MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

JANUARY, 1974

Bank Leads Urban Renewal In Lexington

First Security Nat'l Opens New Building

Page 44

The 1974 Outlook

Page 27

HC Structural Trends

Page 50

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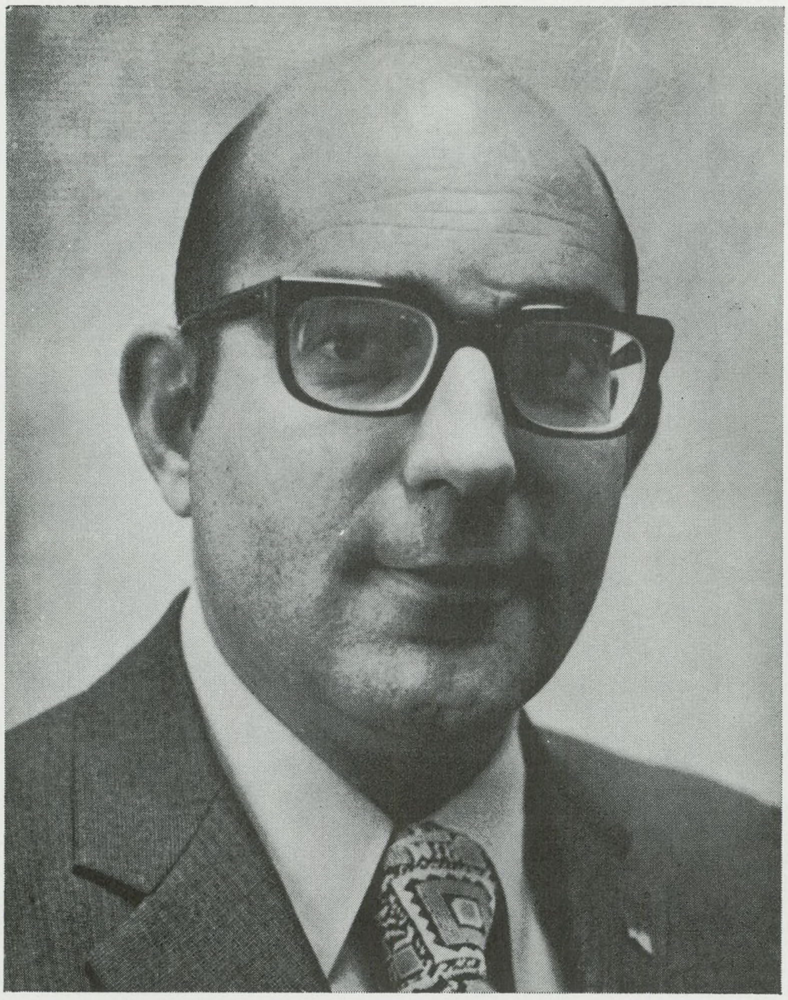

Is your bank ahead of or behind competition in automated "officer analysis" reporting?

James L. Kienholz
Assistant Vice President

Can you identify the installment loan officer who's handling 16% of the dollar volume, making 33% of the loans, with 28% of the charge-offs and is contributing only 7½% to installment loan profits.

Can you single out this individual? Possibly. But not likely without data processing.

You see, the right data processing program can give you an "officer analysis" report detailing each individual's productivity, as outlined above. With it, you can pin-point areas of weakness and take the proper steps to correct them. You can also single out exceptional officers for the recognition they deserve.

Detailed officer analysis reports is just one of the benefits of Data Processing. Other equally important management reports include: Accrual Calculations; Interest Notification; Employee Loans; Ledger Card; Past Due Lists and more.

Yes, Data Processing can help you solve a multitude of problems. And, enable you to run a more efficient and profitable operation. If you have any questions about establishing or changing your Data Processing Program, contact our Correspondent Department so that you'll receive the right answers to your specific problems - and gain a step on your competition, too.

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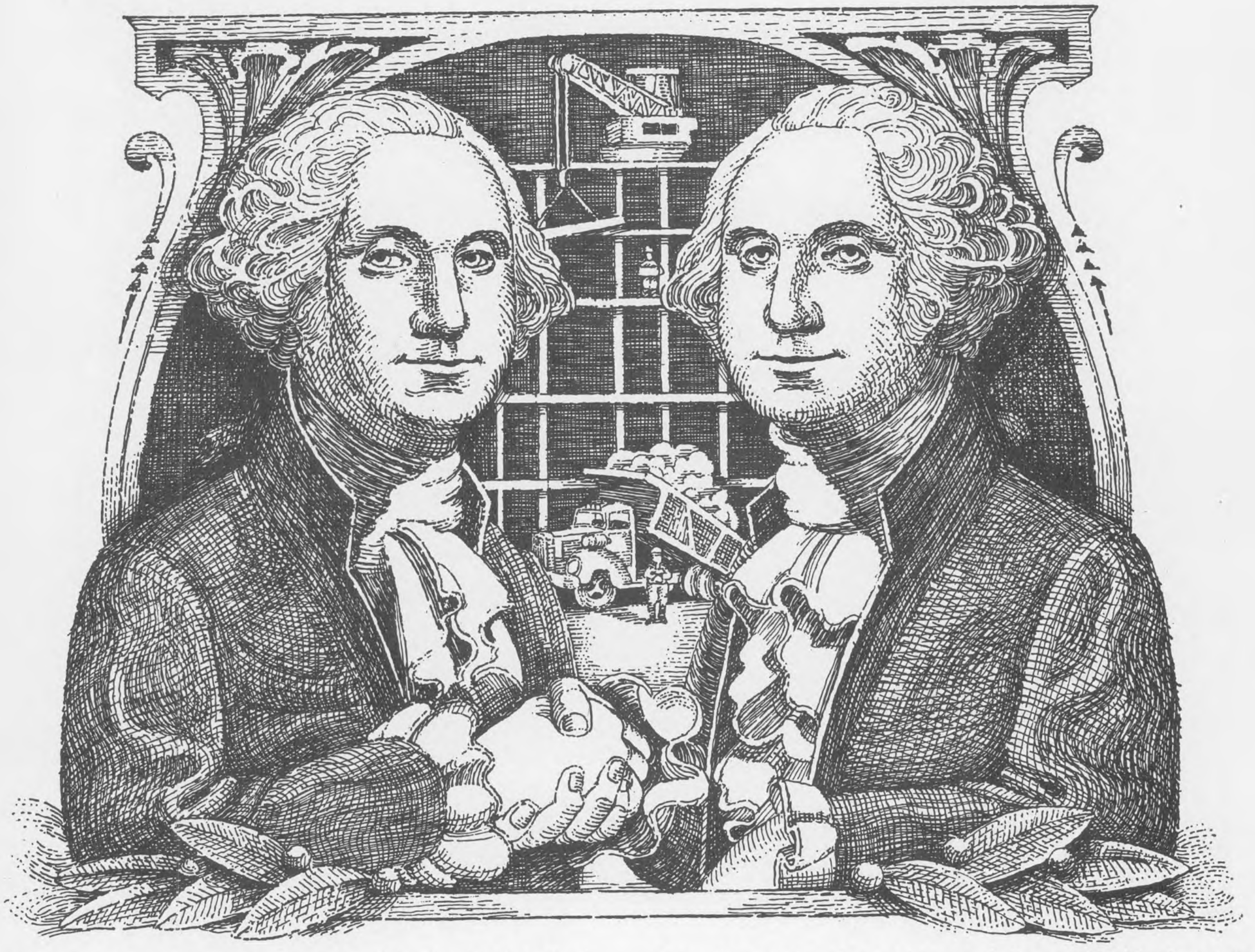

See if you've heard this before: "Banks in the Gulf South just can't handle big loans."

Yes, you've heard it. And frankly, there used to be some truth in it. Before.

But today it's dead wrong. And we can prove it. We do, every day.

First National Bank of Commerce experts work with our correspondent partners to evaluate the financing of construction, petroleum exploration and international trade. And when they determine that a loan will be profitable for everyone, we usually offer to participate in it ourselves.

So don't listen to dead rumors. Together we and our correspondents can handle just about any loan that comes along.

If our kind of banking is for you, call Michael J. Rapier collect at (504) 529-1371, ext. 237. He'll give you complete information about loan evaluation, overlines and all other First-class correspondent services.

CORRESPONDENT DIVISION
FIRST NATIONAL BANK OF COMMERCE
NEW ORLEANS, LOUISIANA

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Okla. Industry Boosted By Banks' Commitment To Development Group

OKLAHOMA CITY—Banks in Oklahoma are demonstrating that they want new industry in their state by signing up with the recently organized Oklahoma Business Development Corp. As of press time, 154 banks had joined with a total commitment to the group's loan fund of more than $6 million, according to Stanley B. Funderburg, executive vice president of the corporation.

The corporation's primary purpose is to encourage industrial growth within Oklahoma by making loans to new and expanding industry, thus creating new jobs, according to Mr. Funderburg. Loans also may be made to existing businesses in financial difficulty to preserve jobs that might be jeopardized.

Among the advantages expected from this form of development corporation are improved customer relations when a bank provides a development corporation loan instead of turning away a customer and a generally improved economic climate in a community.

The corporation receives its funds from two sources: stockholders, drawn from the business community, and member financial institutions, which commit lendable funds equal to 3% of capital and surplus. Member institutions include S&Ls and insurance companies as well as commercial banks.

An executive committee consisting of six members participates in the corporation's active business and acts as the loan committee, administering loan procedures. Five of the six are bankers: Forrest D. Jones, senior vice president, Fidelity Bank, Oklahoma City, who is committee chairman; William P. Dowling, senior vice president, Liberty National, Oklahoma City; Frank H. Moores, vice president, National Bank of Tulsa; R. W. Heathcock, vice president, First National, Tulsa, and Tom P. Henson, executive vice president, Fourth National, Tulsa.

The corporation's loan policy is modeled on the experience of business development corporations in other states and includes the following points:

- A loan can be made only after it's deemed impossible to obtain one through a conventional lending source.
- Funds usually are made available for a longer period of time than are

(Continued on page 57)

MID-CONTINENT BANKER

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FEATURES

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Management Succession— The Most Pressing Problem

ASK ANY senior bank regulator what the most pressing problem facing banking is today and he will reply, almost without exception, that the problem of management succession tops the list. The same reply would have been tendered five or even 10 years ago.

Management succession was a serious problem 10 years ago, but today it is even more serious. Just how serious it is can be determined by a perusal of a few sources, such as the Bank Administration Institute's Bi-Annual Salary Survey or salary surveys put out by various state banker associations. The facts contained in these surveys give a clear indication why the banking industry is having difficulty staffing its ranks.

The executive help wanted ad section in *American Banker* is bulging with ads such as the following:

• President—$75,000; Major northeast holding company seeks fully qualified individual to be chief executive officer for major member bank. Stable growth record a must, excellent compensation package offered.

• Pension Trust Head—$35,000 plus; Southeastern location in extremely growth oriented department. Needs heavy pension property sharing, new business, plus administration, plus supervision, plus degree.

• Mortgage Department Head—$25,000 plus; Our client, a prominent New Jersey bank holding company, seeks an executive qualified by training and experience to serve as senior mortgage officer for the bank. Will have direct responsibilities for portfolio in excess of $100,000,000, excellent potential and growth, etc.

• Marketing Officer—$30,000-$40,000; Expanding $160,000,000 bank is seeking a top-notch marketing vice president to assume control of advertising, public relations and officer call programs. You will report directly to executive vice president and have a staff of five reporting to you. This bank is growing rapidly and has an almost unlimited budget.

• Vice President International—Multi-billion-dollar bank with aggressive international department seeks an experienced credit officer to head South American division. Travel to Brazil and Central America. Salary $35,000.

These are only a sampling of the ads taken out by banks looking for executives. Only three ads, comprising about four inches of type, were taken by bankers who were seeking positions.

Related to this situation is the fact that there is an increasing tendency for "headhunters" or "executive recruiters" to set up interviews in conjunction with bank meetings. In this way they learn about bankers who might be available as candidates for openings. For example, at the last American Bankers Association convention, a leading bank executive recruiter conducted a senior bank officer interview day. The announcement that was widely circulated stated that the purpose of the session was to bring employers seeking senior bank officers together with executives seeking senior bank positions. It was interesting to note that the announcement indicated that the recruiters were interested in individuals in the $25,000-$40,000 salary anticipation range. From six to 10 candidates were interviewed for each position, a fact that indicates a rather sizable number of bankers willing to change positions.

It is quite meaningful to compare the salaries that are now being quoted by banks and executive recruiting firms with the data contained in the BAI and state association salary surveys. These studies show that many banks are paying salaries that are substantially lower than those quoted by the newspaper ads and personnel recruiters. There are bankers, of course, who are paid little because of their relatively poor potential, but even when allowance is given for this, one must admit that many bank officers (especially from the younger and college-trained sectors) are likely candidates for the recruiters.

More than one bank president has reduced the number of senior officers attending conventions and management conferences because they recognize that the bright officers are likely to be attracted by the high remuneration offered by recruiters. Almost every academic personnel study indicates that salary is not the be-all and end-all of why a person stays in a position. Salary ranks below such things as the challenge of the work and its interest to the officer. However, it would be foolish for chief executive officers of low-paying institutions to ignore the fact that at some point a salary differential becomes significant.

Although it is not likely that any anti-trust or overt collusion exists between bankers in given cities, executive recruiters note that banks in some areas are notorious for the relatively low salaries they pay their officers. These areas are most likely to become the chief hunting grounds of the recruiters.

In another context, there tends to be certain ground rules observed in some banks in terms of pirating local officers from neighboring institutions. Since such a situation typically leads to retaliation, a number of banks prefer to

(Continued on page 60)

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John Harding likes being on the spot... for it means working right on the scene with bankers and their customers.
As a specialist on First of Tulsa's co-bank team, Harding brings with him extensive experience in commercial loans.
His background is a valuable asset in providing expert analysis and advice to the banks and businesses he visits.

John's financial abilities are supplemented by an imaginative team of First specialists. These are the men who create specific programs and provide the necessary resources to help you—and your customers—reach the goals you've set. As John puts it, "Your customers can never outgrow your bank with First of Tulsa on your team."

Perhaps it's time for you to put John Harding on the spot. He'll put full service thinking on the scene for you. Call (918) 560-5159. The First National Bank and Trust Company of Tulsa.

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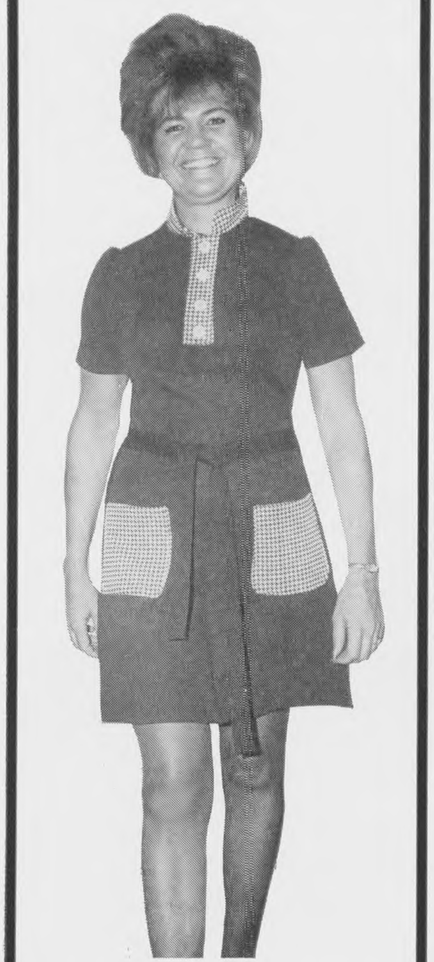

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Bank Investments

In New Orleans, Feb. 17-19:

Gov't Representatives, Economists To Speak at Investments Conference

BANKING'S ROLE as the financial leader in community growth will be the central topic of the ABA's second national Bank Investments Conference, scheduled for February 17-19 at New Orleans' Fairmont Roosevelt Hotel. T. Scott Fillebrown is president of the ABA's Bank Investments Division and president, First American National, Nashville. He indicated that the conference, which will be tailored to meet senior bank officers' needs, should attract about 800 registrants.

FILLEBROWN

Government representatives, economists and bankers will be on the program, whose specific topics will include portfolio management, the changing economy, the energy crisis, future regulatory outlooks, operations, personnel and training and an outlook for 1974 interest rates.

The dinner speaker February 17 will be Senator William E. Brock (R.,Tenn.), a member of the Senate Committee on Banking, Housing and Urban Affairs.

On Monday, February 18, speakers will be Bruce K. MacLaury, president, Federal Reserve, Minneapolis, and John R. Evans, a commissioner of the Securities & Exchange Commission.

Also on Monday, there will be a panel discussion of the possible regulation of the municipal securities industry by the SEC, along with three concurrent workshop sessions for banks in the $150-million category, $151 million to $1 billion and those over $1 billion. Mr. Karl M. Shelton, who is conference chairman, said the three concurrent sessions were developed "to enable this conference to address specific areas of investment interest relative to all 14,000 banks, regardless of size." Mr. Shelton is senior vice president, Seattle-First National.

Mr. Shelton described the program as reflecting the needs of senior officers who handle their bank's portfolios in this rapidly changing economic and regulatory environment.

The program on Tuesday, February 19, will include a panel on U. S. government and agency financing techniques, with Edward M. Roob (Treasury), Peter J. Carney (Federal National Mortgage Association), Aubrey K. Johnson (Federal Land banks), Marshall Burks (Federal Home Loan banks) and Francis X. Cavanaugh (Treasury). Mr. Shelton will be panel moderator.

A second Tuesday panel—to be moderated by George W. McKinney Jr., senior vice president, Irving Trust, New York City—will feature economists David Jones, Sally S. Ronk and Leonard J. Santow. They will take a look at factors affecting 1974 interest-rate trends.

In announcing the conference program, Mr. Fillebrown pointed out that the meeting's importance is underscored by the $180 billion in federal and municipal securities held by the nation's nearly 14,000 banks. Of this figure, nearly $90 billion is currently held by banks in the form of municipal securities, which include public works, schools, road projects and other community improvements.

"Without this participation at the municipal level by banks," he said, "the direct tax cost to the public would financially prohibit many needed projects." • •

U. S. Master Tax Guide for 1974 Going From Citizens Fidelity

LOUISVILLE—Citizens Fidelity plans to send copies of its 1974 U. S. Master Tax Guide to correspondent banks, although there may be a slight delay in receipt because of the energy crisis.

The current issue is designed primarily to help taxpayers prepare their 1973 income tax returns. According to the bank, not only has the guide been geared to answer any questions that might arise in the preparation of these returns, but it also gives ample information on the tax consequences flowing from decisions and transactions taxpayers may face in 1974.

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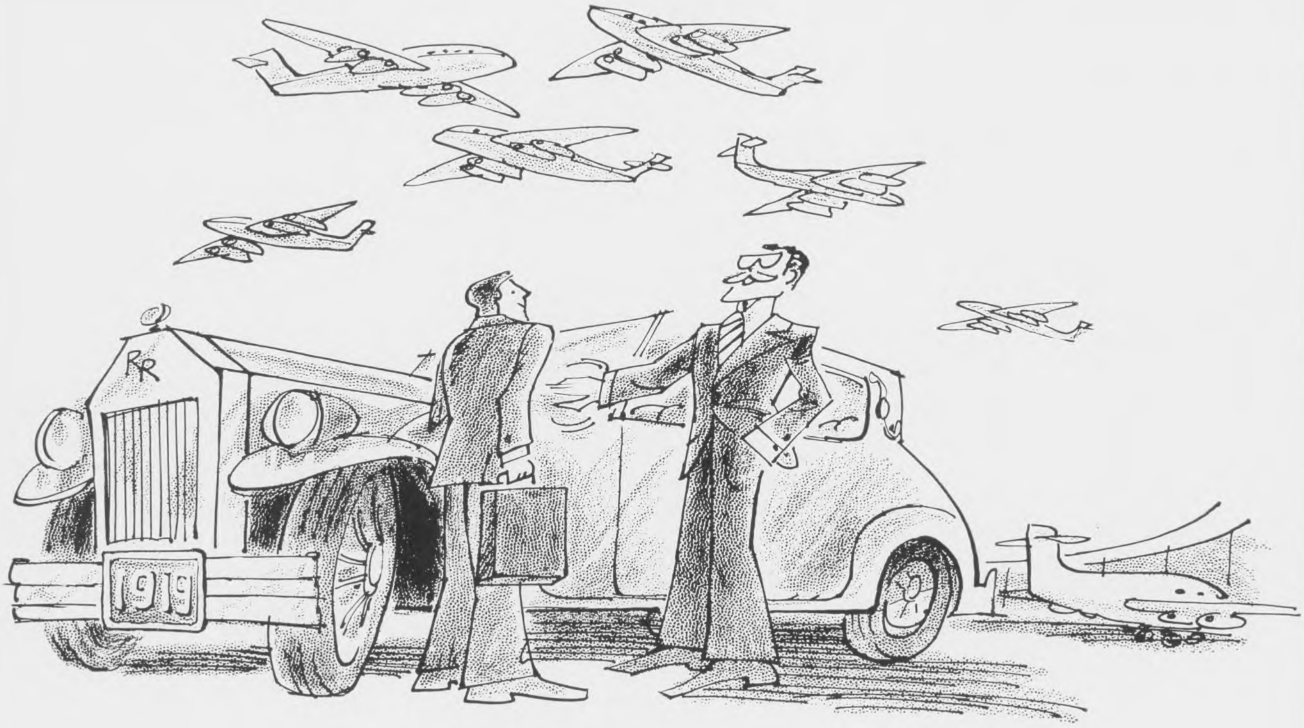

"REMINDS ME OF SCARBOROUGH"

Like a quality automobile, Scarborough continues to grow new. A quality only portfolio of bank insurance. Unmatched service. 55 years of insuring banks only. Leadership. Bank insurance starts with Scarborough. Let us show you why.

Scarborough
the bank insurance people

Scarborough & Company, 33 N. Dearborn St., Chicago, Illinois 60602, 312 346 6060

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During Mortgage-Money Scarcity—

Banks Boost Home-Improvement Loans By Offering Power Tool Premiums

Standing next to Black & Decker home-loan-incentive display are William T. Gordon (l.), pres. & CEO, Bank of Virginia-Central, and Donald Marchese, marketing mgr., premium & contract sales for Black & Decker.

OFFERING premiums to get new deposits is not new in banking, but the Bank of Virginia believes it gave a different twist to such a promotion by offering power tools with home-improvement loans. The result was over twice as many loans and an even better increase in dollar volume of loans compared to the previous year's program.

"Just think what you could do with your home with the right money and the right tools," said Bank of Virginia's promotion all over central and eastern Virginia where the 54 offices of Bank of Virginia-Central, Bank of Virginia-Tidewater and Bank of Virginia-Peninsula are located. A customer could choose one of five Black & Decker power tools free with an approved home-improvement loan of $1,000 or more. The selection included a ⅜-inch drill kit, a two-speed jig saw, a 7¼-inch circular saw, a sander kit and a double-edged 16-inch hedge trimmer.

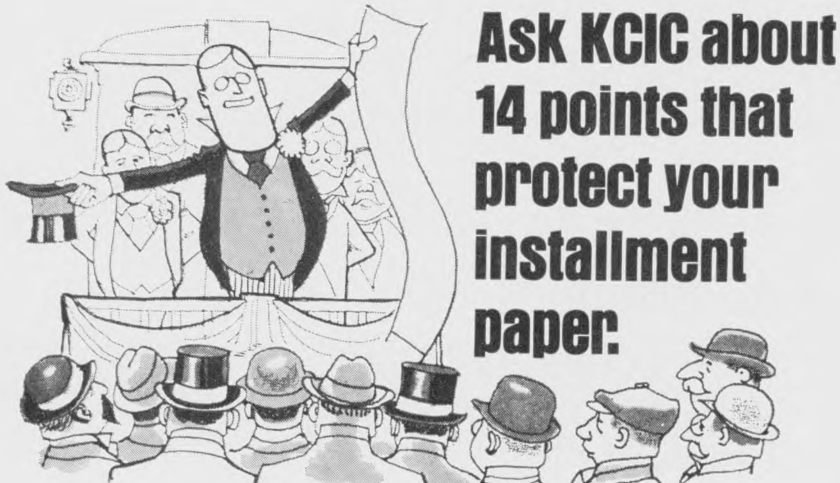
As a special incentive, the banks held drawings for free Black & Decker DeWalt 10-inch radial arm saws for shaping, boring, dadoing, sawing and sanding, valued at more than $300. Obtaining home-improvement loans wasn't necessary—the bank's customers needed only to register at their local banks.

The program included a full range of print and broadcast promotion. Nearly 200 30-second TV spots told millions of viewers in and around Richmond, Norfolk and Newport News to "Improve Your Home With a Loan and a Free Power Tool." The messages were reinforced with ads in 15 newspapers, hundreds of radio spots, over 40 roadside billboards and checking-account statement inserts. In addition, there were displays of the tools in each participating office, posters, cards, brochures and other promotional pieces for in-bank display and distribution. Many of the offices added to their displays by borrowing equipment from local customers such as hardware stores and building suppliers.

"The success of our first home-improvement-loan program with premium product incentives was a combination of several favorable factors," said Thomas D. Rogers, group vice president, Bank of Virginia Co. "First, power tools were a natural tie-in with a home-improvement-loan program. Second, Black & Decker offered us a brand name and quality image that was readily recognized and accepted by our customers. Finally, our team of marketing professionals prepared an outstanding mass media and in-house promotion that was strongly supported by top management."

John McLaughlin, assistant vice president, Bank of Virginia Co., added that Bank of Virginia has used a great variety of premiums over the years, but no one at the bank can remember any premium offering that generated so much favorable comment both internally and from customers concerning the quality of the product and the appropriateness for the program.

The extreme practicality of the premiums was emphasized by William T. Gordon, president and CEO, Bank of Virginia-Central, the flagship of Bank of Virginia Co. He said: "With the rising mortgage interest rates and a general scarcity of mortgage money, home-improvement-loan programs with incentives could be especially appealing to those banks that do have consumer money to lend. More and more people will consider fixing up their present homes themselves rather than bucking current financing trends to purchase new homes or paying the spiraling costs of professional help." • •



Ask KCIC about 14 points that protect your installment paper.

Your consumer credit department will get a 14 point plan that protects bank collateral. And your mobile home installment paper is 100% secure through retail credit insurance. KCIC recommends and makes available all the important packages that protect a bank's interest. Ask KCIC how our 14 point plan can help you.

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on a 15-record album

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1776-1976

Not too long ago, a young man walked into National Bank of Commerce in Memphis, Tennessee, with the answer as to how we could best celebrate the American Bicentennial.

And we want to share it with you.

"History of the States" is a 15-volume record album endorsed by the governors of most of the 50 states and bearing the official seal of the American Bicentennial. It represents over 200 years of American history in narrative, song and drama. Narrated by Rod Serling, Fredric March, Florence Eldridge, Charles Collingwood, and Walter Cronkite, it is available to banks at a cost of $30.00 (retails for $39.95) exclusively through National Bank of Commerce, Memphis, Tennessee. Give it to your community's schools, libraries and civic organizations . . . or use it as a premium. Set the example for the celebration of our nation's second hundred years . . . order "History of the States" today.

National Bank of Commerce,
1 Commerce Square, Memphis, Tenn. 38150
Attn: Richard Rhodes, Director of Marketing.

Enclosed is $ ________ for ______ sets of the History of the States at $30.00 per set.

Name of Bank ____________________

Your Name ____________________

Address ____________________

City ____________ State ____________ Zip ______

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Save Two Ways:

Do Your Christmas Shopping at the Bank; Ads Present Array of Tempting Gifts

IT'S NO LONGER unusual to do a portion of one's Christmas shopping at the local financial institution. Prior to the recent holidays, a number of banks and thrift institutions called the attention of shoppers to the gifts that could be obtained by opening Christmas club accounts or by opening new savings accounts—or adding to them.

Typical of the catchy messages headlining financial advertisements in November and early December issues of city newspapers was this one—"Christmas Shopping is FREE at Commercial Bank." The St. Louis institution instructed shoppers to save their money at the bank and then choose a gift from the "fabulous" gift bar.

The ad's copy continued: "Just about everybody ends up in a bank lobby during the holidays. But if you end up in ours, you'll be able to do a lot more than just cash a check, make a deposit or a loan.

"Depending on how much you deposit in a new or existing account, you can choose, FREE or at fantastic savings, from a wide assortment of gifts for that someone special on your holiday list. Not only do you save money, you earn the highest returns permitted by law when you Christmas shop at Commercial Bank."

Anyone depositing $200 or more was eligible for a free gift of an ice bucket, a plastic umbrella, a pen and pencil set, a portable radio, a stainless tableware starter set, a stuffed animal toy, a five-year flashlight, a coin bank or a set of thermal underwear.

Depositors leaving $1,000 or more could select from these additional free gifts: a calendar watch, a terrarium, a thermo blanket, a silver serving tray, a crystal salad bowl. A $5,000 deposit qualified the depositor to select from all the previous gifts, plus a bean pot, a travel bar, a digital alarm clock, an electric blanket, a silver carafe or a digital watch. If a customer wanted more than one gift, he could purchase extras for nominal amounts.

A savings and loan attracted attention by headlining its ad as follows: "Let Lafayette Federal put a silver lining in your stocking this year, FREE!"

The ad copy said, "Leave it to Lafayette Federal to come up with this fabulous assortment of gorgeous Rogers Silverplate Holloware by International Silver just in time for holiday gift-giving! And here's the best part: They are FREE or at substantially reduced prices when you deposit $250 or more at Lafayette Federal! After you've made your initial deposit and received your first piece of silver, you may purchase a silver piece of your choice with each additional deposit of $50.

"Move over, Santa—make way for 'The Man from Lafayette!' "

A holiday ad for Mercantile Trust, St. Louis, announcing its 1974 Christmas club accounts, told of the bank's new policy of paying 5% interest and the availability of a free Christmas idea book.

The 68-page full-color book contained Christmas decorating ideas and recipes from *Better Home and Gardens* magazine. The ad stressed that an account could be opened with as little as $1 and it included a coupon that could be used as an application.

Commercial National, Little Rock, conducted its first premium campaign in November and December, geared to the Christmas season. The bank offered a group of educational toys and games. A free toy was offered to those depositing a given amount to a savings account. Additional toys could be purchased at reduced prices.

The promotion was entitled "Creative Christmas Toys" and the selection offered by the bank was made by a panel of local teachers.

The toys included wooden airplanes, a music box, finger puppets, an indoor gym, a puzzle, an easel and others. Complete sets of the 16 items were given by the bank to various children's hospitals.

Three Chicago-area banks got a head start on Christmas by offering free turkeys to school children at Thanksgiving time. The turkeys were awarded in connection with a Thanksgiving essay contest stressing gratitude. The banks were County Bank, Blue Island; First National, Lockport; Heritage Bank, Crest Hill; and Olympia Bank, Chicago Heights.

Prizes for the winning essays were certificates for turkeys. The prizes were awarded to give the children a sense of accomplishment in furnishing the traditional treat on Thanksgiving for their families. • •

Baseball Exhibit Offered

Banking institutions are being offered the opportunity to obtain free baseball card window display material to use at the opening of the 1974 baseball season.

The display package, which includes material that will enable banks to create an exhibit about the history of baseball cards, has been prepared by Topps Chewing Gum, Inc., makers of Baseball Bubble Gum Cards.

The display material will include two large uncut sheets of baseball cards, each containing 132 cards; six old cards showing baseball players of former years; information on the history of trading cards; suggested ideas on how to use the material; and advice on obtaining local publicity.

Banks desiring to obtain the material should contact Mrs. Cynthia Rossomme, Liss Public Relations, Inc., Station Plaza, 250 East Hartsdale Avenue, Hartsdale, New York 10530.

100 Years of News:

Century of Service Depicted by Bank In Special Newspaper

Northern Indiana Bank, Valparaiso, spotlighted completion of its first 100 years of service to its community by publishing an eight-page supplement to the *Vidette-Messenger* containing news stories, articles and pictures from the past century.

Each page contained a different dateline, the first page dated December 1, 1874, and devoted to news from that era, including a story about the opening of a new bank, Valparaiso Savings Bank, as Northern Indiana Bank was then known. Subsequent pages told of the bank's adopting new names, Farmers National in 1878 and Farmers State in 1918, erecting a new building in 1927 and forming the present bank in 1967 from the merger of Farmers State of Valparaiso and Kouts State.

The special newspaper also announced an "oldest canceled-check contest" with prizes being savings accounts ranging from $50 through $25 and $15 to $10. The checks could be drawn on any of the banks in the present bank's

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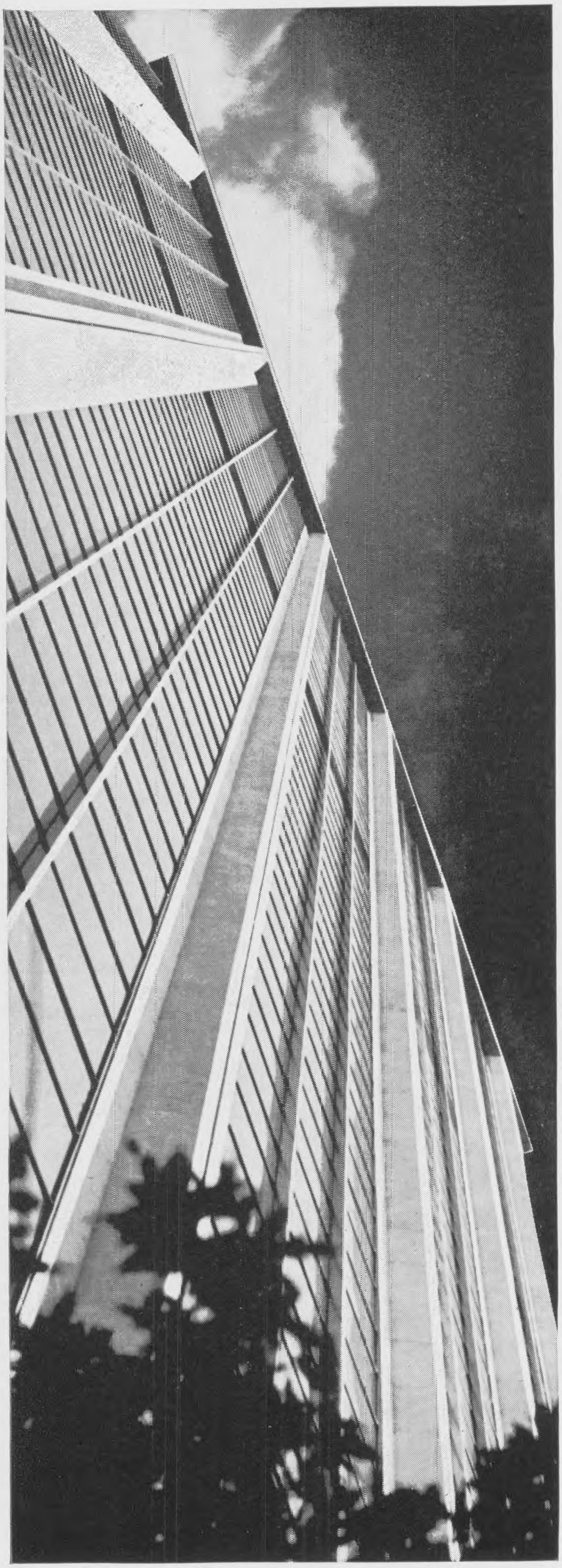
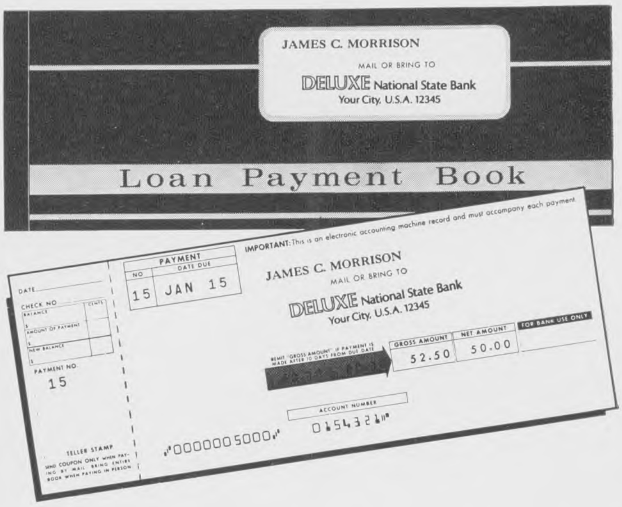


You don't have to be a big bank to have nice Loan Payment Books



While large banks benefit from their ability to process our loan payment coupons using MICR, smaller banks find that they can enjoy all of the other benefits and yet process them using any type of bookkeeping method desired.

