expecting increases in the installment loan business and 77% predicting an upswing in their real estate loan demand.

On the question of deposits, 94% of the bankers expect savings deposits to increase, while 77% of those surveyed are looking for an increase in their demand deposits.

In predicting where several of the major economic indicators would move in 1972, bankers at the symposium felt that the prime rate would average 5.62%, and that the Dow-Jones Industrial Average would range between 750 and 950. And on the question of the President's new economic policy, 95% indicated they looked favorably on the new measures.

Schumacher Named PR Director Of Missouri Bankers Assn.

SCHUMACHER

Roy E. Schumacher has been appointed public relations director of the Missouri Bankers Association.

Mr. Schumacher has been public information specialist for the Missouri State Library for the past five years. Prior to this, he was an account supervisor and marketing executive in public relations agencies in New York City and the Midwest. He is a graduate of the University of Missouri-Columbia School of Journalism.

■ DETROIT—Frederick L. Hennings has joined the investment department at Manufacturers Bank as second vice president and investment officer in the trust investment division. He was formerly director of research at Rothschild Securities Corp., Chicago.

First of Mobile Opens Branch

Mobile Mayor Robert B. Doyle Jr. (third from l.) cuts the ribbon at opening ceremonies of First of Mobile's new Office Park Plaza Branch. Shown participating in the ribbon-cutting are (from l.): Jex R. Luce Jr., asst. branch mgr.; Dwain G. Luce, sr. exec. v.p.; Mayor Doyle; Mitzi Caroll of Wilmer Hall, Episcopal Home for Children; James S. Crow, pres.; and Chobee Slay, a.v.p. and branch mgr. The 50 one-dollar bills in the ribbon were presented to Miss Caroll on behalf of the bank for the children's home chapel fund.

Credit Cards

Dual Card Membership Ban Challenged; Worthen Charges Antitrust Violation

LITTLE ROCK—An antitrust suit as a class action has been filed against National BankAmericard, Inc., by Worthen Bank challenging NBI's rule prohibiting bank members from holding dual membership in NBI and Interbank Card Association.

Worthen, a charter member of NBI and a member of Interbank, will not issue Master Charge cards until the suit is settled.

The board of directors of NBI adopted the prohibition of dual membership as a bylaw amendment in mid-October, with effective date December 1. The bylaw forbids Class A members from participating in any other national bank credit card program. It also prohibits Class B members from owning or issuing cards in another national card program. The bylaw further requires all NBI members to "hold in confidence all proprietary or competitive matters except to the degree necessary to obtain service from noncompetitive suppliers who agree to hold such information in confidence."

Worthen joined Interbank in the spring of 1971 and signed a license agreement to issue Master Charge cards in July. It has signed 12 Arkansas banks as associate members and entered into contracts with merchants, but, due to the NBI bylaw, has not issued any Master Charge cards.

Worthen charges that the NBI bylaw amendment violates two sections of the Sherman Antitrust Act and seeks injunctive relief against alleged continuing and threatened violations of the antitrust law. The bank also seeks treble damages, due in part to irreplaceable profits lost during the 1971 Christmas season because Master Charge cards could not be issued.

The class action suit was filed by Worthen as a representative of all banks that are members of NBI or Interbank or both.

NBI officials have issued a statement saying that the suit is "without foundation." Dee W. Hock, NBI president, says the organization intends to defend the suit. NBI maintains that certain dual memberships are anticompetitive and that the amended bylaws "seek to insure and foster competition."

Worthen, on the other hand, charges that the bylaw lessens competition, since "any bank would be reluctant to take on or try to promote on a trial basis another national bank card system at the price of having to abandon completely a system which it already has spent time and money promoting and establishing."

As of October 31, Worthen had almost 60,000 BankAmericard holders, contracts with almost 1,500 merchants and agency agreements with 58 Class B banks, 52 of which are in Arkansas. These banks have contracts with an additional 2,300 merchants.

The amount of damages sought was not mentioned in the suit.

Suits Charge 'Truth' Violation; One Settled, Another Filed

Terms of a tentative settlement of a class action suit against Interbank Card Association and its Cleveland-based affiliate include a provision to redesign Master Charge statements.

The suit charged alleged violations of the federal Truth-in-Lending Act and the Clayton Antitrust Act because the Master Charge statements "misled and confused" customers.

Statement changes include the following: All annual percentage rate disclosures will appear on the face of the statement; "corresponding nominal annual percentage rate" disclosures will appear on the face of the statement; the latter will be in a prominent place on the statement; the statement will make clear that finance charges will be incurred upon the new balance if the statement is not paid in full; and that finance charges are incurred on cash advances until paid.

Another provision would make the banks either apply payments first to the balance due on purchases or provide an option by which the card holder can elect to pay off the purchases balance in full without assigning any amount to the balance on cash advances.

A class action suit has been filed against Bank of America, charging that the bank's BankAmericard billing statements are misleading and that there is an alleged violation of the Truth-in-Lending Act because the annual percentage rate of interest on time payments is not disclosed until after the card holder is obligated to pay interest.

The suit also contends that the statements fail to disclose that partial payment of the balance will result in interest charges.

■ W. KENNETH BONDS, senior vice president and senior trust officer, Liberty National, Oklahoma City, recently spoke on "The 'Now Generation' and the Future of Trust Investing" at a conference on trust investments sponsored by the California Bankers Association trust division in San Francisco.

Stable Interest Rates, Mixed Earnings Seen by Mid-Continent Bankers

By JIM FABIAN

Associate Editor

YOU CAN tell a new year has dawned because the experts have been filling the news media with predictions—from the state of the economy to the name of the probable Big Winner next November.

Each year, MID-CONTINENT BANKER conducts an outlook survey among a portion of its readers in an attempt to learn what hardworking bankers who are not necessarily in the spotlight think about the outlook for banking. These bankers have good opinions, and, judging from the excellent return of survey questionnaires, they are eager to have their views made known.

Capsulized, this year's 171 responding bankers predict the following for 1972:

Interest rates will remain the same; loan demand definitely will not decline; all types of deposits will be up; earnings will be mixed; most investment portfolios will remain stable; and modernization projects will be down, compared with year-ago figures.

Before detailing responses, a few words about the makeup of respondents. The majority (62%) represent rural banks, while 31% are from metropolitan institutions. More than 75% represent independent banks, with 12% connected with holding company banks.

Average size of banks submitting footing information (87%) was $62.1 million. The largest number of responses came from Missouri; other states represented included Illinois, Kansas, Texas, Indiana, Oklahoma, Arkansas, Kentucky, Tennessee, Louisiana, Alabama, Mississippi, New Mexico and Michigan.

• **Interest rates.** Bankers were asked if they expected interest rates to go up, down or remain stable in their areas in 1972. Tabulations revealed the following information for eight categories of interest rates:

Agricultural loan rates—Five percent of respondents predicted an upturn, while 9% said rates would go down and 78% opted for stability.

Commercial loan rates—An upswing was predicted by 12% of respondents. Nineteen percent said these rates would decline and 68% predicted no change.

Auto loan rates—Only 5% thought these rates would rise in 1972, while 10% expected to see a decline and 82% voted for no change.

Consumer loan rates—Again, 5% voted for an increase in rates, while 9% opted for a decline and 84% expected stability.

Term loan rates—Things are slightly brighter here with 8% going along with an increase while 12% expected a decline and 73% said "no change."

Home mortgage rates—An increase in these rates is predicted by 6%, but an impressive 22% said just the opposite. Sixty-eight percent thought things would stay just as they are.

Student loan rates—Only 2% expected an increase in these rates, while 4% predicted a down trend and 80% saw stability.

SBA loan rates—Many respondents passed up this category, but of those who replied, 5% thought rates would go up, countered by a similar 5% who said the rates would decline. "Unchanged" was listed by 66%.

• **Loan demand.** Respondents were asked to furnish predictions regarding loan demand in 1972 for the same eight categories.

Agricultural loan demand—"It will be up," said 39%, "down," said only 9%; while 41% voted for "no change."

Commercial loan demand—"Things look good for an increase here," said 38%, while 5% voted for a decrease and 52% saw no change.

Auto loan demand—A really rosy picture was painted by an impressive 46% who checked the "up" column. Very few (4%) saw a down trend and 45% expected rates to remain right where they are.

Consumer loan demand—Another impressive showing for an upward trend (47%), with hardly anyone voting for a decline (less than 1%). Forty-four percent held out for stability.

Term loan demand—Only 21% predicted an increase, while 4% said "down" and a solid 60% expected no change.

Mortgage loan demand—The largest percentage in this category (43%) saw a rise in demand, while the same 4% voted for a decline. Forty percent saw no change.

Student loan demand—Thirty percent expected a rise in demand for student loans, while 4% expected a decline and 48% saw no change.

SBA loan demand—Sixteen percent saw more demand for this type of loan, while 5% expected a decline and 54% voted for stability.

• **Deposits.** Demand, time and passbook deposits will be up, according to the majority of respondents.

Demand deposits—A solid 69% said these will be up, with 4% predicting a down trend and 26% expecting no change.

Time deposits—A strong 84% predicted an upswing, while 4% expected the worst with a decline and a miniscule 9% saw no change.

Passbook deposits—An optimistic 73% saw a rise, a figure that all but overpowers the 2% predicting a decline. Eighteen percent saw no change.

• **Earnings.** The response was not as optimistic regarding operating, investment and net earnings for 1972.

Operating earnings—"Up," said 42%; "down," said 30%; "unchanged," said 26%.

Investment earnings—Not so rosy here, with proponents of decline (42%) overshadowing those predicting a rise (28%). Just 25% saw no change.

Net earnings (after taxes)—Here the "uppers" and "downers" canceled one another out, as both categories were checked by 32% of the respondents. A slim 18% predicted stability.

• **Investments.** A mixed reaction was reported regarding fluctuations in amount of dollars to be channeled into investment portfolios in 1972.

Treasury bills—Only 9% saw an upswing, while 22% predicted a decline and 54% saw no change.

Governments—Things are a little better, with 16% voting for an increase, 11% expecting the opposite and 62% seeing stability.

Agency issues—More progress, with 23% expecting an increase, 9% anticipating a downtrend and 47% predicting no change.

Tax Exempts—Best of the series: 43% voted for an increase, 9% predicted a decline and 38% saw no change.

• **Building plans.** Ten percent of reporting banks plan to construct new bank-owned buildings in 1972. Total estimated cost of this construction is $41 million. Largest single project will cost $20 million and the smallest job will be $50,000. A year ago, 16% of respondents planned new bank-owned buildings.

Two banks reported construction of leased facilities for 1972, totaling a little over $3 million.

Expansion-plan figures were reported by 11 banks, ranging in cost from $10,000 to $1 million. Combined cost is expected to exceed $2 million.

Seventeen banks plan renovation projects exceeding $12 million during the year. Project costs range from $3,000 to $400,000.

Over $3 million will be spent on new branch facilities in 1972 by 18 banks. Individual project costs start at $15,000 and top out at $700,000.

Seven new facilities, worth slightly more than $1 million, are planned, ranging in cost from $30,000 to $350,000.

Twenty-five percent of responding banks reported planned expenditures for equipment and systems during 1972. Eleven computer systems are on order, costing $3.2 million. Next most popular item is proof equipment, for which total outlay is expected to be close to $60,000. Total equipment and systems expenditures should exceed $8 million.

• **Loan emphasis.** The majority (65%) of respondents have no plans to push special types of loans in 1972. Of the 34% with definite plans to push loans, 12 types were listed.

The largest push will be for consum-

(Continued on page 50)

Peeves Aired by 'Steam-Blowing' Bankers

PARTICIPANTS in MID-CONTINENT BANKER's outlook survey were asked to "blow off steam" on any issue related to banking that bugged them.

Following are samples of respondents' "steam."

"We need less legislation as banking is the most regulated industry in the country."

"Congressman Patman and certain legislators are successfully using bank-related subjects for political headlines and personal gain. They are successful because specific and relatively isolated examples of consumers being defrauded are used as the basis for sweeping, all-encompassing legislation because the general body politic is uninformed on the true situation and because the banking industry is represented by lobbyists without practical working information. The consumer is the loser through higher costs and tighter credit, due to the activities of these legislators."

"We have to do too much work for the government. It seems that every year we have something new to report."

"Labor increases under Phase Two have been far too high. The money supply has risen at too fast a pace. Corporate profits are too low as a percentage of GNP."

"Let interest rates seek their own levels."

"We need a balanced budget and reduced spending to curb inflation and stabilize the economy. We will have to achieve this or the country will continue to have trouble with confidence in the dollar. Monopolies will have to be curbed and competition will have to be allowed to take over in order to control excessive costs. Labor union monopolies must be curbed to prevent them from taking over and crippling the economy."

"As an independent banker I am opposed to the widespread tendency of states to go to multi-bank holding companies or state-wide branching. If this trend continues, I feel we will soon see the giants of the East and West crossing state lines, leaving just a few large money-area banks in the nation."

"Too many banks are controlled by people who are not bankers and have no thought for anything but a fast buck."

"Banks and S&Ls should be on an equal basis regarding interest rates and the rates of both types of institutions should be regulated downward. Our interest rates are not immediately affected by the prime rate, but are based on the amount paid for various types of savings accounts. S&Ls can be more competitive due to the higher rates they can pay."

"Banking in general will continue to suffer from the management complacency it has historically displayed. We have seen—particularly during the past several years when money has been expensive—that banks, while improving rapidly, do not know how to compete. This lack of know-how is gradually disappearing because we have been forced into adopting many of the advanced management techniques that have existed in industry for some time; but our transition period will be a painful one."

"The trend seems to be 'Sock the banks for more and higher taxes'—both federal and state. I do not believe banks should be singled out."