No matter how small or large your installment loan operation may be, you can use these books because—one loan a year or 10,000—each book is printed to order for your individual customer.

These are handsome books you can be proud to offer to your accounts. The covers are rich blue and gold. All coupons are printed with customer's name and account number, payment amount and dates due, with different final payment amount if needed to close out the loan.

Coupons having provision for a late payment charge are also available. All books have additional special features that make them useful and desirable, and they are economical.

May we send you a brochure with full details and prices? Simply ask your nearest DeLuxe plant or your DeLuxe representative about Loan Payment Books.

DELUXE
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SALES HDQTRS. • 3440 N. KEDZIE, CHICAGO, ILL. 60618
STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

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"family tree." The last page was devoted to announcement of a centennial dinnerware club, which allows customers to start and build dinnerware sets.

In addition, the special newspaper offered Northern Indiana Bank century certificates maturing in a year at 6% interest. They are printed on special parchment paper and can be kept by customers as centennial souvenirs after being canceled.

Don't Light a Match!

Bank's Centennial Cake Has Unusual 'Candles': They're Dollar Bills

Having a birthday cake at a bank's centennial celebration is not unusual, but Milan (Tenn.) Banking Co. added a unique touch to its cake: The 100 "candles" on it were each made of $1 bills instead of wax. The cake and candles were given away as a door prize.

In addition, the bank observed its 100th birthday by holding an old-picture contest (247 entries), with a first prize of a $10 gold piece and a second prize of a $5 gold piece for the most interesting or unusual old photos. Still another part of the celebration was a contest for the oldest business transaction with the bank, and it drew 12 entries. The winner, who received a $5 gold piece, submitted a check drawn on the Banking House of E. A. Collins (the bank's original name) dated September 1, 1892.

The bank re-created an atmosphere of 100 years ago with displays of an antique doll collection, hand-carved puppets, old statements, checks, letterheads and ledgers (before 1900) and money.

Novelties, candy and commemorative booklets were distributed at an open house attended by 750 persons.

Flowering Tree Donation Replaces Ribbon Cutting

Flowering trees were presented to seven local garden clubs to celebrate the opening of the 10th branch office of First Bank, South Bend, Ind. The bank eliminated the traditional ribbon cutting ceremony in order to do something of a positive nature that would benefit the entire community.

A flowering pear tree was planted at the branch site by bank officials and representatives of the seven clubs. The flowering trees donated to the clubs were planted by the clubs on the grounds of local hospitals, parks and schools, including a fragrance walk for the blind.

Works Both Ways!

'We'd Do Anything for You' Theme Brings Unusual Requests to Banks

When employees of First Bancshares of Florida, Inc., donned buttons reading, "We'd do anything for you," they expected some unusual requests—and they weren't disappointed.

At First National, Palm Beach Gardens, a customer asked a receptionist to write a few personal letters for him since his handwriting was hard to read. She obliged, and the bank had another happy customer.

For Pat Hill, at University National, Boca Raton, "We'd do anything for you" extends to helping people who lock themselves out of cars. For one customer, she opened a locked car with a coat hanger, and on another occasion, drove a couple to Delray Beach to pick up car keys.

"These are just the things you do because you're a human being," she says. "Now, we try to do the extra things."

Will Witnesses

A disabled man asked if a bank employee could witness a will for him at curbside. Three of the banks' girls became "car-hops" for him—and gained a new customer for the bank.

"We'd do anything for you" is the theme of the company's advertising campaign, developed for First Bancshares of Florida, Inc., by Taylor, Cipriano and Associates, Inc., of Coral Gables, and is displayed not only on buttons, but also in newspaper and TV ads, on license plates, and—Chairman Thomas F. Fleming Jr. feels—in the employees' attitudes at its six member banks.

"Of course, we expected fresh remarks from some of our male customers," said one of the girls. "Well, I'm happy to report they didn't let us down. Some even brought in buttons of their own to match ours."

Sought Dog's Owner

At Palm Beach Gardens, personnel extended their service-minded attitude to a lost dog waiting outside the bank. They gave him water and a tour of the bank, while calling the owner listed on the visitor's collar. Since the owner had no transportation, a bank employee drove the dog home, with a "service button" on his collar.

One of the girls at First Bank & Trust, Boca Raton, found the service attitude is contagious. When she asked a clerk at the post office for a zip code number, he replied, "You'll find it in the book over on that table. No, wait, if you'll do anything for me, I can find your zip code for you!" Customers also have asked for buttons to wear.

The company's advertising campaign, which was kicked off last spring, includes far more than a slogan on a button. The campaign consists of print ads, a catchy jingle, TV commercials and billboards.

Most important of all, however, in the opinion of Philip J. Taylor, president of the agency, is the theme itself, "We'd do anything for you."

"Since the banks at First Bancshares are very service-oriented, this slogan fits perfectly with the way they like to do business."

To make sure employees were personally involved, buses brought over 100 employees to the Ivan Tors Studio in North Miami where the First Bancshares TV commercials were filmed. During the shooting the camera panned past rows of First Bancshares people, all smiling, while a musical jingle provided the background music. Before the evening was over, the "We'd do anything for you" bankers were dancing to the tune.

Commercials Previewed

Just before the campaign was formally kicked off, each member bank's personnel viewed the TV commercials, heard the radio commercials and received advertising kits, which included sample print ads, a recording of the jingle, sheet music for the jingle, a license plate—and a large button, reading, "We'd do anything for you."

"The idea was to get all the employees solidly behind the campaign," said Mr. Taylor. "This way the slogan promotes all the banks and improves productivity at the same time."

Bank officials are pleased with the reception of the campaign, both by customers and employees. Mail and comments have been favorable, and the holding company's profits are up. And best of all, people are beginning to call them the "We'd do anything for you" banks.

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A bank's premium supplier should also have substantial assets.

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We're thoroughly experienced in all phases of premium manufacture. (We even do the printing & screening in up to 4 colors.)

3. Successful customers.

Our customer list includes many of America's leading banks and manufacturing companies who have built successful promotions around Chaseline's popular premiums.

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And make our assets your assets.

Chaseline

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New Products and Services

• **LeFebure Corp.** A promotion package designed to introduce 24-hour banking service with the new LeFebure 724 Automated Customer Terminal has been introduced by LeFebure Corp. The firm gives the package to banks and S&Ls that install its new electronic teller machine.

The comprehensive kit includes employee introduction materials, direct mail, newspaper and TV spots. A special brochure gives suggestions on how to introduce the LeFebure 724 ACT to employees and contains a teaser campaign for bulletin boards to create interest among staff members. Other materials in the package include counter cards, sheet poster, pressure-sensitive stickers for letterheads and postcard order forms.

This is montage of material contained in LeFebure Corp.'s promotion package for its new 724 Automated Customer Terminal. Package is available to banks and S&Ls that install this equipment.

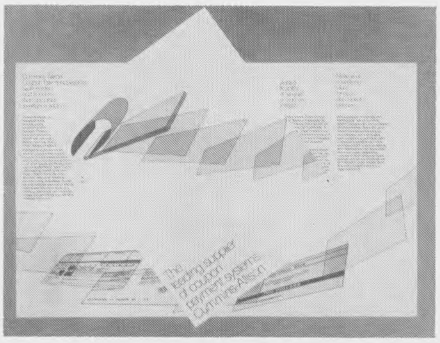
The new LeFebure 724 Automated Customer Terminal is now being introduced to financial institutions as an after-hour customer convenience or as a supplement to tellers during peak business periods. It handles 12 different transactions plus three withdrawal amounts ($20, $40, $60), deposits or payments and transfers of funds—all from checking, savings or credit card accounts.

Write LeFebure Corp., Cedar Rapids, Iowa 52406.

• **Cummins-Allison Corp.** This firm has published a 4-page brochure, which, it says, describes the efficiencies of coupon books that are designed to bill, collect and process payments in addition to being a singularly effective marketing tool. According to the firm, cross-sell ads imprinted directly on coupons, unlike easily discarded direct mailers, are said to be continuous attention-getters for promoting other bank services.

As set forth, Cummins-Allison's complete line includes: "Perforated, OCR or MICR encoded coupons, designed so they can be custom tailored to best meet a bank's needs and those of its customers, regardless of volume requirements." Cummins-Allison says these coupon books are machine readable and compatible with any data processing system without the necessity of revising existing payment systems or software. The computerized coupon books are designed for either simple-interest loans or add-on-interest installments.

For a free copy of the brochure, write Allison Division, Cummins-Allison Corp., 826 Waukegan Road, Waukegan, IL 60025.



New literature from Cummins-Allison describes complete line of coupon books that firm says will meet any volume requirement.

New Customer Services

Customers Get Quick Answers In Bank's Telephone Program

CHATTANOOGA, TENN.—A customer-assistance program called "Answer Line" has been started by American National to provide customers, potential customers and personnel with a coordinated system for handling banking questions, complaints and suggestions.

At the same time, the program should promote the concept of a concerned listener whose only job is to help the bank customer when needed, said a bank spokesman.

Calls received are separated into five categories: 1. General information. 2. Special information. 3. Information complaint. 4. Formal complaint. 5. Suggestions. If an answer to an inquiry is not immediately available, the customer's telephone number is taken and "Answer Line" recontacts him. This eliminates the possibility of the customers having to be shuffled from department to department. In fact, the bank said the program's two appealing benefits are convenience for the consumer and assurance of a quick response.

The bank said an extensive advertising campaign and consumer word-of-mouth promotion have produced excellent results. Calls averaged almost 40 a day during the first five weeks after the program started. Customer attitude toward the program is encouraging, said the bank, pointing out that appreciation has been shown through reactions of persons who call as well as through persons who come in contact daily with the bank.

The bank believes it is benefiting from the program because "Answer Line" gives an indication of the areas requiring analysis for possible adjustments and also allows management to examine and evaluate customers' suggestions.

Professional/Executive Center Started at Bank in Houston

HOUSTON—Texas Commerce Bank has formed a Professional/Executive Banking Center, the purpose of which is to bring together in one place all the personal, commercial and trust banking services the bank provides for professional and business executives.

"We want to make it possible for these people to satisfy all their banking needs through one professional banker, rather than having to seek out a number of specialists scattered throughout the bank," said President John T. Cater.

Services in the center range from personal financial planning assistance to long-term business financing to simple checking or savings accounts. Mr. Cater pointed out that typical services to be offered will be client fee financing for attorneys, long-term SBA loans for physicians and dentists and client assistance for CPAs. Heavy emphasis will be placed on estate management and commercial financing.

The center is under the direction of Assistant Vice President Matt Provenzano.

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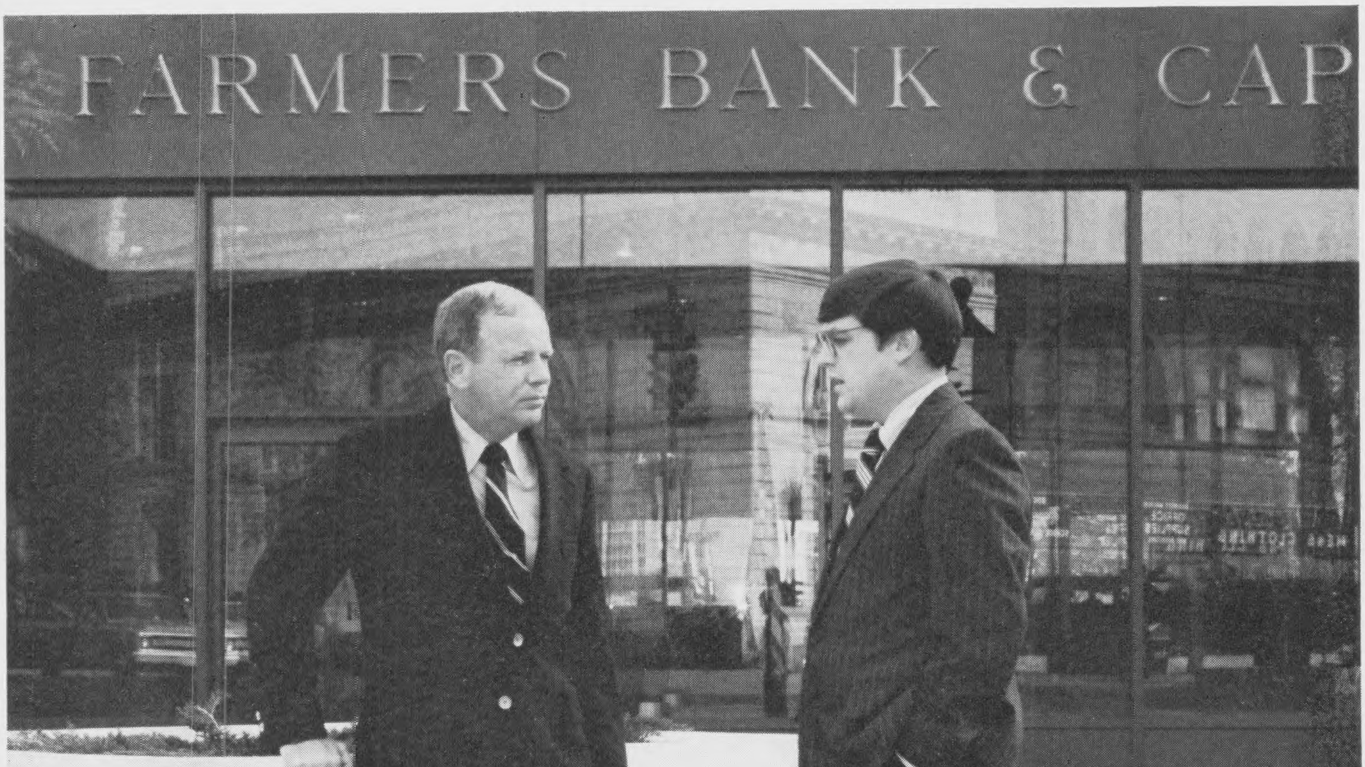
"We do our corresponding in person."



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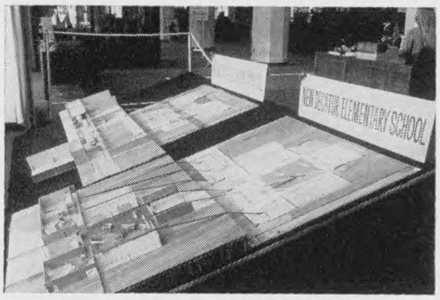
A Tribute to Medicine:

TV Documentary On Area Hospitals Filmed by Bank

Millikin National, Decatur, Ill., spotlighted medicine and education recently as part of its continuing community-involvement programs.

The bank, in cooperation with Station WAND-TV, produced and filmed a 10-minute documentary for GE cable TV that pays tribute to Decatur Memorial and St. Mary's hospitals and the city's doctors and medical facilities.



Here are scale models of new elementary and high schools to be constructed in Decatur, Ill. Exhibit was held in lobby of Millikin Nat'l.

Ray G. Livasy (l.), pres., Millikin Nat'l, Decatur, Ill., makes formal presentation of film documentary on city's medical facilities to Edward Peddie, asst. administrator, Decatur Memorial Hospital; Sister Ann Bailey (c., foreground), administrator, and Sister Wilma Ernst, asst. administrator, St. Mary's Hospital, Decatur. Presentation was made in directors' suite at bank.

A bank spokesman said the film was made to strongly emphasize to Decatur residents that their hospitals and medical force rate high while costs are attractive compared to many other cities. The documentary also will be used to recruit additions to local medical staffs. In addition, it shows some of the latest equipment found in the two hospitals and illustrates nurses' training.

Community Involvement

In the field of education, Millikin National exhibited in its lobby scale models of the new Stephen Decatur High School and the new elementary school, as yet unnamed. Each model was highlighted with detailed descriptions of the buildings.

'Wheelchair Cars':

Handicapped Drivers Get Help in Parking From Union Planters

Handicapped drivers who must transfer from their cars to wheelchairs often have trouble finding parking spaces big enough to allow them to load and unload their wheelchairs. Now Union Planters National, Memphis, has come to their aid by designing a copyrighted decal that, when properly displayed on vehicles, calls attention to "wheelchair cars" and will be universally recognized by other drivers and law enforcement officers.

The 4 x 3½-inch weatherproof decal is designed for use on side windows and bumpers of vehicles and carries the message, "Wheelchair Car . . . Needs Extra Parking Space," in yellow and black. The message is reinforced with a symbol—a stylized drawing of a wheelchair within the outline of a car.

Union Planters' 36 branches distributed the decals free to handicapped drivers in the city. The bank's objective, said Morris B. Baker, vice president, public relations, who initiated the program, was to call attention to the special needs of the handicapped and to remind other drivers to give wheelchair cars wider berths in parking lots.

This is decal designed by Union Planters, Memphis, for use by handicapped drivers who need extra parking space to load and unload their wheelchairs. Bank is offering artwork to other banks.

Requests for 1,420 decals were received within 48 hours after a Memphis newspaper announced they were available at Union Planters' offices.

Mr. Baker said the artwork for producing the decals is available through his bank's public relations department for $2.25 to cover handling and mailing costs. Banks may substitute their own names in place of the line that reads "Union Planters National Bank of Memphis."

Mr. Baker urges banks to support the program in their respective cities. "The benefits in community service and public appreciation far outweigh the minimal cost of the program," he added.

Getting Out the Vote:

Voter Registration Publicized by Bank Ahead of Primary

Detroit Bank embarked on two community programs recently—one to encourage unregistered voters to register for the September primary election and the other to give an insight on banking to a group of young men participating in the Upward Bound program.

Participating in ribbon-cutting ceremony for "Help Detroit Make It!" registration promotion are C. Boyd Stockmeyer (c.), president and CEO, DETROITBANK Corp., parent firm of Detroit Bank; Detroit Mayor Roman Gibbs (r.); and Roy Leinweber, president, Eller Outdoor Advertising.

The registration event was publicized by 100 outdoor posters, 10,000 campaign buttons and 500 color posters, all carrying the program theme "Help Detroit Make It!" More than 150 temporary registration centers were set up.

In the second program, the bank hosted 30 youngsters for a luncheon and tour of the bank's main office, during which they heard a presentation on career opportunities in banking and finance.

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Operations

How's Your Audit Trail?

Today's Modern Banking Techniques Require Review of Audit Operations

By OSCAR W. JONES

Director, Loss Prevention Services
Scarborough & Co.
Chicago

WITH THE ADVENT of the computer, closed-circuit television, remote tellers' cages, automatic charge card cash-vending machines and the multiplicity of other recent innovations to the banking industry, the Victorian bank of yesterday is dying a certain death.

Gone forever are the high, protective grills that separated yesterday's tellers from their customers (and from an occasional bank robber!). Perhaps gone with them is a certain atmosphere of safety those grills afforded tellers, but at any rate, today's approach to banking is entirely different from yesterday's.

Also gone from many of today's bank records is the visible audit trail left by yesterday's clerks and bookkeepers. In its stead are the daily file of computer printouts and a library of magnetic tapes or discs, which require an entirely different audit approach from the "green-visor" scrutiny of yesteryear's bank auditor.

In short, today's banking world is changing fast. Are your bank's audit and internal control functions changing with it?

It's not enough that the audit and internal control functions merely change; they must keep pace with the new tempo and atmosphere of today's banking industry. For, while the changes are undoubtedly good for the progress of the banking industry, they must be applicable to all the various facets of the bank. None are more important than the audit and internal control functions.

Back of all planning and operations should be the best auditing and internal control functions money can buy. An audit force should hover over all and scan and review everything done to the cash, securities, loans and deposits of the bank. These people should be prevented from making loans, accepting deposits or making entries on the books. Their sole responsibility should be to make sure that what the rest of the personnel has done has been done correctly.

And while this in general has always been the aim and goal of the audit function, those engaged in it must now adopt new tools and new methods in their endeavors to keep pace with today's fast-changing banking techniques.

Costs of operating a bank along these general lines sometimes seem high. In many cases, your competitors will not see fit to make all the careful changes and set up all the elaborate protective measures you have installed. It takes people and machinery to do these things, and people and machines cost money.

So, occasionally you will encounter competitors who do not follow these precautionary measures, and you will have difficulty with your customers and your employees who are reluctant to become involved in your new "red-tape" measures. At such times, you must double and redouble your sales efforts, patiently pointing out to these customers and employees the *necessity* for this kind of care if you are to respond fully to your obligations to your depositors, and if you are to move and change with the times.

For instance, your bank auditor or control officer may need to update his computer auditing techniques to correspond with changes in the programing and operations of the bank's computer. This may require him to attend computer schools from time to time. And, in general, he may need to make periodic realistic appraisals, in the light of the bank's changes in processing methods, of his—and his staff's—general audit techniques and methods.

So, what constituted good audit and internal control functions yesterday may not suffice today. Just what does constitute good bank audit and internal control functions in today's changing bank? A deep and thorough knowledge of the nature of the bank's deposits, matched by equally thorough knowledge of the bank's various loan and investment programs, fused together by careful planning of the audit and internal control elements in all of these structures, together with adequate controls over their processing, whether by computer or manual operations, to guard against all possibilities of fraud and embezzlement.

When you know that your bank has that kind of an audit and internal control function, and that it is actively and aggressively pursuing these programs and none other, then you know you are on the right track toward a sound and safe bank, even though it be one that is constantly changing with the times.

Corporate News Roundup

• **Doane Agricultural Service, Inc.** Walter T. Hass, vice president-treasurer, Doane Agricultural Service, Inc., St. Louis, has been elected to the firm's board. He replaced D. Howard Doane, who became an honorary board member. Mr. Hass joined Doane in 1970.

Doane also announced the election of Vice President Charles L. Pilmer as president, American Society of Farm Managers and Rural Appraisers (ASFMRA), at the group's annual meeting in Denver in November. Mr. Pilmer is manager of Doane's appraisal department and holds the titles of accredited rural appraiser and member, Appraisal Institute.

HASS

PILMER

• **Delta Corp. of America.** Richard Atwell has been named vice president-operations, Delta Corp. of America, Miami-based mobile home finance service firm. Mr. Atwell now is responsible for regional and district field operations and reports directly to Gilbert A. Haas, Delta chairman and president. Mr. Atwell joined Delta in 1970.

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Water, Water, Everywhere

Mississippi's strategic location puts it at the nautical center of the Gulf South. Over 400 miles of the mighty Mississippi River flow past its western boundary, with major port facilities at Greenville, Vicksburg and Natchez. Two of the Gulf's busiest ports are located at Gulfport and Pascagoula. The huge Tennessee-Tombigbee Waterway system will provide new water transportation facilities for the state.

First National maintains an important role in Mississippi's water transportation industry . . . to serve it better and to serve you better.

If you need information on water transportation in Mississippi, your most knowledgeable source is First National of Jackson.

Branches: Commercial National Bank, Greenville/Leland · The Bank of Greenwood, Greenwood · First National Bank, McComb · Amite County Bank, Gloster/Liberty · Tylertown Bank, Tylertown ·

First National Bank

Jackson, Mississippi Member FDIC

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Tremendous Good Will Builders:

Get as Much 'Mileage' as Possible From Small, Routine News Releases

By LOUIS C. FINK

I DON'T SUPPOSE there is a bank in the United States that doesn't assign to somebody the job of writing publicity for local newspapers. The "assignee" may be a staff of ex-reporters hired for the very purpose, or it may be a lending officer who dictates a news release once a month or so.

For reasons not always clear, bank executives long have felt that promotions of officers were of transcendent interest to financial editors. A new branch location justifies a story, and quarterly earnings are good for several paragraphs (assuming that earnings were up this time!). Finally, a new service (credit card? auto leasing? savings certificates?) will send the bank's news-writer to his typewriter.

The local weekly or daily newspaper probably will print the story. Just as probably, the bank will be disappointed that the national and regional financial magazines are not greatly interested. With thousands of banks sending out the same sort of news releases, it is a wonder the magazines can publish as much of the news as they do.

I'd like to suggest a new approach. If you have a truly new and major development in banking, fine—send it to the big magazines. Meanwhile, make better use of the smaller news items your bank generates.

They are called "home-town releases," and they can build tremendous good will for your bank. Individually, each story is a small and insignificant paragraph. Collectively, they can let your prospects know a great deal about your bank. Perhaps even more importantly, these small items can have a terrifically favorable effect on employee morale.

Let's be specific with one piece of news. Your directors pick young John Jones to manage one of your new branches and simultaneously promote him to his first official position—*assistant cashier*. A big step for John, and a source of pride to his family.

You write the story, including the facts that John was graduated from Winsocki College in 1970, has been taking AIB courses, is married to Mary Brown, has been active in the Jaycees and in his church and that he moved to your city from a small town in North Carolina three years ago.

You send the release (with a photo) to your local newspaper and perhaps to the radio stations. If you're in New York, it's too bad; the *New York Times* has very little space for an assistant cashier. Sheer force of numbers works against you; even in Denver or Atlanta or Dallas, there are dozens of bank promotions a month. They just are not news any more.

But the promotion is legitimate news in Rutherford, N. J., or Fresno, Calif., and hundreds of smaller towns in between. If the story is published, you sit back satisfied, right? Wrong!

You can squeeze a whole lot more value out of your board's action if you'll take a little time and effort.

Let's make a list of outlets that might be interested in John's promotion:

- The suburban newspaper which serves the branch area.
- Winsocki College.
- AIB, which may have a news bulletin.
- The home-town newspaper of John's wife, Mary.
- The bulletin of the local Jaycees.
- The church bulletin.
- The newspaper in John's home town, where his parents may still reside.

These are seven places to get a free plug for your bank, for your new officer and for your branch. Yes, the same item conceivably may appear in several places, and repetition is one of the key ingredients of good advertising.

But—you say—it will do our bank no earthly good to publish a news story in the home town of John's wife or parents, 500 miles away. Maybe not, although you can never be sure. People do like to bank where they have a friend, and a prospect may read the story. But much more important is the good effect on John's morale when his old friends read about his first step up the official ladder. Bankers will uniformly tell you that they take no pleasure in such personal publicity, and just as uniformly, most of them will try to get an extra copy of the clipping.

Further—you say—we don't have the facilities to write seven more stories about one promotion. It doesn't have to be that big a job. The release is simple, using a minimum of information. For the college magazine, you give John's name, his degree and the year he earned it. You send the story to the alumni department of the college; every college has one. Addresses of many colleges can be found in one of the popular almanacs that come out every year.

For the small newspapers circulating in those various home towns, get a copy of the N. W. Ayer directory at your library or a Standard Rate and Data from your advertising agency.

There is, of course, an easier way: Have the man or woman being promoted fill out a form for you, listing his or her birthplace, relatives and the names of the appropriate newspapers.

From that point, you don't need a high-priced journalist to write the releases. A beginning clerk can do it, and the whole process won't take long.

One of the problems is that you won't always see the fruits of your labors. An item in a newspaper 500 miles away will not find its way into your scrapbook, except by accident. But you should be checking routinely the papers that circulate in your area: the suburban papers, if any. When I handled public relations for a state-wide bank, we always subscribed to daily newspapers in six major cities and read them carefully. It helps to know what others are saying about you—and about your competition.

The above suggestions relate to the run-of-the-mill promotion, but there is no need to stop there. Consider the other legitimate news items that may not interest a big daily, but surely will interest home-town weeklies:

One of your people enrolls in—or completes—a banking school. One of your people is named president of a civic club. One of your people wins a suggestion award or a sales contest. One of your people attends a major convention.

"One of your people"—that's what home-town publicity is all about. Not things or banks, so much as the people in them. The newspapers are interested and will give you space—if you don't demand a front-page headline and will realize the cumulative value of your bank being mentioned many times in small ways. • •

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NEWS ROUNDUP

News From Around the Nation

Reserve-Setting Authority Questioned

The Conference of State Bank Supervisors has voiced strong disagreement with certain positions advanced by Federal Reserve Board Chairman Arthur F. Burns in a recent letter to Senator William Proxmire (D.,Wis.). Dr. Burns' statements were in response to a request by Senator Proxmire that he answer criticism leveled against the Fed's conduct of monetary policy by a group of economists.

CSBS Executive Vice President Lawrence E. Kreider wrote the Wisconsin senator and questioned the validity of Chairman Burns' contention that the conduct of monetary policy could be improved by providing the Fed with reserve-setting authority over nonmember banks.

"The conference is not aware," said Mr. Kreider, "of any strong evidence that the Fed's monetary-policy objectives have been hampered because 21% of commercial bank demand deposits are outside the Fed's reserve-setting control. Nor has there been any evidence that these nonmember bank deposits would significantly improve the Fed's ability to make more precise its monetary policy role."

Dr. Kreider emphasized the serious adverse effects that the granting of such authority would have on the dual-banking system and correspondent banking. For many banks, his letter continued, it would be tantamount to membership in the Federal Reserve System. He added that the checks and balances inherent in the present dual-banking structure would be seriously diluted and a large block of economic activity now provided by the private sector would be transferred to the FRS.

Bank Examination Experiment Begun

The FDIC and the banking departments of Georgia, Iowa and the state of Washington began a 13-month experimental program January 1 to explore the concept of FDIC withdrawal from certain supervisory responsibilities over state-chartered banks.

Under the experiment, the FDIC withdrew from regular examinations of more than 500 state-chartered, nonmember insured banks in the three states until January 31, 1975. During this time, the corporation will rely largely on examination information supplied by the three state banking departments to fulfill its supervisory responsibilities.

The experiment seeks to develop a workable mechanism for reducing unnecessary duplicatory supervision of state-chartered banks and could, if successful, restore many highly qualified state banking departments to a position of supervisory parity with the Comptroller of the Currency.

According to Donald E. Pearson, president, Conference of State Bank Supervisors, and superintendent of banks in California, the three states selected were not the only ones qualified for the experiment. After spending months developing the project and polling the 50 state banking departments to ascertain their interests and capabilities, the FDIC and CSBS believed that a large number of departments were qualified. Georgia, Iowa and Washington were chosen from this group primarily because they best met several practical criteria mutually established by the FDIC and CSBS.

Big CD Marginal Reserves Down

The marginal reserve requirement on large denomination CDs was reduced from 11% to 8% last month by the Fed, which attributed the reduction to a moderation in bank credit growth. The new rate took effect the week beginning Thursday, December 13, and reduced required reserves two weeks later, when there was a seasonal need to provide reserves for the banking system.

The Fed's announcement said the net effect of its actions would be to reduce by approximately $375 million reserves required to support member banks' deposits.

According to the Fed, the rate of growth in bank credit has moderated in recent months, and the outstanding amount of large-denomination CDs has dropped substantially. Also, said the Fed, business loan expansion at banks has been at a much slower pace than earlier last year, and extensions of bank credit also have slowed.

However, Fed sources cautioned against interpreting its move as a signal that an easing of credit was imminent.

The Fed added that the reduction also is being applied to state banks, federal agencies and foreign bank branches that have been voluntarily complying with the marginal reserve on large CDs.

Justice OKs HC Ownership of S&Ls

The Justice Department announced last month that it doesn't see anything wrong with bank holding companies owning S&Ls provided certain market rules are followed. In fact, according to Justice, it would be all right for a bank HC to acquire an S&L in a market where the HC doesn't operate a bank.

In addition, said Justice, it would be preferable for the bank HC to start a new S&L rather than buy a strong one already in existence.

Justice's antitrust division filed its comments on this issue with the Federal Reserve Board, which is considering a rule allowing bank HCs to own S&Ls.

The proposal has aroused a great deal of opposition on the part of the Federal Home Loan Bank Board, strong S&L interests and many members of Congress. One of the arguments used by opponents is that Congress intended the two leading systems to be separate because it established separate regulatory structures. Even the Fed, to some extent, has conceded this point, but Justice's recent statement disagrees with this reasoning.

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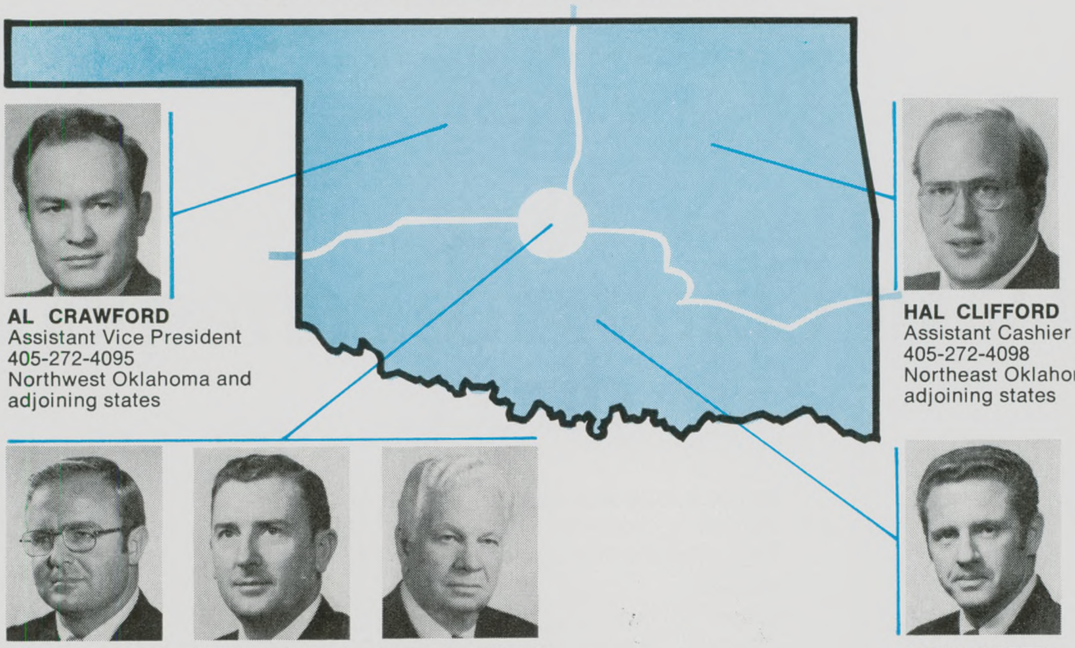

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THE ECONOMY

1974—A Testing Time for Business

General Slowdown Predicted by Nation's Forecasters

THERE'S little doubt that all economists are against the wall when forecasting the economic picture for 1974. Previous attempts to predict the ups and downs of the nation's business cycle appear to be child's play when compared to the present situation. For 1974 is the first year in which the economy can be—and will be—subject to the disruptions of an energy crisis. This crisis is expected to have a major—and perhaps disastrous—effect on business, not only in 1974, but for the foreseeable future.

Despite this formidable state of affairs, the nation's economists have taken up the challenge of making their predictions, although most have tempered their remarks with the statement that the energy crisis could knock the props out from under any and all forecasts.

Following is a roundup of a number of economic predictions for 1974, made by economists associated with banks and other firms. A year from now, we'll know how accurate their attempts have been.

* * *

Tilford C. Gaines, senior vice president and economist at Manufacturers Hanover Trust, New York, foresees that the country won't resume normal economic growth before 1977, due primarily to the fuel shortage.

He predicts that consumer price inflation will amount to 6% in 1974, the economy will show zero growth and only an anticipated 2% real growth rate in 1975 and 1976. He also sees a substantial unemployment or underemployment problem that will have to be solved by government policies.

Big net losers in the energy crisis might ultimately prove to be oil-producing countries that forced a shift to more efficient energy sources, Mr. Gaines said.

Mr. Gaines said that in the short-run the American consumer will be mildly inconvenienced by present shortages and the economy will be curtailed in its growth potential for the next few years.

More Outlook Articles

"Over the longer run—and not too long a run at that—the U. S. and the other developed countries probably will prove to have benefited from recent events by having been forced to recognize the uncertainty of their energy supply sources before they had become so deeply committed to that source that adaptation would have been far more difficult," he added.

Focusing on the financial implications of needed new investment, Mr. Gaines believes until capacity in the materials industries has been enlarged, the limited supply of many critical products will have a restraining influence upon the total economy's ability to grow.

"The total estimated capital spending by the energy, communications and metals industries alone in the 15 years 1971 through 1985, in constant 1971 dollars, adds up to approximately $1.1 trillion," he said. "It should be stressed that all of the estimates included in this total are crude projections and could be significantly off target. If they are," Mr. Gaines said, "it is more likely that they understate rather than overstate the level of capital spending."

* * *

An outright recession next year can still be avoided if there is "fairly prompt" lifting of the Arab oil embargo, according to John W. Hannon Jr., chairman of the executive committee

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of Bankers Trust, New York. He said two broad conclusions emerge from an appraisal of the current situation.

"First, even assuming a fairly prompt resolution of the oil embargo, the pace of economic expansion stands to be somewhat slower in 1974 and the pattern of industrial activity more irregular than seemed likely at the beginning of autumn. Secondly, the prospects for bringing inflation under effective control this year have obviously been dimmed. If we have a fairly prompt resolution, the belief here is that an outright recession can still be avoided this year, but that the rate of real growth will be under 2% rather than the 2½% expected earlier."

A prolonged oil embargo would bring more serious consequences, Mr. Hannon said. "Should the oil embargo persist into the spring, the impact on the economy would, of course, be far more pervasive and damaging, bringing not only more acute shortages but plant closings, extensive layoffs, cutbacks in business investment programs, severely curtailed travel and other disruptions of economic activity."

The energy shortage, said Mr. Hannon, virtually assures a continuing high rate of inflation this year—and probably for some time beyond. "Not only will available fuel supplies sell at significantly higher prices, resulting in higher transportation costs and utility rates, but constraints and shortages growing out of the energy shortfall will push prices of many manufactured goods upward. Thus, the expected better showing by food prices this year may be offset—in part, if not fully—by rising prices of industrial products. Under the circumstances, it would not be surprising to see the rate of inflation in 1974, measured in terms of the GNP deflator, at close to 6%."

The embargo, even if it is resolved fairly promptly, will also affect the pattern of consumer spending, according to the Bankers Trust executive. "New car sales were already reacting to the threat of a gasoline shortage—and higher gasoline prices—even before the oil embargo, so that regardless of developments in the Middle East, the au-

(Continued on page 60)

CREDIT DEMAND/INTEREST RATES

Corporate Loans Up; Rates Down

Continued Loan Demand Growth Seen, Prime to Decline by Third Quarter

By NORMAN J. COLLINS, President, Robert Morris Associates

COMMERCIAL LOAN demand was excellent in 1973. While demand was high, so was the price of money. But funds were available and our profits were up. Some areas saw increases in loan demand as high as 25% over 1972 figures.

In general, loan demand should continue to grow; however, we expect it to do so at a reduced rate in 1974. In fact, it could be significantly weaker, with increases of 10%-15%, for example, in the areas that saw 25% increases in 1973. On the one hand, we could see investments in plant and equipment deferred until the economic picture is more clearly defined. On the other hand, many businesses are already committed to expansions which they will choose not to curtail unless the necessary raw materials and supplies become unavailable.

Contributing to the weakness will be an increased volume of bond issues and relatively greater use of the commercial paper market as CP rates remain below the prime rate. As 1974 begins, we are already experiencing a reversal in the trend of the shift from CP to bank borrowings. Also, the arbitrage that took place during much of 1973 will not be evident in 1974. We all know of instances where borrowers, both foreign and domestic, took advantage of existing line commitments or negotiated new ones and immediately put the funds into higher yielding money-market instruments.

Areas of strongest loan growth. In the absence of a recession, I would look for an increase in term loans. Many corporate borrowers will seek the opportunity to refinance should rates go down and money become somewhat easier—not so much for price advantage, but simply to assure themselves of the availability of credit. As an offshoot, I feel we will see an increased conversion of working capital loans into term loans.

To be more specific, I see that the fastest growing categories should be those involved in the financing of new plant and equipment. Surveys indicate relatively strong capital spending plans although the oil embargo and energy shortage could cause some scaling back in these areas. Despite curtailments, industry will have to pursue expansion not only to increase capacity, but for environmental protection reasons as well. The latter, anti-pollution fixed assets, are now reaching the stage where they need to be funded in greater amounts.

Loans to public utilities should increase. We will also see a greater priority given for funding the search for new energy sources such as oil and gas drilling, shale conversion, geothermal exploration and the development of nuclear power sources.

I think loans to service industries will be up in 1974. I also see higher loan levels in the area of agribusiness because of the elimination of crop planting restrictions, the high prices of commodities, as well as increased international demand. We might, however, see a lower level of outstandings at the end of the year because of substantial improvement in liquidity of agricultural borrowers as a result of very favorable profit margins.

Manufacturing and capital goods industries will grow faster. Besides needs for expanded facilities and additional working capital, these industries will seek means to offset higher costs stimulated by inflation. I see opportunities, for example, to lend to many who will wish to take advantage of acquiring additional labor-saving machinery to help reduce costs.

Mr. Collins is senior vice president, South Carolina National, Columbia.

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Briefly, on the negative side, I see decreases in house, apartment and condominium building and construction and real estate-oriented loans in general. The energy shortage will certainly adversely affect recreational and tourist-related industries.

There is also a question mark on loans to finance retail inventories. Again, uncertainties and lack of confidence in the economic picture may cause consumers to withhold spending in durable goods, thus causing only moderate growth among consumer-oriented producers.

In short, there are so many companies that will be involved in this energy situation and economic slowdown that we had better already have begun to examine all outstanding loans to see how all borrowers will be affected—paying particular attention to ones that depend on a single source of power to keep their operations alive.

The outlook for loan rates. If the power shortage should become severe, loan rates is another area that can only be guessed at. However, I predict a less volatile prime rate in 1974 with a continuation of the decline now in progress.

I do not anticipate a great decline, however. The outlook for a relatively flat economy would lead one to assume that the Fed would adopt an easier and more accommodating monetary policy. Yet the spectre of an inflation factor being equal to or perhaps greater in 1974 than in 1973 can easily make a case for its retaining some degree of monetary restraint, with higher rates prevailing.

But prime should decline to the 7½ to 8½% range in the third quarter. The strength of the U. S. dollar in international markets is causing some problems in the money markets and may cause delay in a rate decline in the immediate future. An economic upturn in the fourth quarter could, in addition, initiate an increase in prime toward the end of the year.

I look for commercial paper rates to fall to about 6½% by the third quarter, with Treasury bills trading near 6½% by mid-year.

All in all, I see 1974 as a good year for commercial lending, but not as good as 1973. Despite some uncertainties in the general business outlook, it is likely that we can look for a downturn in the economy. Nevertheless, I see an overall increase in commercial lending, but not at the high 1973 levels.

The greatest demand will come to finance new plant and equipment, public utilities and the search for new and the expansion of existing energy sources. Prime should continue its downward trend to 7½-8½% by the third quarter, possibly starting upward toward the end of the year as the economy strengthens.

It should be understood that the confusion generated by the political turmoil in Washington and the energy shortage and their effects on the economy make these predictions vulnerable to change. Such a change would be to an even more pessimistic view. • •

Interest-Rate Decline Forecast

A modest decline in long-term interest rates and a much steeper downward movement in short-term interest rates are predicted by Nicholas J. DeLeonardis, vice president, bond department, First National, Chicago.

He predicts that, by the end of 1974, 90-day Treasury bills will be down to a 5%-5½% level, with U. S. Agency securities in the three- to five-year maturity range yielding 6¼%-6½%, and long-term U. S. government obligations at 6⅞%-7%.

The tax-exempt market should do well during 1974, Mr. DeLeonardis says, and by year-end the index for long-term issues should register between 4½%-4¾%, down from 1973 levels.

As for the private sector, he predicts that 90-day commercial paper will be ranging between 6%-6½% by the end of 1974 and that AAA corporate bonds will be around 7¼%-7½%. During the first half of the year, however, when Mr. DeLeonardis anticipates a significant portion of the new financing will take place, a level of 7¾% is likely.

If inflation is not brought under control, he says, prospects for a reduction in interest rates will diminish significantly, especially in the long-term sector.

AGRICULTURE—

The 'Cinderella' of the 1974 Economy

Shortages Guarantee Price Boosts; Increasing Exports Predicted

EVENTS throughout the world in the recent past have turned the agriculture picture around, making it the Cinderella of the '70s, according to Judson H. McManigal, vice president, First National, Chicago.

In the fall of 1972, he said, it was a foregone conclusion that we had ample food and feed supplies. But, as it turned out, such was not the case. A unique set of circumstances changed what appeared to be plenty to a series of worldwide food and feed shortages.

The result was an unprecedented rise in prices that has tended to put the farmer in the driver's seat. His crops brought him good prices in 1973, and the outlook for 1974, although not quite as good as 1973, is for continued good times on the farm.

Exports played a key role in the agricultural turnaround, Mr. McManigal says. There is sure evidence that our export markets have been expanding. We exported more than half our 1972 soybean crop, more than a fifth of the corn crop and almost three-fourths of the wheat crop.

Over a period of time, he says, our export markets will continue to grow. The USDA has estimated agricultural exports reaching $14 billion in 1985, almost double the figure for 1970. Estimates for the 1973 fiscal year call for $13 billion in agricultural exports.

Factors boosting U. S. agricultural exports, Mr. McManigal says, include

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unfavorable weather conditions in several areas of the world, a continuing trend in increased foreign demand for U. S. farm products because of rising world affluence, the realignment of currencies following two devaluations of the dollar that resulted in a decrease in the price of U. S. products and the failure of the Peruvian anchovy catch.

U. S. farm product imports advanced strongly in fiscal year 1972/73, according to Mr. McManigal. Uncertainties about exchange rates, weather-induced supply shortages and the relaxation in import restrictions on dairy products and meat were important factors boosting imports.

Following are Mr. McManigal's forecasts for various portions of the agricultural market for 1974:

Land. Farmland has been a good investment during the past 40 years, he says. Annual returns have been about equal to those obtained from bonds. The average value of U. S. farmland increased from about $30 an acre in 1933 to $247 an acre in early 1973.

The long-run trend of land prices surely will be upward, he says. But the rise may be interrupted by declines persisting for several months, or even a few years. Such a decline would be comparable to the periodic decreases in prices of corporation stocks.

The recent upsurge in land prices has been stimulated primarily by the unusual improvement in farm income since 1971. The strong demand for land for nonagricultural uses has provided additional support for prices of farm real estate.

Looking ahead, high interest rates will be a price-restraining factor, he says. Rising taxes and operating expenses will also tend to hold down land values.

Feed grains. World production of grains and potatoes is almost back to normal, Mr. McManigal says. But most of the grain reserves are gone. There's a tight world supply and a strong demand for both food grains and feed grains. There's uncertainty about 1974 crops, too. Both factors will support strong prices for U. S. corn and wheat through the 1973-74 marketing year.

Domestic use of feed grains in 1973-74 for processing and livestock feed is expected to be about 172 million tons, the same as in the previous year, while exports may be somewhat smaller. Currently the USDA expects about 40 million tons of feed grains to be exported in 1973-74, total disappearance to equal 1973 production, and 1973-74 carryout stocks to be 33 to 34 million tons.

The 1973-74 corn supply is expected to be 6.5 billion bushels, 2% less than the previous year's output. At present, the USDA is projecting 1973-74 corn disappearance at 5.8 billion bushels—423 million for food, industry and seed; 4.3 billion for livestock feed in the U. S.; and 1.1 billion for exports.

Feed usage of 4.3 billion bushels is about the same as in 1972-73, although a small increase in livestock numbers is anticipated. Feed usage was unusually high in 1972-73.

Wheat. Despite a record 1973 wheat harvest, low beginning stocks and strong demand will result in a further drawdown in wheat stocks at the end of the 1973-74 marketing year, Mr. McManigal says. Strong foreign demand and uncertainties about exportable supplies throughout the world set the stage for large early-season exports and record wheat prices.

The 1973 wheat crop was estimated on September 1 at a record 1.7 billion bushels, 12% above 1972 output. But carryover into the new crop year was the lowest since 1967 and total supply for the current season is estimated to be down about 10%.

Soybeans. After the experiences of the past 12 months, it seems more than a little futile to discuss soybean price expectations for this year, Mr. McManigal says. If nothing else, we have learned to think in broad ranges.

The exact size of the 1973 crop will be revealed as the harvest is completed, but it will be necessary to wait and see how utilization develops. Early export shipments will doubtless be large. The real test of the soybean market will come shortly.

It should be pointed out that the government has the power to stop price increases and to reduce prices to whatever levels it wishes by restricting exports. No dependable predictions can be made about when or if this club will be used.

Hogs. The year 1973 will be long remembered as the one when hog farmers were caught with their production down while prices reached record highs, Mr. McManigal says.

Little change in the June-to-November, 1973, intended sow farrowings is reported, compared to a year earlier. If these intentions materialize along with a slight improvement in number of pigs per litter, hogs coming to market during the first half of 1974 may decrease slightly in number.

Cattle. Cattle prices for the next 12 months may establish another record high average, according to Mr. McManigal, although it won't top the high level of August, 1973. For the next 12 months, estimated prices for choice steers will probably vary from $40-$50 —averaging near $45 for the year.

There are sizeable uncertainties in prices as we view the year ahead, he says. Supplies may be estimated fairly accurately, but demand is a great problem. The great price boost during the last couple of years came from a strong demand rather than supply reduction.

With continuing high meat prices and other prices rising, homemakers may adjust their food buying habits to include less meat. Institutional buyers will definitely make adjustments. A downturn in business with some increase in unemployment and reduction in income for some consumers would lessen demand.

The increase in feeder cattle means that numbers of fed cattle slaughtered by the last half of 1974 should be higher than those for the past year. This trend will be especially evident by the last quarter of 1974.

Uncertainty as to the level of feed prices may slow movement of cattle to feedlots, Mr. McManigal says. Higher feed prices will be a definite factor to be considered as feeders make decisions on their feeding programs.

Meat imports will likely show little increase in 1974. With devaluation and the strong worldwide demand for beef, it is unlikely that prices will be high enough to bid any substantial increased

The Installment Lending Outlook

The dirty words smudging the installment lending outlook for 1974 are "fuel shortage." A general decline in new car sales was evident in the last quarter of 1973 and is expected to continue at least until auto makers can retool to enable greater production of compact, fuel-saving, cars. The decline in new housing starts, begun in 1973, is expected to continue in 1974, resulting in reduced sales of furniture and appliances. The bottom appears to have dropped out of the pleasure boat and recreational vehicle markets. Prior to the fuel shortage, all these markets were experiencing unprecedented growth. With a predicted easing of the money crunch in 1974, installment loan departments might find themselves with ample funds to lend but few takers, according to economists.

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quantity away from other markets.

Cow calf. Mr. McManigal says that, with record calf crops, plus reduced marketings during 1973, cattle on hand in the January, 1974, inventory should be up 5% or more.

A key question facing expansion minded cow herd owners and potential investors is what the future beef price trends will be. Historically, feeder cattle prices start to trend lower by the fourth to sixth years of an expansion period in total beef cattle numbers.

We are now in the sixth year of the expansion phase of the current cattle cycle, he says. Based on past history, we should expect price difficulties in the next year or two. However, at least two factors have changed from past cattle cycles—first, the growth in cattle numbers has been more gradual than usual; second, a continuing increase in beef demand has delayed price difficulties.

In addition to the increase in domestic demand, the demand for beef around the world has increased tremendously in the last two years. This expansion will continue to take place in other industrialized countries.

In general, returns to the cow-calf segment of the cattle industry will be adequate to bring forth increased production in the years ahead. However, price levels are expected to readjust in the next few years and cow-calf producers should be prepared for this readjustment period, Mr. McManigal says.

Dairy. U. S. milk production in 1973 will be at 119.5 billion pounds, down 1.5% from 1972, Mr. McManigal says. And during the next 12 months milk production is expected to be below the year-earlier level by about 1%.

Factors responsible for this trend include high feed prices, high cull cow prices, and high returns from alternative enterprises (both grain and livestock). High feed prices in large part were responsible for declines in production per cow from year-earlier levels in June and July.

Consumption of dairy products is expected to remain strong. High retail meat prices will continue to boost cheese sales.

For the next 12 months it is expected that farm milk prices will be substantially higher than a year earlier. • •

CONSTRUCTION

A 'Satisfactory' Year Is Expected

Housing Down, Heavy Building Up; Energy Crisis to Force Changes

ALTHOUGH some sectors of the construction industry will be down in 1974—such as residential building—increased activity in other sectors—such as non-residential and heavy building—will more than offset these declines, making 1974 a satisfactory year for the construction industry.

The above is a summary of remarks made by Thomas R. Williams, vice president, First National, Chicago, at the bank's recent correspondent conference.

According to Mr. Williams, leading economists for the construction industry are predicting that 1974 volume will exceed $100 billion for the first time. The dollar growth—excluding home building—will show an increase over 1973 of from 5% to 8%. Residential building—one- and two-family homes—is expected to be down, reducing dollar volume by 3%, making for a net increase of 2% to 5%. These forecasts make no provision for the trans-Alaska pipeline, which could add an additional 5% of dollar growth.

Leading indicators are still optimistic for 1974 for construction, other than for one- and two-family homes, according to Mr. Williams. Capital spending plans are high in many industrial sectors; most municipalities have added liquidity; and GNP is posting real growth, although at a somewhat slower rate than earlier this year. The 1973 fourth-quarter bidding volume, which represents 1974 construction starts, is ahead of a year ago.

The negative factors present are the same ones that existed a year ago, he said. (1) Material shortages that could drive up construction costs. (2) Environmental regulations resulting in significant delays and cost add ons. Financing costs are not seen as a major deterrent. An increase in long-term borrowing rates, which would greatly affect construction growth, is not forecasted during 1974.

The energy crisis will intensify the need for additional electric generating capability just as it has spurred the expansion in the petroleum industry, he said. Construction expenditures for electricity, gas and communication facilities are estimated to be up 45% in 1973; and one economist predicts an increase in this category in 1974 of 33%, exclusive of the trans-Alaska pipe line, which could result in an over-all increase of 100% over 1973.

New construction work throughout the nation in 1974 will total $101 billion, only 2% above 1973's anticipated level of $98.7 billion, according to McGraw-Hill's recently issued *1974 Dodge/Sweet's Construction Outlook*. The publication's editors conclude that the nation is in for a substantial slowdown from the way things were in 1973. There will be a generally hostile environment for construction.

The energy shortage will play a major role in the fortunes of the construction industry, the book predicts. Certain types of construction will be stimulated by the shortage, including petroleum refineries, deep water port facilities, electric generating plants and the Alaska pipeline project.

The fuel shortage is likely to cause home buyers to place a premium on the convenience of public transportation when selecting home sites, according to Halsey, Stuart & Co., Inc., Chicago, in its *Money Market Comments* publication.

The firm's editors state that homebuyers will think twice about locating in a remote area that is far from shopping centers, employment and public transportation. A trend to locating close to one's place of work is expected.

The energy shortage is expected to slow the development of shopping centers. In terms of overall priorities, the publication states, commercial building will rank behind residential. Reports

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are circulating of commercial structures experiencing delays in getting permits for utility connections. Commercially zoned land adjacent to public transportation might be utilized for residential construction if the fuel crisis persists.

Halsey, Stuart has revised its estimate of 1974 housing starts from 1.75 million to between 1.6 and 1.7 million. Shortages of construction materials, together with a realignment of plans of builders, seem likely to act as a depressant, according to the firm. An energy-induced recession will tend to dampen overall demand for housing, even though availability of mortgage money should improve.

Industrial and commercial building is likely to show divergent trends in 1974, the firm says. Industrial outlays in 1972 totaled $4.7 billion and are expected to total close to $6 billion in 1973, a rise of 26%. The increase in 1974 will probably be somewhat larger with heavy investment by intensive capital consuming industries such as steel, metals, oil, coal and public utilities.

But commercial construction is another story, the firm states. Priorities imposed by utility companies (or set by government decree) seem likely to limit commercial development. Investment in commercial projects in 1973 is expected to total approximately $16.2 billion, or 20% above 1972. No increase is expected for 1974.

A 13.3% increase in the number of mobile homes constructed in 1974 is predicted, making for a total of 691,000 units, according to the economics department at North Carolina National, Charlotte. That figure is compared to a 5.9% increase in mobile homes built in 1973 over 1972. The average price of a mobile home is expected to rise from $7,500 to $8,000 in 1974 and revenue from manufacture of the homes in 1974 is expected to jump 20.8%, to $5.5 billion. • •

DURABLE GOODS

The Outlook Is Not All Good

Steel Demand High, Automobiles Skid; Energy Crisis Clouds '74 Picture

By FRANCIS G. FOSTER JR., Vice President, First National Bank, Chicago

THE STORY about heavy industries has been one of strong demand and shortages in 1973. This should generally continue through 1974.

The steel industry can expect a continuing high level of demand in 1974, although somewhat lower than in 1973. The Commerce Department forecasts production of 142 million tons, 4% less than the record level of 148 million tons in 1973.

Many steel mill customers have been running flat out 24 hours a day for the last several months and are completely sold out in many product lines for the first six months of 1974. They have even discontinued some low-volume or less-profitable lines as they've come up against a severe capacity crunch.

The need to rebuild seriously depleted inventories and to catch up on routine maintenance work in plants and equipment will also affect the sales picture in 1974.

Aluminum ingot and mill products are expected to level off at 13.9 million pounds in 1974, an increase of 2% over 1973. Copper production will experience a larger percentage increase, probably in the neighborhood of 10% above 1973.

Because of major plant and equipment investment decisions made in the last year, orders for metalworking machinery with long lead times will become deliveries in 1974. After a brief decline this past summer in the rate of incoming machine tool orders, bookings have increased again and backlogs for these tools continue to build. Many machine tool manufacturers have record backlogs and some are quoting deliveries of up to 18 months. In 1974 shipments of machine tools should increase by at least 13% to $1.6 billion and new orders should decline somewhat.

After three years of booming sales and a record-smashing 1973, the automobile industry is experiencing a downturn with the 1974 model season —perhaps a decrease of 7% to 10%. Domestic car sales for the first 10 months of 1973 were 8.3 million versus 7.7 million in 1972. But for the month of October, 1973, sales were actually *down* 9% from the previous year. Even adding in the strong showing by foreign cars, sales were off 5%.

The industry's outlook is confused by the fact that there is too much production capacity in the standard and intermediate lines and a marked under-capacity in compact and sub-compact lines. Through October, 42% of the cars purchased were small ones as opposed to 38% in 1972. Several plants of the Big Three have been switched to small car production to handle the demand.

The outlook is also obscured by possible gasoline rationing, which would have a significant effect on total sales and make demand for small cars even stronger.

Construction and farm equipment will experience record sales and profits in 1973 and even better results would have been realized except for capacity restraints. In construction equipment, unfilled demand will carry over into the record construction of new commercial and industrial buildings, but will be tempered by a sharp downturn in residential construction.

Farm equipment ought to register the unprecedented feat of having its third record year in a row. Farm incomes are at an all-time high and that traditionally has been the best indicator of what sales will be like for farm machinery.

While there are strong underlying strengths in these sectors of the economy, the energy crisis tends to cast a pall over some of the bright aspects for 1974. It is difficult to assess the potential trouble based on the information currently available; we can only hope to get through 1974 with a minimum of industrial dislocation. • •

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

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Potential for Improvement Exists

Individual Investor Discouragement Could Change to Mood of Confidence

By WAID R. VANDERPOEL, Vice President, First National Bank, Chicago

THIS YEAR will not represent a golden harvest for common stock investors. Despite earnings which both achieved a record high level and exceeded investors' fondest expectations, the equity markets will undoubtedly provide a negative return. Many observers feel that individual investors are more discouraged with common stock ownership than at any time since the market doldrums just after World War II.

A year ago I stated a belief that the stock market was moderately on the high side of "normal." Nevertheless, I felt the market would move higher—and it certainly did for about two months. Both leading averages attained an all-time high in January with the Dow advancing to a record 1,060. I fear prosperity came too swiftly. From that January peak, it has been mainly downhill. Even though the peak represented far from a record overpricing, many stock groups have been severely punished. Good earnings were not enough to withstand the sledge hammer blows of Watergate, disaster on the anti-inflation battle front, record high interest rates, uncertain and uneven economic policies from Washington, the rapid development of serious shortages within the economy and the Middle Eastern War. Even until a few weeks ago, it appeared that better earning power might yet carry the day; however, investors are now pretty well reconciled to the apparent fact that 1973 is going to be a substantial down market year.

However, 1973 will soon be relegated to the history books. What do we foresee for investors in the year ahead? There appear to be an almost record number of uncertainties. Watergate still haunts us, there has been a serious erosion of confidence in the ability of the Administration's economic policies to check inflation, corporate earnings momentum is visibly slowing, consumers find their buying power eroding and we are increasingly plagued with shortages of a long list of commodities and materials. In addition, bond yields provide high competitive yields and thus put pressure on equity prices. Is there any hope for the hard-pressed common stock investor?

Let's examine what he has going for him:

- A much higher level of earnings. In 1973 we estimate Dow Jones Industrial Average earnings will advance 25%. While there is little agreement on the direction of 1974 profits, it seems clear we now have a much higher base or plateau level.

- Lower price earnings multiples. These better profits are certainly not being reflected in stock prices. A year ago the Dow commanded a 15.1 multiple of current earnings and price earnings ratio of 15.2 times trend line earnings. The S & P Index of 425 Industrials sold at a hefty 17.8 times than current earnings and a slightly stiffer multiple of 28.2 times trend line earnings. Now the Dow is a skimpy 10.7 times current earnings and a reasonable 13.2 times trend line earnings. The S & P 425 is not quite as reasonable, but at 14.5 times current earnings and retaining a multiple of 16.1 on trend line earnings it is certainly not high by historical standards.

- The Administration has relaxed its overly restrictive dividend policy. Dividends are in a healthy uptrend and 1974 will be a record year. Dividend gains are vital to meet the competition of higher bond yields.

The problems are all too obvious. Inflation, which seemed to have almost subsided in 1972, is alive and well and living in your neighborhood supermarket, at the nearest gas station and a dozen other places. Shortages break out all around us. The Middle East War has disrupted the normal flow of crude oil supply. How are most stocks, entire portfolios, going to finally provide a fair return to increasingly discouraged investors, when we are confronted with a whole trainload of problems?

I believe it is concern over these problems which has prevented investor success in recent years. Stated another way, the big, persistent decline in price earnings ratios is the principal cause for lack of success in stock ownership. If we examine initial yield and combine it with subsequent earnings growth, we discover that we would have received a reasonable return except for the decline in earnings.

For example, an investment made in the Dow Jones Industrial at the mean price of 1967 gave a yield of 3.5%, a 1967-1973 earnings growth of 7.9%. Combined, these should have led to a total return of 11.4%. The investor's actual return from 1967 to the present, after allowance for the decline in multiples, has been only 3.9%.

I believe that investor salvation lies in a return of—or at least improvement in—confidence. Two years ago I would have said that the equity market's primary need was for better earnings—for proof that overall earnings progress was again possible. Now it would seem that market progress is truly dependent upon the comeback of earnings multiples which would spring from a return of confidence. Here is what needs to happen to restore and build that confidence:

- Substantial progress in the battle to bring inflation under control.

- Peace in the Middle East and a restoration of normal crude oil shipments.

- An improvement in the Washington political situation.

- A reduction in interest rates—this being probably dependent upon progress in the efforts to subdue inflation.

- Sound, accepted policies aimed at reducing current shortages without spawning a host of new problems.

Even in this most imperfect of worlds, at least partial success in each

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

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of these areas is distinctly possible. Even with success, confidence may return more slowly than we might wish. However, with even partial success against these problems, I believe we can foresee a far more robust stock market in 1974 than in 1973.

I believe there is good reason to anticipate a major market advance with a material reduction in inflation and a modest deduction of interest rates. It is also probable that dividends will advance in 1974 at a considerably better rate than will earnings. Whether these improved conditions can develop immediately is certainly not clear; however, the potential for a greatly improved market is achievable. • •

SECURITIES INDUSTRY

Transition and Fallout Taking Place

Hard Times Are Convincing Leaders To Adapt to Changing Environment

By H. JAMES DOUGLASS, Vice President, First National Bank, Chicago

FOR MORE than a year now, the industry which we most closely associate with our capitalistic system has been operating in a state of shock. All traditional sources of revenue to securities firms have dwindled—underwritings down by half the 1972 volume and trading with retail and institutional clients off an equally dramatic amount. For the first eight months of 1973, the 3,000 firms making up the securities industry have reported losses approaching $300 million. For an industry which is already undercapitalized, this is a monumental figure, as it represents a reduction in a balance sheet component that has been difficult to secure in sufficient size or form in the best of markets. As a result, several large firms have merged in recent months and numerous others simply ceased to exist.

The industry has moved from one crisis to another for generations. Its leadership is still greatly splintered so solutions to its problems have been slow to come from within. In brief, it has been unable or unwilling to recognize change, believing it in its best interest to merely wait out the storm. The SEC has provided rather loose regulation, but this attitude along with that of Congress, is quickly changing. We will see the direct evidence of this during 1974 as national depository and clearing organizations become operative. There has been a lot of foot-dragging but it now appears that the self-serving tendencies of existing structures are giving in and we soon will see that the parochial prides of major financial centers can be amalgamated successfully if leaders will talk to one another.

A central market system will follow —either a merged national market or close coordination between existing exchanges.

At stake is the success of our free enterprise system, which the securities industry has served so well in the raising of capital. Thousands of American companies of all sizes, but mostly moderate, saw the system falter during 1973 when they were unable to tap the public market, saw their bank debt increase and, in many instances, could see no other solution than to sell at the low prices prevailing in 1973. These circumstances occurred as our economy is embarking over the next few years on an unprecedented search for capital.

Securities firms are much better managed now, having learned considerably in the recent '69-'70 clean out. Less than 100 firms account for the bulk of activity and this roster is made up of the well-known national houses plus the rapidly improving regional firms that have demonstrated their versatility and vitality so well in the last few years. For the most part, these firms are being run by administrators. Their ratios are in good order and the well-run firms compute these positions constantly.

It may sound a bit peculiar, but their operating losses in most instances have been well managed, mostly through taking actions of economy that they were unwilling to accept in previous times. They are prepared for the return of investor confidence and the latest cycle now appears to have started in late September, resulting in fine profits being realized during October, which was aided in part by the SEC authorizing an increase in commission rates.

It is impossible to predict the earnings of this industry, just as one cannot forecast the direction of the market. However, we do know that it must raise more capital and must begin to act rather than react to changes. Even with these, there are going to be far fewer firms competing for your commission dollar and the loss will be most obvious among the many small regionals or single-office operations, which offer nothing special to the investor.

The "good old days" are gone and so will be the firms that are waiting for their return. New capital markets call for imagination and vitality. We see the leaders preparing themselves to meet the challenge. • •

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

Attend RMA Workshop

Some of the participants in Robert Morris Associates' lending to contractors workshop held December 4-5 in St. Louis discuss some of the topics during a work break. Pictured, l. to r., are: Thomas F. Kelly, a.v.p., Indiana Nat'l, Indianapolis; S. A. Lasiter, a.v.p., American Fletcher Nat'l, Indianapolis; J. C. Ruthenburg, a.v.p., Old Nat'l, Evansville, Ind.; J. William Middelton, sr. v.p, Equitable Trust, Baltimore, and workshop coordinator; William A. Carson, comm'l banking officer, First Nat'l, St. Louis, and Bruce McPhee, v.p., First Nat'l, Des Plaines, Ill. This workshop was followed by a finance company lending workshop December 6-7.

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Will Wings of HCs Be Clipped?

Tenn. Formulates Restrictive Statute; Asset Limitation to Be Tried in Mo.

THE RAISING of interest-rate ceilings, placing limits on holding company expansion and branching are the topics that will dominate issues affecting banking in the various state legislative sessions scheduled for 1974.

Interest-rate matters are expected to come up for action this year in Illinois, Mississippi and Missouri as bankers seek authority to allow financial institutions to charge higher interest rates to enable them to stay competitive with —or gain an advantage over—rates in neighboring states. (See page 36 for more on this topic.)

Missouri and Tennessee bankers are girding for battle in attempts to restrict holding company growth in those states.

Tennessee. The legislature is scheduled to take up the topic of HC restrictions for a second time this year. A special bank structure committee of the Tennessee Bankers Association has been working to achieve an industry-wide position on the question of bank HCs. After several meetings, the committee—composed of three representatives of the TBA's bank holding company committee and three from the Independent Bankers Division—has agreed on legislation that will be recommended for statehouse consideration.

The recommendations include the following:

- De novo acquisitions of banks by HCs will be prohibited except in counties of more than 200,000 population (Knox, Hamilton, Davidson and Shelby) until January 1, 1980.
- All banks will be required to operate for a period of five years from their date of charter before they can be acquired by a HC. Exception will be made for banks in financial difficulty if acquisition by a HC would protect stockholders and depositors by maintaining financial soundness. "Phantom" bank mergers would also be exempt from the provision.
- HCs will be specifically allowed to enter any and all markets through acquisitions which meet the above requirements.
- No HC will be permitted to acquire any Tennessee bank after it has obtained 16½% or more of total individual partnership and corporation demand and savings deposits in the state as reported by the FDIC.

Several pieces of legislation affecting banking which were introduced during the 1973 session will again be considered this year. They include a bill to provide for maximum interest rates for all auto loans based on the age of the vehicle. In addition, this bill would set maximum delinquency charges and would completely abolish the holder-in-due-course doctrine for all motor vehicle sales contracts.

Another piece of legislation which has been considered for the past several years is a bill that would reduce the time-price differential on retail installment sales from 18% to 12% annually. This legislation is designed to affect credit card operations but it would also apply to any retail installment sales contract.

Another piece of legislation would prohibit the exclusion or modification of any warranty pertaining to consumer goods or services.