"Stop merging banks. Eliminate holding companies and giveaways. Eliminate Wright Patman!"

"The wild scramble to obtain time money continues and then the big rush to loan it out takes place. Let's hope all the loans can be repaid without too much trouble. The '30s are not very far back, and I hope the conditions of that time will not recur."

"Throw out the stupid Truth-in-Lending Act!"

"We must do a better job regarding lobbying—both on state and national levels. We must tell our story better. More promotion must be done on the part of banking. I note with some alarm that the American National Cattlemens Association and the PCA are sponsoring a joint lobbying program in January."

"We must be more aggressive in the money market to attract more savings."

"Supervision of agricultural loans on the federal level must be consolidated. An aggressive country bank in the farm loan area should be examined by the same people who examine their correspondent banks. Missouri state examiners are well-versed in agriculture, but it appears that agricultural backgrounds are not essential for federal examiners."

"Results of a survey taken by our state banking association revealed that 53% of high school and university students believe in government ownership of banks, railroads and steel firms. It would appear that the banking industry must make a concentrated and continuing effort to educate these students as to the whys and wherefores of not having government ownership. We should better inform them of what we have done as independent businesses with competition from our own and other financial areas."

"We need to consider the needs of the banking public and the needs of our states for economic growth and be less concerned with our fears for competition."

"We should work toward more cooperation with other types of lending agencies (such as PCA, FLB and FHA) so we can serve our local people better."

"We should restrain New York City bankers from going to Washington and voicing the opinions of bankers in general. They only compound our problems with Congress."

"Why don't some of the large banks or the government lower the rates we pay on deposits as well as the rates we can charge? If small banks lower their rates, customers will go where they can do better. We are paying interest on 60% of our deposits and have over one million dollars invested in securities that earn less than the interest we are paying on deposits."

"All interest from date notes should be eliminated from the disclosure requirements under Truth-in-Lending."

"Federal supervisory officials should not encourage branch banking and try to destroy small independent banks."

"Regulation Z is a bunch of poppycock!"

"Voters voted overwhelmingly against branch banking, but we have it anyway through the holding company route."

"We should keep government from being in direct competition with banks for time money and from having interest-rate advantages through the usury law." • •

Deberry Joins Merchants Nat'l As VP and Trust Officer

DEBERRY

TOPEKA—James A. Deberry has joined Merchants National as vice president and trust officer.

Previously, Mr. Deberry held the same position at Empire Bank, Springfield, Mo. He also has served in the trust department of Commerce Bank, Kansas City. He is a graduate of the University of Missouri School of Law.

Stable Interest Rates

(Continued from page 49)

er and auto loans (20% and 19%, respectively). Real estate and agricultural loans will be emphasized by 9% and 7% of respondents, respectively. Mobile home and commercial loans tied at 4%, followed by construction, home improvement and leasing—each 2%. Other types of loans mentioned included consolidation, recreation and "special."

• **Business goals.** Although the majority of respondents do not plan to push special types of loans (see previous item), almost as large a majority (57%) said they have specific goals and programs planned for 1972 to increase loans, demand deposits and time and savings deposits. Forty percent have goals for increasing loans, 47% for upping demand deposits and 31% for improving time and savings deposit figures.

In all three categories, increased advertising will be the primary tool to secure more business. Other methods are as follows:

Loans—direct solicitation, all-around promotion, officer call program, opening of new facility, expansion of loan department.

Demand deposits—call program, offering of new services, more cross selling and better control of compensating balances.

Time and savings—Direct-mail campaign, premium and employee incentive programs and the opening of new facilities.

• **Legislative issues.** Reaction was mixed to the question of what bankers considered to be the primary issue affecting the banking industry in Congress in 1972. A year ago there was unanimity of thought regarding the danger posed by S&Ls through incursions into activities traditionally reserved for commercial banks.

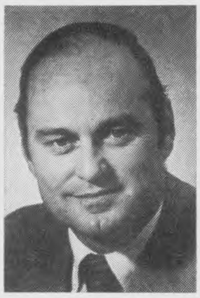
This year, respondents give equal weight to a number of issues, including S&L incursion, holding company proliferation, equal taxation, consumer credit legislation and the need for state law to prevail over federal law regarding banking topics.

Specific banking legislation mentioned as needed on the state level includes curtailment of S&L activity, tax equity, curtailment of bank holding companies, more branch and regional banking, a moratorium on bank legislation, an auto title law, more liberal facility locations, upward revision of the legal lending limit for individuals, control over credit union and PCA activities to make them more competitive with banks, updating of the Financial Institutions Act and repeal of the Individual Intangible Tax. • •

New Bank Director

Samuel S. Sparks has been elected a director of Twin City Bank, North Little Rock. He is said to be the first negro to serve on the board of any bank in greater Little Rock. Mr. Sparks is president of New American Investments, Inc., and owner of Sam Sparks Associates, a housing consultant firm that assists nonprofit groups in sponsoring housing projects for limited-income families.

City National of Kansas City Promotions (Continued)


THOMPSON


CHAPMAN


MURDOCK


TERRY


LEVI


BOLT


MABRY


GRAY


SLAGLE


THOMASON

man of Grand Avenue Bank.

Mr. Scott went to City National in 1967, having formerly been an auto and leasing firm executive. He had been the bank's vice chairman since mid-1971. He also is secretary and a director of the HC and United Missouri Bank of Kirkwood.

Mr. Bolt has been with the bank since 1956 and also was made vice chairman in mid-1971. He is an advisory director of City National and a director of the HC.

Mr. Chapman was senior vice president and senior corporate trust officer; Mr. Murdock senior vice president and senior trust investment officer; Mr. Terry senior vice president and senior personal trust officer and Mr. Thompson senior vice president. Messrs. Gray, Levi, Mabry, Slagle and Thomason were vice presidents.

■ FIRST NATIONAL, Santa Fe, has elected Milo L. McGonagle senior vice president. He is in charge of lending and branch supervision. Mr. McGonagle has been a director of the bank since 1969 and also is executive vice president and a director of New Mexico Bancorp.

Wage Hikes To Be in Line

There appears to be little desire on the part of bankers to overstep Phase Two guidelines regarding salary increases, according to MID-CONTINENT BANKER's outlook survey.

Bankers were asked what percentage of increase they anticipate for the bank's over-all salary structure in 1972. Thirty-six percent of responding banks said they expect to grant 5% increases, with another 30% opting for the full 5.5% increase permissible under Phase Two guidelines.

Only three banks reported increases exceeding 5.5%.

Twelve respondents reported there would be no increases for their personnel in 1972.

National Graduate Trust School Chooses Theses for Library

Six of 97 theses prepared by members of the class of 1971 at the American Bankers Association's National Graduate Trust School have been selected for inclusion in the permanent collections of the ABA library and the Northwestern University library, Evanston, Ill. The theses were judged outstanding on the basis of research, style and conclusions.

Mid-Continent-area bankers whose theses were chosen include: Charles E. Finney, First National, Ardmore, Okla.—"Gifts of Life Insurance—Some Federal Aspects"; Robert D. Grant, First National, Little Rock—"Administration of Guardianships by the Corporate Fiduciary in Arkansas"; and Ronald G. Wilson, Fidelity State, Topeka—"The Insurance Trust—A Questionable Estate Planning Tool."

Hunt Report Asks for Expanded Bank Powers, Sweeping Changes for Financial System

THERE SEEMS to be something for everyone in the report of the Presidential Commission on Financial Structure and Regulation. The long-awaited report is being submitted to President Nixon as this issue of MID-CONTINENT BANKER goes to press.

The commission is chaired by Reed Hunt, former chairman of Crown Zellerbach Corp. The report of their labors is often referred to as the "Hunt Report."

Among the wide-ranging recommendations of the report is the formation of a new type of financial institution, to be called a federal mutual commercial bank. The report also recommends that the Federal Reserve Board and the FDIC surrender most of their regulatory and supervisory duties to a new Office of the Administrator of State Banks. The Office of the Comptroller of the Currency would be reconstituted, to be known as the office of the National Bank Administrator. It would be separate from and independent of the Treasury Department.

The report also calls for a phase-out of interest-rate ceilings on time and savings deposits, recommends that commercial banks be granted authority to operate mutual funds, calls for mandatory membership in the Fed, asks for a single-tax formula for all financial institutions that offer checking accounts, proposes elimination of reserves on time and savings deposits and share accounts and recommends the establishment of uniform reserve requirements on demand deposits.

A special tax credit, based on gross income from residential mortgages, for investors in such loans has also been suggested.

Other recommendations include federal charters for stock savings and loan associations, mutual savings banks and the new mutual commercial banks; permission for commercial banks to engage in any activities permitted bank holding companies; new powers for thrift institutions that would include authority to invest in stocks, offer checking accounts, credit cards and nationwide loans; and the formulation of a new agency to insure all types of financial institutions, including credit unions, under three separate insurance funds.

Interest rate regulation. The commission recommends that the power to stipulate deposit rate maximums be abolished for time and savings deposits, CDs and share accounts of $100,000 or more; that the power to stipulate deposit-rate maximums of deposits of less than $100,000 be given to the Fed for use on a standby basis; that this standby power be exercised only when serious disintermediation is threatened; that the Fed have discretionary power to reduce the $100,000 cutoff amount for standby power;

That the Fed have the standby power to establish ceiling differentials between institutions providing third-party payments and those not providing such payments for a period of five years; to have the standby power to establish rate ceiling differentials between commercial banks and deposit thrift institutions offering third-party payments for a period of two years; to have the standby power to establish rate ceiling differentials between commercial banks and individual-deposit thrift institutions that inaugurate third-party payment services for a period of up to two years; and that the standby power to establish interstate ceilings be abolished at the end of a 10-year period following the implementation of the commission's recommendations.

The commission recommends that the prohibition against the payment of interest on demand deposits be retained, but that it be reviewed.

Commercial banks. The commission recommends that the Federal Reserve Act be amended to permit the discounting of advances against any class of assets held by member institutions at Fed banks at discount rates, to be determined by the Board of Governors and the respective Fed banks; that special statutory and regulatory restrictions on real estate loans be abolished; that commercial banks be permitted to value unrated securities at book value if the securities are of investment grade; that banks be permitted to make equity investments in community rehabilitation and development corporations engaged in providing housing and employment opportunities for low- and moderate-income persons in aggregate amounts not to exceed 5% of capital, surplus and undivided profits;

That banks be permitted to invest in any assets in amounts to aggregate not more than 3% of total assets under certain conditions; that liabilities of any term incurred through the temporary or contingent sale of assets should not be defined as deposits; that statutory limitations be removed on the aggregate amount of acceptances banks may create and that supervisory authorities determine appropriate limitations for particular banks, considering the character and locations of the banks and customers' needs;

That banks be permitted to issue subordinated debt instruments of all maturities, under certain provisions; that banks, their subsidiaries and holding company affiliates be permitted to manage and sell mutual funds, subject to SEC regulation; that banks be permitted to underwrite revenue bonds secured by revenues from essential public services; that banks be permitted to engage in a variety of financial, fiduciary or insurance services to the extent that bank holding companies are permitted to do so.

The commission also recommends that banks be permitted to branch, both de novo and by merger, on a state-wide basis and that all statutory restrictions based on geographic or population factors or on proximity to other banks be eliminated.

The foregoing are only a portion of the commission's recommendations, but they give a good idea of the sweeping changes that the commission feels are necessary to bring the various segments of the financial industry into better alignment. Whether or not the recommendations go any further depends on the President and Congress.

The BANK BOARD Letter

The Publication Edited Exclusively for Bank Directors

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ASSOCIATE PUBLISHER

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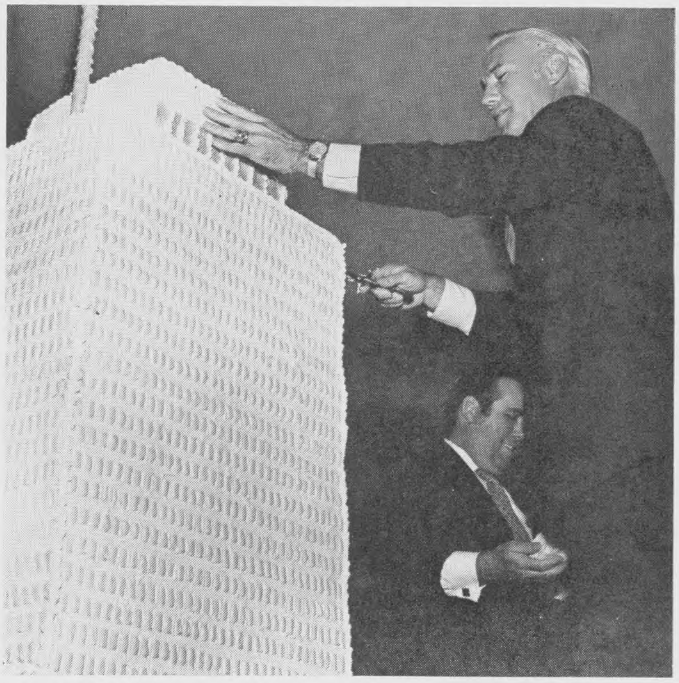
J. W. Lander Jr., ch., Bank of Texas, cuts unique cake model of One Shell Plaza Building at grand opening ceremonies. Mr. Lander needed a ladder to reach top of 8½-foot cake.



ON THE COVER:

Top, left—Colorful vinyl banner on bank's second level stretches for 90 feet. *Middle, left*—Teller counter on ground level offers services of both bank and S&L. *Bottom, left*—Unique round officer conference and work table area. *Right*—Dramatic view of soaring One Shell Plaza, new home of Bank of Texas, Houston First Savings and Houston First Financial Group.