Missouri. Two groups are seeking to place restrictions on HC growth. Leaders of the Missouri Bankers Association have received authorization from the MBA board of directors to begin negotiating with banking and legislative groups on restricting HCs by asking them to support a proposal barring any

(Continued on page 58)

The Federal Legislation Picture

According to the ABA, a dozen pieces of legislation are expected to be presented to Congress this year that should be of interest to bankers.

S&Ls will attempt to get 100% insurance of public funds, which would enable them to obtain Treasury tax and loan accounts deposits.

S&Ls are expected to try for a raise in their insurance ceiling on deposits—from $20,000 per account to $50,000.

Pension reform legislation, which has already passed the House, is also expected. The bill deals with greater disclosure, fiduciary standards, funding, vesting and termination insurance.

Budget reform legislation can also be expected, aimed at changing the structure of the Congress to get a better handle on the budgetary process.

The acquisition of S&Ls by bank HCs will be aired (see related item in News Roundup). Congressman Wright Patman (D.,Tex.) chairman of the House Banking and Currency Committee, is expected to introduce legislation prohibiting such acquisitions.

Truth in Savings, a part of the Nixon package on bank structure changes, should be acted upon—or at least given considerable publicity. The Fed has asked for comment on proposed legislation that would require disclosure of annual percentage rate and other terms of savings plans by January 31.

An omnibus bill covering everything from fair credit reporting to women and credit is expected to be introduced by Congresswoman Leonor K. Sullivan (D.,Mo.).

Hearings on the Financial Institutions Act (Hunt Commission proposals) are expected in early 1974. The Act would change the nation's financial system (See November, 1973, MCB, page 68).

Emergency housing legislation can be expected. A package on this has been put together by the thrifts and home builders. Its prime ingredient is 100% insurance of public funds and an increase in deposit insurance to $50,000.

Tax reform might be presented in a package that would cover investment tax credit, minimum tax, foreign tax credit, bad debt reserves, interstate taxation of banks, taxable municipal bonds and the mortgage tax credit.

The Securities and Exchange Commission (SEC) is expected to be looking into the regulation of bank securities activities. Along these lines, a Senate bill is in the works calling for SEC regulatory authority over automatic investment programs.

A modernization of a section of the Federal Reserve Act is expected that would allow banks to invest in undeveloped property. State banks can make such loans but national banks cannot at present.

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Interest Ceiling Boosts Sought

Missouri BA Starts Education Program; Arkansas Caught in Credit Crunch

ATTEMPTS to raise interest rate ceilings are expected this year in several state legislatures, including Missouri, Mississippi and Illinois.

A movement is getting underway in Arkansas on the part of both bankers and retailers to bring the state out from under a constitutionally-imposed interest rate structure that is said to be stifling economic progress there. In addition, there is a continuing interest among Tennessee bankers to raise that state's interest rate ceilings, but it is thought no action will be taken until 1977, when a constitutional convention is expected to convene that could result in a recommendation for an adjustment of interest rate ceilings.

Many bankers lament the fact that the public, by and large, doesn't realize that it is not profitable for a bank to make a loan at 8% when the funds must be obtained at much higher rates—up to 12% in recent times. A retailer could not sell an item for $1.98 if it cost him $2.50 and stay in business very long. Yet bankers realize the economic health of their trade areas depends on the availability of funds. When those funds are available to the bank only at a high price, the bank must seek ways of charging a high enough price for those funds to enable it to stay in business and fulfill its obligation to its stockholders.

The Missouri Bankers Association is mounting an aggressive publicity campaign in connection with its attempt to raise the state's interest rate ceiling from 8% to 10%. It is providing an advertisement that member banks can insert in newspapers. The ads explain why an interest equalization law is needed to help Missouri grow.

The ad stresses the fact that the rising cost of money has hurt nearly all business and farming interests in the state. But it has hurt the would-be buyers of homes most. The Kansas City *Star* recently described the real estate and building industry in Missouri as "a hardship case."

The advertisement explains that commercial banks, insurance firms and other lenders obtain the money they lend from federal funds, time deposits and the sale of bonds. In addition to the high cost of obtaining this money, banks must add about 2% to cover normal operating costs.

Just to break even, therefore, many lenders must charge up to 12% for loans, which would amount to usury in Missouri and most other states.

The net result of this credit crunch is the denying of loans to would-be borrowers. Lenders could charge in excess of the legal interest rate and perhaps get away with it, but the penalty in most states is not worth the risk—in both financial and prestigious terms. In Missouri, the civil penalty for charging excess interest is liability for the excess interest and the invalidation of the security agreement.

The MBA's advertisement points out that several states adjacent to Missouri allow higher ceilings on private loans. In addition, certain government agency lenders are not subject to the 8% law. The result is that money that should be available for loans to help Missouri grow has been moving out of the state or into federal agencies.

"We say we believe in supply and demand. We say we believe in competition. And then we write the rules of the game so that Missourians must play the game under a handicap!" the advertisement states.

An interest equalization law setting an interest ceiling of 10%, according to the MBA, would permit lending institutions to compete with the federal government and lending institutions of neighboring states.

Some would term such a rate as usurious, but such would be true only if the rate was completely out of line with the market price for money, the ad states.

The MBA says a 10% rate would be fair and necessary because that is the range for prime corporate loans at the present time. Lending is a competitive business. Supply and demand controls the rate. If demand falls or the supply increases, interest rates will fall. It is stressed that 10% would be a ceiling, not a floor.

Also, such a rate is necessary if Missouri's lenders are to be able to compete with lenders subject to non-Missouri laws, the ad states. Without a 10% interest equalization law, money would continue to flow out of the state, drying up available loan money within the state.

"Missouri's lenders are in competition with all other lenders. They play the same game in the same park. So why not under the same rules?" the advertisement asks.

In order to spread the word about the need for the interest equalization law, the MBA is prepared to send speakers to explain the situation; it is encouraging all interested parties to contact their state legislators to talk up the need; and it is calling on all interested people to signify their support by placing their names on a mailing list.

The bill has been submitted to the

Legal Interest Rates in Mid-Continent Area

State	Legal Rate	Contract Rate	Corp. Rate
Ala.	6%	8%	8% to $10,000, 15% to $100,000, no limit on excess
Ark.	6%	10%	No statutory provisions
Ill.	5%	8%	Unlimited
Ind.	8%	8%	Unlimited
Kan.	6%	10%	No special rate
Ky.	6%	8.5%	No special rate
La.	7%	8%	Unlimited
Miss.	6%	8%	15% over $2,500
Mo.	8%	8%	Unlimited
NM	6%	10-12%	No statutory provision
Okla.	6%	Special rates determined by UCCC	No special rate
Tenn.	6%	10%	Unlimited
Tex.	6%	10%	1.5% per month, over $5,000

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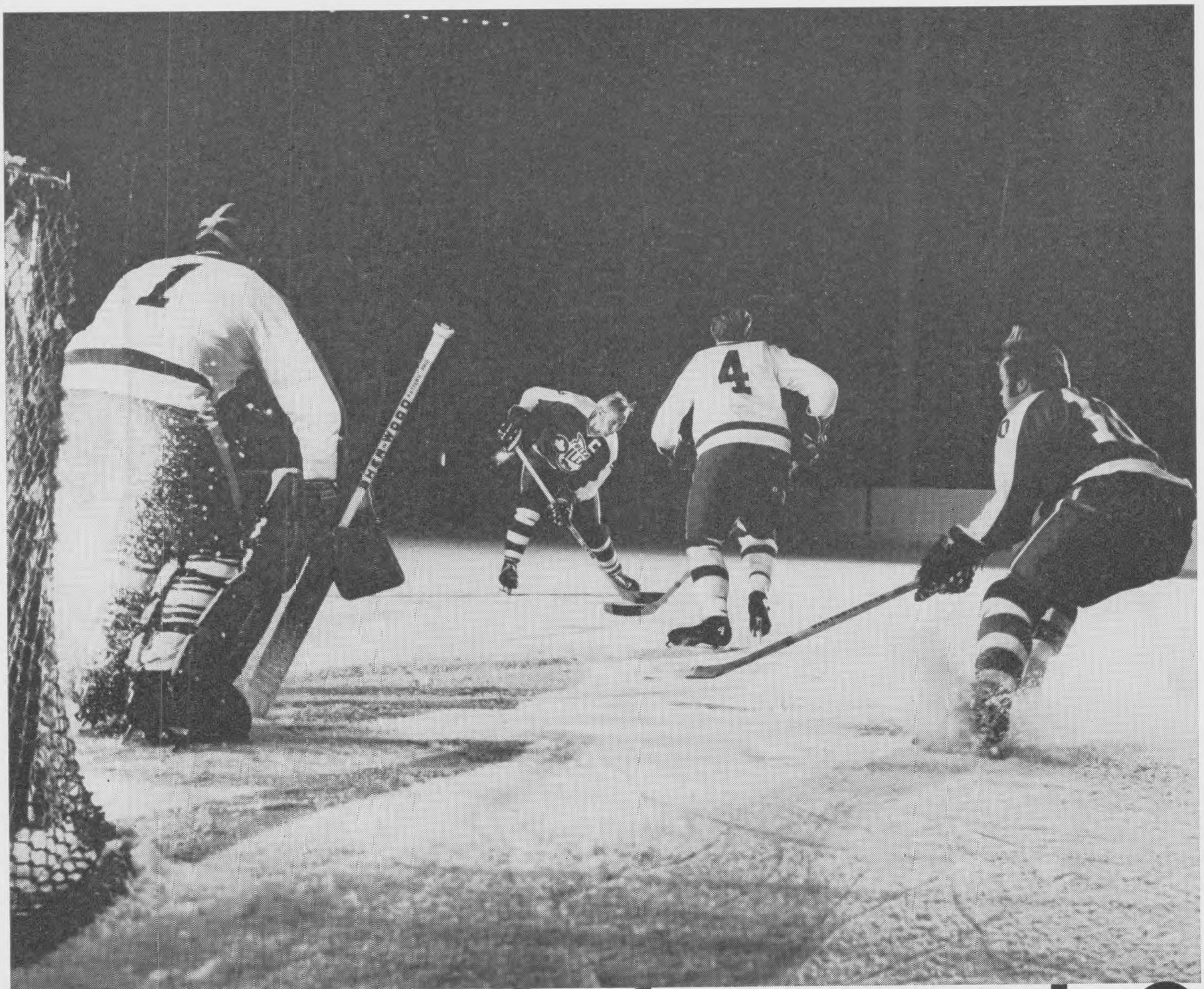


Now what do you do?

Third period. Score tied. They're a man short and you've broken through on a power play. What do you do? Pass to your wingman? Drop it back to your center? Slap a shot yourself? Big play.

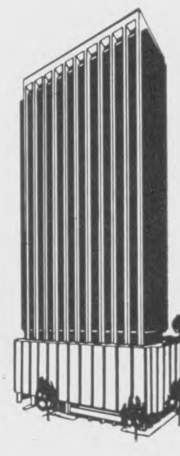
Many times in banking you must make a similar judgment. Quickly. Forcefully. And you'd better be right. When you're faced with such a situation, the difference between success and failure may well be the plays and counter-plays you've worked out in advance with your correspondent.

Fourth National . . . The **Action Bank** of Tulsa . . . is geared to action. No unnecessary delays. No fumbling or fussing . . . because The **Action Bankers** know how important getting on with the job can be. That's why all of the many correspondent services at the Fourth are designed to be implemented as swiftly as possible with little or no red tape involved.

Want proof? Then call Glenn "Red" Ward or Wilbur Waters and get it. We can't vouch for them on the ice but when it comes to correspondent service . . . they'll make the Stanley Cup Playoffs every time.

The Action Bank

FOURTH
NATIONAL BANK
515 SOUTH BOULDER
TULSA, OKLAHOMA 74103



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Missouri Legislature as Senate Bill 342 and House Bill 878.

Eugene A. Leonard, first vice president of the St. Louis Fed, recently said that state usury laws, such as the 8% limitation on individuals in Missouri, "hurt the very people they are intended to help."

In periods of inflation, he said, these laws merely drive long-term mortgage money out of the state. They are not needed during non-inflationary periods because interest rates always fall below the limits set by the law.

"We'll probably never know how much money—that could have been put to productive use in Missouri—has fled the state in the past year," he said. "Savings and loan officers as well as bankers will admit privately to buying loans granted in other states, but never will submit actual figures for fear of being branded as bad citizens."

He said that due to the current rate of inflation, the true yield to the lender is only 4%—even less than that when taxes are deducted.

When the "real cost" of money is less than 4%, borrowers who need funds to maintain and expand business operations are not deterred by 9% and 10% rates, he said.

"If we had no inflation problem, the state law would not hurt anyone," Mr. Leonard said. "But we have to work in today's financial environment, rather than what existed 105 years ago, when the Missouri usury law was first adopted."

Under today's fair-lending laws, he said, full disclosure must be made on interest rates charged, so borrowers are protected from being deceived. Therefore, any protection given by such laws is far outweighed by the damage it does to the state's overall economy.

Mississippi bankers are seeking a raise in the legal contract interest rate from 8% to 10%, as in Missouri. Illinois is seeking to raise its simple interest rate from 8% to rates varying from 9½% to 10%. No increase is being sought for the 7% add-on rate, although increases in the maximum amount and maturity period are being sought to bring the figures from $7,500 to $15,000 and from 61 months to 121 months.

Another state that is hurting over its interest rate ceiling structure is Arkansas. Due to a unique situation, Arkansas borrowers seem to be the worst off as far as being able to obtain funds during this inflationary period.

The state constitution, adopted in 1874, contains a special clause that prohibits any lender from charging more than 10% simple interest.

There is no special small loan rate, which makes it almost impossible for lenders to exist on installment loans.


An Interest Equalization Law is Needed to

HELP MISSOURI GROW

1. The Credit Crunch

In 1973, the cost of money has gone up – WAY UP.

Of course everyone in business and agriculture feels the pinch . . . but the people who have really been hurt are would-be buyers of homes. The Kansas City Star recently described the real estate and building industry in Missouri as "a hardship case."

Many Missouri lenders – commercial banks, insurance companies, many others – obtain the money they lend from federal funds, time deposits and the sale of bonds. The rates they must pay for such money reached 11% in 1973; and their normal operating costs are estimated at 2%.

Just to break even, therefore, many lenders had to charge 12% to 13% for loans. (The rate for prime corporate borrowers reached 10%; non-prime rates were higher.)

2. In Missouri, a SPECIAL Problem

Missouri law presently limits to 8% the interest a financial institution can charge a noncorporate borrower.

Obviously, a lender cannot "sell" money for less than he pays for it, any more than a gasoline dealer can sell his product at less than cost.

And that's exactly what many a would-be borrower in Missouri found out in 1973: money just isn't available at 8%.

3 Our State Loses in the Competition For Money

States surrounding Missouri have, by law, higher ceilings on private loans – 10% in Kansas, Arkansas and Texas, to name examples. In addition, certain government agency lenders are not subject to the 8% law. Money that should be available for loans to help Missouri grow has, as a consequence, been moving out of Missouri or into these federal agencies. (Deposits in many of Missouri's financial institutions actually declined in 1973.)

We say we believe in supply-and-demand. We say we believe in competition. And then we write the rules of the game so that Missourians must play the game under a handicap!

4. A Law-Created Problem Can be Solved--By Law

Missouri needs an Interest Equalization Law, to permit lending institutions in our state to compete with the federal government and lending institutions of our neighboring states.

(LOGO SIGNATURE)

(REPEAT IN COUPON)

5. Yes, But Isn't That . . .

Usury? No. That term goes back to ancient times when any loan of money for interest was considered sinful and even illegal.

Today, we all use, and pay for, credit to finance homes, cars, appliances and most other goods and services.

An unfairly high interest rate would be wrong, of course; but the market-place itself is the best judge of what the word "fair" means. Besides being in the service business, lenders are intensely competitive. They don't, and can't, "set" rates.

6. Is 10% Fair?

We believe a 10% loan ceiling to be both fair and necessary:

(a) It's fair because in fact that is the range for prime corporate loans at the present time. Lending is a competitive business. Supply-and-demand controls the rate; if demand falls or the supply increases, interest rates will fall. 10% is a ceiling, not a floor.

(b) It's necessary if Missouri's lenders are to be able to compete with lenders subject to non-Missouri laws.

Without a 10% Interest Equalization Law, money will continue to flow out of Missouri, drying up available loan money within our state. Is that fair to Missouri?

Missouri's lenders are in competition with all other lenders. They play the same game in the same park. So why not under the same rules?

7. The Time For Action -- Now

The time has come for Missouri to plug the dollar drain, before all the liquid capital – money – needed for our state's development runs out.

YOU CAN HELP. DO IT TODAY. (a) Contact your state legislators. Tell them how you feel on this vital issue. (If you need their names and addresses, contact us.) (b) Talk to your news editors and to other opinion leaders in your community. Share your views with them. (c) If you belong to a group that would like to hear a speaker on this, write us or call us. (d) Join us, by completing and sending us the coupon.

To ______ ______ (Address)

(please check)

____ I agree that Missouri needs an Interest Equalization Law.

____ You may list my name in support of the proposed law.

____ Put me on the mailing list.

____ I will help the Speakers' Bureau.

a. ____ by arranging speaking engagements

b. ____ by speaking in behalf of the proposed law

(print)

name ______

address ______

ZIP ______ Phone ______

Ad provided to members of Missouri BA to inform public of need for interest equalization law.

The situation makes it difficult for banks to make money on the credit card business, too.

The interest ceiling has plagued some lenders for years, according to *Business Week*. Finance companies felt the squeeze first in the 1960s, and most have since fled the state.

Now that the prime has hit 10%, banks are finding themselves in the same spot the finance firms were in a decade ago.

Unless the law is changed or interest rates take a rapid dive, Arkansas will experience a full-scale credit crunch and recession, says Edward M. Penick, president, First Arkansas Bankstock Corp. "There will be no growth in the state, and that will hurt construction and employment," he said. "The average working man looking for a car, mobile home, or boat won't be able to find a loan. The Arkansas usury law, which is supposed to protect the small borrower, is going to be his downfall."

Any lender found guilty of usury in Arkansas under the current statute stands to lose the full value of his loan. *Business Week* cited a case of an auto dealer who sold a car under an installment loan that was later declared usurious and who was unable to recover interest, principal or the car itself.

As a result of the situation, Worthen Bank, Little Rock, has set up a special loan allocation department to ration credit. The department is trying to take care of its regular customers—all others need not apply, especially if their needs are small, according to *Business Week*.

The state's largest S&L has stopped making loans on older houses. It is granting construction loans only to contractors who are established customers. But even these customers are not assured of a steady flow of funds.

According to *Business Week*, two large projects set for the Little Rock area have been cancelled because funding could not be obtained at rates low enough to prevent possible usury charges being brought.

The only finance firm left in the state has cut its loan volume from $15 million to less than $7 million in the past few years. It no longer makes loans for autos, mobile homes and factoring departments.

The state's largest mobile home dealer has been cut off by four banks due to the credit crunch.

Worthen Bank is said to have lost nearly 2% of its deposits in a flight of funds to banks in neighboring states.

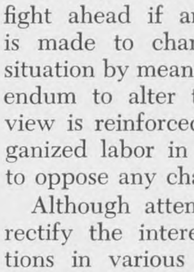
The extent of the problem is highlighted by the situation in Texarkana, which straddles the Arkansas-Texas line. There are 11 new car dealers on the Texas side, where usury laws are more lenient, but none on the Arkansas side. There are 23 used car dealers on the Texas side, but only three on the Arkansas side. Similar lopsided figures are cited for furniture and appliance dealers.

Arkansas bankers predict a difficult fight ahead if and when an attempt is made to change the interest rate situation by means of a state-wide referendum to alter the constitution. This view is reinforced by the fact that organized labor in the state is expected to oppose any change.

Although attempts will be made to rectify the interest rate ceiling situations in various states, the odds are great that change will not come easy. What is needed, bankers say, is a program of education that will convince the public that higher rates are essential if they wish to continue making use of credit.

The only alternative would be for inflation to simmer down with the prime rate dropping to more normal figures. But that would only offer temporary relief. • •

Chicago Banker Promoted



Barry F. Preston has been promoted from assistant vice president to vice president, commercial loan division B, Exchange Nat'l, Chicago.

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Raw Materials Seen Short

Panel Says Fuel Crisis Can Hit Economy Hard

A CALL for optimism and a realistic approach to the problems expected from shortages of raw materials and fuel was made by speakers appearing at a Business Forecast Luncheon sponsored by Boatmen's National, St. Louis, in late November.

A panel of prominent St. Louis business leaders expressed their views on how the energy crisis will affect the business outlook for 1974 at the luncheon attended by local businessmen. Presiding was John M. Brennan, senior vice president at Boatmen's.

The consensus was that the energy crisis and attendant problems could deal a severe blow to the economy in 1974. However, no one knows for sure if the dislocations that are expected will affect only the short-term outlook or will have more far-reaching implications. Viewpoints expressed seemed to favor short-term problems that would be licked by business in the long-term.

• **Retailing.** A mood of guarded optimism was voiced by Stanley J. Goodman, chairman and CEO, the May Department Stores Co. He said a slower rate of growth was expected in 1974, caused principally by a shortage of supply, not demand. He cautioned businessmen to take stock to make sure they are not over-reacting in "this supercharged period," which could result in adopting a too-pessimistic view. He said the buying outlook in the retail sector looks pretty good, with predictions showing purchases for 1974 ahead of the summer 1972 level. He predicted that no recession would occur in 1974; rather the word for the year will be "stagflation"—a period of slow growth and continued inflation.

• **Chemicals.** Stanley H. Anonsen, president and CEO, Mallinckrodt Chemical Works, told of the possible effects the shortage of supplies derived from petroleum could have for the chemical industry and the many industries that depend on chemicals for continued operation. He said the type of winter we have will determine how industry fares. If the weather is severe, he said, forcing fuel cutbacks, large-scale layoffs would result. He also said that sales growth will taper off by the end of 1974.

• **Petroleum.** Oil and gas, traditionally considered to be economy fuels, will never be cheap again, said Ellis L. Brown, chairman and president, Petrolite Corp. Mr. Brown called for the removal of all price controls on fuel to encourage exploration for new sources, settlement of the Middle East conflict and the lifting of the oil embargo by the Arabs, removal of restrictions on federal fuel supplies and the opening of federally controlled lands for fuel exploration and the opening of the continental shelf to oil drilling.

He also called for the following steps to alleviate the fuel crisis: development of the Alaskan oil fields, removal of coal restrictions and the establishment of a research and development program to find new sources of energy.

• **Agriculture.** A pretty good year for crop farmers was predicted by Paul

(Continued on page 66)

Portion of head table at Boatmen's seminar includes (from l.) Walter J. Simons, v.p. & treas., Chrysler Corp.; Donald N. Brandin, ch. & pres., host bank; and John M. Brennan, sr. v.p., host bank. Seminar was preceded by luncheon.

NORTHERN TRUST MEETING

Oil Is in the Driver's Seat

Lengthy Fuel Embargo Will Bring Recession

THE SUPPLY of oil holds the key to the American economy in 1974, according to Dr. Harold C. Warner Jr., vice president and associate economist for The Northern Trust Company, Chicago. He presented his evaluation to a group of correspondent bankers attending a December 6 meeting on the bank's premises.

The economy could be expected to perform reasonably well, he estimated, if Arab oil supplies were to be cut off only for about three months. If the oil embargo would continue for six months, he said, the outlook would be bearish for the economy.

A three-month cutoff, he said, would still allow GNP to grow approximately 1% in 1974. Unemployment could rise to 5%; profits would decline 3-5%; short-term interest rates would drop; energy prices would move up sharply.

A six-month embargo, on the other hand, would restrict GNP to 1973 levels; unemployment could rise to 6%; profits could decline as much as 10%; and interest rates would drop drastically. Undoubtedly, he said, spending for new plant and equipment would be curtailed sharply and, thus, the nation could face a recession of some magnitude in the first half of 1974.

In his judgment, the biggest question now faced by the nation involves top-level policy decisions (in Washington, D. C.) that will allow the nation to research and develop alternate sources of energy. After all, he said, the United States faced an energy shortage even before the Arab-Israeli conflict triggered an oil embargo.

Bankers attending the one-day meeting also expressed their concern over the energy crisis. About one third responded—to a mini-survey conducted by the bank—that their communities would be affected significantly by an energy shortage. About two thirds felt that a reduction in energy would affect them only slightly.

Approximately 90% of those attending felt that "stringent measures" would be required to reduce fuel consumption.

(Continued on page 68)

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ALABAMA FORUM

Economic Challenges Cited

Interest Rate Boost Asked at HC Event

APPROXIMATELY 500 Alabama bankers received a clear indication of the economic challenges they face in 1974 during the First Alabama Bancshares Forum held in Montgomery last month.

The 28th annual Bank Forum, sponsored this year by First Alabama Bancshares, featured three principal speakers: Rex J. Morthland, ABA president, and chairman, Peoples Bank, Selma, Ala.; Frank A. Plummer, chairman and president, First Alabama Bancshares; and Edward H. Boss Jr., vice president, Continental Illinois National, Chicago.

Concentrating on the state banking situation, Mr. Plummer stated that Alabama needs a more realistic interest rate structure or the economic growth of the state will be retarded. He noted also that savers should be rewarded with appropriate rates, but that these costs plus the cost of operation must be passed on to the borrowers or users of money.

Mr. Plummer said he anticipates that a highly competitive banking environment will bring many public benefits to the citizens of Alabama during the next five years.

In discussing the changing banking structure, he indicated that holding companies benefit Alabama by being able to secure greater amounts of capital to spur economic growth, make larger loans needed in industrial development and provide new services for the public.

Mr. Plummer stressed that First Alabama Bancshares must continue to work hard to meet the needs of Alabama and its people or face the real possibility of out-of-state bank groups moving into the state financial market.

Mr. Morthland told the bankers that "We face record high levels of inflation and must develop new methods of spurring economic growth in the face of shortages. As we deal with these problems, I'm concerned that we may attack them in a piecemeal manner—one at a time—without considering how they relate to each other and how the solutions will affect the entire economy.

"Many economists," Mr. Morthland continued, "are beginning to dub our economy the shortage economy. Of course, the primary shortage on all our minds right now is energy. But there's another shortage bankers must be aware of—the shortage of loanable funds at interest rates considered acceptable by our society. We've already experienced a certain amount of capital shortage this year. And I'm afraid it's going to get worse.

"Industry, consumers and government are all putting unprecedented demands on our limited pool of capital," he said. "And judging from the way our political-economic system has operated in the past, I think we can be pretty certain we're going to continue facing recurring inflationary pressures and periods of rapidly rising interest rates.

"Under such circumstances we must take care of our savers as well as borrowers. We owe it to our savers to make sure they get the highest possible rate for their funds."

Mr. Boss gave attendees specific economic indices in his forecast for 1974. The Chicago economist stated that while the U. S. economy is headed for a significant slowdown this year, an end of the Arab oil boycott before mid-year, coupled with skillful administration of our energy resources, should keep the economy from entering a recession. He warned, however, that if we ignore the current energy crisis, a full-fledged recession could develop this year.

Despite the ensuing slowdown in economic activity, Mr. Boss saw prices rising even faster in 1974 despite a slowdown in food price increases. He said, "The only way to damp inflationary pressures in the longer run is to increase the U. S. capacity to pro-

(Continued on page 66)

TOP: Frank A. Plummer (r.), ch. & pres., First Alabama Bancshares, greets Hugh Dale (l.), sr. v.p., Camden Nat'l, and Charles Peery, exec. v.p. & cash., First Nat'l, Florence, at economic forum sponsored by HC. Mr. Plummer was one of the speakers on the program. BOTTOM: Foursome at forum included (from l.) Ed Clapp, ch. & pres., Bank of Maplesville; James S. Gaskell Jr., pres. First Nat'l, Montgomery; John H. Newman Jr., exec. v.p., First Nat'l, Scottsboro; and A. G. Westbrook, pres., Commercial Nat'l, Demopolis. All are from Alabama.

MARK TWAIN SYMPOSIUM

Money Curb Could Hurt

Darryl Francis Calls For Gradual Reduction

A REDUCTION in money supply growth over the next two or three years was called for by Darryl R. Francis, president of the St. Louis Fed, at a meeting sponsored by Mark Twain Bancshares in St. Louis recently.

Mr. Francis headed a group of economists taking part in a symposium marking the 10th anniversary of the HC's oldest affiliate, Mark Twain South County Bank, St. Louis County.

Mr. Francis said that if the nation's money supply is increased at a much lower rate than in recent years, a reduction in output and employment would occur.

Mr. Francis' position is somewhat different from that of Arthur F. Burns, Fed chairman, about the desirability of a steady rate of growth of the money supply.

The trend rate of money growth is a major factor determining the trend rate of inflation, and variations in the growth of money around its trend are an important source of fluctuations in output and employment, Mr. Francis said.

He said the nation's money supply had grown erratically during 1973. The increase was at a 2% rate in the first quarter and an 8% rate for the next four months. It remained about level from July to October, but resumed its rise at year-end.

The sharp fluctuations prompted Senator William Proxmire (D., Wis.) to ask Mr. Burns to comment on recent criticisms of monetary policy that took

(Continued on page 67)

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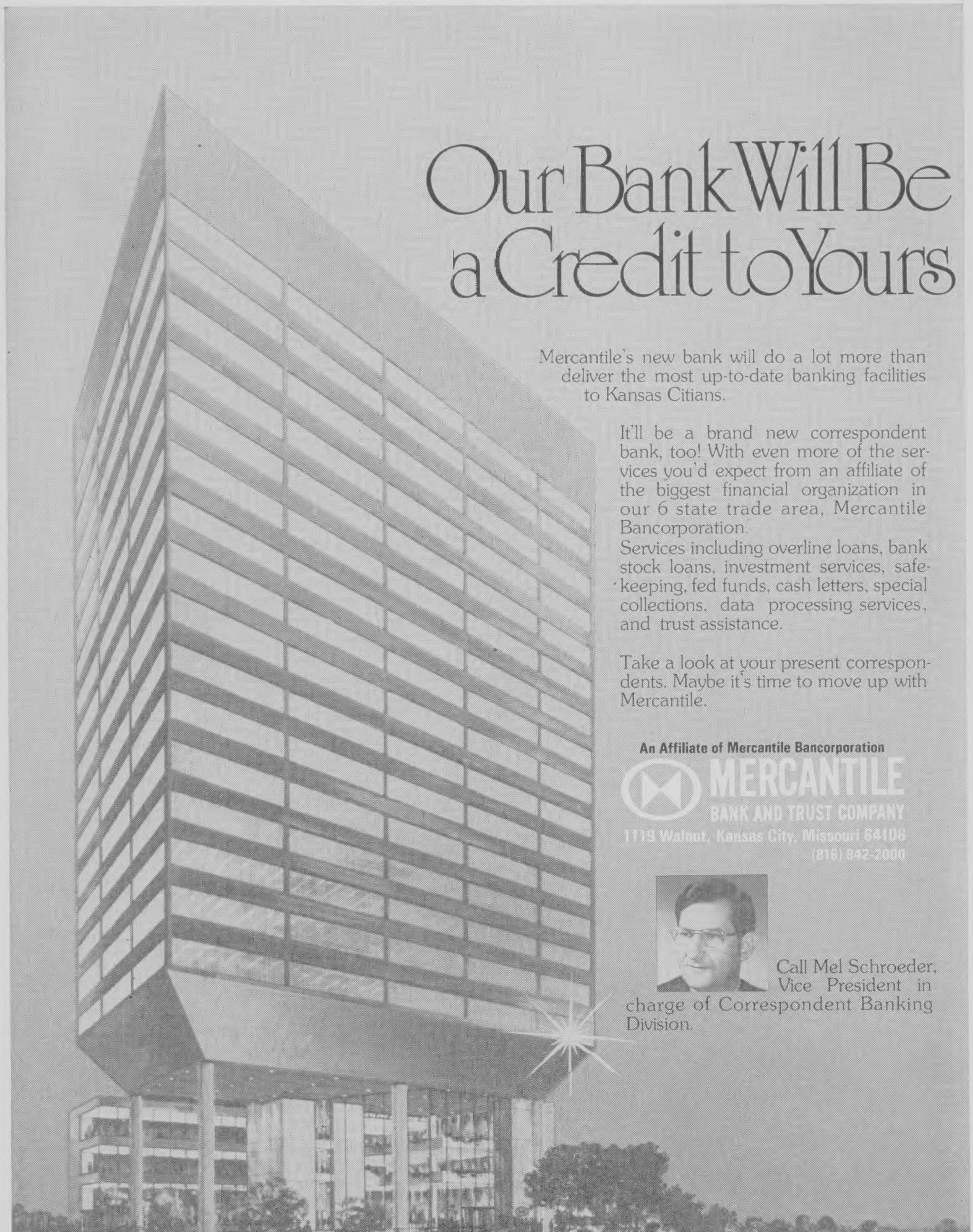

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In Lexington, Ky.—

First Security Nat'l Leads Urban Renewal With New Building

COVER PHOTOS: Employees of First Security, outfitted in new career suits, pose in front of the employees' cafeteria, appropriately called "Winner's Circle." The name was chosen to emphasize Lexington's preeminence in the field of breeding and raising thoroughbred horses. Other photo is a "bottom-to-top" view of First Security's new home.

TOP: Walter W. Hillenmeyer Jr. (l.), pres., First Security, and LeRoy M. Miles, ch., are pictured in Mr. Hillenmeyer's new office on building's fourth floor. Decor includes walnut paneling, light green carpeting and rust suede chairs.

BOTTOM: Arthur Abshire, v.p. & tr. off., First Security, talks with customer in trust reception area on fifth floor of new bank building.

WHEN First Security National of Lexington, Ky., moved into its new 15-story building in November, it marked the occupancy of the first major private urban-renewal project in the city's downtown area.

In planning its new home, the bank followed the example of large corporations in major cities by buying the land on which the new structure was to stand and then having another firm—in this case, the Winmar Corp.—carry out the actual construction and leasing phases of the project. The bank is a major tenant in the main level of the First Security National Bank & Trust Co. Building, with W. E. Hutton & Co. to open new headquarters in the other major segment.

In addition to the main level, the bank occupies the second through seventh floors, consolidating operations that previously were housed in the old First National Bank Building and the Security Trust Co. Building. First Security also has space on the lower level, where there are a security guard station and the Diebold 612 Proprietary System. The latter is a five-bay console providing alarm indicators for the vault, night depository and certain determined zones, as well as fire and smoke detectors.

According to a bank spokesman, the security system is one of the most sophisticated of any Kentucky bank and includes closed-circuit TV monitoring and a video surveillance system.

Blue and white prevail throughout the main banking floor, which contains the tellers area, safe deposit vault and coupon booths. Tellers desks are made of Danish teak paneling highlighted by white concrete and blue carpeted walls. Walls in the coupon booth are a combination of white vinyl and white paint, and a deep blue floor covering is used throughout the area.

On the second floor are the installment loan, BankAmericard and purchasing departments, a staff meeting room and employees' cafeteria. Because of the reputation of Lexington as a thoroughbred horse center, the cafeteria is called "Winner's Circle" and features a white horseshoe entryway, platinum blonde walls and black and brown "plaid" floor coverings. The room will feature a mural by Adeline Wichman of the Blue Grass Stakes at Keeneland. Each year the colors worn by the winning horse will be changed in the

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What Is the Assembly?