Bank of Texas and Houston First Savings Begin Unique Side-by-Side Operation

UNIQUE is the word Houston First Financial Group uses to describe its new financial center, located in the One Shell Plaza Building. And that word aptly describes several aspects of the Group's facilities—first opened in mid-November.

The Group has accomplished what may be a first for the financial industry of the United States—a side-by-side setup featuring a commercial bank and a savings association. There's no doubt that the side-by-side concept is unique to Texas.

Customers visiting the podium level of One Shell Plaza are confronted with a tellers' counter of continuous travertine marble 90 feet long—half of which is staffed by tellers of Bank of Texas and the other half featuring tellers for Houston First Savings. Both financial firms are members of Houston First Financial Group, a holding company.

Furthermore, customers of either financial organization will find complete services of Bank of Texas and Houston First Savings at the one unique location—with often not even a wall separating the two.

Bank of Texas is the city's seventh largest commercial bank, while Houston First Savings is Houston's largest locally owned savings association. The parent Houston First Financial Group was organized in 1969, and, after only two years, has consolidated its headquarters, along with the operations of its two subsidiaries, at recently opened One Shell Plaza.

Grand opening of the 714-foot tall building—the tallest in Houston—was highlighted by the unveiling of a huge cake model of One Shell Plaza. Customers were invited to come in for a piece of cake and to qualify for cash prizes—$100 awarded every 30 minutes during opening week and $1,000 awarded at noon on the last two days of the celebration. Grand opening week was appropriately named "Unique Week."

A tour of the Group's facilities reveals other unique features of the building and its decor.

The bank, savings association and Group occupy three levels of One Shell Plaza. The mezzanine level holds the offices of the commercial, mortgage and installment loan officers, plus two conference areas and the safe deposit vault. Due to the fact that the vault

Financial subsidiaries of Houston First Financial Group move into city's tallest building—One Shell Plaza

BUTLER DYCHE LANDER GRIGSBY HAZARD

Top management of Houston First Financial Group includes George A. Butler, ch.; W. E. Dyche Jr., pres.; J. W. Lander Jr., exec. v.p.; Mrs. Mary A. Grigsby, v.p.-treas.; and John W. Hazard, v.p. Mr. Lander is ch., Bank of Texas, and Mr. Hazard is pres., Bank of Texas. Mr. Dyche and Mrs. Grigsby are pres. and exec. v.p., respectively, Houston First Savings.

is located directly above the building's elevator lobby, it had to be "hung" from supplemental beams spanning the shear walls of the core of the building.

Offices of the Group are on the first level above the mezzanine. Conference space is also located on this floor, along with an unusually designed boardroom featuring lounge chairs and sofas grouped around a central "presentation" table. No long board table here!

Most of the desks, credenzas and cabinets in the offices were constructed from Persian walnut burl, originally grown in the mountains of Iran. This burl was discovered 10 years ago by an Italian, who had it cut, transported over mountain paths and shipped to Italy for storage. It was discovered by the architects selected to do One Shell Plaza and is believed to be the last of its kind.

All marble in the building was supplied by an Italian firm that reopened its quarries to supply the St. Laurent and travertine marble used in the building.

Artwork in the financial areas is also unique. Two huge banners, each eight feet tall and 90 feet long, hang at either end of the mezzanine. They are constructed of laminated vinyl and consist of 256 sections of 10 colors, the sequence of which is arranged to keep the banners visually flowing with movement.

Twelve relief prints in the boardroom are circular blends of colors in half-moon shapes. The colors in the prints change position slightly to create an optical illusion indicating a change in the size of each print, although the prints are all the same size.

Bank of Texas has grown to claim the title of seventh largest Houston bank in a relatively short time, having been established in 1957. J. W. Lander Jr. is chairman of the bank and executive vice president of the holding company. John W. Hazard is president of Bank of Texas and vice president of Houston First Financial Group.

Houston First Savings has served Houstonians for over 50 years. W. E. Dyche Jr. is president of the savings association and the holding company and Mrs. Mary A. Grigsby is executive vice president of the association and vice president-treasurer of the group.

George A. Butler is chairman of Houston First Financial Group. He is a senior partner of the law firm of Butler, Binion, Rice, Cook & Knapp.

Most unique feature of financial operation at One Shell Plaza is 90-foot-long teller counter manned by personnel of Bank of Texas and Houston First Savings. Metal cubes on counter direct customers to appropriate teller.

We'll not only produce Personalized Checks for your bank, we'll help you sell them . . .

Because the keys to successful bank check merchandising are effective merchandising aids, we have developed a full complement of advertising and sales material featuring our new Distinctive Check Program. And these aids *are* effective. We have them to cover nearly all the needs that banks have experienced and the techniques of their use have been highly refined. The material is attractive and contemporary and yours for the asking. Please ask us.

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Unique Furnishings at Bank of Texas Feature Himalayan Walnut Burl Wood

IN THE DAYS of synthetics and mass production, it is a rare situation that brings together fine material and fine craftsmen for an uncommon result.

The uncommon result is what architects Skidmore, Owings & Merrill and the management of Bank of Texas wanted for its new lobby and executive quarters in One Shell Plaza, Houston. The majestic travertine marble of the building needed to be balanced with rich, warm wood tones and furniture that had the stature to stand in the large space.

This objective created two distinct problems: Where do we find such wood? Who can build furniture according to our needs?

No more than five or six companies are considered capable of such craftsmanship, and one of the most prominent is Brochsteins, Inc., of Houston.

Both problems were solved by the Houston firm: The wood is rare Persian walnut burl from the Himalayas. The craftsmen have lived and worked in Houston for many years.

Brochsteins has made custom furniture and bank and store interiors throughout the United States for 36 years. The company has demonstrated the ability to find the materials for unusual custom furnishings. And, equally important, it had the artisans with the talent and appreciation it takes to work with such materials.

I. S. Brochstein and Raymond Brochstein called on suppliers of rare woods in Germany, Italy, France and England, trying to secure the quality and amount of burl needed for the bank's furnishings. The order called for 35,000 square feet of Persian walnut burl—nearly enough veneer to cover an acre of ground! This would be an easy matter with most materials, but not when you're looking for the best logs of one of the world's rarest and most exotic woods.

Himalayan Trees

These trees grow only in the Himalayan mountain ranges that run through India, Iran and Pakistan.

"It wasn't just the Persian walnut tree that we had to have," the Brochsteins said. "We needed those logs that had sections of burl. Burl is really a defective growth of the tree," they explained, "where in the process of healing there is an accumulation of undeveloped buds."

The undeveloped buds—or burl—form the eye-like patterns that make burl so desirable as furniture material.

Each log is carried out of the mountain forests by two men using shoulder poles and harnesses. "The paths are so narrow and treacherous that only humans can negotiate them," the Brochsteins pointed out. "Suppliers of logs locate them and buy them from the governments involved," they continued. "Then they sell them to cutters located in various parts of the world."

"With wood this rare," the Brochsteins continued, "you must have the best cutters, ones who can cut the wood into veneer that is 1/42nd of an inch thick."

As the wood is cut—by moving the log over a stationary knife—it is dropped onto a conveyor belt and run through a drying oven. Then it is stacked just as it was cut, so that the grain and patterns are back together just as they grew.

"This is very important," the Brochsteins said, "because it allows our craftsmen to put it together just as nature did—in a perfectly smooth and seamless plane."

Special Tools

Since burl does have inperfections, it must be treated. The Brochsteins craftsmen use special tools shaped like the burl grain. They find another piece of burl similar to the one they are working on, and, visualizing how the grain should look, assemble flawless panels.

The material is then pressed and laminated into the panels from which the furniture is made.

"Each piece of furniture is made from one log so that the grain will be harmonious," the Brochsteins said. "Even the smallest piece is catalogued and kept with others from the original piece of wood."

"The result is a beautiful piece of furniture," they continued, "and it is beautiful because each of our men—each machine operator, each cabinetmaker, each finisher—knows that what he is working on cannot be repaired or replaced if it is even slightly damaged."

The finish on the furniture for the Bank of Texas is also unusual (see photos on cover). It has a deep, lustrous effect achieved through six, hand-rubbed coats of special lacquer. Each coat of lacquer is rubbed with fine pumice, and, after the last coat, the furniture is waxed. • •

City Nat'l Bank of Kansas City Elects Bledsoe Vice President

KANSAS CITY—Gilbert H. Bledsoe Jr. was elected a vice president of City National. He assumes the newly created position of head of the government agency, commercial paper and federal funds division of the bank's money market department.


BLEDSOE

Mr. Bledsoe formerly was assistant vice president in the municipal bonds division. He joined the bank in 1964, was named assistant cashier in 1969 and assistant vice president in 1970.

Edward Smoot Elected First VP At National Bank of Commerce

MEMPHIS—Edward H. Smoot has joined National Bank of Commerce as first vice president. He is in charge of the branch administration division.


SMOOT

Mr. Smoot formerly was president and chief executive officer of City National, Fort Smith, Ark. He had been president since 1962. He is a graduate of Florence (Ala.) State College and of the School of Banking of the South.

Usurious Interest Suit Dismissed in Alabama

MONTGOMERY, ALA.—A class-action suit brought against First National by three credit card holders has been dismissed by a federal district court.

The suit contended that the bank charged usurious interest rates in connection with its BankAmericard operation.

The decision is the first issued in a case of this type and the first to hold that national banks are permitted to charge the same interest rates authorized to small loan companies—in credit card transactions.

The judge ruled that the bank was entitled to impose an effective rate of 36% on credit card transactions up to $300, the same rate permitted small loan companies on similar amounts by existing Alabama law.

Ozier Joins Commerce Union In Correspondent Department

NASHVILLE—Charles M. Ozier Jr. has joined Commerce Union as vice president and manager of the correspondent banking department.


OZIER

Mr. Ozier comes to the bank from National Bank of Commerce, Memphis, where he also was vice president in the correspondent department. He had been with that bank 15 years.

Bankers' Kidnap/Ransom Insurance

By ROSEMARY McKELVEY • *Managing Editor*

New Type of Coverage Is Designed To Provide Restitution of Funds On Behalf of Bank Officers Forced to Pay Ransoms to Kidnappers of Members of Their Families

A NEW and frightening element has entered banking: Wives, children or other relatives of bank executives are held hostage while the bankers are forced to obtain large sums of money from their institutions. When this money is turned over to the robbers, the hostages usually are set free unharmed. However, in a tragic incident recently in Indiana, a woman cashier of her bank and her husband were senselessly slain although she had followed the robber's instructions about getting the money he wanted.

From various sections of the country come reports of these kidnap/extortion plots. For instance, in Wickliffe, Ky., a banker had to get $15,000 from his bank while his wife was held prisoner in their home. A Homestead, Fla., banker had to give $100,000 to robbers who waited for him at his home. In Dozier, Ala., two masked men entered a banker's home and held his wife hostage until he placed $50,000 in a specified litter basket. In Lebanon, O., a bank president's wife and 18-year-old daughter were hostages in their home until the banker gave the robbers $100,000 of his institution's money.

This new kind of bank robbery places the perpetrators in much less danger than they would be in if they actually enter banks and demand money from tellers at gunpoint. However, the bankers and their families who are the victims of the kidnap/extortion plots not only are in great physical danger, but they can suffer mentally as well long after the incident is over. In addition, there is some question as to whether bankers' blanket bonds carried by most banks cover this new type of theft.

Under its premises-insuring clause, the bankers' blanket bond leaves open to interpretation whether a kidnap/extortion threat or occurrence would be covered. If the extortionists make a physical appearance on a bank's premises, the current wording would cover. However, where a bank officer or employee—acting on telephoned instructions—delivers funds to a place somewhere besides the bank, there is said to be *no* coverage.

In addition, the banker who actually takes the money from the bank could be accused of embezzlement—particularly if he doesn't alert others at his bank and police—and be made to stand the loss or even be dismissed from his job.

Late in 1971, amid the confusion wrought by these kidnap/extortion plots, came announcements of new types of insurance to cover them. The American Home Assurance Co., New York City, and Bowes & Co., Inc., St.

Louis, Chicago, San Francisco and New York City, have unveiled "bankers' kidnap insurance."

American Home's plan is called "Bankers' Executive Protective Insurance" or BEPI. The program is specifically designed to provide restitution of funds on behalf of bank executives forced to pay ransoms to kidnappers of members of their families. It is available to any U. S. bank or S&L regardless of size so long as they belong either to the FDIC or FSLIC. Total coverage available varies with the size of the bank up to a maximum of $250,000. The coverage, which may extend to all offices and branches, can be purchased for premiums as low as $150 annually. The plan protects all bank officers and directors and guarantees protection for all bank executives as a group in their individual capacities. Coverage may not be purchased individually.

While the BEPI policy cannot prevent these unfortunate occurrences, American Home believes it will certainly provide much needed protection for bank executives faced with the rising incidence of losses of this type.

Brokers, agents and buyers may obtain a BEPI brochure by writing to Department A-14, American Home Assurance Co., 102 Maiden Lane, New York, N. Y. 10005.

Bowes & Co.'s plan is called Bankers' Kidnap/Ransom Insurance. Coverage goes from $50,000 to $250,000, but cannot exceed the amount of a bank's primary bankers' blanket bond. The plan protects all officers and their families and may extend to all branches. There is no individual coverage. Costs of premiums range from $150 for small banks to $15,000 for very large banks.

For information on the Bowes plan, bankers may write Robert C. Green Jr., executive vice president, Bowes & Co., Boatmen's Bank Building, St. Louis, Mo. 63102.

Mr. Green told MID-CONTINENT BANKER most bonding firms are pleased to see this new type of coverage come on the market because it relieves the bonding companies from having to determine whether their client banks that are victimized by kidnap/ransom plots are covered under their bonding plans. Mr. Green said his firm offers the new policy to bankers who believe in this day of high crime there is a real exposure probably not covered by bankers' blanket bonds, although the latter are designed to cover all exposures normal to banking and are the result of many years of experience by both insurance underwriters and banks. Bowes & Co. believes bankers should consider the following in determining whether to buy the kidnap/extortion coverage:

1. The present premium paid for a bankers' blanket bond does not contemplate the exposure of kidnap or ransom.

(Continued on page 86)

Some Guidelines for Bankers Victimized by Kidnap/Extortion Plots

THE ARTICLE beginning on page 62 is about a new type of insurance now offered to banks—kidnap/ransom insurance. The plans described are designed to reimburse banks when one of their officers is forced to take money from the bank and turn it over to robbers who are holding one or more members of his family hostage.

The new insurance plans were created to eliminate any monetary loss suffered by victimized banks. However, there also are some guidelines to help bankers while a kidnap/ransom plot is being carried out.

From the Missouri Bankers Association's committee on bank preparedness for emergency operations comes this suggestion: Use a code name previously circulated and approved at the bank. The code name could be utilized in such a way as to inform a guard or another bank officer that the victim is in the company of a robber. The code name could be a fictitious officer's name. An example would be: "The assistance of Mr. (code name) is needed to open the vault." This should notify bank personnel about the situation without alerting the robber. The code name also could be used by a teller confronted directly by a robber by stating that her available funds are inadequate and she will have to obtain additional money from a neighboring teller, Mr. or Mrs. (code name). By addessing the neighboring teller with that code name, the teller being victimized would be able to comply with the robber's request and alert the other teller, who, in turn, would be responsible for notifying authorities.

In summary, said the MBA, prudent practices dictate the necessity of using bait money and notification to authorities either by the victim or through information relayed to other bank personnel by use of a predetermined code name.

The Bank Share Owners Advisory League of Chicago devoted its November-December Loss Prevention Bulletin to the subject of kidnap/extortion. Part of the bulletin was on what to do when being victimized.

According to the bulletin, a banker, when speaking on the phone to a man demanding money, should request proof that the caller actually has his wife or another member of his family as hostage by asking to talk to the person being held. The bulletin also published some guidelines prepared by Execudec, Inc., Wausau, Wis., consulting firm in security education and administration. These guidelines are:

1. Ask questions. The longer the caller is willing to remain on the phone and answer questions, the more vital is the information obtained. Further, if there is the possibility of getting a note to another officer, perhaps the telephone operator can secretly initiate a trace on the origin of the call. These questions should be asked: Who is calling? Where are you calling from? Is this a prank? How do I know it is not a prank? May I talk to my wife (or whomever) so that I can be sure? What do you want? How do you want the money? How shall it be wrapped or packaged? Where should the money be delivered? How will I recognize the person to whom to give the money? Exactly where and exactly when must the money be delivered? How will I know when my wife is OK?

2. If the caller hesitates in answering any particular question for more than a few seconds, ask another question immediately.

The bulletin then lists five steps a banker should take after receiving a kidnap/ransom call:

1. Attempt to verify the validity of the threat in some prudent manner—such as a telephone call to your home.

2. Notify at least one bank officer of the threat and of your intention to deliver the money.

3. Notify the nearest FBI office.

4. In packaging the currency, make certain that "bait money" is included.

5. Quickly note the exact time the call was received, the exact words of the threat, tone of the caller's voice, the caller's sex and any background noises heard during the call.

The bulletin said it would be well to have a bank's security officer, working alone or with a counseling firm, design both a set of precise instructions for action when such a threat is received and a form on which will be printed suggested questions with space left to fill in information of the kind outlined above. Such a form should, of course, include telephone numbers of the nearest FBI office and of the local police department. • •

Illinois News

Northern Trust, Chicago, Lists New Promotions

CHICAGO—Northern Trust recently made several promotions and new appointments. In the Illinois division of the banking department, Lyle P. Campbell was elected vice president and Marvin D. Swanson second vice president.

Also promoted in the banking department were Norman I. Pickles, vice president, credit analysis; Donald P. Baiocchi, second vice president, corporate financial services; and John D. Hartung, second vice president, personal banking.

SWANSON

CAMPBELL

New second vice presidents in the trust department are: Richard J. Durava and David W. Holman, new business; Roger Jackman, employee benefit funds; Miss Lucille Lasch, probate; and Thomas E. Mark and H. Lee Pampel, investment research.

In the retail and institutional sales division of the bond department, new second vice presidents are J. David Brock, Alexander M. Christie and John L. Salter Jr.

Frank J. Annerino and Fred A. Galati were named managers in the computer applications division of the systems and planning department. Marshall P. Frank and Kenneth L. Lay are managers in the operating department.

Elected assistant cashiers in the banking department were Thomas G. Folliard, Lloyd N. Liggett, Glen T. Rey, Consider W. Ross, Robert K. Seston and James M. Swiatek.

Community Nat'l Opens in Quincy

QUINCY—The newly chartered Community National recently opened for business with capital of $200,000 and surplus of $200,000.

Officers of the new bank are: J. E. Kline, chairman; Donald K. Gnuse, president; Roman J. Lubbe, executive vice president and cashier; and Donald W. Fink, assistant cashier.

■ NORTHERN TRUST, Chicago, has announced the retirement of Salvatore V. Cirrintano, assistant cashier, personal loans. He had been with the bank 51 years.

■ JOHN F. GESKEWICH has retired as senior vice president and cashier of Uptown National, Chicago. He had been with the bank since 1930. Named to succeed Mr. Geskewich was Charles T. Goodrich. He joined the bank in 1934, was elected vice president in 1964 and senior vice president in 1970.

■ THREE PROMOTIONS have been announced by Mercantile National, Chicago. Ronald W. Dyson was advanced from assistant trust officer to trust officer, Miss Nancy Schubering was appointed assistant trust officer and Mrs. Vivian Smith was named assistant cashier.

Illinois Women Bankers Attend Two-Day NABW Conference

More than 100 women bankers recently attended a two-day conference held by the National Association of Bank-Women Inc. Illinois Group at the Regency Hyatt House, near Chicago.

The theme of the conference was "Self-Interest: Technique to Success." Workshops covered tools of self-interest—education and participation, women's banking, commercial loans and trust administration.

Panelists speaking on education were representatives of various banking schools around the country. Featured speaker was Dr. Harm A. Weber, president of Judson College, Elgin, who spoke on "Tool for Self-Interest Number Three: Motivation."

Attending the National Association of Bank-Women Inc. Illinois Group conference were: (from l.) Miss Irene S. Keith, group sec.-treas. and a.c., Oak Park Trust; Lewis H. Clausen, pres., Champaign National; Miss Evelyn A. Stuckle, group vice ch. and v.p., Union National, Elgin; Dr. Harm A. Weber, pres., Judson College, Elgin; and Miss Evelyn Moore, group ch. and probate off., LaSalle National, Chicago.

RMA Officers Attend Ceremony

Officers of the Chicago Chapter of Robert Morris Associates recently participated in a ceremony celebrating the fact that the city's George Washington/Robert Morris/Haym Salomon Monument had been designated as a Chicago historical and artistic landmark. It is the first sculptural work thus distinguished by the city. Chapter officers shown in front of the monument are (from l.): Norman I. Pickles, second v.p., Northern Trust; Arthur W. Frick, second v.p., Continental Illinois National; William G. Dearhammer, a.v.p., First National; C. Koehler Kindahl, a.c., National Boulevard Bank; Chester G. Zimmerman, v.p., American National; and William A. Sholten Jr., v.p., Merchandise National.

■ GARY-WHEATON BANK, Wheaton, has elected Ronald A. Brinkmann business development officer. He formerly owned Brinkmann Real Estate.

■ MERCHANDISE NATIONAL, Chicago, recently made the following promotions: William R. Mayer, vice president, commercial loan department; Joseph F. Henmueller, assistant vice president, and Miss Florence V. Campana, assistant cashier, operations department; and Michael D. Pryde, assistant cashier, computer and research department.

■ MRS. MURIEL BERG was elected assistant vice president of State National, Evanston. She formerly was a customer service officer.

■ BANK OF LISLE has elected Richard J. Fitzgerald assistant vice president in charge of business development. He comes to the bank from La-Salle National, Chicago, where he was in the correspondent bank division.

■ LAKE VIEW TRUST, Chicago, elected William E. Kamka assistant auditor. He joined the bank last June and previously was with Amalgamated Trust, Chicago.

Illinois Death

LEROY L. BULL, 51, president, Elgin National. He joined the bank in 1953 and had been president since 1969.

Indiana News

Merchants Nat'l Names Nelson Head of Correspondent Division

INDIANAPOLIS—Carl S. Nelson, vice president, has been appointed head of the correspondent division of Merchants National. He replaces Harold A. Yates, who recently resigned.

NELSON

Mr. Nelson, who has more than 30 years of banking experience, joined Indiana Trust in 1939. In 1953, Indiana Trust was merged with Merchants Bank and Mr. Nelson was named assistant auditor. He served in various departments, including the correspondent division, and was elected vice president in 1967. For the past year, he has been responsible for the bank's community affairs.

First Bank Controlling Interest Sold to FBT Bancorp., Inc.

SOUTH BEND—FBT Bancorp., Inc., one-bank holding company, has officially assumed ownership of First Bank.

O. C. Carmichael Jr., chairman of FBT Bancorp., announced that a group of South Bend-area citizens purchased controlling interest in the bank from Associates Corp. of North America, of which Mr. Carmichael is chairman and chief executive officer.

■ LOUIS A. LEPP, assistant cashier, has been named assistant manager of Gary National's Glen Park Branch. He joined the bank in 1949 and was elected assistant cashier in 1967.

■ DONALD R. BALSER, vice president and trust officer, Old National, Evansville, has been elected officer in charge of the trust department. He succeeds Donald E. Partridge, who has resigned. Mr. Balser joined the bank as a trust officer in 1964 and was promoted to vice president and trust officer in 1969.

■ FIRST NATIONAL, Elkhart, has elected Gregory I. Shellard trust officer. He had been a member of the trust department of First National, Springdale, Ark., since 1969.

■ MERCANTILE NATIONAL, Hammond, has elected Mrs. Patricia R. Springer and Jack A. Dodds assistant cashiers and branch managers. Mrs. Springer is in charge of the Calumet Avenue Branch and Mr. Dodds heads the recently opened Briar East Branch.

■ MERCHANTS NATIONAL, Indianapolis, promoted Donald C. Price from assistant auditor to auditor. Mr. Price has been with the bank 14 years and has been assistant auditor since 1967. John L. Overshiner was appointed mortgage servicing officer.

American Nat'l Has New Building For McKinley Avenue Office

SOUTH BEND—American National recently opened a new building for its McKinley Avenue Office. The old building was razed to add additional parking space.

The new 5,600-square-foot building has private loan offices, a seven-fold increase in the number of safe deposit boxes and new carrels within the safe deposit area. A photo-guard film monitoring system covers the entire main floor business area.

Above is the new building of the McKinley Avenue Office of American National, South Bend.

Community rooms on the lower level include a large meeting hall for community activities and club meetings, conference rooms and a complete kitchen.

The new structure has three drive-up stations and a night depository. The exterior features a gray clay brick facade with a plaza lighting system consisting of several six-orbed light poles.

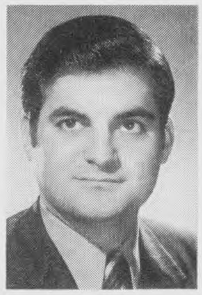
■ CARL A. BINHAMMER, former president, Northwest Bank of Indiana, Whiting, has been elected vice chairman. He recently was succeeded as president by Harold A. Yates, former vice president, Merchants National, Indianapolis. Mr. Binhammer joined the bank in 1931 and had served as president since 1967.

Bank Holds Groundbreaking

American Fletcher National, Indianapolis, recently held groundbreaking ceremonies for its new Northwestern Banking Center. When completed in August, the building will house the banking center and the small business loans office. From left are: Lloyd R. Howe, v.p.; Thomas A. Bolden Jr., a.v.p.; S. Edgar Lauther, ch.; A. B. Cochran, contractor; Clarence C. Wood, a.v.p. and mgr. of the center; Edwin Gibson, architect; J. Joseph Tuohy, pres.; Harry L. Bindner, exec. v.p.; and Deputy Mayor John W. Walls.

Consumer Marketing Services Elects Richley Vice Pres.

INDIANAPOLIS—Robert D. Richley, formerly advertising officer of Indiana National, has been elected a vice president of Consumer Marketing Services, Inc., a subsidiary of Indiana National Corp.



RICHLEY

Donald V. Gootee was named assistant vice president and marketing director of the subsidiary and Michael S. Davis was appointed assistant vice president and advertising director.

Formerly, Mr. Gootee was manager of Indiana National's South East Street Branch and Mr. Davis was with a local advertising agency.

■ RONALD D. HEINY has been named assistant cashier at Calumet National, Hammond, and will act as relief branch manager for the bank's seven offices. He joined the bank in February of 1971 as a management trainee.

■ GORDON JOHNSON has joined Peoples Trust, Fort Wayne, as assistant vice president and personnel director. He had been with IBM in computer sales and applications since 1967.

■ GARY NATIONAL appointed Joseph Carlin manager of its Tri-City Branch. He has been with the bank since 1964. Named assistant branch managers were: Ronald F. Moore, Village Branch; and Michael Yovanoff, Griffith Branch.

■ PEOPLES BANK, Greensburg, has announced several staff changes. Woodson Lewis, who was president and chairman, is now president; Hardin H. Durham, former vice president, is now vice president and cashier; and Richard Shuffett, assistant cashier, was advanced to assistant vice president.