The purpose of the Assembly for Bank Directors is: to increase the director's understanding of how he can serve his bank; to indicate the ways in which the director can best serve as a representative of his bank in the community; to provide better understanding of the respect for bank management's functions; and to acquaint the director fully with issues of critical interest to his bank and banking.

Between 1968 and the beginning of 1974, eighteen Assemblies have taken place. While the program listed here is specifically for the New Orleans Assembly, other Assemblies follow a similar format. Subjects for discussion are determined by trends and issues in banking at the time of each Assembly.

Any inside or outside bank director, advisory director, prospective director or senior bank officer is invited to attend the Assemblies, and past registrants are invited to attend again occasionally. Bank directors, senior officers, senior level bank supervisors and bank educators throughout the United States have acclaimed the Assemblies program. The Assemblies are endorsed by the American Bankers Association, The Independent Bankers Association, and by various state associations.

Two will be conducted during 1974.

TWO ASSEMBLIES IN 1974

19th at Fairmont-Roosevelt Hotel, New Orleans, Louisiana, March 22-25.
20th at The Broadmoor Hotel, Colorado Springs, Colorado, August 31-September 3.

CURRICULUM & EVENTS
NINETEENTH ASSEMBLY FOR BANK DIRECTORS

Fairmont-Roosevelt Hotel New Orleans, Louisiana

March 22-25, 1974

Director: James H. Jones   Faculty Coordinator: Robert W. Kneebone

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Friday, March 22		
3:30- 5:00 p.m.	Registration	
5:00- 5:15 p.m.	Welcome—THE FOUNDATION AND THE ASSEMBLY	Richard B. Johnson
5:15- 5:45 p.m.	CHANGES GOING ON IN BANKING	James E. Smith
6:00- 9:00 p.m.	Reception, Banquet and Talk: PEOPLE THINKING—A RESPONSIBILITY OF THE CEO	Charles Agemian
Saturday, March 23		
7:15- 8:15 a.m.	Breakfast Buffet	
8:30- 9:15 p.m.	LEGAL RESPONSIBILITIES OF BANK DIRECTORS	William Bowen
9:15- 9:45 a.m.	CREDIT ADMINISTRATION	Frank Plummer
10:00-12:00 noon	Discussion Groups and Special Discussion Group on Trust	Len Huck, Chairman
12:00- 1:30 p.m.	Luncheon and Address: SELECTING AND SUPERVISING MANAGEMENT	Eugene Swearingen
1:30- 3:00 p.m.	Discussion Groups	
3:00-	Dismissal for Recreation and Informal Discussions	
Sunday, March 24		
7:30- 8:20 a.m.	Continental Service	
8:30- 9:00 a.m.	AN OUTSIDE DIRECTOR LOOKS AT HIS FUNCTIONS	Gordon Wittenberg
9:15- 9:45 a.m.	MANAGEMENT REPORT TO DIRECTORS	John Wright
9:45-11:45 a.m.	Discussion Groups	
1:30- 4:30 p.m.	New Orleans Tour	
6:30-11:00 p.m.	Mississippi River Cruise and New Orleans Supper	
Monday, March 25		
7:30- 8:20 a.m.	Continental Service	
8:30- 9:00 a.m.	THE CURRENT FINANCIAL TRENDS	Philip Coldwell
9:00- 9:30 a.m.	CONFLICTS OF INTEREST	Fred Pickens
9:30-10:00 a.m.	THE BANKER AND PUBLIC AFFAIRS: CAN YOU AFFORD NOT TO BE INVOLVED?	P. J. Mills
10:00-12:00 noon	Special Programs for New Banks and Discussion Groups	Jim Cooper, Chairman

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William Baughn	Mike Doman	Paul Horvitz	Ed Pierson	MacDonnell Tyre
Arthur Broussard	Rex Duwe	A. R. Johnson	Will Mann Richardson	Charles Van Horn
Rafael Carrion	Robert Empie	H. Russell Johnson	Van Smith	B. Finley Vinson
Patrick Clifford	Hugh Hansen	Oran Kite	Leon Stone	Warren Wild
Jack Conn	Roy Hartmann	George LeMaistre	Ronald Terry	John W. Woods
				John Wright

LADIES PROGRAM

Friday, March 22		
3:30- 5:00 p.m.	Registration	
5:00- 5:15 p.m.	Welcome—THE FOUNDATION AND THE ASSEMBLY	Richard Johnson
5:15- 5:45 p.m.	CHANGES GOING ON IN BANKING	James E. Smith
6:00- 9:00 p.m.	Reception, Banquet and Talk: PEOPLE THINKING—A RESPONSIBILITY OF THE CEO	Charles Agemian
Saturday, March 23		
10:00- 2:30 p.m.	Ladies' Tour and Luncheon	
Sunday, March 24		
10:00-10:30 a.m.	WHAT BANKING IS ABOUT	Leonard Huck
10:30-11:30 a.m.	TRUSTS AND YOU	Will Mann Richardson
1:30- 4:30 p.m.	New Orleans Tour	
6:30-11:00 p.m.	Mississippi River Cruise and New Orleans Supper	

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SNOWDON, David T.—Vice President, Mellon National Bank and Trust Co., Pittsburgh, Pennsylvania
STEWART, E. Wayne—President, First National Bank, Alamogordo, New Mexico
†STEWART, Robert, Jr.—President, Bank of the Southwest, Houston, Texas
STONE, Donald E.—President, Farmers National Bank, Malone, New York
STONE, Leon—President, Austin National Bank, Austin, Texas
STORRS, Thomas I.—President, North Carolina National Bank, Charlotte, North Carolina
SWEARINGEN, Eugene L.—Chairman of the Board and Chief Executive Officer, National Bank of Tulsa, Tulsa, Oklahoma
TERRY, Ronald A.—Chairman and Chief Executive Officer, First Tennessee National Corporation, Memphis, Tennessee
THOMPSON, Quinton—Regional Director, Dallas Regional Office, Federal Deposit Insurance Corp., Dallas, Texas
TYRE, MacDonell—President and Chief Executive Officer, Sun First National Bank, Orlando, Florida
*VAN HORN, Charles M.—Regional Administrator of National Banks, Second National Bank Region, New York, N. Y.
†VINSON, B. Finley—Chairman of the Board, First National Bank, Little Rock, Arkansas
VOGEL, John H.—President and Chief Executive Officer, National Bank of North America, New York, N. Y.
*WALKER, Charls E.—Economic Consultant, Washington Economic Report, Washington, D. C.
WATSON, Justin T.—First Deputy Comptroller of the Currency, Comptroller of the Currency, Washington, D. C.
*WILLE, Frank—Chairman, Federal Deposit Insurance Corporation, Washington, D. C.
WITTENBERG, Gordon G.—Architect, Little Rock, Arkansas
WOODS, John W.—Vice Chairman, First National Bank, Birmingham, Alabama
WRIGHT, John W.—President, Trinity National Bank, Dallas, Texas
†YOUNG, Sam D., Jr.—President, El Paso National Bank, El Paso, Texas

*Member of the Advisory Council of the Assemblies
†Member of the Board of the Foundation of the Southwestern Graduate School of Banking and the Advisory Council

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Fairmont-Roosevelt, New Orleans

Registration

The $300 registration fee covers all materials, receptions, banquets, breakfast buffets, luncheons and all lectures, discussion sessions and other scheduled activities. A $25 deposit which is applied toward the total registration fee of $300 is required with each registration. The $100 fee for wives covers evening receptions, banquets, scheduled luncheons, lectures, and special activities.

Directors are responsible to the hotel for their accommodations and miscellaneous expenses. Hotel accommodation forms will be sent registrants from the Assembly office, which will be returned to the hotel.

Tours are being arranged for the Assemblymen and their wives at no additional cost.

REGISTRATION FORM
NINETEENTH ASSEMBLY FOR BANK DIRECTORS

Fairmont-Roosevelt Hotel
New Orleans, Louisiana
March 22-25, 1974

NAME: ______________________ Name called by: ______________________

Business Address: ______________________ Phone: ______________________
Company P.O. Box City, State, Zip

Profession or Principal Business Interest ______________________ Title: ______________________

Home Address: ______________________ Phone: ______________________
Zip

Wife Will Attend? ______________________ If yes, wife's name: ______________________

Bank Directorship held in: ______________________

President: ______________________ Size of Bank? ______________________

Number of Directors on Board: ______________________ Number of years on Board: ______________________

Bank Address: ______________________
P.O. Box City State Zip

Directors Committees on which I have served: ______________________

____

____

Main Interest: Credit Area ______________________ Trust Area ______________________ Other: ______________________

Deposit ($25.00) Attached: __________ Total registration fee ($300) enclosed: __________ Wife's registration fee ($100) enclosed: __________

The registration fee covers all materials, receptions, and scheduled banquets, luncheons; and all lectures, discussion sessions and other schedule[d] activities.

(Please make checks payable to: The Foundation of the Southwestern Graduate School of Banking. Mail to: The Assemblies for Bank Direc[tors], P.O. Box 1319 at S.M.U., Dallas, Texas 75275.)

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P. O. Box 1319
Dallas, Texas 75275

1968
THE ASSEMBLIES FOR BANK DIRECTORS

THE FOUNDATION OF THE SOUTHWESTERN
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Assembly for Bank Directors

The Fairmont-Roosevelt Hotel
New Orleans, Louisiana
March 22-25, 1974

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TOP: This foursome was photographed during tour of First Security of Lexington's new building. L. to r. are Ted Mitchell, v.p., operations div.; A. R. Beckley, exec. sec., Burley Tobacco Growers Assn.; Frank Barker, v.p., correspondent banking div.; and David J. Williams, v.p., Burley Tobacco Growers Assn.

2ND FROM TOP: Talking together are (l. to r.) John Early, v.p., and Thomas S. Olzenski, account officer, both of First Nat'l City, New York City; Neilan Thurman, sr. v.p., First Security; and George P. Novac, v.p., Continental Illinois Nat'l, Chicago.

3RD FROM TOP: Camera at open house catches (l. to r.) William Miner, area mgr., Diebold, Inc., Canton, O.; Walter W. Hillenmeyer Jr., pres. of host bank; Raymond Koontz, pres., Diebold; and Robert Critchfield, director, Diebold.

BOTTOM: Walter Hillenmeyer (c.), pres., First Security, visits with William J. Phelps (r.), pres., and Phillip R. Hayes, v.p., Liberty Nat'l, Louisville.

mural to reflect the current winner of the race, which is considered the top preparation for the Kentucky Derby.

White vinyl wall coverings and gray carpeting are used in the installment loan department reception areas and also on the third floor, which houses the loan operations, credit and credit adjustment departments.

Executive officers, board room and commercial loan department are on the fourth floor. The executive area's decor is more traditional than elsewhere in the building, with walnut paneling used throughout except in the office of Chairman LeRoy Miles. There, a combination of walnut paneling and light green grass cloth is used. Floor coverings in the area consist of a combination of light green carpeting and wood parquet. Light green carpeting and either neutral or platinum blonde walls are featured in the rest of the fourth-floor area.

The fifth floor has trust administration, trust operations, tax, personnel, marketing and new business and real estate departments. The trust reception area is decorated with neutral walls and rust carpeting.

The bank's internal operations are on the sixth and seventh floors. Within the computer area on the seventh floor is a Fenwal, Halon 1301 Fire-Suppression System, which is tied into the security system and creates an odorless, colorless, harmless mist to extinguish fires.

The main vault is three stories high and has 27-inch walls of continuous reinforced concrete from top to bottom.

Running through the building's center is the core area, which provides all utilities and contains hallways and four high-speed elevators.

Pictured in correspondent banking area on fourth floor are (l. to r.) Jean D. Wheeler, a.c., correspondent banking; Quentin Walker Jr. of host bank; L. D. Sweazy, ch., Woodford Bank, Versailles, Ky.; and Frank Barker, v.p., correspondent banking.

Seated, l. to r., in trust library on fifth floor are Frank Wilford, v.p., & tr. off.; Mrs. Elizabeth Orr, trust employee; Arthur Abshire, v.p. & tr. off.; and customer, Tommy Kessinger, mgr., Hilliard-Lyons, Lexington.

After moving to its new home, First Security completely closed out operations in the First National Bank Building, but continues to operate a branch in the Security Trust Building.

The bank acquired the site for the new structure December 31, 1970, and broke ground for it April 12, 1972. Topping out came last June 6 and ribbon cutting November 5.

Still to come is an annex, scheduled for completion this year, which will contain seven stories—five levels of parking space and two floors of unfinished office space. • •

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Table 1

Holding Company Participation in Non-Banking Activities

1971 to June 30, 1973

	De Novo	Acquisitions	Total
Finance	148	152	300
Mortgage Banking	173	49	222
Insurance	80	95	175
Leasing	123	13	136
Advisory Services	92	3	95
Data Processing	54	7	61
Trust	13	4	17
Factoring	22	4	26
Community Development	13	1	14
Other	2	9	11
Total	720	337	1,057

Source: Federal Reserve Board.

Bank Holding Companies

Non-banking affiliates offer opportunities for new services—locally and areawide

By WILLIAM H. KESTER

SINCE CONGRESS amended the Bank Holding Company Act in 1970, the structure of the nation's financial industry has changed markedly with the expansion of bank holding companies and their entry into non-banking activities previously prohibited.

This structural evolution is still underway as a review of recent Federal Reserve Board actions indicates. Further significant diversification may occur if the board permits holding companies to acquire savings and loan associations, a matter it is considering.

The changing structure of the nation's financial industry has increased competition for independent banks, but also has added to their range and effectiveness of services. As a result, the public's benefit has increased, but the supervisory authorities are faced with additional regulatory problems. And this growth of holding companies may bring management problems.

The extent of the holding company expansion is vividly seen in a Federal Reserve Board tabulation. By the end of 1972, there were 1,607 holding companies in the United States owning 2,720 banks, or 19.5% of the 13,927 commercial banks. But because the holding companies have concentrated on the large banks, they own most of the nation's bank assets—$467.5 billion, or 63.2% of the $739.6-billion total. (The percentage of deposits is only 61.5%, reflecting the greater use of non-deposit sources of funds by the large banks.)

In the 2½ years to mid-1973, bank holding companies had acquired or entered de novo into 1,057 non-banking companies, the Federal Reserve Board has reported. Finance companies are the favorite form of congeneric diversification for bank holding companies, as Table 1 indicates.

Mortgage banking is the second most numerous type of non-banking company owned by holding companies. Other types of non-banking activity (in order of the number of companies owned by holding companies) are insurance, leasing, advisory services, data processing, factoring, trusts and community development.

The extent of the holding company expansion varies greatly from state to state, depending on their laws, past banking structure and economic conditions. Some observers of the holding company movement point to the growth of holding companies in states that prohibit or limit branch banking as an alternative way for banking organizations to achieve goals otherwise prohibited.

But despite the trend in some states, bank holding companies at the end of 1972 had more than half of the banking assets in only 27 of the 50 states, indicating there is plenty of room for independent banks.

Moreover, in 10 states classified by the Federal Reserve Board as having principal merger or holding company activity, the concentration of banking declined during the years 1961 to 1972. Concentration increased in the other five states classified as having principal merger or holding company activity. They are all on the Atlantic Coast—New York, New Jersey, Virginia, Maine and Florida.

Nevertheless, the rapid expansion of holding companies apparently has limited the decline in concentration in

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EDITOR'S NOTE—In this issue, MID-CONTINENT BANKER launches a series of articles on the recent structural trends in bank holding companies. Special emphasis will be placed on non-banking affiliates and how they will serve new markets for the holding company, both locally and area-wide.

Guest editor of our first two articles is William H. Kester, financial editor of the St. Louis Post Dispatch since 1961. Mr. Kester, a keen student of banking, served previously with the St. Louis Federal Reserve as business economist from 1951 to 1958.

Next month, Mr. Kester will discuss the opportunities and problems produced by non-banking activities of holding companies.

Table 2

Share of Market for 5 Largest Banking Firms

(In Selected States, 1961 & 1972)

	Per Cent of Total State Deposits June 30, 1961	Per Cent of Total State Deposits Dec. 31, 1972	Total State Deposits (In Billions of Dollars) June 30, 1961	Total State Deposits (In Billions of Dollars) Dec. 31, 1972
States With Little Merger and HC Activity				
State-Wide Branching States:				
Arizona	98%	95%	1.3	4.5
California	82	76	24.7	58.5
Connecticut	56	60	2.3	5.7
Maryland	57	61	2.3	6.3
N. Carolina	58	68	2.6	8.8
Oregon	89	86	2.0	4.5
S. Carolina	53	57	1.0	2.9
Washington	74	76	2.8	6.2
Limited-Branching States:				
Georgia	57	47	2.8	8.7
Indiana	29	25	4.7	12.5
Kentucky	34	31	2.2	6.2
Louisiana	41	29	2.9	7.9
Massachusetts	64	63	5.2	11.5
Michigan	50	44	8.8	23.8
Pennsylvania	39	34	14.2	32.6
Unit-Banking States:				
Illinois	42	38	17.2	40.3
Kansas	19	15	2.4	5.7
Nebraska	41	33	1.6	4.0
Oklahoma	38	31	2.6	6.7
Texas	27	22	11.8	30.4
West Virginia	22	18	1.3	3.6
States With Principal Merger and HC Activity				
Alabama	40	40	2.0	6.1
Colorado	48	48	2.0	5.3
Florida	22	28	4.8	17.0
Iowa	19	19	3.0	7.6
Maine	48	64	0.6	1.5
Minnesota	63	58	4.1	10.0
Missouri	36	33	5.8	12.6
Montana	57	57	0.8	1.9
New Jersey	23	27	7.2	17.5
New York	55	56	43.2	94.3
Ohio	34	33	11.0	24.2
Tennessee	42	40	3.2	9.0
Utah	77	71	1.0	2.1
Virginia	28	50	3.2	9.8
Wisconsin	33	32	4.5	11.0

Source: Based on Federal Reserve Board statistics.

those 10 states where merger and holding company activity is high. This can be seen by comparing their trend with the decline in concentration in unit banking and limited branching states with little merger or holding company activity. (See Table 2.)

For example, in six unit-banking states with little merger or holding company activity—Illinois, Kansas, Nebraska, Oklahoma, Texas and West Virginia—the concentration of deposits in the five largest banking organizations declined an average of 5.3 percentage points between 1961 and 1972. And in the seven limited branching states with little merger or holding company activity—Georgia, Indiana, Kentucky, Louisiana, Massachusetts, Michigan and Pennsylvania—the average decrease was 5.9 percentage points.

But in the 10 states with principal merger or holding company activity, not on the East Coast, the average reduction in concentration of deposits in the five largest banking organizations amounted to only 1.8 percentage points. In four of these states—Alabama, Colorado, Iowa and Montana—the concentration ratios were the same in 1972 as in 1961. In the other six—Minnesota, Missouri, Ohio, Tennessee, Utah and Wisconsin—the average decline was three percentage points, still significantly less than in states with little merger or holding company activity.

Despite a significant amount of activity in many of the midwestern states, holding companies in 12 of the 13 states in the Mississippi Valley and Southwest served by MID-CONTINENT BANKER had lower than national average percentages of bank offices or bank assets at the end of 1972. (See Table 3.) The higher than national percentage in New Mexico probably is due to its historic concentration of banking in a few companies.

Noting that there is a wide variation in banking concentration in the various states, George W. Mitchell, a member of the Board of Governors of the Federal Reserve Board, said, "The astounding inference to be drawn from these facts on market shares is the implicit acceptance or acquiescence by the banking public of an enormous range in concentration ratios." (1)

Mr. Mitchell then asserted, "There is no clearly visible evidence of differences in banking accommodation among states with widely different concentration levels other than the convenience effect of a larger number of offices relative to population in the branching states. There is no outcry of frustration from bank customers in states with high concentration ratios and no groundswell of customer satisfaction with the status quo in states with low concentration ratios.

"If anything, customers in states such as California have been the beneficiaries of more innovative services and

(1) At the Graduate School of Banking, University of Wisconsin, Aug. 16, 1972.

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banking conveniences than customers in states with low concentration ratios, where, for example, agricultural enterprises have complained about the inadequacies of bank credit to meet seasonal and longer-term needs."

Mr. Mitchell pointed out that although concentration ratios are poor measures of competitive advantages and disadvantages, concern with them by the regulatory authorities has caused some banking organizations to avoid acquisitions or mergers that would lead to an increase in their percentage of deposits in a state or market.

"As a corollary to this proposition, expansionist institutions have redirected their energies into other areas or activities and are often reconciled into entering promising new markets on a de novo basis or through foothold acquisitions," Mr. Mitchell stated.

Concern with concentration ratios has led regulators to shelter weak competitors to the disadvantage of their customers, he said. "Anti-competitive arguments based on concentration ratios have been used to halt mergers and holding company acquisitions that would have been pro-competitive by strengthening the capability of the merged or affiliated unit to become a stronger competitor instead of remaining a marginal or sheltered institution," he explained.

Noting that competition requires the capacity to compete, Mr. Mitchell asserted that for many types of banking services this means large size and considerable management talent.

A 1972 Federal Reserve study found that when banks are acquired by holding companies, they tend to increase the amounts of credit available to their communities. The study found such banks tend to make significant changes in the composition of their portfolios, switching out of cash and federal government securities and into state and local government securities and loans, particularly installment loans to consumers and small businesses.

Holding companies are able to enlarge the banking and trust services available to small communities that independent banks often are not able to provide or do not offer. By pooling the legal lending limits of banks in a holding company, any bank in the holding company can supply a customer with a loan up to the legal lending limit of all of the banks combined. Such a system eases the problem of obtaining credit for borrowers and enables the holding company to make more intensive use of the lending capacity of its subsidiaries.

Holding companies also claim to ease the problem of providing good management to banks. They are able to attract and hold officers and specialists to manage and operate subsidiaries. Holding companies generally have maintained the local character of the boards of directors of banks they acquire, although they have the power to dominate the local banks, if necessary.

The rapid growth of holding companies naturally has led to concern by some bankers about the ability of independent banks to survive. But supporters of independent banks found comfort and reassurance in the words of Frank Wille, FDIC chairman.

Noting that holding companies are able to acquire banks throughout a state and non-banking activities in any state and that technological developments point to an increasingly nationwide financial system, Mr. Wille emphatically asserted that *there is a place for the independent, relatively small community bank.* (2)

He based his conclusion on the increased numbers of independent banks in the 1960s, despite the expansion of holding companies or state-wide banking systems. Of 699 banks chartered between 1960 and 1967 in California, Colorado, Florida, Missouri, New Jersey, Texas, Virginia and Washington—all of which permit state-wide merging of state-wide holding companies—457 were still independent as of mid-1972. In addition, virtually all of them are profitable and growing institutions, he added. Only eight of the 699 banks failed in the 12 years since 1960, as contrasted with 46 other insured banks that also failed during the same period.

Mr. Wille also pointed out that the greatest percentage growth of deposits in the last 12 years occurred in small branch banks with from two to five officers or facilities.

Another reason for his belief that the independent bank has a firm future is what he called "the illusory claims of economies of scale made by the nation's largest banks." For the average retail customer, "it does not appear to be the case that significant economies of scale can be realized once a bank reaches the size of $20-$25 million in deposits," he said. Size brings economies in business and real estate lending and securities investment, FDIC studies have found, but no significant economies of scale are realized in demand and time deposits, installment loans and safe deposit box services.

A third reason for Mr. Wille's belief in the future of independent banks is their public acceptance, deposit growth and continued profitability.

Bennett A. Brown, president, Citizens & Southern Holding Co., Atlanta, recently said a study undertaken in Georgia proved "substantially that the benefits of increased competition did not adversely affect the profits of banks in every location where new entrants competed in a market which was previously the exclusive property of one or two competitors." (3)

But, as Mr. Wille noted, the continued existence of independent banks also requires the will to compete on the part of owners and managers. • •

(2) *Address to Independent Bankers Association of America, San Francisco, March 21, 1973.*

(3) *Address at conference of Bankers Magazine and Banking Law Journal, New York City, Sept. 26-27, 1973.*

Table 3

Bank Holding Companies

December 31, 1972

	Number of Companies	Number of Banks	Percentage of All Bank Offices	Assets (In Billions of Dollars)	Percentage of All Bank Assets
United States	1,607	13,927	42.1	467.5	63.2
Selected states					
Alabama	16	32	34.5	3.5	44.3
Arkansas	20	21	13.1	0.9	19.6
Illinois	150	143	12.9	32.7	59.3
Indiana	26	23	19.4	5.5	35.2
Kansas	110	107	18.5	2.4	31.7
Kentucky	9	9	7.1	0.9	10.6
Louisiana	16	16	15.2	3.3	31.7
Mississippi	4	4	10.6	1.3	26.4
Missouri	95	169	29.0	10.4	62.5
New Mexico	11	27	51.8	1.7	68.7
Oklahoma	48	47	12.1	3.7	42.4
Tennessee	20	42	36.5	7.4	60.8
Texas	94	153	12.7	20.9	50.8

Source: Federal Reserve Bulletin, June, 1973.

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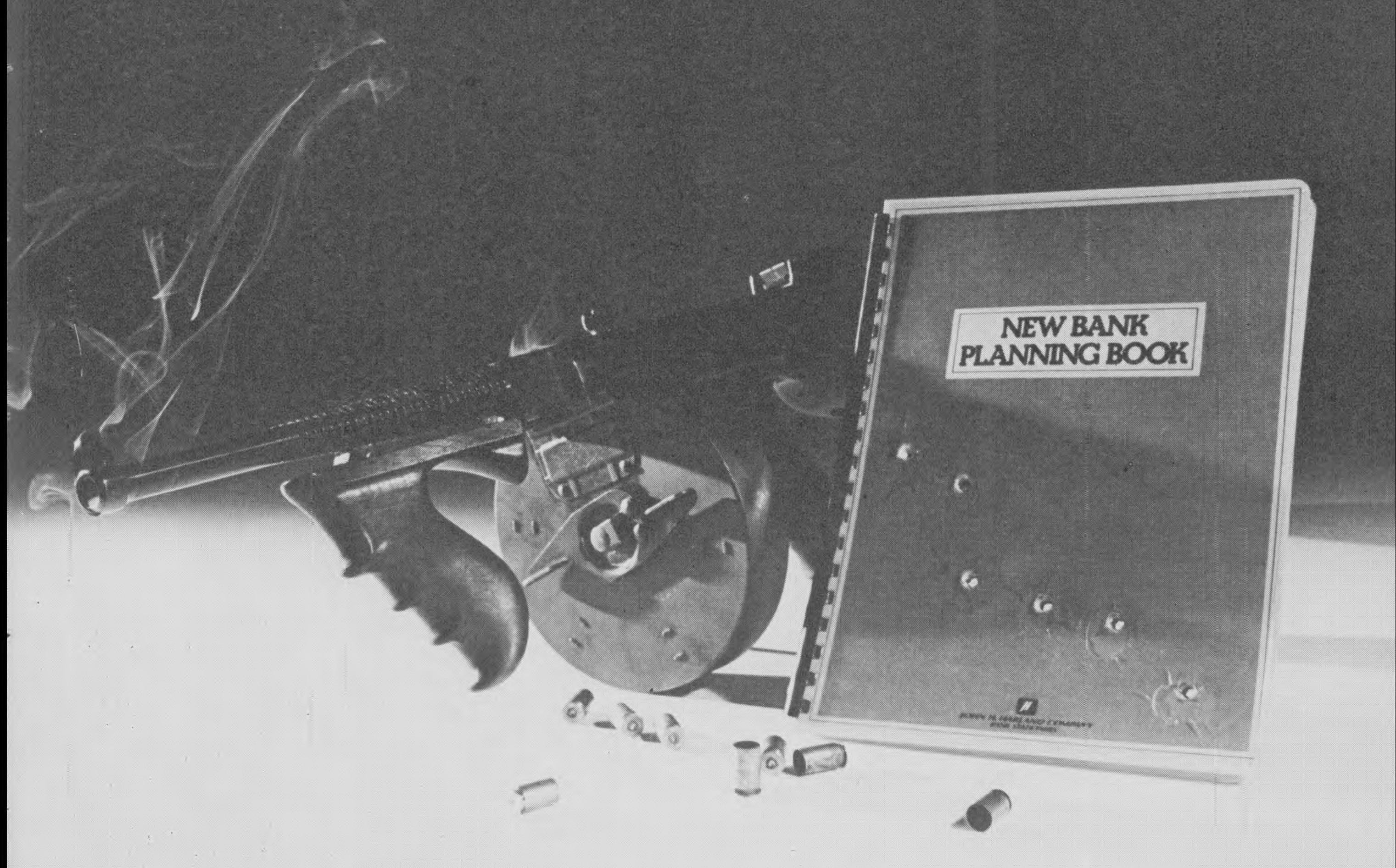

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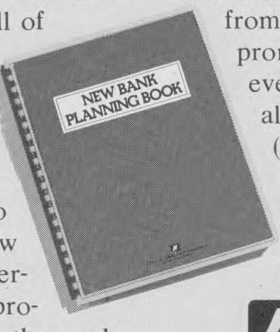

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"Slow Down and Save" sticker is affixed by James Crow, pres., First Nat'l, Mobile, Ala., and Jelene McLeod of bank staff on bumper of Miss McLeod's car. Watching are representatives of state police and police and sheriff's departments. Bank is offering bumper stickers to public to encourage slower driving to save gasoline.

Banking Responds to Energy Shortage With Innovative Conservation Policies

By ROSEMARY McKELVEY
Managing Editor

THE ENERGY CRISIS seems to be the most important issue facing this country and the world, and bankers, no less than everyone else, are looking for ways to get themselves, their employees and their communities through it. In addition to "dialing down" thermostats to 68, turning off lights whenever and wherever possible and asking employees not to drive over 50 miles an hour, many banks have come up with other fuel-saving methods.

For instance, some of them are encouraging employee use of mass transit by offering monetary incentives. Hamilton National, Chattanooga, Tenn., is reimbursing half the fare paid by any employee using public bus transportation to and from work. This action, said President John Vorder Bruegge, serves the two-fold purpose of conserving fuel and supporting the Chattanooga Area Regional Transportation Authority (CARTA). He also pointed to a statement by Secretary of the Interior Rogers C. B. Morton that if the driver of each auto would use three fewer gallons of gas per week, there would be sufficient fuel for the next year.

Commerce Bancshares, Inc., Kansas City-based multi-bank holding company, and its lead bank, Commerce Bank of Kansas City, are subsidizing Area Transportation Authority bus tokens sold to their employees. The latter may purchase the subsidized tokens at 25% below actual cost. The tokens are sold for $12 a roll, $4 below actual cost. Each employee is allotted one roll per month and must show his or her I.D. before making any purchases. However, the HC and bank also emphasize to their staffs that the subsidized tokens are only for their use, not for anyone outside the HC or bank.

Nashville's First American National also pays half the transportation costs for all employees who use the Metropolitan Transit Authority going to and from work. The program, which began January 1, provides for the bank to buy tickets from the MTA at regular fares and sell them at the reduced rate to employees.

"This program will be one way in which we can help our employees save on the amount of fuel they use," said President T. Scott Fillebrown Jr. "It should also help reduce the number of cars our people drive into the downtown area, contributing to a reduction in traffic congestion and freeing up some parking spaces."

He added that he hopes the action will be a stimulus to long-range planning of public transportation, which is so vital to the progressive development of metropolitan Nashville's future.

Energy-Conservation Loans

NEW YORK CITY—Irving Trust has announced a new energy-conservation loan that cuts nearly 2% off the interest rate individuals will pay on home-improvement loans that aid the energy crisis.

The bank said the new rate would apply to loans for improvement or replacement of home-heating plants, roofing, insulation, siding, storm windows and doors.

The energy-conservation rate is 9.5%, 1.99% less than the 11.49% the bank offers on regular three-year home-improvement loans.

As a further incentive, Irving Trust said it would delay to 60 days the first payment on such loans and grant borrowers terms up to 10 years.

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Holding symbol of Chattanooga Area Regional Transportation Authority (CARTA) are (l. to r.): Hugh Huffaker, ch., CARTA; Al Meinze, mgr., CARTA; John Vorder Bruegge, pres., Hamilton Nat'l, and Robert Kirk Walker, Chattanooga mayor. Hamilton Nat'l is encouraging employees to use bus transportation instead of driving by offering to reimburse one half of fare paid by each staff member riding bus to and from work.

First American said it is the first business in the city to announce a program of this type in an effort to meet the current energy shortage.

For those employees who don't have access to public transportation or who must drive to work in the downtown area, First American encourages use of car pools, as do many other metropolitan-area banks. Chicago's Central National is facilitating formation of such pools by having its human resources department maintain a list of staff members who would like to drive to work with other staff members. The bank does warn employees to check with their insurance agents before going into car pools to be sure their coverage includes such usage of their cars.

To help its employees form car pools, Commerce Bank of Kansas City has placed a large map of the K.C. area in its employees' lounge. Staff members are asked to indicate their desire to form car pools by placing tags on the map in positions representing their home addresses. Detailed instructions on the matching process are next to the map.

Union National, Little Rock, also is actively encouraging employee use of car pools. The bank has entered into an energy-conservation program with the Little Rock office of the Department of Housing and Urban Development (HUD), which occupies two floors in the bank's building, and Metroplan, administrator of the city's bus system. One of the top priorities in the program is development of a master list of names and addresses of employees and building tenants in order to facilitate car pool formations. The bank also makes bus schedules and routes available to its employees and building tenants.

"Obviously," said Chairman Herbert McAdams, "if 40 employees arrived at work each day on one bus instead of in individual cars, a significant amount of gasoline could be saved on an annual basis."

Car-pool programs also have been instituted at St. Louis' First National and American National, Chattanooga, Tenn.

Also in the transportation area, First National, Mobile, Ala., is distributing vinyl bumper stickers that say, "Slow Down and Save," to its employees and the public. The reference is to the federal government's recommendation that everyone drive no faster than 50 miles an hour on highways. The stickers are bright green on a black background and can be easily removed.

"Maybe everyone will get the message if it's staring them in the face from the car in front of them," said First of Mobile's president, James Crow, in explaining the bank's reason for giving out the stickers.

As part of its effort to meet the en-

Bankers Urged to Remain Calm and Not Overreact During Energy Crisis

A WARNING against overreaction in the current energy crisis has been issued to bankers by the chairman of the ABA's Installment Lending Division.

In a letter to the 150 members of the ABA's Installment Lending Advisory Council, Forrest D. Jones said, "We will find a way to solve our 'energy crisis' if we do not go negative and overreact and thus cause a greater reduction in business volume . . . than is really necessary." Mr. Jones is senior vice president, Fidelity Bank, Oklahoma City.

Mr. Jones noted that installment lenders already are finding that "there is a limited wholesale market for large automobiles, and we are beginning to see indications of labor reduction by large manufacturers, including the automobile makers. The net result has to be a reduced growth in the economy and lending problems that include shortages of loan opportunity, as well as difficulty in collection." He added that, according to Federal Reserve statistics, banks held $31,046,000 in outstanding auto paper at the end of September, and auto loans accounted for 46% of all banks' installment loans.

According to Mr. Jones, a big problem for bankers is "that there are very many questions posed by the uncertainty of the energy situation and . . . very few answers forthcoming." He expressed hope that the now-being-formed ABA Energy Task Force would "begin to generate the flow of solid information we critically need."

For the present, he advised, bankers should recognize that they are in a period that should cause them to be a little more cautious, but as long as they use professional judgment, they will pass through this situation without major interruption.