■ OWEN CAPLINGER has been elected chairman of State National, Frankfort. He had been serving as vice president.

■ MRS. JOHNNIE TACKETT has retired as cashier of Farmers State, Warsaw. She is succeeded by Mrs. Mariel Kennedy.

■ CITIZENS BANK, Campbellsville, promoted Mrs. Gladys Roberts from assistant cashier to assistant vice president.

■ DONNEL F. CLARK has joined Peoples Liberty Bank, Covington, as trust officer. He previously was a trust officer at Northern Indiana Bank, Valparaiso, and has served as a bank examiner with the FDIC.

■ E. R. POORE was elected chairman of Hart County Deposit, Munfordville. He succeeds the late H. L. Caldwell, father of C. L. Caldwell, president.

Kentucky News

■ ANDY DUDLEY has been elected president of First National, Carlisle. He had been executive vice president and director of Powell County Bank, Stanton. Mr. Dudley succeeds J. D. Blount, who has resigned from First National to become president of National Bank of Cynthiana.

■ FIRST NATIONAL, Nicholasville, recently held a three-day open house celebrating its 100th anniversary.

■ PATRICK J. KLOCKE, auditor, Newport National, has been elected a director of the bank. He joined the bank in 1967 and was appointed auditor in 1968.

■ FORT KNOX NATIONAL has appointed John K. Owens Jr. manager of the Armor School Branch. He joined the bank last September.

■ HART COUNTY DEPOSIT, Munfordville, has elected Mrs. Mary B. Bowling a director. She fills the vacancy on the board created by the death of her husband, E. M. Bowling.

Bank Gets Conservation Award

Citizens Fidelity, Louisville, recently received the Kentucky Conservation Council Award for its service tree giveaway program conducted last spring. The bank gave away 1,000 service trees to civic organizations around the state for display in public places. Above, William Johnstone (l.), a member of the council, presents the award and a gavel, which he made of service tree wood, to Maurice D. S. Johnson, ch. & CEO of Citizens Fidelity.

Kentucky Deaths

C. E. GILLESPIE, 79, president emeritus, Simpson County Bank, Franklin.

AMBROSE H. MANDT, 69, vice president and a director, First Guaranty Bank, Martin.

First National of McMinnville Completes Remodeling Program

McMINNVILLE—First National recently completed a remodeling program that doubled the bank building's floor space. The bank held an open house featuring tours of the remodeled quarters, refreshments and prizes.

The remodeling program included a 55-foot expansion to the rear of the building and a 25-foot expansion of the bank's lobby. The vault area was doubled and the bookkeeping department expanded. Added were private loan offices, new installment loan area, new directors' room, employees' lounge, three new customer service desks and a community room.

The bank also has added three large murals showing the historical beauty of Warren County. The murals represent the economy of Warren County, the Ben Lomand Mountains and the remains of the old Shellsford grist mill.

■ ROBERT RANSOM recently joined Martin Bank and is in charge of internal operations, directing bookkeeping and teller operations and serving as branch supervisor. Mr. Ransom had been assistant vice president at Farmers Bank of Woodland Mills, where he had been employed for the past 10 years.

Tennessee News

Ladies' Financial Forum Held At Cleveland National Bank

CLEVELAND—Cleveland National recently held its second annual ladies' financial forum at the Cleveland Country Club. Bank officials said Cleveland National is the first bank in east Tennessee to provide this type of forum.

Shown at Cleveland National's ladies' financial forum are: Mrs. Richard S. Norman (l.) and Miss Henrietta McArthur, asst. training off., Citizens & Southern National, Atlanta. Back row (from l.): William A. Byrn Jr., v.p. and tr. off., First American National, Nashville; Lloyd Anderson, account exec., Reynolds Securities, Inc., Chattanooga; Richard S. Norman, pres., and William R. Ewing, exec. v.p. of host bank.

Speakers at the meeting included: Miss Henrietta McArthur, assistant training officer, marketing division, Citizens & Southern National, Atlanta—"Personal Financial Planning"; William A. Byrn Jr., trust officer, First American National, Nashville—"Estate Planning"; and Lloyd Anderson, account executive, Reynolds Securities, Inc., Chattanooga—"Investments."

Following the speeches and a question-and-answer period, the ladies attended a luncheon and fashion show.

■ HAMILTON NATIONAL, Chattanooga, promoted George J. Awad to trust development officer, James A. Adkisson to assistant cashier and manager, Hixson Branch, and Stephen A. Bullard to assistant cashier.

■ AMERICAN NATIONAL, Chattanooga, has elected Mrs. Dannye Sue Brown properties officer. She has been with the bank since 1957. Branch managers named were: William C. Dotson Jr., Northgate Branch; William R. Stansbury, Rossville Branch; and John R. Whitten, East Ridge Office.

Mississippi News

Mississippi Bankers Association Announces New Group VPs

New group vice presidents of the Mississippi Bankers Association recently were elected. They are:

GROUP ONE: James S. Wall, vice president and manager, Belmont Branch, First Citizens National, Tupelo.

GROUP TWO: W. Scott Lauderdale, president, Peoples Bank, Senatobia.

GROUP THREE: H. Devotie Holmes Jr., president, Planters Bank, Tunica.

GROUP FOUR: Lagrone Mortimer, executive vice president, Bank of Kilmichael.

GROUP FIVE: Archie R. McDonnell, president, Citizens National, Meridian.

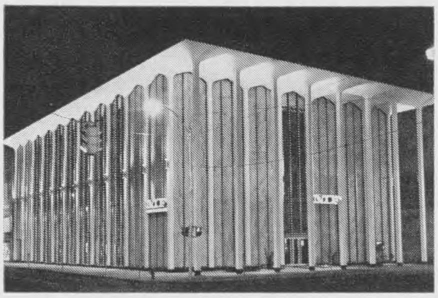
GROUP SIX: D. P. McGowan, executive vice president, Bank of Yazoo City.

GROUP SEVEN: Raymond L. Davis, president, Brookhaven Bank.

GROUP EIGHT: Miss Theresa M. Johnson, vice president and cashier, Pascagoula-Moss Point Bank, Pascagoula.

■ MONROE BANKING & TRUST CO., Aberdeen, recently held the grand opening of its Prairie Drive-In Branch.

Bank Opens New Quarters



Merchants & Farmers Bank, Meridian, recently held the formal opening of its new banking quarters. The event was attended by the largest crowd ever to attend an opening in the city, according to the bank.

■ FIRST NATIONAL, Aberdeen, has opened a branch in Amory in temporary quarters and is planning construction of a permanent building. Branch manager is Clayton Harrington Jr., executive vice president. First National also is planning to expand its Main Office.

Six Promotions Announced By Security Bank, Corinth

CORINTH—Several new promotions have been announced by Security Bank including that of William C. Hussey from vice president and cashier to executive vice president. He has been with the bank since 1947.

Promoted from vice presidents to senior vice presidents were James M. Smith, Loy M. Sharp and Carl G. Howell. Mr. Smith has been a member of the bank's staff since 1967. Mr. Sharp, with the bank since 1966, is head of the installment loan center at the Midtown Branch. Mr. Howell joined Security Bank's real estate and business development staff in 1959.

Joseph C. Droke Jr. was elected cashier and James E. Carnal was named assistant cashier. Mr. Droke is in charge of internal operations and personnel and Mr. Carnal is a loan officer.

■ GULF NATIONAL, Gulfport, has named Percy H. Kaigler, vice president, head of its newly established business development and public relations department.

■ SOUTHERN NATIONAL, Hattiesburg, has promoted Jim Gray to auditor and Barry Thompson to assistant cashier.

Mississippi Deaths

ROBERT G. WIER, 72, director of Security State, Starkville.

VILAS L. SCOTT, 82, director of Merchants & Planters Bank, Raymond.

ROEBOYD H. MIDDLETON, 61, director of Bank of Commerce, Greenwood.

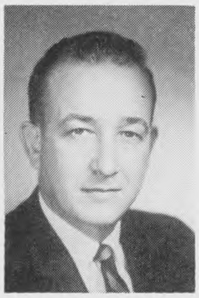
JOHN M. TABOR, 75, director, Merchants & Farmers Bank, Winona.

Louisiana News

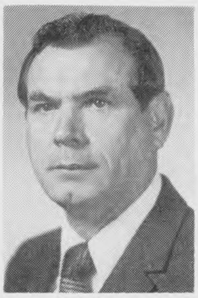
Whitney Nat'l, New Orleans, Announces 15 Promotions

NEW ORLEANS—Whitney National has elected three new vice presidents, four assistant vice presidents and eight assistant cashiers.

Named vice presidents were Patrick A. Delaney Sr., Remy J. Parr Jr. and Albert F. Voltolina. Mr. Delaney joined the bank in 1954 and was appointed assistant vice president in 1968. Mr. Parr, with the bank since 1941, is head of the bond department. Mr. Voltolina is in charge of the data processing division and has been with the bank since 1947.



DELANEY



PARR

SCHMIDT

VOLTOLINA

Harry C. Schmidt, George W. Frosch, Jesse Proctor Hill Jr. and Charles J. Triay were advanced to assistant vice presidents. Mr. Schmidt, with the bank since 1946, was elected assistant cashier in 1967 and joined the banks and bankers department.

Mr. Frosch is in the data processing division and Mr. Hill is at the Algiers Branch. Mr. Triay has been at Whitney National since 1947, serving at the St. Charles Avenue Branch.

Elected assistant cashiers at the bank were: Walter G. Brunken Jr., Peyton E. Bruns, Carl J. Calico, David I. Dodenhoff Jr., Winston Fontenot, Fenner E. Gay, Anthony W. Governale and Thomas J. Hite.

■ FIRST NATIONAL, Arcadia, recently opened its new drive-in facility. The building has a lobby window, drive-in and walk-up windows and two pneumatic-tube lanes.

■ C. E. LANDRUM was elected a vice president of Bossier Bank. He recently resigned as executive vice president of the Shreveport Chamber of Commerce.

■ TWO OFFICERS have received promotions at First Metropolitan Bank, Metairie. T. Armstead Brown was advanced from assistant cashier to vice president in charge of marketing and public relations, along with his duties as secretary of the board. John F. Yost was promoted from assistant cashier to assistant vice president.

■ JUDE PERE has been elected a director of Bank of Abbeville. He is president of the Abbeville Chamber of Commerce.

■ LAFOURCHE NATIONAL, Thibodaux, recently completed an expansion and remodeling program at its Main Office.

■ ROBERT L. SPENCER has been elected an advisory director of National Bank of Commerce in Jefferson Parish, Gretna. He is president of the southwestern region and corporate vice president of Great Atlantic & Pacific Tea Co., Inc.

■ NEW BRANCH in the Lykes Center Building has been announced by First National Bank of Commerce, New Orleans. The new office, which is the bank's 17th branch, occupies the first floor of the building.

■ EADS POITEVENT, president and chief executive officer, International City Bank, New Orleans, has been elected president of the Chamber of Commerce of the New Orleans area.

Alabama News

First National, Birmingham, Promotes Powell and Noland To Senior Vice Presidents

BIRMINGHAM—First National has announced a list of several officer promotions. Advanced to senior vice presidents were William A. Powell Jr., supervisor of the bank's branches, and J. Terry Noland Jr., comptroller.

POWELL

Mr. Powell came to the bank in 1953, was elected vice president in 1967 and branch supervisor in 1968. Mr. Noland has been with the bank since 1958. He served as vice president and trust officer until his appointment as comptroller in 1969.

J. Vann Henagan was promoted from assistant vice president to vice president in the national-correspondent division. He joined the department in 1968 and serves correspondent banks in Alabama.

HENAGAN

NOLAND

Also advanced from assistant vice presidents to vice presidents were: E. G. Bailey, credit department; Clyde A. Pippen, personnel director; and Robert H. Waudby, manager of the West End Branch.

John Goff, vice president and trust officer, was named senior trust investment officer and Fox deFuniak, assistant vice president, was transferred from the Mountain Brook Office Park Branch to the national division.

■ FIRST NATIONAL, Mobile, promoted Thomas E. Sharp Jr. to assistant vice president and trust officer and James R. Pendleton to trust real estate officer. Mr. Sharp has been with the bank since 1965 and Mr. Pendleton since 1946.

■ BANK OF WEDOWEE recently held opening ceremonies at its Woodland Branch. Crouch Rampy is manager of the branch, which has a drive-in window and night depository.

■ HENDERSON NATIONAL, Huntsville, recently began construction on a permanent building for its University Drive Branch. The new structure, when completed next June, will replace the temporary office opened last August. The new $200,000 building will have four inside and two drive-in tellers.

■ MRS. PEGGY JOHNSON has been elected assistant cashier of Opelika National and is responsible for coordinating the loan department.

Arkansas News

Penick Speaks to Hot Springs Chamber of Commerce; Describes Plan to Stimulate City's Growth

HOT SPRINGS—Edward M. Penick, president and chief executive officer, Worthen Bank, Little Rock, recently presented a new idea to stimulate Hot Springs' growth and tourism in a speech before the Hot Springs Chamber of Commerce.

Mr. Penick suggested the establishment of a complete physical fitness-weight loss-"get away from it all" center in Hot Springs.

He said, "What a great approach to service and what a great attraction of tourism such an undertaking would be here in Hot Springs. You have all of the natural assets for such a project: hotels, bath houses, a tourist atmosphere, people who know how to treat visitors well and make them enjoy their stay. Add to this the establishment of a retreat or haven for the harried executive who is seeking a week or two of utter, uninterrupted rest and relaxation, and you have an unbeatable kind of combination."