"People are being influenced by reports that seem overreactive," continued Mr. Jones. "As lenders, we cannot encourage this overreaction. We know that most people meet their obligations unless some unusual situation prevents it. I have great confidence in our credit customer, but at the same time believe we should keep him in a framework that will permit him to repay his loan obligation without difficulty—even if there should be some interruption in the use of his automobile or employment."

In closing his letter, the Oklahoman pointed out that Americans and our economy have tremendous resilience, and Americans historically have shown their ability to adjust to times like these. • •

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ergy crisis, Chattanooga's American National has published a pamphlet, "What Energy Crisis?" The pamphlet—whose purpose is to encourage citizens to help conserve energy—defines the history of the present crisis, explains the new technology being developed to transform our "old" means of energy into safe, economical and pollutant-free products. The pamphlet lists many helpful hints as to how an individual citizen can help control the present energy situation.

"If you are going up one floor or down two floors, please use the stairway," urged St. Louis' Mercantile Trust in a special memo to employees on ways to conserve energy. In addition to making less use of elevators, the bank's employees were asked to turn off electric typewriters and other motorized equipment when not in use and to turn off all floor and desk lamps and other lighting when not needed. They also were reminded to turn off lights in empty storage rooms, closets and meeting rooms. The memo said that a revised cleaning schedule was being prepared to permit a 30% reduction in lights used at night.

Lighting also figures in First National of Tulsa's energy-conservation effort. The bank has stopped burning the decorative lighting that rings the top of the First National Tower. First National, St. Petersburg, Fla., notified its outdoor advertising firms to remove the light bulbs from its billboards to conserve the energy required to burn the lights. Wells Fargo Bank of California turned off lights on some 50 illuminated outdoor billboards throughout the state. New York City's Manufacturers Hanover Trust is using only partial lighting in elevators and main lobbies and is closing down certain elevator banks in off-peak hours.

Christmas lighting was especially cut back last year. For instance, Liberty National, Oklahoma City, canceled all exterior Yuletide lighting, including its traditional "cross in the window."

The mail department at Birmingham Trust National handles as much mail as a city of 12,000, and consolidation of mail runs to its 23 offices already has been effected. Chairman G. H. Caffey Jr. added that, to a larger degree than in the past, the bank will determine where to place future branches and electronic tellers by the accessibility of locations.

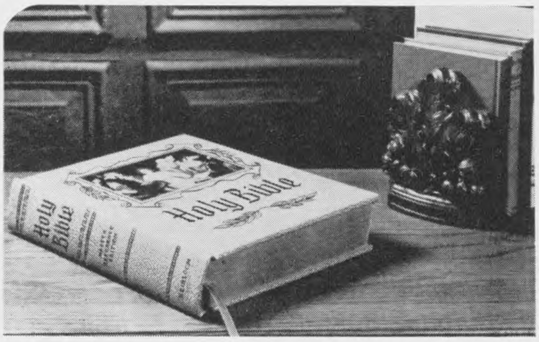
In the gasoline-conservation department, banks are urging their customers to make greater use of bank-by-mail services. Banks with fleet cars are planning to use more vehicles that consume less gasoline per mile.

Other energy-saving suggestions banks have made to employees include encouraging them to keep draperies closed to reduce heat loss or gain and help stabilize interior temperatures; encouraging them to wear warm clothing and suggesting that women wear pants suits more often and keep extra sweaters handy in their offices.

Cash Letters Affected

Although banks want to do their share to help alleviate the energy crisis, there is one area in which they should be excluded from participating, according to the Kansas Bankers Association.

The KBA has asked its members to notify the governor and legislators about the effects of possible gas rationing and lower speed limits on bank courier services. The KBA pointed out that most Kansas banks must depend on fast courier services for cash letters and EDP shipments. Therefore, the KBA believes, if gas rationing or lower speed limits are invoked, they should not apply to these bank courier services, or data processing would not be feasible, and cash letter deliveries would be jeopardized. Mail service already is too slow for most banks, added the KBA.



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One of the problems in bank buildings, as in most public buildings, is that they must be cleaned at night when unoccupied, and this requires lighting. Wells Fargo Bank announced it's looking for a way to rearrange janitorial working hours at its 464 California Street Head Office and other major office buildings so cleaning can be completed sooner and lights turned off earlier to stretch savings of electricity.

The bank also may program a computerized system that will reduce lighting automatically by 85% when people vacate floors at 5 p.m. and 95% when janitors finish their evening work.

The energy-saving ideas outlined in this article show that banks are following advice given in a letter to chief executive officers of banks from ABA President Rex J. Morthland. Mr. Morthland, chairman, Peoples Bank, Selma, Ala., made several suggestions as to how banks can meet the crisis and ended by saying:

"The energy shortage we face is serious, but not yet critical. If the nation's 14,000 banks and more than one million bank employees join in a leadership effort to conserve existing supplies of energy, it could have a significant impact in helping us survive the energy crisis." • •

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But there is another determined bank in the state of Tennessee, and that is First National of Memphis. That bank is determined to let us know (and everyone else who reads this publication) that First National of Memphis is the largest bank in the state. And First of Memphis is not located in Nashville!

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He's right. We're wrong.

We had intended to say, of course, that Nashville City Bank was located across the street from the largest bank in the *city*—not the state.

But it didn't come out that way!—*The Editors.*

Okla. Industry

(Continued from page 5)

those available from banks.

• Loans frequently are made in conjunction with a bank in the community where the business requesting the loan operates.

In addition to Mr. Funderburg, the corporation's officers are: chairman, R. O. Newman, president, Public Service Co. of Oklahoma; president, H. E. Rainbolt, chairman and president, Federal National, Shawnee; vice president, Frank G. Kliewer Jr., chairman and president, Cordell National, and secretary-treasurer, Mr. Dowling.

Formation of the corporation resulted from a study commissioned by the Oklahoma Bankers Association and the Oklahoma Economic Development Foundation. The industrial development division of the governor's office and the state Chamber of Commerce also took an active interest in seeking enabling legislation for the corporation.

■ FIRST NATIONAL, Tulsa, has elected Harold E. Berg a director. He is president, Skelly Oil Co.

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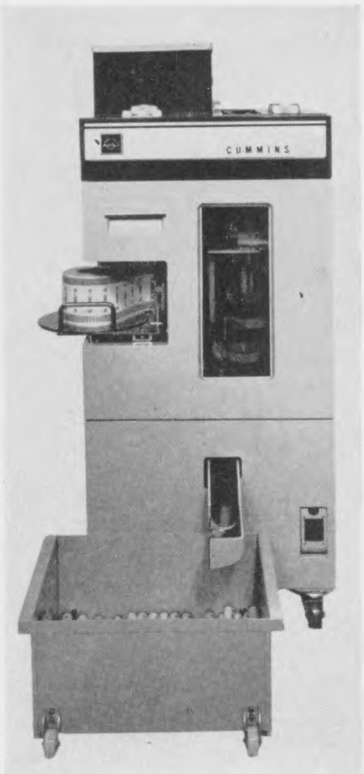

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Legislation

(Continued from page 35)

multi-bank HC from controlling more than 15% of Missouri's total banking deposits.

Working independently, the Missouri Independent Bankers Association (MIBA) is in the midst of a drive to qualify the issue of HC expansion on the general election ballot next November in the form of a referendum. Although the issue can be decided in the legislature, the MIBA wants to be able to take the referendum route if the legislature does not act on the matter. The MIBA already has the necessary 90,000 signatures to qualify the issue for the ballot, but it hopes to boost the total to 165,000 by mid-January.

The MIBA is seeking a 10% deposit limit for HC size. It also wants to limit any acquisition by a HC to banks located within 50 miles of the main office of the HC's largest subsidiary.

A meeting between officials of MBA and MIBA is expected to be held soon to discuss a compromise on the deposit limit question.

There is a possibility that the MBA will sponsor HC restrictive legislation in the 1974 legislature, although no decision has been made at this time. Should legislation be submitted by the MBA, it is expected to include authority to permit banks to establish up to four facilities within county lines or city limits, whichever distance is greater. It has been said that this proposal would serve as a trade-off for the HC restriction.

In addition to a bill increasing the interest-rate ceiling in Missouri from 8% to 10%, the MBA is sponsoring the following bills in the 1974 Missouri Legislature:

- Authorization for loans to be made in facilities.
- A revision of the State Banking Code, omitting the restructure of the Commissioner of Finance office that was contained in a similar bill in the last session.
- A central security depository bill that authorizes stock certificates to be transferred by book-entry instead of actual delivery.
- Revision of the Motor Vehicle Times Sales Act to authorize financial institutions to make direct loans under the provisions of the act.

Indiana. The next legislative session in Indiana is expected to see a renewal of attempts to authorize multi-bank HCs in the state. The move to achieve this reversal of the banning of such firms, enacted in 1957, will be supported by the League for Economic Development, which is expected to sponsor enabling legislation.

Illinois. Multi-office banking continues to be the most prominent issue. The breach between the Illinois Bankers Association and the Association for Modern Banking in Illinois (AMBI) shows little signs of closing. If no agreement is reached shortly, both organizations are expected to face each other off when AMBI sponsors a bill to authorize multi-office banking. The IBA is committed to a status quo policy regarding structure changes.

Robert P. Mayo, president of the Chicago Fed, has warned that Illinois is behind the times and now must amend its anti-branch statutes "or the rest of the world could leave us struggling behind." His remarks were made at the 23rd annual fall conference of Northwestern University's Graduate School of Management.

Mr. Mayo called for the prohibition on branching to be removed to permit the state's banks to expand in line with institutions in other parts of the country. He said Illinois' prohibition on branching impedes economic growth.

John H. Perkins, president, Continental Illinois National, Chicago, a member-bank of AMBI, has stated that a change in the state's anti-branching law could come in a year or two. He said that many within the Illinois banking industry have come to realize the problems inherent in Illinois' present unit banking structure.

A number of bills affecting the installment credit area are pending in the Illinois legislature.

Kansas. A relatively quiet legislative session as far as banking is concerned is expected this year.

Several amendments will be presented to rectify technical problems in the Uniform Consumer Credit Code, including a new minimum finance charge on direct loans. It is anticipated that a better method of perfecting liens on motor vehicles also may be sought.

Various officials of local units of government are expected to make a strong attempt to repeal the Uniform Public Funds Investment Act. Bankers are expected to resist any such attempt.

Legislation requiring commercial banks, S&Ls and credit unions to insure their customers' deposits is expected. This legislation is supported by the Kansas Bankers Association. The bill will require all such institutions to either take advantage of the insurance offered by their appropriate federal agencies or to provide coverage through private carriers. At present, eight state-chartered S&Ls and some 200 state-chartered credit unions are not insured.

Mississippi. The legislature is expected to take up the Uniform Consumer Credit Code, escheat and various consumer interest bills in the 1974 session.

The Alabama and Texas legislatures will not be meeting in regular session in 1974. No legislation affecting banking is expected this year in New Mexico and no plans for banking legislation have been announced in Kentucky, Louisiana, Arkansas or Oklahoma. • •

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■ MERCHANTS NATIONAL, Indianapolis, has promoted David Ziegler from assistant vice president to vice president, Raymond C. Evans to manager, Hanna & Shelby Office, and Annamarie Kuehn and Michael T. Schafer to assistant cashiers. The bank also has opened its Southeastern Office.

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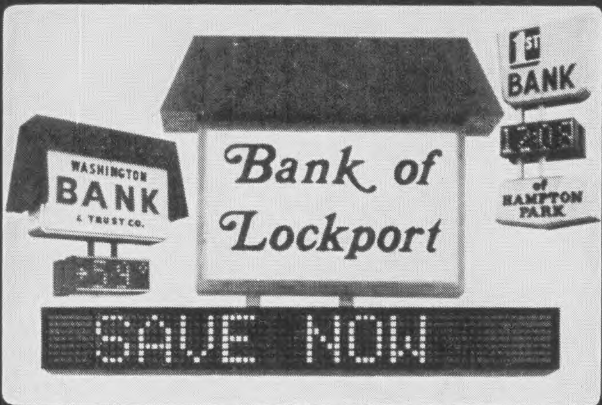

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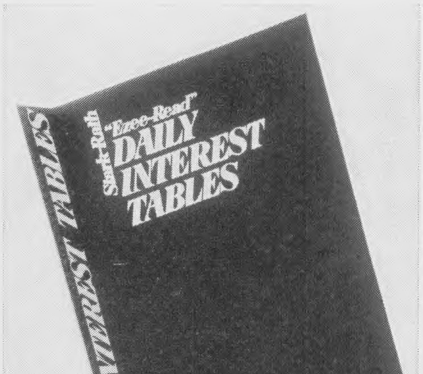

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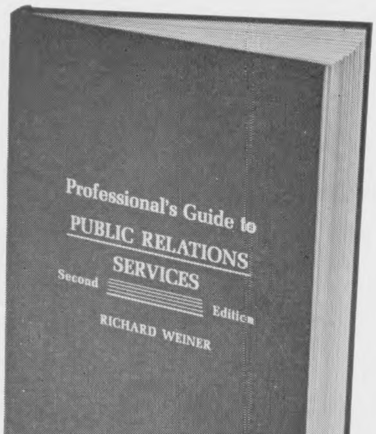

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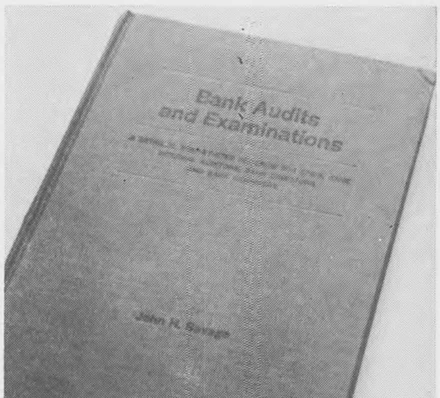

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Banking Scene

(Continued from page 6)

recruit from outside the bank's area.

The headhunters or job recruiters are increasingly striving to obtain women as candidates for promotion to officer levels. However, women are not as mobile or willing to move from one city to another due to their marital status and the subsequent difficulty involved in relocation. Nevertheless many male CEOs are recognizing that female junior officers have the potential for promotion to senior management and are taking the necessary steps to encourage these junior officers to take the advanced schooling necessary to qualify them for higher positions.

Worthy of note is the emphasis on equal employment opportunity, especially as it relates to minority executives. Rather than there being discrimination practiced against minority personnel, the fact is that these minorities are probably in greater demand and obtain higher salaries than comparable non-minorities.

This is attributed partly to the short supply of trained and educated minority executive material. Coupled with this are federal requirements for positive employment compliance programs. Many a bank president, in recognizing the shortage of qualified individuals capable of being wooed to another institution, has gone out of banking to obtain executive talent.

A fertile area for small loan officers can be found in finance companies. Agricultural loan officers can be lured from production credit administration organizations. To a significant, but somewhat lesser extent, marketing officers and personnel officers are being recruited from other industries. However, the salary structure of banks tends to become an impediment for successful recruiting of non-bank people.

A means of meeting the high salary requirements of marketing and computer executives can be achieved by channeling these high-paid officers into the bank holding company where, in effect, their salaries do not become a source of low morale at the HC's affiliate banks.

It should be observed that the hiring of people away from existing organizations tends to become counter productive. Hiring from other banks only moves the problem from the hiring bank to the bank that lost the officer.

Is there a solution to this significant problem? Probably the best response would be that there are solutions, some of which are rather obvious. One is in trying to provide accelerated training for younger officers so they can move more rapidly up the management ladder. Another solution, one that attacks the problem from a different direction, is to make sure the bank's salary structure is in the same ballpark with that of its competition.

There is a tendency for chief executive officers in towns and cities with only one or two banks to feel there is no need to worry about what salaries are being paid to individuals in comparable positions in other locations. This attitude is short-sighted in terms of the depth of management that will stay with the organization.

The first step in attaining the best solution is for management to recognize the problem it faces. A banker who believes his bank has no management succession problem may well find that this view is not held by the supervisory bank regulators. For this reason, the feedback from regulators should be weighed against the perception of top management. Once the problem is recognized, the bank can and should make a concerted effort to resolve it through all the techniques that can be employed to provide for better depth of management. • •

Economy

(Continued from page 28)

tomobile market was expected to soften this year, although the preference for smaller cars will certainly be strengthened. Instead of the 10%-11% drop we had projected for new car sales, it now appears that the decline could be 12%-14%—to around 10¼ million units, including imports, from an estimated 11¾ million units in 1973.

"The reduced availability of gasoline, and its higher cost, will probably impact on consumer buying in other ways as well, by tending to discourage travel and by stimulating other leisure-time activities, while fuel shortages may encourage increased buying of electric heaters, blankets and heavy apparel. On balance, and barring large-scale layoffs, it seems more likely that there will be a shift in the pattern of consumer buying than that spending will be curtailed significantly."

With respect to the credit markets, Mr. Hannon foresees no early or dramatic relaxation of credit on the part of the Fed. "On the one hand, it can be argued that the energy shortage, by aggravating the slowdown in business activity, will prompt the Fed to move quickly and aggressively to ease credit, thereby pushing down short-term interest rates. But a more plausible view at this juncture would seem to be that, for a time at least, monetary authorities will continue to move gradually and cautiously in relaxing credit reins.

"Recent statements by Fed Chairman Arthur Burns and other Fed officials have continued to stress that inflation is still the primary concern of monetary authorities. Certainly, the less favorable outlook for costs and prices appears to strengthen the case for continuing firmness in long-term interest rates, especially since there is the likelihood of a substantial increase in the volume of corporate bond financing in 1974."

* * *

The forecast made by economists at Harris Trust, Chicago, includes the following for 1974:

- Continued inflation at a rate of between 5% and 6%.
- A more expansive policy on the part of the Fed to prevent a recession.
- A "real" GNP growth of about 2%.
- A modest recession during the first half of the year due to the energy crisis.
- A weakness in the home building and durable goods areas.
- Higher outlays for new plant and equipment on the part of industry.
- A return of the U. S. balance of payments to basic equilibrium due to rapidly advancing U. S. exports that will exceed imports.

Harris Trust's forecasters point out that the Fed's policy of slowing monetary expansion in 1972-73, if continued, would lead to a recession in 1974. However, as interest rates declined in the fall of 1973, evidence mounted that the Fed was prepared to pursue a more expansive stance if business registered increasing signs of weakness. It is unlikely that severe fiscal restraint will take place in the foreseeable future, for budget outlays are predicted to rise in line with receipts during the remainder of the fiscal year, ending June 30, 1974.

A major concern for business and bankers in 1974 is the drop in consumer confidence that resulted in business downturns in the latter part of 1973, the Harris Trust report states. The University of Michigan Survey Research Center has determined that consumer pessimism has become more widespread than at any time in the 25 years it has been conducting surveys. According to the survey, only 30% of the respondents now expect good times during 1974. In late summer of 1972, nearly four times as many households

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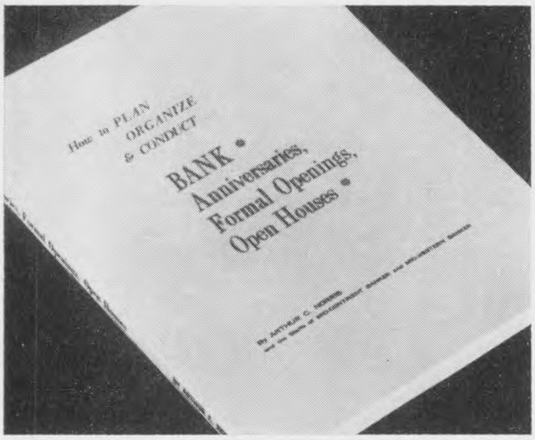

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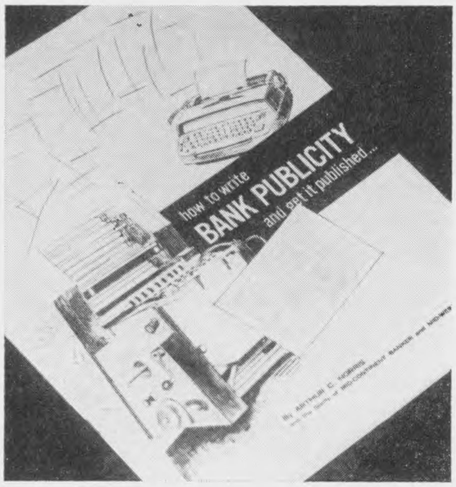

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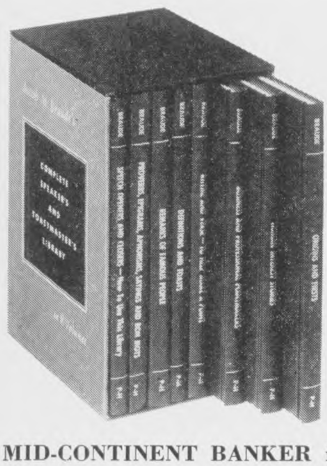

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A result of this decline in consumer confidence will be lower auto sales in 1974 from record 1973 sales. Total dollar sales of autos and parts in calendar year 1974 may be off 5% from 1973 sales, yet this reduction will keep 1974 sales higher than any year previous to 1973.

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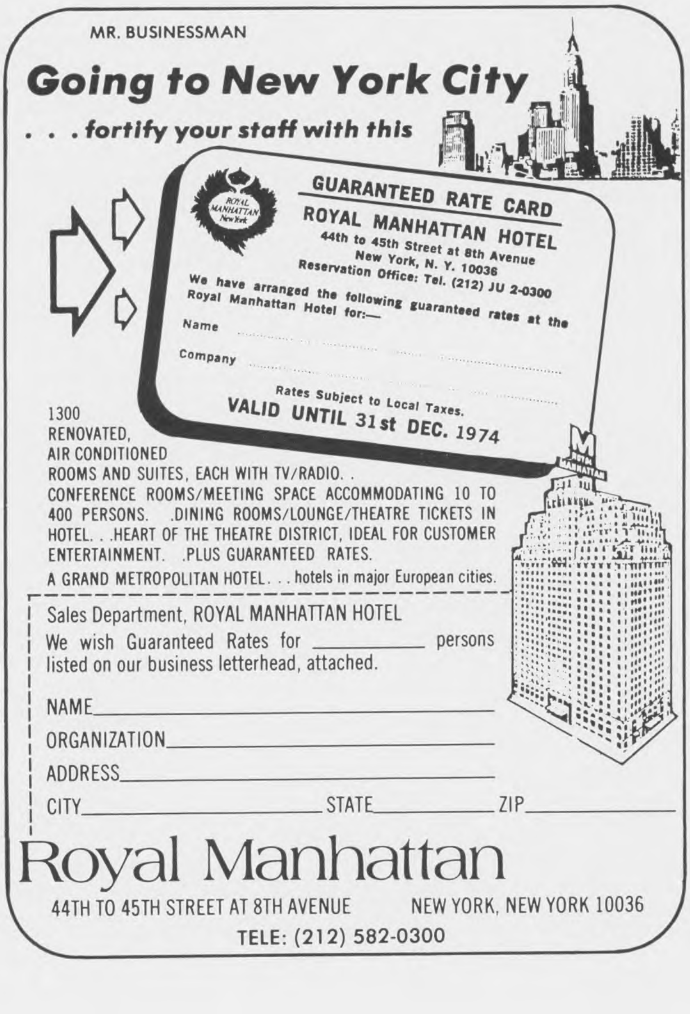

Consumer spending on nondurables and services can be expected to register further large gains in 1974 of perhaps 11% and 9%, respectively. However, higher prices will be responsible for over 50% of the dollar gain. Rising after-tax income, estimated to be up 8.5% in 1974 compared with 10.5% for 1973, will provide the basic support for higher consumer purchases. Employment may level off early in 1974, but will resume its growth later in the year. Unemployment will increase from an average of 4.8% in 1973 to between 5.25% and 5.5% in 1974. The saving rate might be expected to rise moderately in 1974 as car sales decline.

Fixed investment in structures and producers' durable equipment will reflect strong business investment in 1974. An uptrend of between 8% and 9% is expected, a decline from 1973's 15%, but still a good showing, Harris Trust says. Plant and equipment outlays are rising sharply, based on capital spending surveys, and can be expected to continue their momentum into 1974. Many industries are operating at close to full capacity and thus must add to their plants in order to meet future demand.

Little change is seen in business investment in inventories in 1974. The $6 billion accumulated in 1973 is expected to be about the same in 1974.

Corporate financial needs in 1974 are forecast to match those of 1973 closely, according to Harris Trust economists. Capital spending will be up, but less will be invested in short-term assets than in 1973, when interest spreads between bank borrowing rates and investment opportunities were favorable to nonfinancial corporations. A 5% to 10% drop in corporate profits will reduce retained earnings in 1974, but this will be offset by higher depreciation allowances.

However, a shift in financing from short-term to long-term funding is likely in 1974, according to Harris Trust. Corporations may increase their bank loans only half as much as they did in 1973, when borrowing from commercial banks was particularly attractive.

At the same time, corporations may sell 50% more bonds in 1974 than in 1973 as an easier monetary policy adds to the downward pressure on yields emanating from reduced business borrowing from commercial banks. Con-

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versely, the anticipated larger amount of long-term borrowing and continued inflation will prevent long-term rates from declining significantly.

Total government spending is expected to increase unchanged at 9% from 1973. Military spending, which was virtually unchanged in 1973, is projected to increase 3.5%, due primarily to higher military pay scales, according to Harris economists.

Outlays by state and local governments may register slightly smaller gains in 1974 than federal expenditures. An 11% increase in state and local government spending is forecast after a 13% advance in 1973—the sharpest gain in five years.

* * *

The big question mark for the 1974 economy is whether or not there will be a recession. Several economic forecasts include predictions that the economy will be sitting on the edge of a recession, with various economic factors determining whether or not the nation will slip into the abyss of a major economic downturn.

President Nixon's advisers have predicted that the economy could skirt dangerously close to recession in the first half of 1974 and easily could slide into a slump if fuel-allocation plans don't work as well as planned.

Herbert Stein, chairman of the President's Council of Economic Advisers, has stated that the oil embargo's effect "will be to make output and employment lower and prices higher than they would otherwise be."

He estimated that the oil shortage may push the unemployment rate for 1974 close to 6%, reduce consumer spending 1.5% and shave the economy's growth as much as two percentage points—making for a 1% growth in GNP.

* * *

First National, Chicago, says the present level and momentum of business activity hardly suggests a collapse. However, the bank predicts a real output in 1974 that will be up only about 3% to 3.5%, in contrast to 1973's 6%. Consumer outlays will rise about 8%, considerably less than 1973's 10.5%. There will be a marked slowing in spending for durables, housing starts will reach their low point and slowly rise to the two-million level and business spending will rise strongly.

* * *

According to University of Michigan economists, farm prices will decline in 1974 but the consumer's pocketbook will not feel any relief because of higher costs for fuel and other energy. In

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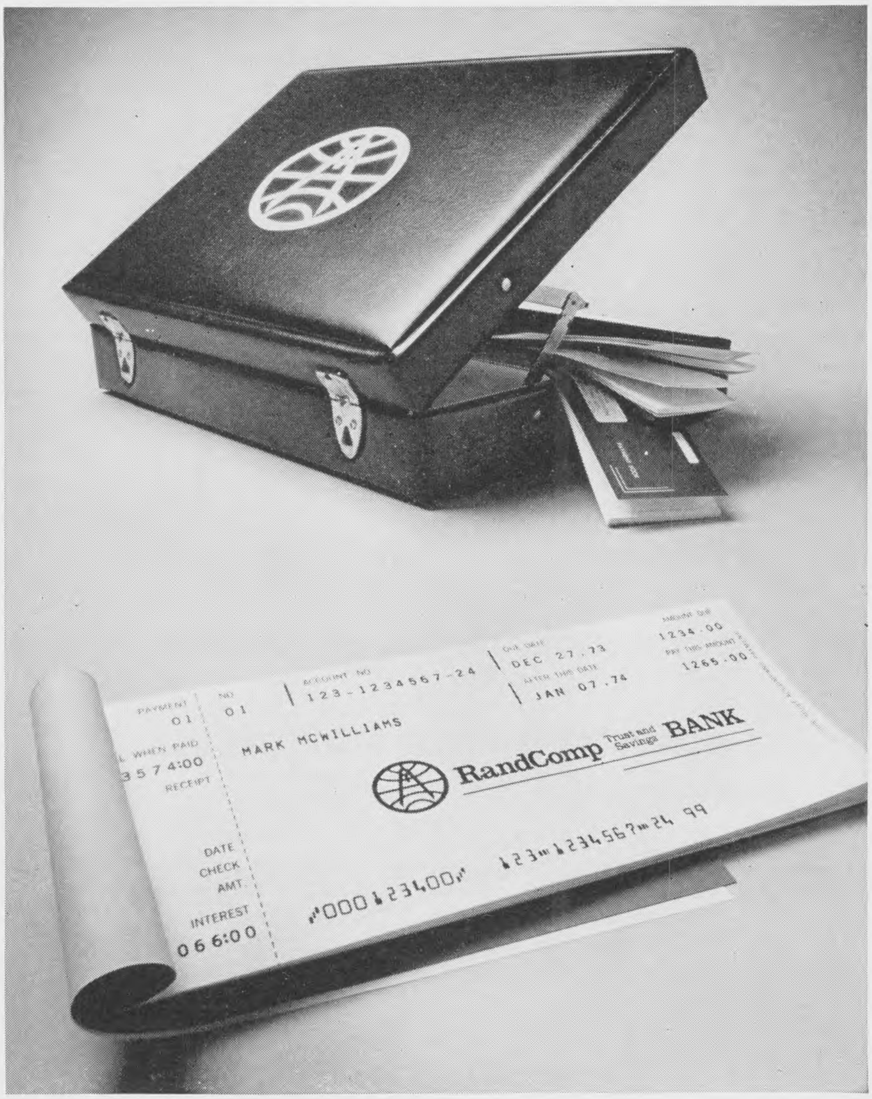

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addition, the economists foresee a slower-than-average rise in the nation's economy in 1974, but no recession. A forecast for the GNP includes a rise amounting to 2.3%. Declines in auto sales and new homes are seen as the major factors in the slowdown.

A 15% decline in farm prices from third-quarter 1973 levels was predicted, with a leveling off after the spring quarter of 1974. Fuel-related prices will rise by an average of some 30%. A 1% increase in productivity and an unemployment rate of 5.2% were predicted, along with an overall inflation rate of 5.6%.

* * *

The Conference Board's Economic Forum predicts the nation's economy is heading for sluggish growth in 1974, with inflation and energy shortages looming as major threats to economic progress. The Forum's predictions are the consensus of 11 economists and business analysts.

The Forum expects GNP to reach $1,390 billion in 1974, a 7.7% gain over 1973. About 5.3% of this rise will represent inflation and 2.3% real growth. Consumer prices are projected to rise 5.7% in 1974, compared with 5.9% in 1973, and wholesale prices are seen to go up 6.9% in 1974 vs. 13.5% in 1973. Industrial production is expected to advance 2.8%, compared with 8.9% in 1973, and the unemployment rate is expected to average 5.1% in 1974, compared to 4.9% in 1973.

The strengths in 1974 are predicted to be business investment and exports, according to the Forum. Total business investment is seen to hit $154 billion in 1974, a 13% gain over 1973. Producers' durable goods (machinery and equipment) are projected at $98 billion and private non-residential construction is expected to total $56 billion. Net exports are seen to rise from about $3 billion in 1973 to $5 billion in 1974.

In contrast, weakness in 1974 will be autos and housing, according to the Forum. Auto sales are projected at about 11 million, 6% below 1973 estimates. Declining housing starts, a dwindling number of building permits, a flow of money away from mortgage-granting institutions, consumer resistance to rising prices and a substantial number of uncompleted homes suggest that the residential housing market will remain considerably below 1973 levels. Housing starts are expected to average 1.7 million in 1974, down 20% from 1973.

* * *

The United States appears to be headed for a "mini-recession" in 1974 as a result of the oil shortage, but "the most extraordinary pressures will be at work to bring about a reasonable settlement without protracted delay."

This is the conclusion of an economic analysis published by Blyth Eastman Dillon, New York investment banking firm.

Ironically, the oil crisis may work to strengthen the U. S. dollar versus foreign currencies, lower interest rates, cool inflation and bolster the stock market, the firm's Investment Policy Committee concludes in the special report.

The report outlines three economic scenarios in attempting to analyze the impact of the oil shortage.

- If the U. S. has an oil shortfall of up to one million barrels a day out of total domestic consumption of 17 million, real Gross National Product (GNP) would be slowed by about 1% on annualized basis.

The firm earlier had forecast growth of real GNP of 3.5% to 4% for 1974. Given this thesis, the firm would lower its projection to 2.5% to 3% growth. A slowdown to 3% "would be sufficient to flatten overall corporate profits in 1974" compared with Blyth Eastman Dillon's previous forecast of a 5% rise. A factor in this calculation, says the report, is even slower growth rates abroad and the fact that the profits of many domestic corporations include foreign earnings.

"We are well into (this) economic scenario," the report says.

- A shortfall of two million barrels a day would slow real GNP by about 3.5%, reducing the firm's forecast to

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zero growth next year.

"Corporate profits would fall by 10% to 15%. Unemployment would advance to about 7% by the end of next year, resulting in two down quarters for the first half," the study continues.

"This would qualify as a recession," says the report.

• An oil shortfall of three million barrels a day would bring on a major recession—the worst since World War II—with the slowdown far more pronounced abroad, given the greater dependence of Europe and Japan on Middle East oil. Real GNP would decline 4%.

Because the rate of inflation abroad has been much stronger than in the U. S., "we have long argued that the dollar is grossly undervalued," the report continues. The more serious impact of the oil crisis on foreign nations reinforces this thesis and "we look for a major appreciation of the dollar in world markets in the months and years ahead, and a large influx of dollars from foreign holdings."

As a result, the study concludes, "the reinvestment of dollars in the U. S. markets by those who have sold foreign currencies would help to dampen interest rates and lift U. S. equity prices."

* * *

Within the next 60 days, the energy shortage will trigger a decline in business activity, according to the November, 1973, issue of the *Cleveland Trust Business Bulletin.* Bank economist Noel McBride said, "When current oil inventories are depleted, the U. S. is faced with the possibility of a recession that could at least approximate that of 1960-61."

As a result of our natural tendency to hoard items in short supply and the priority that would be given to household heating by the government, the effect on industry will be deepened, the *Bulletin* says. It predicts a drop of as much as 25% in corporate profits and a sharp rise in unemployment this year.

The present situation is not merely a product of oil cutbacks brought about by the Middle East conflict, the *Bulletin* notes. "Rather, the pessimistic outlook extends beyond heating oils and the embargo to the entire spectrum of fuels, food and materials. Current reductions in oil imports simply caused the anticipated crisis to evolve in 1973 instead of in 1974," it states. The problem has been looming for some time, but the nation has refused to acknowledge its presence.

The *Bulletin* further points out that the U. S. has an enormous appetite for fuel. With only 6% of the world's population, the nation consumes 33% of its energy and the demand increases 4% to 5% every year. At the same time, new or expanded sources of supply have been limited "by a variety of social, political and economic restraints."

Price ceilings on natural gas have severely limited the incentive to seek and develop new wells, the *Bulletin* says. Dependence on Middle East oil is the result of price ceilings and environmental restrictions—especially offshore drilling. And although there is enough coal for the next 500 years, it is the nation's most under-utilized resource, supplying only 20% of energy requirements in 1968 and dropping to 17.5% in 1972. Environmental legislation impedes development of new mines and considerable amounts will have to be spent on desulphurization techniques in order to satisfy federal primary air standards, the *Bulletin* notes.

Concurrently, nuclear power growth still falls far short of any significant closing of the energy gap. In addition, its future is "still highly speculative" in view of rising capital costs, unresolved safety problems and disappointing operating rates.

"Clearly, unless a substantial increase in the supply of energy is forthcoming by 1975, there will be fundamental change in the American way of life," the *Bulletin* concludes.

* * *

Judging from the 1974 forecasts, it is apparent that 1974 will test the resiliency of American business institutions to the utmost! • •

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Boatmen's

(Continued from page 40)

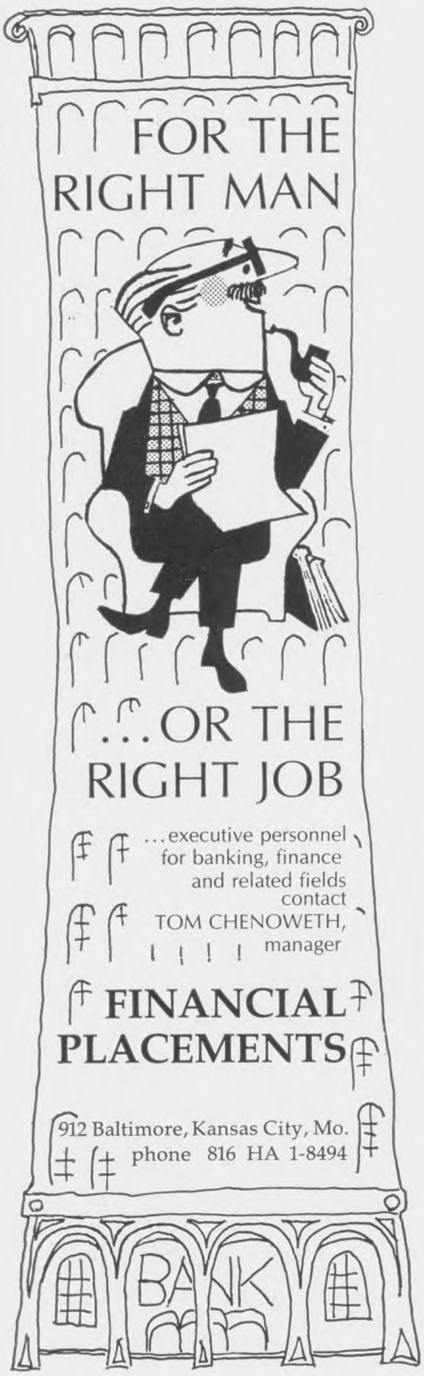
F. Cornelsen, executive vice president, Ralston Purina Co. and president, Ralston Purina International. He said livestock farmers are not taking positive action to build up their herds because of the uncertainty 1974 holds for them. These farmers are not expected to act until the future becomes less cloudy. However, there will be a buildup of breeding stock in 1974, especially cattle and poultry, but not hogs. Egg production will be up and cereal prices will start out higher, but will drop somewhat as the year progresses, he said. Supplies of red meat will rise before the end of 1974 and the supply will regain its balance over the next several years on a worldwide basis.

• **Transportation.** The fuel shortage might curtail the movement of freight by rail, said Richard C. Grayson, president and CEO, St. Louis-San Francisco Railway Co. (Frisco). He said volume is up but fuel allocations do not match the increased volume. A near-2% increase in the diesel fuel allotment is needed to enable railroads to handle their increased volume. He predicted a flattening of the economy, but no recession, in 1974. He also said that rates the railroads can charge are not keeping abreast with the expenses railroads are incurring.

• **Apparel and shoes.** 1974 will be a challenging year with inflation continuing at a 5%+ pace, said W. L. Hadley Griffin, chairman and president, Brown Group, Inc. There will be some shortages, he said, but firms that are soundly motivated and that offer quality goods should do well. The attitude of the consumer is crucial, he said, thus it behooves retailers to court the favor and trust of the customer.

• **Automotive.** Despite some short-term dips, the auto industry is expected to continue its long-term growth pattern, said Walter J. Simons, vice president and treasurer, Chrysler Corp. The same factors for long-term growth will exist in 1974, he said, that have existed during the past few years. He said the trend to small cars will continue, yet the large car market will hold up well into 1974. He said automotive dollars will continue to go farther than most other consumer dollars and that the current dip in sales is the result of uncertainty because of the fuel shortage. He said the public is over-reacting temporarily but will settle down when Congress decides on definite plans for coping with the fuel shortage.

• **Banking.** Host bank Chairman and President Donald N. Brandin wrapped up the meeting with a brief outlook for banking in 1974. He said it will take a while to evaluate the effects of shortages on the economy. He predicted a slower rate of growth for early 1974, with an excellent long-term outlook. He said there is little that can be done to correct the short-term picture. "It's not a case of being able to turn on a faucet and have everything change for the better," he said. He called on business to redesign its productive capacity to conserve resources and added that there will be some types of business or individual firms that will not be able to withstand the pressures that long-term adjustment will bring about.



Alabama HC

(Continued from page 42)

duce and alleviate shortages which have developed—this means diverting energy from consumer usage to industry."

Because of a slowdown in overall business activity, Mr. Boss stated, the monetary authorities would ease credit conditions this year. This should bring down short-term interest rates from their recent record highs, although given continued inflationary pressures, long-term rates are likely to remain relatively flat. This would return the economy to a more normal yield curve with rates on long-term securities higher than those on short-term investments, he said.

Also on the program was a panel discussion on how to use the expertise of larger banks to aid smaller banks in rural areas with real estate financing problems. This problem has increased as more industry continues to move into rural Alabama, bringing with it many new families who want to buy homes.

The panel was moderated by Jack Eley, senior vice president, First National, Montgomery. Other panelists were Harry M. Barnes Jr., vice president and treasurer, Real Estate Financing, Inc.; and Haywood M. Sport, vice president, First National, Montgomery.

Four Winners (or Five?)

Illinois banker William S. Badgley, pres., 1st Nat'l, Belleville, is pictured second from right along with other members of a foursome who won first place in a golf tournament sponsored by the Security Corp., Irvine, Calif., in advance of the 1973 ABA convention in Chicago. The event was held at the Lake Geneva (Wis.) Playboy Club and Hotel, which explains the presence of the Playboy Bunny (whose name was not revealed). Others in the foursome: Paul W. Gandrud, Benson, Minn.; C. N. Freeman, Morris, Minn.; and L. J. Martell, Ashland, Wis. Security Corp. is a national marketer of equipment for financial institutions.

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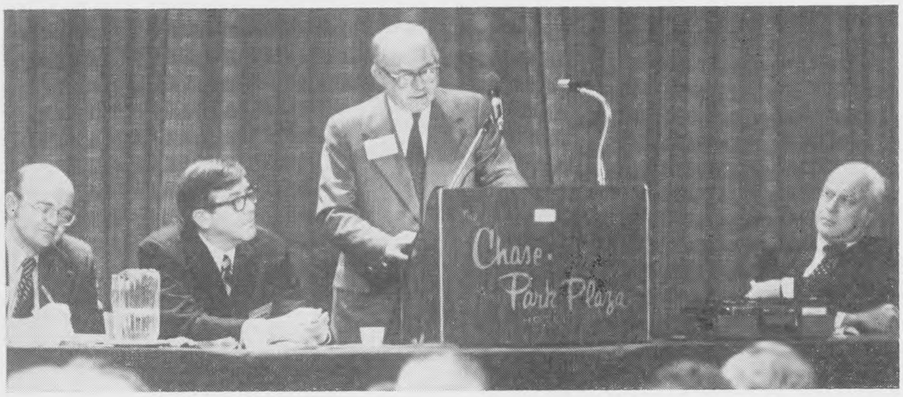

Darryl Francis, pres., St. Louis Fed, talks to guests of Mark Twain Bancshares at St. Louis economic symposium. At l. is A. James Meigs, Argus Research, New York, and Gerald T. Dunne, St. Louis University professor. At far r. is Adam Aronson, HC ch.

Mark Twain

(Continued from page 42)

place in 1973. Mr. Burns responded by stating that "Experience of the past two decades suggests that an abnormally large or abnormally small rate of growth of the money stock over a period of up to six months or so has a negligible influence on the course of the economy —provided it is subsequently offset."

Mr. Francis said, however, that studies by the St. Louis Fed show that changes of more than three months in the rate of growth of the money supply are followed quickly by a change in the growth of output in the same direction.

"If there is a persistent deviation in money growth, the price level begins to change in the same direction as the deviation in money growth," he said. After about four or five quarters, the effects on output growth begin to subside, while the influence on prices begins to appear.

After about five years, he said, the economy will have adjusted to the sustained change in the expansion of money, with the full effect being reflected in the rate of change in the price level. The growth of output will have returned to a long-term potential rate determined by resources, technology and the labor force, he continued.

He also said that a steady rate of money growth would eliminate an important source of variation in output and employment that has occurred in the past. "The steady money growth rule should be applied to periods at least as short as a quarter."

He noted that monetary policy has been used to moderate movements in interest rates, alleviate problems of savings flows to financial institutions and the housing industry, reduce unemployment, eliminate and "correct disequilibria in international markets," and that these objectives often were in conflict.

He said that shifts from one goal to another have caused fluctuations in money growth for more than three months and have caused a "constantly accelerating trend rate of monetary expansion."

"I am convinced," he said, "that the accelerating trend rate of monetary expansion was a major cause of the present high level of inflation and interest rates."

A steady rate of increase of the money supply would result in less variation in the growth of output and employment, a smaller rate of inflation and lower and less variable interest rates, he said.

He pointed out that use of monetary policy to smooth interest rate changes does not appear to have been successful. "Market forces can be expected to smooth out very short-run movements in money market rates if long-run stability in rates is achieved."

He said that open market operations designed to smooth short-run interest rate movements have been a major cause of variations in money growth and, as a result, have probably induced greater variability of interest rates.

He questioned the need to smooth day-to-day fluctuations in interest rates, saying evidence suggests that they have little effect on output, employment and the price level. • •

■ JOHN B. MARKEY has joined Commerce Bank of Kansas City as a bond officer and a municipal underwriter for the bond department. He was a municipal underwriter for United Missouri Bank of Kansas City.

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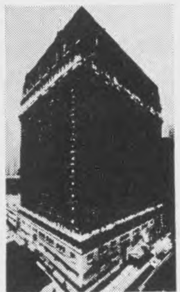

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Northern Trust

(Continued from page 40)

A ban on weekend driving was favored by 40%, while 29% favored gas rationing and another 31% favored a surtax on gasoline.

Money market rates will decline somewhat in 1974, said 76% of those responding. Only 4% felt that rates could move up.

Loan demand would continue strong, with only a small percentage of bankers believing that loan demand would decrease. Bankers present also believed their demand and time deposits would continue to climb, perhaps as much as 10%. Few predicted gains beyond 10%.

Bankers predominantly indicated that loan rates in all classifications would remain approximately the same as in 1973. The greatest drop could be expected in residential mortgage rates, they said.

And how did bankers rate their problem areas for 1974? And during the next five years?

1. Earnings
2. Deposit acquisition
3. Maintenance of adequate capital
4. Competition (including savings and loans)
5. Management
6. Keeping up with changing conditions in the industry.

Moderator of the program, N. Hall Layman, Northern Trust vice president, reminded bankers that these problem areas were almost identical with those reported in previous such meetings held by the bank. "Keeping up with change," he said, was a notable newcomer to the list.

"With all the developments that are taking place in the banking industry," said Mr. Hall, "it is not surprising that this is an area of increasing concern. The challenge, of course, is to convert a potential problem into an opportunity!" • •

■ COMMERCIAL NATIONAL, Little Rock, has promoted David Wilcox to assistant controller and named Ed Walton assistant vice president, commercial loan department, and Lewis E. Crigger auditor. Mr. Wilcox went to the bank last July after having been an assistant national bank examiner with the regional administrator of national banks at Memphis three years. Mr. Walton had been a loan officer for the Small Business Administration since 1967. Mr. Crigger was formerly senior accountant at the accounting firm of Balch, Pratt, Priddy & Co.

Lewis Lyne Named CEO At Mercantile of Dallas; J. D. Francis Retires

DALLAS—Mercantile National has announced the elections of Lewis F. Lyne as president and chief executive officer and Frank V. Wolfe as senior executive vice president. As CEO, Mr. Lyne succeeded J. D. Francis, chairman of the executive committee, who retired December 31. R. L. Thornton Jr. continues as chairman of the board.

LYNE

WOLFE

Mr. Lyne, president and a director since 1967, joined Mercantile as vice president and head of the bond department in 1952. Mr. Wolfe, also a director of the bank, now is senior loan officer and responsible for all credits. He joined the bank in 1931 and became executive vice president in 1965.

GARDNER

DEES

Mr. Francis joined the bank as a runner in 1925 and was president from 1961-66.

In other action, Mercantile promoted Charles W. Dees and James B. Gardner from senior vice presidents to executive vice presidents and Robert B. Morrison, W. Don Page and C. Allen Swafford from assistant vice presidents to vice presidents. Olin E. Dixon was advanced from auditor to vice president and auditor.

■ FIRST NATIONAL, Oklahoma City, has named James Douglas Sauls trust officer and Miss Nancy Richard assistant cashier. Mr. Sauls, with the bank since October, works in the trust division's pension and profit sharing area. Miss Richard, a sales representative, investment securities department, joined the bank in 1972.

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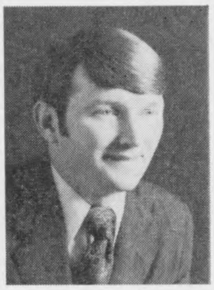
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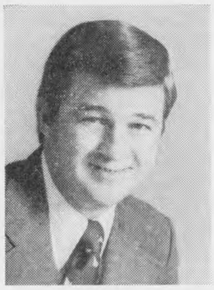
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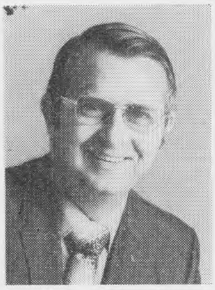
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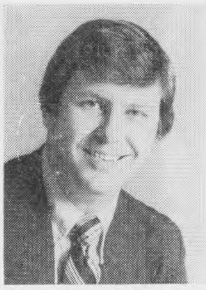
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Illinois News

100 Years Celebrated

James M. Duies (l.), president, Oakland Nat'l, and Truman E. Davis, senior vice president, cut the cake at the bank's 100th-anniversary celebration. More than 1,500 persons took part and received copies of a booklet, "A Century of Service," which described some of the events of the past 100 years.

■ FIRST NATIONAL, Lacon, has promoted R. O. (Abe) Hamilton from cashier to vice president, Thomas E. Peugh from assistant cashier to cashier, Mrs. Lloyd (Frances) Nevitt from assistant cashier to assistant vice president and Mrs. John I. (Doris) Grossenbacher to assistant cashier.

■ MAZON STATE has dedicated its new building, which has about 5,000 square feet of space.

Appointment, Promotions Formation of New Dept. Made at Central Nat'l

CHICAGO—Central National has announced the election of Joseph G. Lutz as a vice chairman, promotions of four officers to senior vice presidents and formation of a municipal finance division.

Mr. Lutz recently retired as regional administrator of national banks for the Seventh Region. He entered banking in 1934 at Citizens State, Brainerd, Minn., and was with Bank of America, San Francisco, before joining the Treasury Department in 1947.

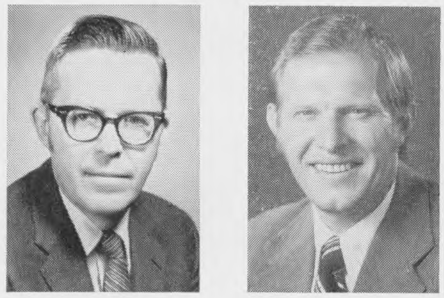
The new senior vice presidents are Howard H. Beermann, head of the agricultural banking division; John W. Thompson, head of the commercial banking department; Harry L. Hatton, commercial banking; and Christopher W. Roberts, deputy manager, international banking division. All were vice presidents.

LUTZ THOMPSON BEERMANN HATTON

Mr. Beermann also is president, Central AgFinance Corp., which specializes in making short-term loans to agricultural producers, raising money for these loans through public sale of commercial paper. Central AgFinance is a subsidiary of Central National Chicago Corp., HC for Central National Bank. Mr. Thompson is vice president, Central National Chicago Corp.

Jared K. Pickell, vice president, heads the new municipal finance division, formed to expand the bank's underwriting and trading of municipal securities.

Promoted in Chicago



LINDSTROM LOCKENVITZ

National Boulevard Bank, Chicago, has promoted Kenneth A. Lindstrom to vice president, cashier and secretary, Everett J. Lockenvitz to vice president and John F. Starostka to operations officer.

Indiana News

W. R. Strawser Is President Of New Bank in Elkhart

ELKHART—The new Citizens Northern Bank opened in temporary quarters December 10. The permanent building, now under construction, is scheduled to be ready for occupancy in March.

Officers are: William R. Strawser, president; Joseph D. Barnett, chairman; C. R. Layman, senior vice president; Lawrence P. Deputy, vice president-cashier, and Bruce Hecker, vice president-lending. Capital is $750,000; surplus, $400,000, and undivided profits, $350,000.

Staff of new Citizens Northern Bank, Elkhart, consists of: (front row, l. to r.) Carolyn Hill, Bruce Hecker, v.p.-lending, Mary McMeekan, William R. Strawser, pres., Joseph D. Barnett, ch., and Sally Wood; (back row, l. to r.) Cheryl Cooper, Clifford R. Layman, sr. v.p., Novia K. Werno, Pamela Webster and Lawrence P. Deputy, v.p.-finance & cash.

South Bend Bank Gives $50,000 For Notre Dame Fellowship

SOUTH BEND—First Bank has made a $50,000 commitment to the University of Notre Dame to endow a fellowship in the graduate program of the College of Business Administration.

In other action, the bank elected Keith L. Hamilton vice president-branch operations and supervisor of branches and D. K. Gardner vice president, commercial loan department. In his new post of supervisor of branches, Mr. Hamilton succeeded Julius A. Taelman, vice president, who is retiring this month. Mr. Hamilton had been assistant vice president-branch administration since 1969. Mr. Gardner had been an assistant vice president since 1966.

■ OLD NATIONAL, Evansville, has promoted Burt King to assistant manager, First Avenue Branch. He joined the bank in August, 1972, as a management trainee and was assigned to the First Avenue Branch last May. Old National also elected William H. Keck to the board. He is co-owner, Keck Motor Co., Mt. Vernon.

■ CITIZENS NATIONAL, Evansville, has promoted Lyall H. Stafford and Jerry W. Cecil from assistant vice presidents to vice presidents. Mr. Stafford joined the bank as a teller in 1956. Mr. Cecil went there in 1959 as an adjuster in the installment loan department.

■ INDIANA NATIONAL, Indianapolis, has named Brian D. Bailey and John C. Otterman assistant vice presidents, bank investment division.

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New Director and Branch Announced by Centre Bank

CENTRE—Farmers & Merchants Bank has announced the election of Senior Vice President Thomas S. Graves to its board and the opening of a branch in Leesburg.

GRAVES

Mr. Graves is the first bank employee to be elected a director except the president since 1957. He filled a vacancy created by the death of M. G. Weaver, president, Peoples Telephone Co. Mr. Graves joined the bank in 1965 as a file clerk in the bookkeeping department. He is a graduate of the University of Alabama and the School of Banking of the South at Louisiana State University, Baton Rouge. He is an instructor for the Centre AIB Study Group and served as chairman, Group Five, Alabama Young Bankers, in 1972. He is chairman of the Alabama Bankers Association's operations committee.

The Leesburg Branch is the bank's second office. The day the new branch was opened—November 26—Farmers & Merchants Bank reached $25 million in total assets. The ribbon cutting was held November 25, with about 1,500 persons attending. The ribbon was made into three sections of $5 bills, and the bank gave one section to each of the three Leesburg churches.

Three generations of Centre banking family are shown at ribbon-cutting ceremony opening new Leesburg Branch of Farmers & Merchants Bank, Centre. President Mary George Jordan Waite holds her grandson, Jake Graves. With her are her mother, Mrs. J. Oleus Jordan, bank director, and her two granddaughters, Meg and Kim Graves, as well as Jack Barrett (r.), pres., Alabama Bankers Association, and pres., First Nat'l, Wetumpka, and B. C. Lokey (l.), mayor of Leesburg.

■ FORT PAYNE BANK has joined Alabama Bancorp., Birmingham.

Alabama News

CROW

JACKSON

Crow Is Chairman and President Of New Bank Holding Company

First Bancgroup-Alabama, Inc., a multi-bank holding company, has begun operation. The HC was formed by First National, Mobile, and Henderson National, Huntsville. It's headquartered in Mobile and managed by its own officers and board.

James S. Crow, president, First of Mobile, is the HC's chairman and president; Walter L. Jackson, president, Henderson National, is vice chairman and treasurer; William H. Armbrecht, an attorney and chairman, First National, is chairman of the HC's finance committee; John D. Austin, senior vice president in charge of planning and administration, First National, is vice president; and Lance R. LeFleur, of First National, is secretary and assistant treasurer.

Affiliation of the two banks created a bank HC with combined resources as of November 30, 1973, of more than $382 million. Seventeen banking offices are operating in Alabama, and approval has been received to open two more offices in the near future.

New Montgomery Bank Opens; Pope Is President & CEO

MONTGOMERY—This city has a new bank, Exchange National, which opened January 2 at 671 South Perry Street. The bank is operating in a modular building on the site while its permanent quarters are being constructed.

Robert R. Pope, formerly chairman and president, Bank of Heflin, is the new bank's president and chief executive officer.

Lewis G. Odom Jr., an attorney who served as interim chairman during the bank's formation, said Exchange National's $2-million in capital stock was oversubscribed and that requests for more than $4 million in stock were received in a two-week period.

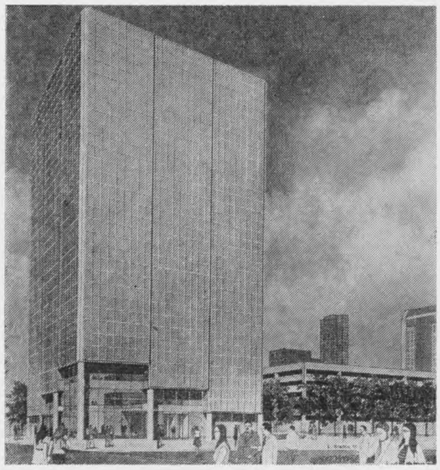
Multimillion-Dollar Building Planned by Exchange Security

BIRMINGHAM—Exchange Security Bank has announced plans to erect a multimillion-dollar banking center and office tower.

The tower structure will feature aluminum trim with exterior columns of stainless steel and grey-tinted glass set back six feet from the ground floor and will rise 18 floors, including equipment and penthouse levels. The building will have two balconies and a ceiling height of 36 feet at one point. There will be a sunken garden between the structure and adjacent property.

The project will be a joint venture with Canal-Randolph Corp., national real estate development firm, New York City.

Exchange Security belongs to First Alabama Bancshares, Inc., a registered bank holding company.



This is an artist's sketch of the new building to be erected by Exchange Security Bank, Birmingham.

■ FIRST NATIONAL, Opp, has announced the following promotions: from vice president to senior vice president, W. Thurman Nutt; from assistant cashier to assistant vice president, Billy Ward; and from administrative assistant to assistant vice president, George C. Pierce.

■ FIRST NATIONAL, Bay Minette, has been acquired by First Alabama Bancshares, Inc., Montgomery.

Alabama Death

M. G. WEAVER, 68, director, Farmers & Merchants Bank, Centre, for four years. He was president, Peoples Telephone Co., Leesville.

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Kentucky News

Promotions Announced By Louisville Trust

LOUISVILLE—Louisville Trust has announced the following promotions:

David A. Lemmon from assistant vice president to vice president in charge of the data processing group; Terry D. Barrickman from assistant vice president to vice president-retail banking group; William M. Barney from operations officer to assistant vice president in charge of the input/output control department; Paul E. Bleuel Jr. from assistant treasurer to assistant vice president in charge of the treasurer's group; John F. Doughty from operations officer to assistant vice president in charge of the internal services groups; Russell F. Davidson II from assistant treasurer to assistant vice president-money management and investment group; William H. Hagan and Leland T. Hulbert from assistant treasurers to assistant vice presidents-retail banking group; James H. Gray from operations officer to assistant vice president in charge of the special services department; Faye C. Roby from operations officer to assistant vice president in charge of the systems and programing department; Richard L. Siegel from operations officer to assistant vice president in charge of the methods and procedures department; John D. Sweeney Jr. from operations officer to assistant vice president in charge of the computer operations department and assistant officer in charge of the data processing group; A. Louise Wyatt from operations officer to assistant vice president in charge of the deposit services department;

Kennedy H. Clark Jr. from assistant trust officer to trust officer; Robert B. Morgan, Paul E. Reynolds and C. Todd Robertson to assistant treasurers-retail banking; Mrs. Cecilia M. Deavers to assistant secretary and Ronald E. Taylor to operations officer.

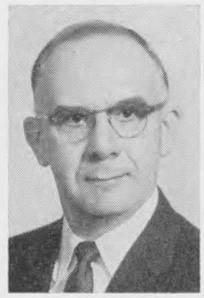
Marketing-PR-Adv. Committee Formed by Hopkinsville Bank

HOPKINSVILLE—First City Bank has formed a marketing, public relations and advertising committee with Vice President Don Atwood as its head. Serving with him are Vice President James W. Cummins, Mrs. Frances McGaughey and Tim Murphy, along with Mrs. Margaret Morse, administrative assistant.

Don Buchanan, vice president and controller, has assumed responsibilities for bank operations formerly handled by Mr. Atwood.

President Robert L. Cave said these changes were made because of the marked growth of the bank and in anticipation of the move to its new four-story building, now about 60% completed, in 1974.

Gosney Elected to Board Of Newport National Bank


GOSNEY

Howard Gosney, who headed the Kentucky Bankers Association in 1971-72, has been named a director of Newport National. He is the former president of West Side Savings Bank, Newport, which was recently acquired by Newport National.

Mr. Gosney, a Newport native, joined West Side Savings in 1925, became assistant cashier in 1932, first assistant cashier and a director in 1936, cashier in 1943, executive vice president in 1946 and president in 1960.

Tennessee News

Top-Management Changes Made at Union Planters

MEMPHIS—C. Bennett Harrison, chairman, Union Planters National, also has been elected president to succeed James C. Merkle. Mr. Merkle, president since 1969, resigned that post and also as president, Union Planters Corp., parent company of the bank.

William D. Galbreath, chairman, Percy Galbreath & Son, Inc., has been elected president, Union Planters Corp. He has been a director of the HC since it was formed in 1972. Percy Galbreath & Son, a mortgage banking firm, is a subsidiary of the bank.

Mr. Harrison was Union Planters National's president from 1966 to 1967, when he was elevated to chairman.


HARRISON


GALBREATH

Mr. Merkle, who has not announced his future plans, went to Union Planters from First National, Anniston, Ala., where he was president.

In other action, Union Planters National named Donald B. Edge head of its bond investment department. He was formerly vice president/bonds, South Carolina National, Columbia.

American National Corp. Names Probasco President

CHATTANOOGA—Scott L. Probasco Jr. has been elected president and chief executive officer, American National Corp., parent company of American National Bank. He continues as vice chairman of the bank.

Sam I. Yarnell continues as chairman of the HC and chairman and CEO of the bank. John P. Wright continues as president and chief administrative officer of the bank.

In other action, the HC's directors have recommended to stockholders that the firm's name be changed to Ancorp Bancshares, Inc., to more accurately reflect the scope of its future activities. Mr. Yarnell emphasized that the change would in no way affect the name or operations of the bank, the only present subsidiary of the HC.

HC Affiliation Announced

Pioneer Bank, Chattanooga, has announced plans to affiliate with First Tennessee National Corp., Memphis. Pioneer Bank, founded in 1916, reported deposits of $95.4 million last September 30.

■ CHARLES T. ASHBY has moved up from executive vice president to president of Farmers Bank, Lynchburg. Harwell L. Tipps, formerly assistant cashier, now is vice president, and R. L. Sullenger Jr. was advanced from assistant cashier to cashier. New assistant cashiers are Camilla G. Johnston, Nancy T. Thomas and Joyce P. Neal.

■ THIRD NATIONAL, Nashville, has promoted Barry S. Goad from trust operations officer to vice president and trust operations officer; Wirt C. McKnight from trust officer to vice president and trust officer; Charles E. Winger from investment officer to vice president and investment officer and Richard C. Gammel from assistant trust officer to trust officer.

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Mississippi News

Foote Succeeded by McMullan In Hattiesburg Bank Post

HATTIESBURG—Lawrence Y. Foote, past president of the Mississippi Bankers Association, retired December 31 as chairman, First Mississippi National. He was succeeded by Paul W. McMullan, who also remains president and chief executive officer.

Mr. Foote, who has become a member of the advisory board, was president of the bank from 1951 until 1965, when he became chairman. He has been a director of the New Orleans Branch of the Federal Reserve, Atlanta.

Mr. McMullan became president and CEO of the bank in 1965. He is chairman, Newton County Bank, Newton, and Farmers & Merchants Bank, Forrest, and vice chairman, Bay Springs Bank.

'Over-62s' Are Special

BROOKHAVEN—The Golden Customer Club, started for people over 62 last May by Brookhaven Bank, has been expanded to include a merchant discount program. Through the club, the bank provides such free services to the "over-62s" as financial counseling, cashier's and travelers checks, estate planning, checking accounts, automatic payments of utility bills and life insurance premiums, money orders and notarial services.

Under the merchant discount program, many Brookhaven merchants will give discounts on purchases made by Golden Customer Club members on presentation of their club membership cards.

In addition to the free services mentioned above, the club allows members to take part in and attend events sponsored by the bank such as tours and one-day trips to nearby points of interest. For example, the first trip, on December 4, was to Le Barn Rouge Dinner Theater outside Jackson. The 95 persons who went via chartered buses saw the play, "Born Yesterday."

Hancock Bank Completes Merger With Bank in Poplarville

GULFPORT—Hancock Bank has announced completion of its merger with Bank of Commerce, Poplarville. The latter bank now operates as a division of Hancock Bank, with Lee W. White, who was president of Bank of Commerce, continuing to serve as division president.

Bank of Commerce had resources of $13 million, and Hancock Bank's resources total $137 million.

Hancock Bank also announced that more than $1,037,000 in Christmas Club accounts were recorded last year to set an all-time high in the bank's Christmas saving program. The bank opened its 1974 Christmas Club by offering a free Anchor Hocking candy dish with matching cover to all who opened an account early.

■ GRENADA BANK and Houston State have merged, with the latter and an approved, but unopened, office to become branches of Grenada Bank.

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■ SECURITY BANK, Corinth, announced four promotions at its recent 41st anniversary party. James C. Carnal and Larry W. McCollum moved up from assistant cashiers to assistant vice presidents, and Mrs. Ann Rickman and Mrs. Marie Burney were named assistant cashiers. Mr. Carnal joined the bank in 1969 and is a loan officer, Mid-Town Installment Loan Center. Mr. McCollum went to the bank in 1970. Mrs. Rickman, head teller, has been there since 1955 and Mrs. Burney since 1954.

They'll Finance Anything!

To show that it's ready to finance anything from A (autos) to Z (zithers), Brookhaven Bank displayed one of the latter in its installment loan department. Pictured with the display are Mitchell Davis (l.), v.p., and Morgan McLain Jr., a.c. The exhibit was in connection with the bank's latest advertising promotion of installment loans, a program that emphasizes the versatility of the bank's financing. Brookhaven Bank offers "Get-Ahead Money from the Get-Ahead Bank."

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Arkansas News

R. B. Elwood Retires Dec. 31 As Worthen Bank Officer

LITTLE ROCK—Richard B. Elwood, vice president and manager, national accounts, Worthen Bank, retired December 31. He has not announced his future plans, but expects to remain active in a bank-related field.

ELWOOD

Mr. Elwood entered banking in 1924 with American Southern Trust, Little Rock, which later became American Exchange Trust and then failed in 1930 during the depth of the Depression. Mr. Elwood subsequently joined the state bank liquidator's staff and was placed in charge of liquidating his former bank. In 1934, he went to Worthen as a savings teller. He advanced to manager, savings department, in 1937 and manager, new accounts, in 1941. After Navy service during World War II, Mr. Elwood returned to Worthen Bank as assistant cashier, correspondent banking department, and became its vice president and manager in 1950. As the department expanded and later became the correspondent bank division, Mr. Elwood was named to his most recent post as manager, national accounts, in 1968.

Two of Mr. and Mrs. Elwood's three children are in banking—their daughter, Mrs. Jeffrey C. (Janice) Mitchell, is a new accounts officer at a New York savings bank, and their elder son, Brian Elwood, is a management trainee at Union Planters National, Memphis.

Promotion, New Directors Announced by 1st of LR

LITTLE ROCK—First National has elected Patrick C. Koch senior vice president and Charles J. Cella and Jess P. Odom to its board.

Mr. Koch, with the bank 15 years, is a commercial loan officer in the general

KOCH

CELLA

ODOM

banking division. He is a 1971 graduate of the School of Banking of the South at Louisiana State University, Baton Rouge.

Mr. Cella is president, Oaklawn Jockey Club, Hot Springs, described as one of the leading thoroughbred race tracks in the country, and president, Southwestern Enterprises, Inc., Little Rock, which owns developed and undeveloped real estate in Arkansas. He also is president, Southern Real Estate & Financial Co., headquartered in St. Louis.

Mr. Odom established the National Investors Life Insurance Co., Little Rock, in 1957 and has expanded his business ventures to become chairman and/or president of 13 corporations with sole majority ownership in each. Among these firms are Jess Odom Enterprises, Inc.; Dogpatch, U.S.A., Inc.; Marble Falls Estates, Inc.; Maumelle Land Development, Inc., and Odom-Spears Buick, Inc.

■ JOHN C. HOVE has joined National Bank of Commerce, Pine Bluff, as vice president-trust officer. He was formerly with Union National, Bartlesville, and First National, Tulsa, both in Oklahoma.

■ JAMES R. RODGERS has been appointed manager of the new Parkview Branch of First National, Little Rock. He joined the bank in January.

Louisiana News

Lt. Gov. Fitzmorris Elected Bank of New Orleans Director

NEW ORLEANS—Louisiana Lieutenant Governor James E. Fitzmorris Jr. has been elected to the board of New Orleans Bancshares, Inc., and its principal subsidiary, Bank of New Orleans.

FITZMORRIS

Governor Fitzmorris, a native of New Orleans, has been associated with BNO since 1957, when he was named to its branch advisory committee. He was vice president, Kansas City Southern Railway Co., in New Orleans until his election as lieutenant governor in May, 1972. He also has been a district councilman and councilman-at-large in New Orleans.

BNO also announced the launching of a $1.9-million expansion-modernization program with the placing of an order for three automatic tellers (24-hour banking machines). The units, manufactured by Docutel Corp., Irving, Tex., will be in operation by April, one to be installed in an existing BNO office and the others in two of the new branches to be opened in 1974. The Kenilworth Branch, now under construction, a new branch to be built and the existing Robert E. Lee Office will receive the new machines. Two other branches scheduled for construction this year include one in the central business district and one uptown.