Mr. Penick's speech also covered estimates of the nation's economic future, the importance of a continuing program of highway improvement and the rapid change Arkansas faces today and ways of coping with it as a community and as a state.

Concerning change, Mr. Penick commented, "Change, to be good, must be managed. Change for the sake of change means nothing. Only when we recognize change as an important factor affecting everything we do, and then plan how we can use that change to our advantage, does it work for our betterment."

■ LUNSFORD W. BRIDGES has been appointed assistant vice president in charge of the real estate loan department at National Bank of Commerce, Pine Bluff. He is responsible for all commercial and residential real estate lending actions at the bank.

Local Businessmen Buy Control Of Security Bank, Paragould

PARAGOULD—Marlin Jackson, president of Security Bank, and a group of local businessmen have purchased controlling interest in the bank from Herbert H. McAdams.

Mr. McAdams purchased 87% of the bank's stock in 1963. He is president of and owns controlling interest in Citizens Bank, Jonesboro, and is chairman and chief executive officer of Union National, Little Rock.

Mr. Jackson said there are no plans at present for changes in bank policy or staff.

■ J. F. HERNDON, executive vice president and cashier, Planters Bank, Osceola, recently retired. He was honored at an open house held by the bank. Mr. Herndon joined Planters Bank in 1944 and had been in banking 50 years.

Arkansas Death

LAWRENCE W. NANCE, 67, chairman and president of Newton County Bank, Jasper.

First National of Hot Springs Sponsors Farm-City Week

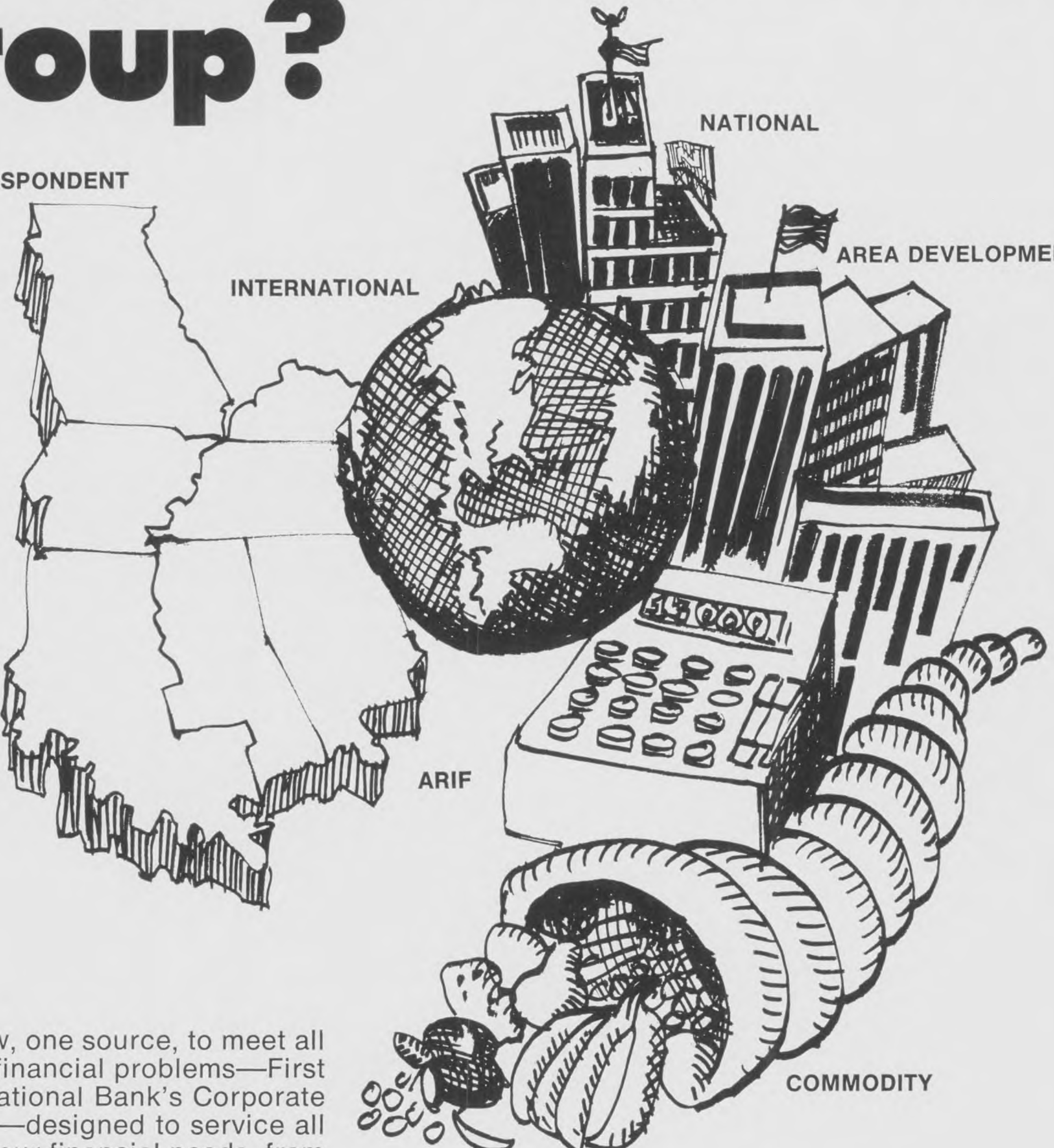
HOT SPRINGS—First National recently sponsored Farm-City Week here for the 10th consecutive year. Farm-City Week, held annually the third week in November, is set aside by the President of the U. S. and the U. S. Department of Agriculture to call urban and rural America's attention to the importance of creating and maintaining better understanding and closer working relationships.


STONE

The week's activities included programs with civic groups, schools and educational organizations and tours of farms and industries. The bank held a breakfast climaxing the week, that was attended by about 150 farmers, ranchers, business, industrial, educational and civic leaders.

At the breakfast, Thomas W. Stone, chairman and chief executive officer of the bank, welcomed guests and received a proclamation from Mayor Tom Ellsworth and County Judge Lon Warneke officially proclaiming November 15-20 Farm-City Week.

Why the corporate group?



Now, one source, to meet all your financial problems—First National Bank's Corporate Group—designed to service all your financial needs, from simple advice to complex business transactions. A complete unit, at your finger-tips with close contacts and better service.

So, when you have a problem, remember who's first, the Corporate Group. It's available only through First National Bank of Memphis.

The Corporate Group

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Correspondent Division
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Texas News

Charles Young Elected Pres., Forsyth Named Vice Pres. Of Texas Bank of Dallas

DALLAS—Charles G. Young Jr. has been elected president of Texas Bank, succeding Oscar C. Lindemann. Mr. Lindemann, who has been president since 1965 and chairman since last June, retains the post of chairman.

YOUNG

FORSYTH

Mr. Young recently retired from City National, Kansas City, where he had been chairman since 1967. He joined the bank in 1950 as vice president and trust officer, was elected senior vice president in 1956 and executive vice president in 1961. He was named president in 1965 and vice chairman the next year.

A director of Bank of Kirksville, Mo., Mr. Young also has served on the board of United Missouri Bancshares, Inc., City National's parent company.

In other action, Charles R. Forsyth was named a vice president and commercial loan officer of Texas Bank. He had held the same position at Republic National and also served as vice president, general manager and investment committee chairman of the bank's subsidiary, Republic Small Business Investment Co.

James Redman, chairman of Redman Industries, Inc., was elected a director of the bank.

■ VIDOR STATE has elected Robert E. Greathouse assistant vice president and business development officer. He is retired from the U. S. Air Force.

■ JOHN W. SPARKS has been named senior vice president in charge of the newly created real estate department at Greenway Bank, Houston. Before joining the bank, Mr. Sparks, an attorney, was with a Houston mortgage firm.

Commercial National Announces Sale of Controlling Interest

BRADY—Controlling interest in Commercial National has been sold to Jack Pilon and Herman Bennett of Brownwood and Carlton Beal of Midland. No immediate changes in personnel or bank policy are anticipated.

Mr. Pilon is president of First National, Brownwood, and chairman of Coleman Bank. He has been in banking 25 years and at one time was president of First National, Weatherford.

Mr. Bennett is engaged in construction and real estate development. Mr. Beal is chairman of First National, Brownwood, and is a general partner in BTA Oil Producers of Midland.

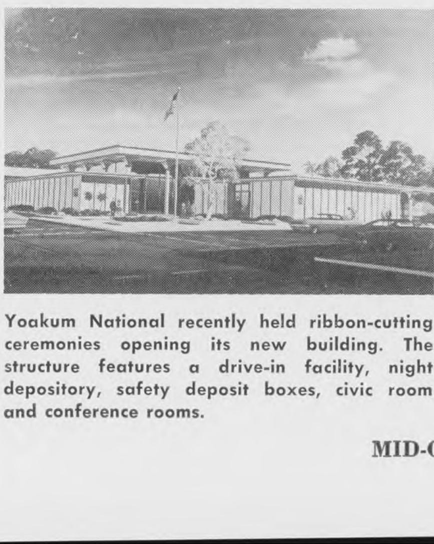
First National Hosts Sorority At Basic Finance Seminar

CANYON—First National recently hosted the Zeta Tau Alpha sorority of West Texas State University at an evening seminar on basic finance. The seminar was the first in a series of programs the bank plans to present during the University year.

Bank officers spoke on various topics including "How to Keep Your Checkbook Straight," "What Is a Clearing House?," "Installment Lending," "Agricultural Loans," "Bank Administration" and "How to Apply for a Job."

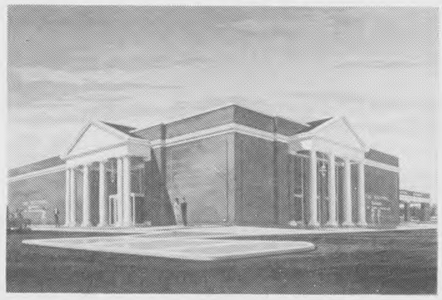
■ COMMUNITY STATE, Waco, has promoted Bert H. Reed Jr. from assistant cashier to assistant vice president and named Ronald R. Roberts assistant cashier. Mr. Reed has been with the bank since 1963 and Mr. Roberts since 1968. The bank also elected Harry Provence a director. He is editor-in-chief of the Waco *News-Tribune* and *Times Herald*.

Ribbon-Cutting at Yoakum Nat'l



Yoakum National recently held ribbon-cutting ceremonies opening its new building. The structure features a drive-in facility, night depository, safety deposit boxes, civic room and conference rooms.

Nat'l Bank to Have New Building



National Bank in Gatesville is constructing a new two-story, 12,500-square-foot building. The structure, of Georgian colonial architecture, is scheduled for completion in June.

Capital National Bank, Austin, Names Rafferty Exec. VP

AUSTIN—William J. Rafferty was elected executive vice president and a director of Capital National. He is in charge of the bank's entire lending function.

Mr. Rafferty formerly was vice president and manager of the commercial loan department of Bank of the Southwest, Houston. He joined the bank in 1956 and was in the correspondent banking division from 1959 until 1963, when he became a commercial loan officer. He was elected a vice president in 1970.

■ FIRST NATIONAL, Brownwood, advanced R. Ray Rankin from vice president to executive vice president. He has been with the bank two years and formerly was vice president at Farmers First National, Stephenville.

■ GEORGE M. DUNSON has been elected president and a director of First State, Willis. Formerly, he was president of Northeast Bank, Houston, and has served as correspondent officer with Bank of the Southwest, Houston. Other staff changes at First State include: Jim Matthews, vice president and cashier; Alton Ellisor, vice president; and Mrs. Dorothy Oglesby, assistant cashier.

■ R. T. JOHNSON and Louis Shelton have been elevated from advisory directors to directors of First National, Lake Jackson. New advisory directors are James F. Brown, Robert S. Hackney and Billy E. McAninch.

■ E. W. MONK, president of Stone Fort National, Nacogdoches, has been elected to a three-year term as a director of the Nacogdoches County Chamber of Commerce.

Texas Death

W. BRUCE RAMSEY, vice president and director, Bank of Baytown.

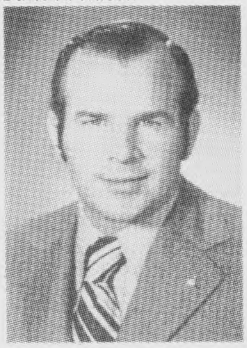
Action experts

Jack W. Lander, Jr.

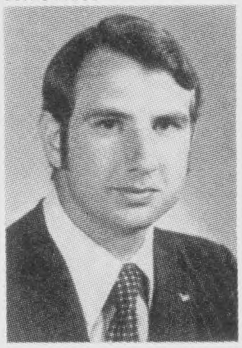
John W. Hazard

Walter Johnson

David R. Wilson



Jeff Suttles



These five men are the ones who make our Correspondent Banking Department go. They have the expertise and the spirited drive necessary to offer you Correspondent Banking at its very highest level. When you need Correspondent services, these five men will more than satisfy your needs, and they'll do it quickly because Bank of Texas is Houston's action-oriented bank. Call one of the five today, collect, at 713-224-6611.

Bank of Texas Action Experts:
Jack W. Lander, Jr., Chairman of the Board
John W. Hazard, President
Walter Johnson, Executive Vice President
David R. Wilson, Vice President
Jeff Suttles, Assistant Cashier, Correspondent Banking

Bank of Texas

Downtown Houston, Esperson Building and One Shell Plaza
Member Houston First Financial Group, FDIC

American Bank of Commerce To Build Financial Complex In Downtown Albuquerque

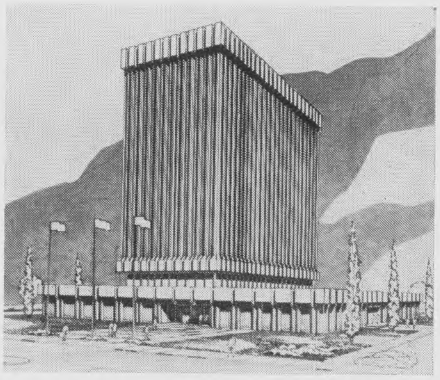
ALBUQUERQUE—American Bank of Commerce has announced plans for a $4.2-million, 13-story headquarters office building in the downtown area. The new structure will serve as "hub bank" of Bank Securities, Inc., bank holding company. BSI headquarters, however, will remain in Alamogordo.