■ DANIEL E. MOODY and Charles N. Webb have joined the staff of Citizens Bank, Columbia as loan officer and assistant vice president-marketing, respectively.

■ HIBERNIA NATIONAL, New Orleans, has promoted Robert Yerby to trust officer; Richard C. Allen to assistant vice president, corporate services; George J. McKigney, to assistant vice president and assistant branch administrator and Charles L. Petrey Jr. to assistant controller.

■ ROBERT L. PETTIT JR. has been elected a director and chairman of American Bank, Shreveport. As chairman, he succeeded Sam Thomas Jr., who resigned. Mr. Pettit also is chairman, Jefferson Bank, Metairie. He was an all-America basketball star at Louisiana State University, Baton Rouge, and a professional player with the old St. Louis Hawks for 11 years. American Bank also elected August Perez III to its board. He is a senior associate, August Perez & Associates, a New Orleans architectural firm.

■ FRANCIS C. DOYLE, a director and retired executive vice-president, First National Bank of Commerce, New Orleans, has received a citation for outstanding citizenship for his work in the volunteer program of U. S. savings bonds in Louisiana. As the state-wide coordinator of the ABA, Mr. Doyle achieved 100% bank participation and and exceeded the goal of $55 million set for the state by 11% in 1972.

■ LOUISIANA NATIONAL, Baton Rouge, has opened its new Corporate Square Branch in Corporate Square Mall and brings to 18 the number of LNB banking locations.

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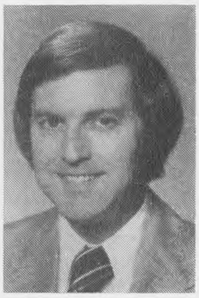
Texas News

New Correspondent Man Named At Mercantile Nat'l, Dallas

DALLAS—Mercantile National has elected two new directors—Senior Executive Vice President Frank V. Wolfe and Mrs. Adele N. Locke—and has named J. Frederick Scott an assistant vice president in the correspondent banking department. Mrs. Locke, active in local and national public affairs, is the first woman to serve on the bank's board.

WOLFE



SCOTT

Mr. Wolfe, a key member of top management the past eight years, joined Mercantile in 1931. Mr. Scott was formerly senior bank examiner, Federal Reserve, Dallas, having joined that bank in 1965. Before that, he was an examiner for the office of regulatory loan commissioner in Austin and on the staff of a Fort Worth bank.

Mrs. Locke has been Democratic national committeewoman from Texas and a member of the executive committee of the National Democratic Committee. She lived in Asia and Africa with her husband, the late Eugene M. Locke, former U. S. ambassador to Pakistan and deputy ambassador to South Vietnam.

■ BENNIE J. McDONALD has been elected senior executive vice president and chief executive officer, First National, McAllen. He was formerly president, Wharton Bank. At First of McAllen, Mr. McDonald succeeded B. A. Spillar as CEO. Mr. Spillar continues as executive vice president and an active participant in the bank's management until his retirement.

■ FIRST NATIONAL, Brownwood, has named Charles Miller, a CPA, as its controller. He was senior accountant, Arthur Andersen & Co., Houston.

Smith Joins Amarillo Nat'l

AMARILLO—J. W. Smith has joined Amarillo National as senior vice president, specializing in commercial loans and correspondent banking. He was formerly president, Bank of the Southwest, Amarillo. He also is vice president and a director, First State, Seagraves.

Mason Leaving Beaumont Posts For Dallas-Based Bank HC

Elvis L. Mason has resigned as chairman and president, First Security National Corp., and chairman and CEO of its principal subsidiary, First Security National Bank, both of Beaumont. He is joining First International Bancshares, Inc., Dallas, as vice chairman. The latter is said to be the largest bank holding company in Texas.

As vice chairman of the HC, Mr. Mason will be on its board and executive committee and on the boards of certain other subsidiaries, including the recently formed First International Bancshares, Ltd., London.

He joined First Security National Bank in 1963.

Hanley Named Senior VP At Republic of Dallas

DALLAS—Bryant M. Hanley Jr. has been promoted to senior vice president and trust officer, manager, trust investment division, and a member of the executive committee, Republic National.

HANLEY

Mr. Hanley joined the bank in August, 1972, as vice president and trust officer and head of the pension and profit sharing section of the asset management division. He had been vice president and portfolio manager, Fundamental Investors Mutual Fund.

Republic of Texas Corp., holding company that owns Republic National, has reached an agreement in principle to acquire First National, Garland. Republic of Texas Corp. was organized recently by Republic National to operate as a bank HC and to acquire all of Republic National's stock on a share-for-share basis.

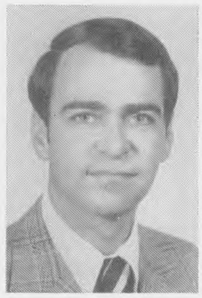
Bill Cone Elected President Of New Bank in Houston

HOUSTON—Bill Cone has been named president of the newly chartered Exchange Bank, which will open in late spring or early summer with a capitalization of $2 million. The bank will be located in Saks Fifth Avenue Mall at 1800 South Post Oak.

Mr. Cone was executive vice president and chief executive, University State, Austin.

McClane Named Sr. VP Of FrostBank HC

SAN ANTONIO—Robert S. McClane has been elected senior vice president and chief administrative officer, FrostBank Corp., whose principal affiliate is Frost National Bank.



McCLANE

Mr. McClane was vice president and secretary-treasurer, Frost Realty Co., before it was restructured to become FrostBank Corp. He joined Frost National in 1962 and advanced to vice president in 1968. During the building of the new Frost Bank Tower, he was the bank's project manager.

In addition to his new post, Mr. McClane is vice president of the bank and vice president and secretary-treasurer, Main Plaza Corp., another wholly owned subsidiary of FrostBank Corp.

The HC has received preliminary approval to open a bank in the northeast quadrant of San Antonio. The proposed name is Peoples National, and capitalization would be as follows: $300,000 in capital, $300,000 in surplus and $150,000 in undivided profits.

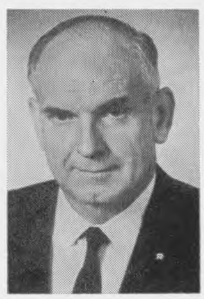
In action at Frost National, Joseph H. Frost was elected a director. He is a real estate developer and oil investor and a founder and director, Datapoint Corp. He is the son of the late Joseph H. Frost Jr., who was the bank's senior chairman from 1962 until his death in 1971.

HCs' Merger Planned

Southern National Corp., Houston, will be merged with Fort Worth National Corp., subject to Fed approval.

Leonard Kimsey Dies at 58; Republic Nat'l Adv. Mgr.

DALLAS—Leonard R. Kimsey, 58, advertising manager, Republic National, died November 23.



KIMSEY

Mr. Kimsey joined the bank in 1952 as a staff writer in public relations, became an assistant cashier in 1960 and assistant vice president in 1967, with both PR and advertising responsibilities. He was made press relations manager in 1968 and advertising manager in 1970. Before going to Republic National, Mr. Kimsey was a reporter for the Dallas *Times-Herald*.

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Fisher Joins Santa Fe Nat'l As Trust Department Head

SANTA FE—Carl Thomas Fisher has joined Santa Fe National as vice president and trust officer and head of the trust department.

FISHER

Mr. Fisher was formerly with Southern Arizona Bank, Tucson, where he was trust officer and manager of the probate division. He also was an assistant in business development. From 1958-70, he managed the trust department at Exchange National, Colorado Springs, Colo., and for two years was a bank examiner with the Federal Reserve, St. Louis.

Mr. Fisher holds a law degree from the University of Kansas Law School and has completed graduate work toward a doctorate in law at the University of Missouri at Kansas City.

New Mexico News

■ GUY L. ROGERS, chairman, New Mexico Bank, Hobbs, has received a "distinguished management leadership award" from the University of New Mexico School of Business and Administrative Sciences. Mr. Rogers, former Hobbs mayor, was honored for "outstanding management talent and major contributions to the development of the state."

■ ALBUQUERQUE NATIONAL has boosted capital and surplus to $28 million. Capital was boosted to $14 million through sale of stock and a 100% stock dividend. Surplus was increased through a transfer of $2,615,000 from undivided profits.

■ RANCHERS STATE, Belen, is seeking approval to establish the Central Valley Branch in Los Lunas.

■ FIRST NATIONAL, Alamogordo, has promoted Bill J. Horton from vice president to senior vice president, H. L. "Steve" Stephenson and R. B. Holmes from assistant vice presidents to vice presidents and Mrs. Glenn (Jo) Richards from operations officer to assistant vice president. Mr. Horton, who has charge of the installment loan department and is the bank's security officer, joined First National in 1964. Mr. Stephenson, a lending officer, installment loan department, went to the bank in 1967. Mr. Holmes, who handles the Master Charge department, has been there since 1969. Mrs. Richards, in charge of the commercial loan payment and escrow department, has been with First National since 1959.

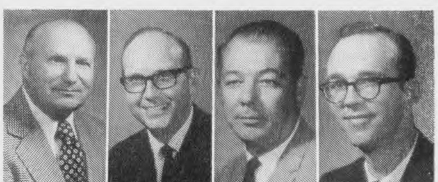
■ CITIZENS BANK, Albuquerque, has advanced Robert M. Goodman from assistant vice president and assistant manager, San Pedro Office, to vice president and manager, Candelaria Office. Peter D. Bohan has been named assistant vice president and manager, consumer credit department. He was manager, consumer credit, Crocker National, Los Angeles.

Retired Air Force Officer Joins Liberty Nat'l, OC

OKLAHOMA CITY—Liberty National has elected Major General Melvin F. McNickle (U. S. Air Force, ret.) vice president in its corporate finance department.

General McNickle, in military service since 1936, was—from 1964-68—commander of the Oklahoma City Air Materiel Area, Tinker Air Force Base. In addition to holding several military decorations, General McNickle is the only U. S. citizen to be awarded the Great Shield of Germany by the State of Rhineland-Palatinate for outstanding German-American community service.

In other action, Liberty National named the following vice presidents: Kay F. Householder and Rodney F. Saunders, commercial banking, and Charles Kedy, personal banking. Daniel D. Adams Jr. was made vice president, Liberty Financial Corp. New assistant vice presidents are Ellen Chitwood, marketing, and Roger Milsap, Roy Rowlett, Gary Burton and Bobby Leonard, BankAmericard division.



McNICKLE KEDY SAUNDERS HOUSEHOLDER

Oklahoma News

■ ADMIRAL STATE, Tulsa, has elected Mrs. Joanne E. Archibald and D. L. (Larry) Thomason assistant cashiers. Mrs. Archibald went to the bank in 1962 and now has charge of the drive-up facilities on Admiral Place. Mr. Thomason, who works in operations, has been with the bank since 1968.

■ JOE LINDSLEY has joined First National, Stillwater, as senior vice president and senior credit officer. He comes from United Bank of Denver, where he was a vice president, commercial lending department.

■ GLENN BONNER has been elected an assistant cashier of First National, Bartlesville. He joined the bank in November, 1972, as a junior executive trainee and has worked in every bank department. He was given a marketing degree in May, 1972, from Oklahoma State University, Stillwater.

■ ROGERS COUNTY BANK, Claremore, has elected A. V. (Dyke) Robinson Jr. vice chairman in addition to his post of senior vice president. Mr. Robinson joined the bank in 1937, was elected to the board in 1957 and has been senior vice president since 1967.

■ CITY BANK, Tulsa, has promoted Vice President J. L. Brown from manager, installment loan department, to a commercial loan officer, Raymond Fort, assistant vice president, to manager, installment loan department, and Jim Ray, who was collection manager, to assistant cashier, installment loan department.

■ COLIN M. HENDERSON has joined National Bank of Tulsa as an assistant vice president and trust officer. He was formerly trust officer of a Dallas bank.

Even Santa Saves!

Yes, it looks as though even Santa Claus needs to save for Christmas. The old gentleman was first in line to sign up for First National of Tulsa's 1974 Christmas Club program last month. He's shown here being assisted by Randy Judd, of the bank's First Person Banking Center. First of Tulsa said it was the first bank in Oklahoma to pay interest on Christmas Club accounts.

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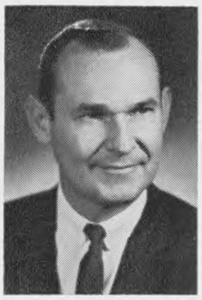
Kansas News

Mott Randle Named Exec. VP At First National of Hays

HAYS—Mott L. Randle, who joined First National last summer as vice president, has been named to the newly created post of executive vice president. In other action, the bank elected Howard Sloan manager of its new motor bank, which was scheduled to open after the first of the year.



RANDLE

Mr. Randle had been with Fourth National, Wichita, in management, marketing and correspondent banking activities before going to First of Hays.

Mr. Sloan has been taking part in a management training program at First National for the past several months while finishing work toward a degree in economics and business at Fort Hays State College.

■ SECURITY NATIONAL, Kansas City, has named Stephen B. Ashley assistant operations and research officer. He will receive orientation in all of the bank's departments as well as on-the-job training with national banks in larger cities and possibly with the Federal Reserve in Kansas City.

■ PHILIP HAMM, president, First National, El Dorado, has been elected to a three-year term as a director of the Federal Reserve Bank of Kansas City. His term began January 1. Mr. Hamm, with his bank since 1958, is vice president and a director, Benton State, and a director, Augusta State.

■ EXCHANGE STATE, Moline, has raised capital from $25,000 to $50,000 through a stock subscription.

■ CITIZENS STATE, Cheney, now has capital of $250,000 after a boost from $125,000 through a stock dividend.

■ CAPITAL at First State, Pittsburg, has been boosted from $300,000 to $500,000 through a stock subscription.

■ FIRST STATE, Pleasanton, has been granted limited trust powers.

New Regional Vice Presidents Elected by Kansas Bankers

Under a new election procedure instituted this year, vice presidents of the six Kansas Bankers Association regions are elected by mail ballots after the annual series of regional meetings are held. Named to the six posts were:

Region One—R. R. Domer, executive vice president, Security National, Kansas City; *Region Two*—Dean W. Daniel, president, First National, Coffeyville; *Region Three*—Wendell D. Gugler, executive vice president, Farmers National, Abilene; *Region Four*—Noel Estep, executive vice president, Southwest National, Wichita; *Region Five*—Dean D. Haddock, president, Guaranty State, Beloit; and *Region Six*—Clarence A. Wilson, president, Home State, La Crosse.

The regional vice presidents, whose terms expire in May, 1975, also make up the nominating committee for the spring, 1974, elections of a new KBA president-elect and treasurer. Chairman of this committee is Ernest A. Morse, president, Citizens Bank, Abilene.

■ RALPH HENLEY JR. joined Farmers & Merchants State, Derby, December 1 as vice president. He was formerly vice president, American Bank of Commerce, McAllister, Okla. Mr. Henley was manager, Universal CIT Corp.'s Enid, Okla., office, 1965-70, and assistant vice president, Bank of Commerce, Newton, 1970-72.

Gets Wichita Post

Dale Wheeler has been elected vice president, East Side National, Wichita, and has charge of the business loan department. He was associated with Oklahoma and Colorado banks.

Commercial National of KCK Names Loyd to Trust Post

LOYD

KANSAS CITY—Robert W. Loyd has joined Commercial National as senior vice president and trust officer. He is responsible for operation of the bank's trust division.

Mr. Loyd, a graduate of the University of Kansas Law School, has had 12 years' experience in probate, personal trust and taxation with another metropolitan Kansas City bank.

He belongs to the Kansas and Wyandotte County Bar associations.

■ MERCHANTS NATIONAL, Topeka, will open a new facility at the White Lakes Shopping Center. The motor bank will feature four drive-up stations and six lobby stations. Completion is expected within six months.

■ VALLEY VIEW STATE, Overland Park, has increased its capital from $500,000 to $1 million by stock dividend.

Stephenson Gets New Post At Kansas State, Wichita

WICHITA—Everett S. (Steve) Stephenson Jr. has joined Kansas State as a vice president and head of operations and the bank's new investment department. This department, created last November, is responsible for trust department, bank and customer investments.

STEPHENSON

Mr. Stephenson was formerly municipal securities officer at Fourth National, Wichita. During his career, he has been with First Securities Co., Wichita, and Rittenoure Investment Co.

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Top-Management Changes Made at St. Louis HC

ST. LOUIS—John W. Martin has been elected chairman, Manchester Financial Corp., the holding company that owns Manchester Bank and National Bank of Affton. He also was elected chairman and chief executive officer, Manchester Bank. Mr. Martin was vice president of the HC and vice chairman of Manchester Bank.


MARTIN

George H. Pfister has been elected president and a director of the HC and continues as president, CEO and a director, Manchester Bank.


PFISTER

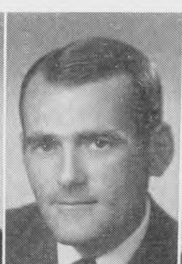

HARLAN

W. M. Harlan Jr. has retired as chairman and CEO, Manchester Bank, and as president of the HC. He continues on the advisory boards of both institutions.

The HC also elected five new vice presidents: George T. Guernsey III, Hord Hardin II, William C. Imming, Thomas E. Lofgren and Richard M. Reilly. Messrs. Guernsey, Hardin and Imming continue as senior vice presidents, Manchester Bank, and Mr. Imming, who was secretary of the HC, will serve as vice president and secretary. Mr. Lofgren remains vice president and correspondent officer, Manchester Bank. Mr. Reilly retains his post of president, National Bank of Affton.


GUERNSEY


REILLY


HARDIN

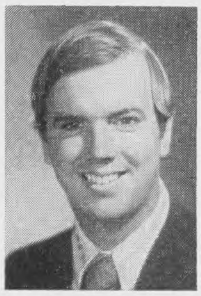

LOFGREN


IMMING

Missouri News

Terry Alexander Promoted At First Nat'l, St. Louis

ST. LOUIS—Terry E. Alexander, a representative in First National's correspondent banking department, has been promoted to commercial banking officer. He joined the bank as a trainee in 1971 and was assigned to his present department last May.


ALEXANDER

First National also announced the following promotions: to vice presidents, Lester J. Grigsby, formerly assistant vice president, and Gary T. Stackle, manager, EDP operations; to data processing officer, James E. Welzbacher, assistant manager, EDP operations; to personal banking officer, William A. Wenthe, manager, special projects, First Union, Inc.; commercial banking officer, Todd Parnell, representative, leasing division; to mortgage loan officer, David L. Kirkland, representative, real estate and mortgage loans; to business development officer, James J. Kerley Jr., representative, EDP sales, and to international banking officer, Robert L. Bolon.

■ COMMERCE BANK of Mexico has announced a major building and remodeling program that will include a move of the Main Office from the city's square to the West Plaza Shopping Center. The present Main Office building then will be converted to a walk-in facility. The new structure will have Spanish-Mexican architecture, with matching interior decor. The project will cost about $500,000.

■ MISSOURI STATE, St. Louis, has elected Mrs. Frances Crowley new accounts officer. She has been with the bank since it opened in 1967.

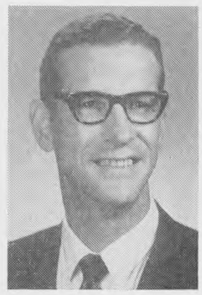
St. Louis, Springfield HCs Announce Plans to Merge

Boatmen's Bancshares, Inc., St. Louis, and U. N. Bancshares, Inc., Springfield, will be merged subject to supervisory and shareholder approval. The surviving corporation will be Boatmen's Bancshares.

Donald N. Brandin is chairman of Boatmen's Bancshares, which owns Boatmen's National, St. Louis. The firm now controls five banks and a mortgage banking company in the metropolitan St. Louis area. In addition, it recently received supervisory approval to acquire Bank of Pevely, with the acquisition to be completed early this year.

Eugene F. Everett is president of U. N. Bancshares, whose principal banking subsidiary is Union National, Springfield. Other subsidiaries include Springfield National, Pulaski County Bank, Richland, Bank of Taney County, Forsyth, and Missouri Mortgage & Investment Co.


BRANDIN


EVERETT

Kansas City HC to Buy Stock Of Mound City Trust Co.

Commerce Bancshares, Inc., Kansas City, has announced an agreement in principle has been reached whereby the holding company will acquire the stock of St. Louis' Mound City Trust that has been held the past three years by First National, Oklahoma City. Acquisition of the stock is subject to Fed approval.

Mound City Trust is the majority shareholder of Valley Bank, Florissant.

In other action, Commerce Bancshares named H. Benjamin Funk auditor. He was formerly controller with Lubier, Inc., and holds a master's degree in accounting from Kansas State University.

■ MANUFACTURERS BANK, St. Louis, has announced these promotions: from treasurer to vice president, Norman L. Vaughn; from assistant treasurer to treasurer, Edmund L. Vorhes; to assistant comptroller, Ed Reis, and to assistant treasurer, Phillip Reichart.

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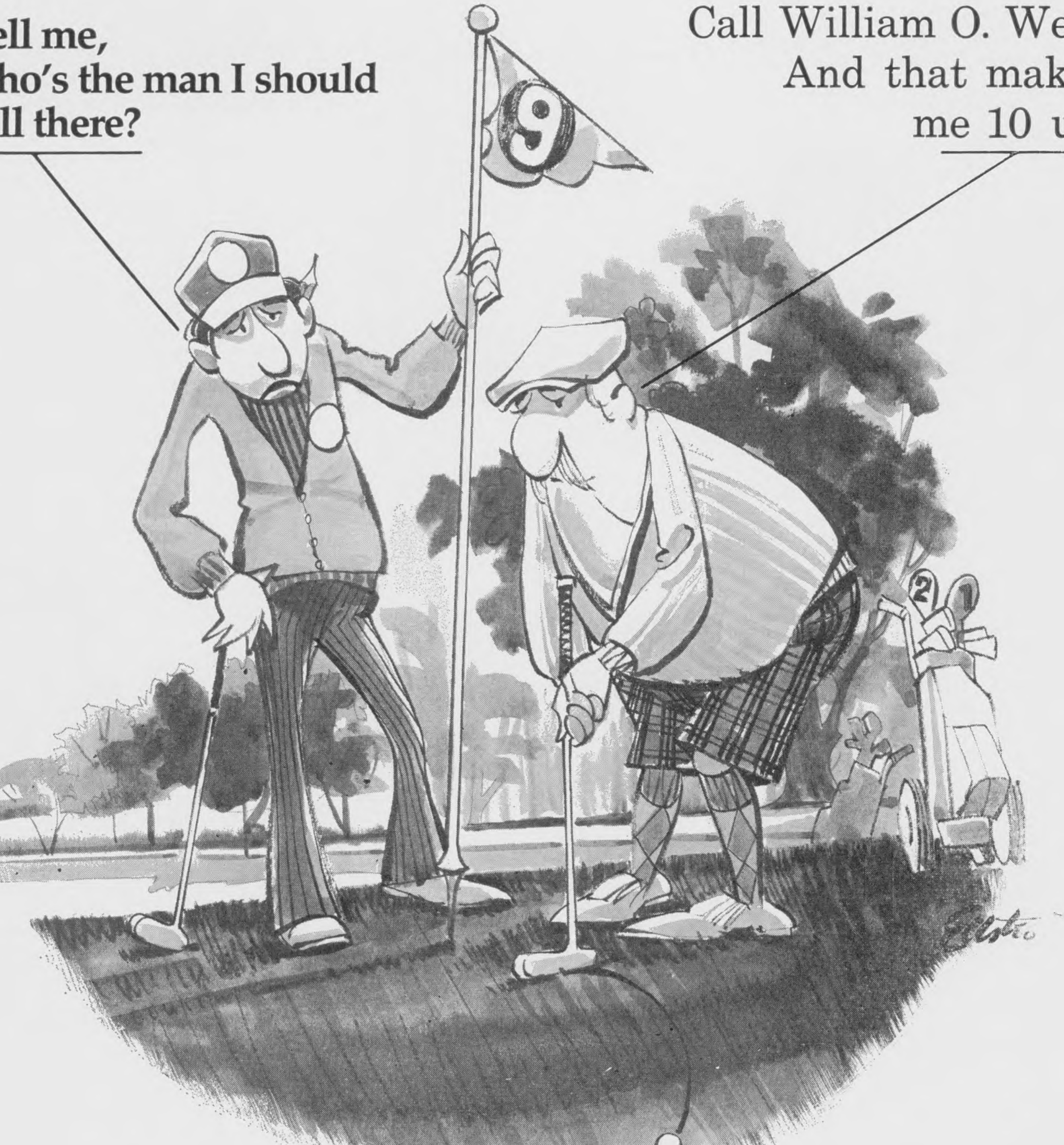

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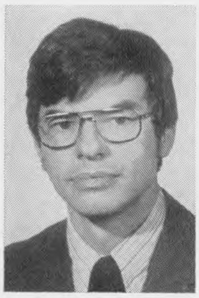
Bank Management Conf. Scheduled Feb. 12-14 For Missouri Bankers

Topics like "Banking's Future and Yours," "The Economy" and "Legislative Update" will be on the program of the Missouri Bankers Association's 34th annual Bank Management Conference February 12-14 at Tan-Tar-A Resort at Osage Beach. Charles W. Lear, president, Bank of Springfield, and chairman of the MBA's bank management committee, will preside.


LEAR


LEONARD

"The Economy" will be discussed by Eugene A. Leonard, first vice president, Federal Reserve, St. Louis. Kermit Hansen, president, U. S. National, Omaha, will speak on "Banking's Future and Yours," and "Legislative Update" will be handled by Dick B. Dale, MBA general counsel, Jefferson City. "Management by Objectives" will be the subject of a talk to be given by Stuart B. MacIntire, vice president, Lester B. Knight & Associates, Inc., Chicago. MBA President James E. Cline, president, Citizens State, Maryville, also will speak.

Special-interest sessions on "Lending—Ag, Consumer and Commercial" and "Salary and Fringe Benefits" will be held twice—at 2:30 and again at 3:30 on February 12. The following day, a talk on "Community Development: A Key to Our American Freedoms" by Richard W. Poston, research professor of community development, Southern Illinois University, Carbondale, will be followed by a "Community Development" panel. Robert G. Kunkel, special agent in charge, FBI, St. Louis, will moderate a panel on "Extortion-Hostage Crimes."

Special-interest sessions February 13 will be on "The Rural Development Act" and "EDP in the Smaller Bank." It will be followed by size-group meetings, divided according to total assets among banks with up to $10 million, those with $10-$25 million and $25 million and over.

On February 14, there will be panels on "Walking the Tightrope Between Liquidity and Profits" and "Investments."

Dutch treat breakfasts will be held from 7-9 o'clock each morning of the conference. Noon luncheons are scheduled February 12 and 13; a dinner will be held February 12 and a banquet February 13. At the latter, Bob Murphey, a Nacogdoches, Tex., attorney, will tell his audience, "Under the Circumstances, Laugh a Little."

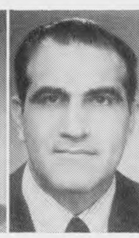
Promotions Made at First Union And St. Louis Union Trust Co.

ST. LOUIS—First Union, Inc., has named Robert E. Whalen senior vice president and controller. He continues to hold those posts in the multi-bank holding company's lead bank, First National. He has been with the bank since 1964.


WHALEN

At St. Louis Union Trust, also a First Union subsidiary, the following vice presidents were named: Alan W. George, formerly assistant vice president; Harry H. Hagopian, formerly personnel director, and C. Arthur Weis, formerly controller.


GEORGE


HAGOPIAN


WEIS

Mr. George and Mr. Hagopian went to the firm in 1964 and Mr. Weis five years ago.

Mercantile Trust, St. Louis, Announces Five Promotions

ST. LOUIS—Mercantile Trust has promoted Otto A. Johnson Jr. of the trust department to vice president. He belongs to the Missouri Bar Association.


JOHNSON

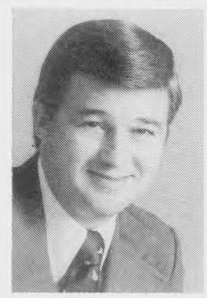
Also promoted were: Bill C. Lovin to assistant vice president; Dennis E. Bielke and Killian J. Heitzman to investment officers, and Burton F. Troll to trust marketing officer.

Good Steer for Banks


R. Crosby Kemper (2nd from l.), ch., United Missouri Bancshares, Inc., and United Missouri Bank of Kansas City, is shown with the reserve champion steer of the 75th annual American Royal Livestock Show in Kansas City. Mr. Kemper bid on behalf of his holding company's banks and bought the animal, an Angus-Limousin crossbred, which weighed 1,150 pounds. Val Eberspacher, Beaver Crossing, Neb., who entered and showed the animal, is at right with his parents. At left is Mark Mayfield, pres., Future Farmers of America. With the group is Miss Jan Salmans, American Royal queen.

United Mo. Bank of Kansas City Promotes Libbert to AVP

KANSAS CITY—Paul D. Libbert, who represents United Missouri Bank in Missouri, has been elected an assistant vice president, as has Gayle D. Dietz of the investment department.


LIBBERT

Mr. Libbert, who is assigned to division II, banks, bankers and corporate accounts, joined the bank last October. He has attended the Basic Banking School and Intermediate Banking School at the University of Nebraska, Lincoln.

Mr. Dietz went to the bank in 1971.

■ SOUTHWEST BANK, St. Louis, has announced plans to erect a 4,000-foot addition to its main building, with completion scheduled for early spring.

■ TOWER GROVE BANK, St. Louis, has announced the following promotions: from commercial loan officer to vice president, Norman E. Meyer; from commercial loan officer to assistant vice president, Wayne A. Beugg; to installment loan officer, James N. Nall; from manager, customer service, to assistant secretary-treasurer, Shirley M. Neun; to manager, customer service, Robert J. Gasko; and to manager, teller operations, Joseph C. Cichacki.

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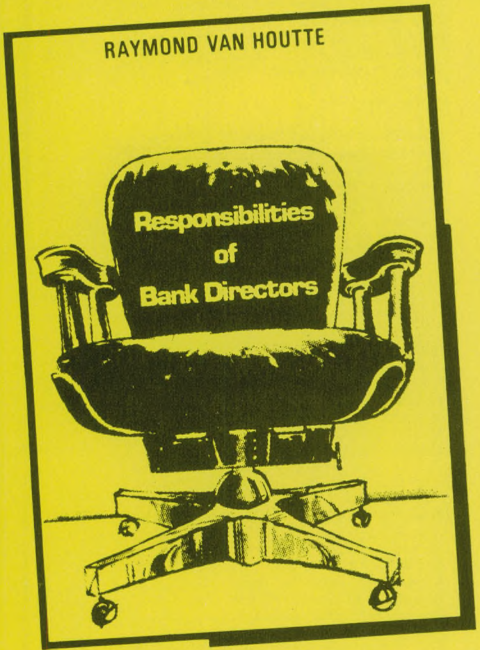
BOOKS FOR THE BANK DIRECTOR



Responsibilities of Bank Directors $4.25

Too little has been written about the duties and responsibilities of bank directors, particularly in view of the economic influence many banks wield in their respective communities. Furthermore, the rapid growth of holding companies and the impact of "consumerism" dictate that directors not only know what is expected of them but also what is expected of the bank they serve in terms of responsibilities to depositors, shareholders and to the public-at-large.

In this new book, the author has done an excellent job of compiling in one short volume information on the traditional, functional and legal responsibilities of the bank director. In evaluating the director's legal liability, it would be impossible, of course, to set forth all federal and state statutes governing such liability. However, the author has examined recent court decisions to determine whether significant trends have developed and whether changes in social awareness have eroded pre-existing notions as to the director's responsibilities.

The author examines the director's responsibilities to shareholders in terms of investment return, continuity of management, long-range planning, the effects of structural changes on competition, e.g., bank holding companies, branching and merger trends. One chapter also is devoted to potential reactions to the various social responsibilities being thrust today upon banking and other businesses.

It is a book worthy of retention in any bank library, with copies being made available to new directors as they are elected.

THE AUTHOR, Raymond Van Houtte, is currently president of the $100-million Tompkins County Trust Company, Ithaca, N.Y., where his service as a director and the interest of fellow directors made him personally aware of this subject. Thus, it was "natural" for him to write his thesis for The Stonier Graduate School of Banking on this topic. His education and experience as a lawyer, C.P.A. and banker lend themselves ideally to give the author additional insights into the problems faced by the director. In his book, Mr. Van Houtte blends with his knowledge extensive hours of research, correspondence and interviews to bring to the banking field a timely reference on "Responsibilities of Bank Directors."

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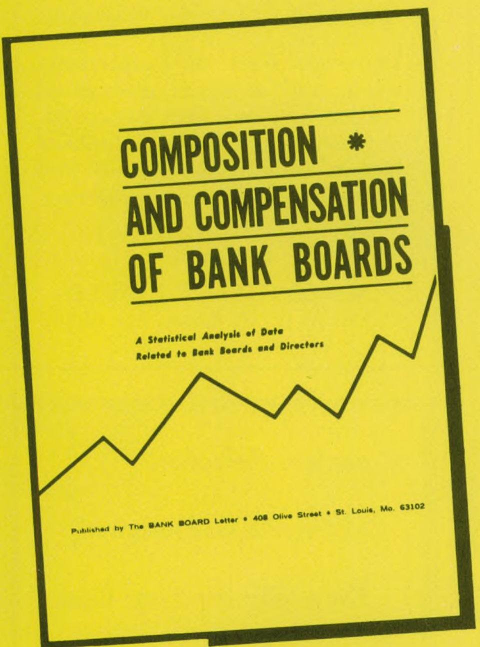

Composition and Compensation Of Bank Boards $3.75

This statistical analysis of bank boards provides the banker with a wealth of information on the "Composition and Compensation of Bank Boards" . . . the title of the book.

Data, based on comprehensive surveys by the author, Dr. Lewis E. Davids, editor of the BANK BOARD Letter, give the reader an insight into the variety of occupations represented on bank boards . . . the number of inside and outside directors . . . frequency of board meetings held by various size banks in different sections of the country.

Salaries paid to directors and top bank management also are analyzed, as well as range of pay scales, bonuses and fees paid to directors attending and those NOT attending meetings.

For the first time, directors will have available to them material which will make it possible to compare the structure and operation of their board with those of banks of similar size.

MANY TABLES are contained in this study, e.g., Retirement Ages of Directors (Inside and Outside) . . . Chief Executive Salaries . . . Salary and Bonus of Chairman . . . Fees of Directors, Executive Committee, Advisory Board . . . Director Fees for Regular Meetings and ANNUAL Fees . . . Savings Bank Trustee Fees . . . Highest Paid Directors. THESE STATISTICS WILL HELP YOU MAKE COMPARISONS AND PUT YOUR BOARD STRUCTURE AND FEES IN PROPER PERSPECTIVE.

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■ MERCANTILE TRUST, St. Louis, has announced nine promotions: to assistant vice presidents, Thomas A. Bangert, Robert I. Bean, Theodore G. Boller and Richard Nussbaum; to operations officers, James E. Denny and William G. Sgarlata; to investment officer, James E. McGuire; to assistant operations officer, Rodney R. Humphries; and to assistant trust officer, Gerald L. Wedemeier.

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New St. Louis-Area HC

A new bank holding company has begun operations in the St. Louis area. Called First State Bancshares Corp., it is made up of First State, Wellston, First North County Bank, Jennings, and First Northwest Bank, St. Ann.

Joe Simpkins, president and chairman of the HC and of the three banks, owns 24.98% of the HC's stock. He is chairman, Tiffany Industries, Maryland Heights.

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