The new 150,000-square-foot building and the two-square block area on which it will be constructed will be known as the American Bank of Commerce Complex. The site will have drive-up windows and parking facilities. Construction is scheduled to begin in February.

Projected plans for the complex include development of an Agricultural Credit Corp., a Minority Enterprise Small Business Investment Corp. and Security Development Co., an economic development corporation. Security Realty Co. and Security Trust Co., other BSI subsidiaries, also will be housed in the new financial complex.

BSI owns controlling interest in American Bank of Commerce; Citizens Bank, Vaughn; Security Bank, Alamogordo; First State, Rio Rancho Estates; American Bank, Carlsbad; and Security Bank, Ruidoso. The holding company is in the process of acquiring First National, Portales; First National, Roswell; and Liberty National, Lovington.

New Mexico News



Above is an artist's rendering of the new American Bank of Commerce Complex. The $4.2-million, 13-story structure will house the bank and several subsidiaries of Bank Securities, Inc.

■ FIRST NATIONAL, Tucumcari, promoted H. Barton Jones from special services officer to vice president and named Craig Cosner customer relations officer.

■ TONY L. PEARSON has joined New Mexico Bank, Hobbs, as an installment loan officer.

■ JOHN H. WYLY was appointed senior vice president of First National, Roswell. He recently completed 41 years of service with the bank.

■ FIRST NATIONAL, Belen, elected Tom K. Nims vice president in charge of data processing. Before joining the bank, he served as analysis programer at First National Bank of Dona Ana County, Las Cruces.

■ PETER B. SMITH was named a vice president of Bank of Las Vegas. He previously was a vice president at Roswell State.

■ GRANT COUNTY BANK, Silver City, recently celebrated its 25th anniversary.

New Mexico Death

ANDREW T. BORDEN, 51, auditor at New Mexico Bank of Hobbs. He had been in banking 30 years.

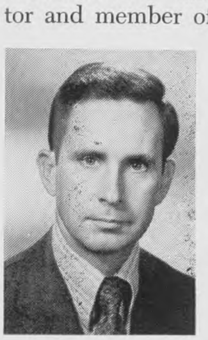
Stuart Retires as Executive VP Of Fidelity Bank, Oklahoma City

OKLAHOMA CITY—Charles B. Stuart has retired as executive vice president of Fidelity Bank, effective February 1. He will remain a director.

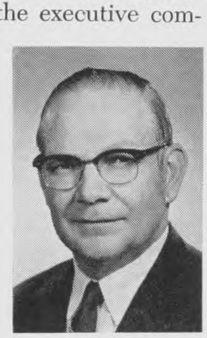
BAKER

Mr. Stuart joined the bank in 1940 as manager of the bond department. He later was elected executive vice president with responsibility for the investments division.

Succeeding Mr. Stuart is Dr. James V. Baker, who recently joined the bank as senior vice president and economist. He also serves as a director and member of the executive committee. Dr. Baker had been assistant professor of finance at the University of Oklahoma and research professor for the Oklahoma Bankers Association.



DEW

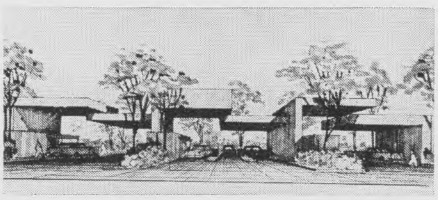


STUART

In other action, the bank elected Kenneth R. Dew vice president in charge of the marketing division. He previously held the same position at Bankers Trust, Columbia, S. C. Before that, he was associated with Deposit Guaranty National, Jackson, Miss.

Oklahoma News

First Nat'l Building New Facility



First National, Oklahoma City, is building a new drive-in banking facility. The first part of the project, to be completed in the spring, will include nine drive-in teller stations, a walk-up window and 24-hour depository. A modernistic building with walk-in banking service is scheduled for the second part of the construction, to be begun at a later date.

Cheatham Elected Senior VP At Fourth National, Tulsa

TULSA—Fourth National recently promoted Arnold B. Cheatham to senior vice president, lobby operations and customer service division. He has been with the bank 25 years.

CHEATHAM

Advanced to vice presidents were: James E. Benton and Fred B. Koontz III, commercial loan officers; William H. Scott, installment lending; and James P. Dixon, investment officer.

Mrs. Juanita Barnes and John R. Hedge were named assistant vice presidents in the customer service and operations areas and Sydney Jordan was elected assistant trust officer.

■ STANLEY P. RUFFNER has been elected auditor of Stock Yards Bank, Oklahoma City.

■ STATE CAPITOL BANK, Oklahoma City, has elected Victor De Loyd Moore president. He formerly was with Bank of America, San Francisco. He became manager of the Sepulveda-Jefferson Branch in Los Angeles in 1965.

Kansas News

Fourth National, Wichita, Announces 11 Promotions

WICHITA—Fourth National recently announced the promotions of 11 officers.

Elected senior vice presidents were Robert W. Asmann, operations division, and Dillard E. Kent, credit card division. Karl D. Miller was named vice president and cashier.

Mr. Asmann joined the bank in 1955 and was named auditor in 1962. He was appointed vice president and controller in 1968 and became head of the operations division last year. He also is treasurer of Fourth Financial Corp. and is vice president of Fourth Financial Insurance Co.

MILLER ASMANN KENT

Mr. Kent, with the bank since 1941, was elected assistant vice president in 1961 and vice president in 1962. He has headed the data processing department, bank operations and is now in charge of the credit card division.

Formerly vice president in the customer services department of the operations division, Mr. Miller now heads the department as vice president and cashier. He succeeds Robert R. Welsh, who will retire February 1.

Others promoted at Fourth National were: Leland F. Cox, controller; Alfred J. Misak and J. D. Newman, assistant vice presidents; Miss Demis M. Conrady, mortgage operations officer; Richard M. Hall Jr., discount officer; Keith L. Isham, credit officer; and John P. Molony and Richard L. Strecker, marketing officers.

Federal Reserve Bank, K. C., Re-Elects O'Leary Director

LURAY—John A. O'Leary, chairman of Peoples State, has been re-elected a director of the Federal Reserve Bank of Kansas City. He began his three-year term on January 1.

Mr. O'Leary began his banking career in 1917 with First National Bank of Luray. In 1934, First National merged with Waldo State to become Peoples State, with Mr. O'Leary as cashier. He was elected president in 1937 and chairman in 1961. Mr. O'Leary served as state bank commissioner for more than five years and has been active in the Kansas Bankers Association for more than 50 years.

New Bank Proposed in Fairway

FAIRWAY—David C. Owen and associates have filed an application with the Comptroller of the Currency to organize a national bank here. The bank, to be known as First National Bank of Shawnee Mission, has proposed initial capitalization of $1 million.

■ AMERICUS STATE has completed a major remodeling program. The interior and exterior of the building were completely redone, working area of the bank was tripled and a new drive-up window and night depository were added.

■ JOHNSON COUNTY NATIONAL, Prairie Village, has elected Hugh Doherty and Ralph L. Krueger directors. Mr. Doherty is executive vice president in charge of the commercial department and has been with the bank since 1949. Mr. Krueger, who joined the bank in 1947, is executive vice president and head of the trust department.

Maurice R. Young Dies Dec. 5; Was Former KBA President

DODGE CITY—Maurice R. Young, 71, chairman of First National, died December 5. He was president of the Kansas Bankers Association from 1955-56.

Mr. Young joined First National as a full-time employee in 1922. He served as cashier and executive vice president before being named president in 1947.

Remodeling Program Completed At McPherson State Bank

McPHERSON—McPherson & Citizens State has a new name in addition to new, expanded quarters. The bank, now known as McPherson State Bank & Trust Co., has completely remodeled both the exterior and interior of its building.

About 2,500 people attended the bank's open house celebration on opening day and about 150 guests visited the bank each day of the opening week.

Above is McPherson State's newly remodeled banking lobby.

The expansion of the bank's interior increased floor space by 5,000 square feet. The installment and commercial loan areas were enlarged and enclosed to add more privacy. The trust department was moved from the second floor to the ground floor and additional space was provided for the bookkeeping department and the new farm management department.

Executive offices all were remodeled and the employees lounge redecorated. The teller area was modernized and three new sit-down teller stations have been installed.

■ INDUSTRIAL STATE, Kansas City, recently opened its new motor bank facility. The $35,000 facility has four drive-up teller units and a 24-hour depository.

Kansas Deaths

EDWARD C. HOBEN, 66, retired vice president and cashier, First National, Wichita.

O. R. FOWLER, 73, director, Prairie State, Augusta.

PRESTON REYNOLDS JR., 53, major stockholder and director, Kansas State, Wichita.

Half a loan is better than none.

Here's a basic, bread-and-butter suggestion to pull in a loan you might otherwise have to pass up. Call on Citibank for fast, flexible participation. Our lending resources can extend your own, never disturbing the bank-customer relationships you now enjoy. We share the loan—you get the credit. Write our Correspondent Bank Department, 399 Park Avenue, New York, N.Y. 10022. Or call (212) 559-2411. It's good business, no matter how you slice it.

FIRST NATIONAL CITY BANK
Member F.D.I.C.

Missouri News

Bank Management Meet To Be Sponsored by MBA Feb. 15-17 at Tan-Tar-A

The Missouri Bankers Association will hold its 32nd annual bank management conference February 15-17 at Tan-Tar-A Resort in Osage Beach.


ROSS

Presiding over the opening session of the conference will be Paul M. Ross, chairman of the MBA committee on bank management, and vice president, First National, St. Louis. John R. Ginsler, executive vice president, Bankers' Business Development Institute, Glen Ellyn, Ill., will speak at the opening session on "Sinners, Repent! Sell Right and Be Saved."

William C. Freund, vice president and economist, New York Stock Exchange, will be the speaker at the second session.

Special-interest sessions will feature discussions on: "Personnel Challenges" —G. W. Woody Ballew, president, Blackburn Bank; and Walter R. Klostermeier, senior vice president and personnel director, First National, St. Louis; "Agricultural Credit"—Elston B. King, president, First National, Plattsburg; and "SBA Loans"—Jack Eachon Jr., associate administrator for financial assistance, Small Business Administration, Washington, D. C.

The third session, to be held the following morning, will be highlighted by a discussion by Jerald W. Donaway, chief, federal insurance section, program operations branch, division of insured loans, Department of Health, Education and Welfare, Washington, D. C. A legislative report will be given by Dick B. Dale, MBA general counsel.

Also included in the session will be a panel on "Fair Credit Reporting." Cyril J. Jedlicka, banking counsel, Associated Credit Bureaus of America, Kansas City, will be panel moderator.

"Report of First Missouri Development Finance Corp." will be given by Adrian Harmon, chairman of the FMDFC, and president, Citizens Bank, Warrensburg; and Jerry Stegall, executive vice president, FMDFC, Jefferson City.

Size-group meetings will be held in the late afternoon.

Two panels will be held at the last session of the conference. Serving on "The Law Says" panel will be: William W. Quigg, vice president and trust officer, Central Trust, Jefferson City; Dick B. Dale; Gerald T. Dunne, vice president, Federal Reserve, St. Louis; and J. Richard Skouby, secretary, Mercantile Trust, St. Louis.

Members of the "Investments" panel will be: Frank K. Spinner, senior vice president, First National, St. Louis; William F. Enright Jr., senior vice president, American National, St. Joseph; Thomas L. Ray, senior vice president, Mercantile Trust, St. Louis; and Byron G. Thompson, executive vice president, City National, Kansas City.

First National Promotes Two In Correspondent Division

ST. LOUIS—First National has announced two promotions in its correspondent banking division. Harold G. Kuhlman was advanced from assistant vice president to vice president and Robert W. Knapp from commercial banking officer to assistant vice president.


KUHLMAN


KNAPP

Mr. Kuhlman, who joined the bank in 1926, covers Missouri, Kansas and Nebraska. Mr. Knapp came to the bank in 1966 and was elected commercial banking officer in 1970.

Named assistant vice presidents at the bank were James R. Welky, data processing officer, and Daniel J. Wichlan, operations research officer. Michael D. Flier was elected a commercial banking officer in the correspondent division and Robert H. Myers was named data processing officer.

David Morey Elected Member Of Federal Advisory Council

ST. LOUIS—David H. Morey, chairman and chief executive officer, Boatmen's National, has been selected by the directors of the Federal Reserve Bank of St. Louis to serve as a member of the federal advisory council from the Eighth Federal Reserve District for 1972.

Mr. Morey also is chairman of Boatmen's Bancshares, Inc., and is president of the St. Louis Clearing House Association.

Commerce Bank of Poplar Bluff Elects Larry Lumpe President


LUMPE

POPLAR BLUFF—Larry E. Lumpe, former executive vice president of Commerce Bank, has been elected president. He succeeds J. Herbert Moore, who was named chairman.

Mr. Lumpe entered banking in 1948 at Farmers Bank, Lincoln. He was a banker in Centralia and Rolla before joining State Bank, predecessor of Commerce Bank, in 1965. Mr. Lumpe is president of the Missouri Bankers Association.

Charter Sought for Oakville Bank

ST. LOUIS—A charter is being sought for the new Oakville Bank & Trust Co., to be located in St. Louis County and to have capital of $200,-000. Robert W. Hawkins, president, Southern Commercial & Savings, is an incorporator of the proposed bank.

■ W. W. BRADLEY, former president and chief executive officer, Crystal City State, has been elected chairman, replacing G. W. Oakes. Mr. Oakes, who will remain a director, had been chairman for 35 years. T. G. Hagen, former executive vice president, was named president and chief executive officer.

■ TOWER GROVE BANK, St. Louis, promoted Urban F. Vogler and Paul Mitchell to assistant trust officers and John Obert Jr. to assistant auditor.

Sullins Elected Vice President At Boatmen's National Bank

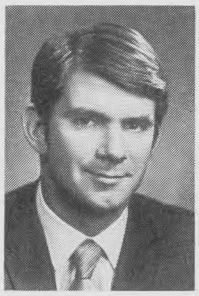
ST. LOUIS—Boatmen's National has promoted William A. Sullins Jr. from assistant vice president to vice president in the banking division. He has been with the bank since 1959 and was named an assistant cashier in 1964 and assistant vice president in 1968.


SULLINS

Richard J. Gudinas was elected assistant vice president in the operations division. He joined the bank in 1960. In 1968, he was elected assistant cashier and in 1970 was appointed data processing officer.

Named assistant cashiers were Larry D. Bayliss and John D. Owens.

Michael Ross Elected President Of Jefferson Bank, St. Louis



ROSS

ST. LOUIS—Michael J. Ross, former vice president, has been elected president of Jefferson Bank. He succeeds Joseph H. McConnell, who was elected vice chairman. Mr. McConnell has been with the bank since 1952 and had been president since 1970.

Mr. Ross joined the bank in 1963 and was named an officer in 1968. He is a director of Eureka Bank, Glasgow Savings and Oran State.

■ CENTRAL WEST END BANK, St. Louis, is planning to open a new facility that will have three drive-in windows and two walk-in teller windows.

West County Bank Charter Denial Upheld by State Banking Board

ST. LOUIS—The decision by State Commissioner of Finance H. Duane Pemberton to deny a state charter to the proposed West County Bank has been upheld by the State Banking Board after an appeal by organizers of the bank.

The bank was to be at Clayton Road and State Highway 141 (Woods Mill Road). James F. Dierberg, president of Creve Coeur Bank, is an incorporator.

Mr. Pemberton denied the application last September along with application for the proposed Mark Twain Woodsmill Bank that would have been at the same intersection. The latter bank was proposed by Mark Twain Bancshares, Inc., Clayton.

At the time of denial, Mr. Pemberton said the area already was served by four banks within a seven-mile radius.

Sanderson Elected Vice Pres. At Bank of Springfield

SANDERSON

SPRINGFIELD—Sam G. Sanderson has been elected vice president of marketing and business development at Bank of Springfield.

He formerly was executive vice president and a director of First City Bank. He had been with that bank since June, 1970, and worked in the areas of commercial, real estate and installment lending, as well as new business solicitation. Mr. Sanderson also is a director of Farmers & Merchants Bank, Mansfield.

Gateway Nat'l Receives Deposit

Rev. Daniel Hughes, Eastern Star Baptist Church, presents a check for $20,000 to I. Owen Funderburg (l.), exec. v.p., Gateway National, St. Louis. The deposit was made on behalf of the American Baptist Home Mission Societies, Valley Forge, Pa., as part of a total of $600,000 authorized for placement in minority community banks across the country. These deposits will make loans available to members of minority communities. Looking on is Fulton E. Culkin, dir. of Gateway National.

■ GILBERT E. COLEMAN, chairman and president of Chillicothe State, has resigned to join Louis Joliet Bank, Joliet, Ill.

■ JEFFERSON BANK, St. Louis, has appointed Thomas V. McEvilly manager of the business development department. He is responsible for new business, marketing and commercial loan solicitation.

Union National of Springfield Hosts 27th Annual Dinner For Correspondent Bankers

SPRINGFIELD—Union National hosted its 27th annual correspondent bank dinner party December 15 at the Holiday Inn here. Approximately 450 guests, including bankers, their wives and representatives of major metropolitan banks, attended the event.

Dr. Charles W. Jarvis, noted humorist from San Marcos, Tex., was the guest speaker. Musical entertainment was provided by Bill Barbee of Springfield.

Evans McReynolds, president of Union National, served as master of ceremonies for the evening. Mr. McReynolds took the opportunity to introduce Jim Smith, assistant vice president, to the bank's correspondent customers. He will be taking over from Steve Krebs, assistant vice president, the responsibility for correspondent banks.

JIM SMITH MEETS JIM SMITH. Jim Smith (l.), v.p. and head of the banks and bankers dept., Mercantile Trust, St. Louis, introduces himself to Jim Smith, a.v.p., Union Nat'l, newly named officer in charge of correspondent relationships for Union National.

Hosts for the correspondent dinner party, Mr. and Mrs. Evans McReynolds (l.) and Steve Krebs (c.), pose with Mr. and Mrs. Larry E. Lumpe prior to dinner. Mr. Lumpe is pres. of the Missouri Bankers Association and pres., Commerce Bank of Poplar Bluff.

■ JAMES COBB has joined Columbia Union National, Kansas City, as vice president in the commercial loan department. He had been associated with the Small Business Administration for the past seven years.

Mercantile Trust, St. Louis, Promotes Nine Officers

ST. LOUIS—Mercantile Trust has elected two new vice presidents and promoted seven other officers.

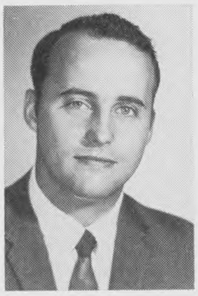
Named vice presidents in the data processing department were John H. Lee and Clifford R. Juengst. Mr. Lee has been with the bank since 1960 and Mr. Juengst since 1961.

Newly elected correspondent banking officers and the territories they serve are: Richard R. Bacon—southeastern Missouri; Jerald L. Fleschner—Illinois and Indiana; Lawrence F. Gallo—Illinois and Kentucky; Daniel W. Jasper—Arkansas, Tennessee, Louisiana, Mississippi, Alabama, Georgia and Florida; and Scott A. Montgomery—northern Missouri.

Bill C. Lovin and Robert L. Firle were appointed personnel officers. Both have been with the bank since 1970.

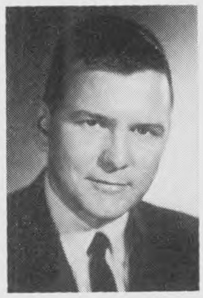
These seven men were promoted at Mercantile Trust, St. Louis.

MONTGOMERY



BACON

GALLO



LEE

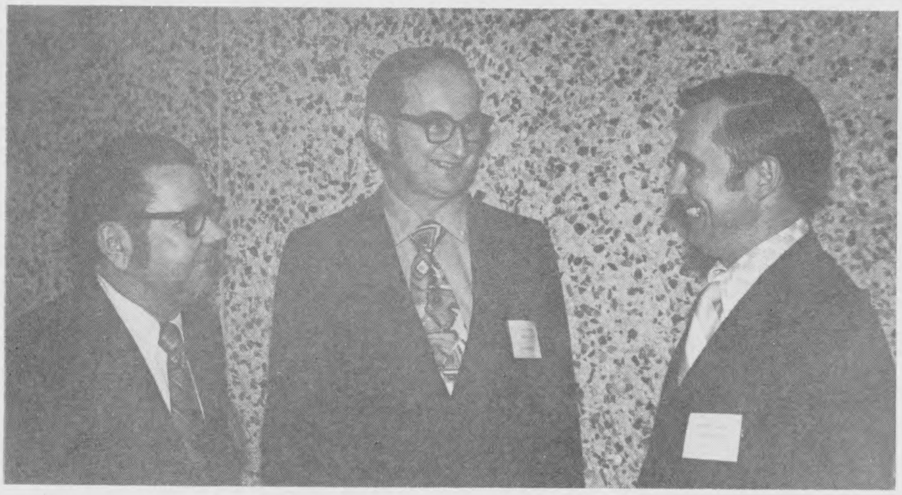
JUENGST

FLESCHNER

JASPER

• Index to Advertisers •

Methods of Safeguarding Bank Premises Given at 'Minimum Risk' Seminars



Principal Scarborough & Co. representatives at the seminar were (from l.) Oscar Jones and J. R. Morran, v.p.s, and Norman Clark, pres.

WAYS OF trimming bank losses due to robberies, holdups and embezzlements were presented to bank security officers recently at seminars sponsored by Scarborough & Co., Chicago, and Execudec, Inc., Wausau, Wis.

The first two of a proposed series of "Minimum Risk Banking" seminars were held in Chicago and St. Louis in November and December.

The seminars are an attempt on the part of Scarborough to provide information to banks that will enable them to cut down on their losses, thus reducing claims on their blanket bond coverages. Mounting losses in recent years have resulted in the cancellation of BBB coverages for some banks by some insurance carriers.

Intensive Instruction

The seminars consisted of two days of intensive instruction on bomb threat procedures, charge card security, personnel training, cash control and personnel hiring procedures and investigations in consonance with the Fair Credit Reporting Act. Training in facial identification and an analysis of security equipment were also presented.

Most sessions were handled by personnel from Execudec, an internal security consulting firm headed by Gerard J. Kenna. Personnel from Scarborough serving as instructors included J. Richard Morran and Oscar Jones, both vice presidents. Scarborough President Norman Clark served as host.

Stated purpose of the seminars was to concentrate on the specifics of the security function and methods of how to design and implement the Minimum Risk Banking program. Courses of study concentrated on specific techniques on how to establish and implement procedures before, during and after emergencies, such as civil disorders, threats, robberies and other risks of current concern.

The objective was to establish predetermined action rather than reaction as the goal of a comprehensive security program by designing a continuing security educational system that is challenging to bank employees.

Most instructors distributed specially prepared booklets detailing procedures. Bankers were urged to use these booklets in their security planning and in the education of bank employees regarding security procedures. It was pointed out that security equipment and safeguards are no more effective than the people who are responsible for them.

Mr. Kenna remarked that effective security results from proper personnel selection and thorough training in security procedures, supplemented by physical protection devices. He said that bank employees constituted the first line of defense and that security officers are a vital key to successful bank security.

Review Cash Limits

Mr. Jones cautioned bankers to review their cash limits more often and not to leave excess cash in vulnerable places. He explained the use of bait money, gave procedures for transporting cash and emphasized the wisdom of dual controls.

Mr. Morrison reviewed the coverages provided by bankers' blanket bonds and advised of some danger signals preceding embezzlements, such as shows of extravagance on the part of employees, lack of dual control and lack of annual CPA-conducted audits.

In the emergency procedures session, bankers were advised to establish rapport with local police, check their buildings for unprotected areas, to occupy the bank during riots to minimize property damage and, above all, to keep cool during confrontations. • •

Kidnap/Ransom

(Continued from page 63)

2. Even if your insurance carrier decides to reimburse you the ransom money paid, can you afford the debit rating for renewal of your bankers' blanket bond that would surely follow? The debit on a bankers' blanket bond can range as high as 45%.

3. Due to various state and federal banking regulations, you might find your bank in the position of having to release one of your valued officers because of an extortion.

4. Does a bank have a moral obligation to its employed officers to try to protect them *and their families* from extortion attempts?

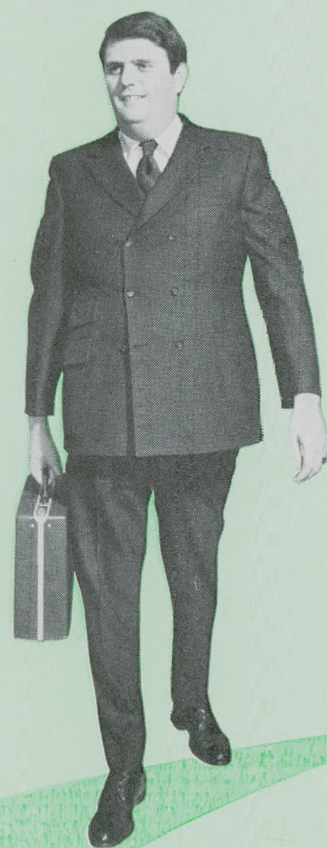
The subject of kidnap/extortion is distasteful and a sad commentary on our time, but the new insurance coverage can lift the burden of possible monetary loss from banks so victimized. • •

Bank Marks 50-Year Relationship

Marking 50 years of a correspondent banking relationship, John J. O'Conner (r.), v.p., First National City Bank, New York, presents a buffet clock in florentine gold to Irving Seaman Jr., CEO, National Boulevard Bank, Chicago. At left is Henry K. Gardner, pres. of National Boulevard.

A MULTITUDE OF BANKS IN THE ST. LOUIS TRADE AREA

ROLL OUT THE CARPETS FOR THE HARD-DRIVING MEN OF STOCK YARDS BANK



S.Y.B.'s team of banker's bankers, of course, welcome them and you, too, to Stock Yards Bank at any time whether it's a personal visit or a phone call to 618-271-6633.

But in the meantime the traveling officers roll up their quota of some 25,000 miles a year to do business with you right on your own home-town carpets . . . gaining first hand knowledge of your needs and problems, making authoritative decisions.

Several S.Y.B. men are on the road and making visits right now. Perhaps one of them is Tom Palmer on the way to see you.

"YOUR BANKER'S BANK" . . .

Just across the river from St. Louis

NSYNB

THE NATIONAL STOCK YARDS NATIONAL BANK
OF NATIONAL CITY

Member Federal Deposit Insurance Corp.

NATIONAL STOCK YARDS, ILL.
A Reserve City