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Patman Continues to Seek Fed Reform

Legislation to reform the Federal Reserve System will be introduced in the coming session of Congress by Rep. Wright Patman (D., Tex.), chairman of the House Banking Committee. Mr. Patman revealed his intention to redraft H.R. 11 (which was introduced in 1967) after he released a 657-page compendium on monetary policy and systems compiled by the House Domestic Finance Subcommittee.

Mr. Patman said this report provides an "undisputable basis" for reform of the Federal Reserve. A questionnaire mailed last July 9 to influential people in various positions brought replies from the Federal Reserve, the Treasury, Council of Economic Advisers and 71 academic, bank and research monetary economists.

Some of the principal proposals of H.R. 11 included:

Retirement of stock in the Federal Reserve Banks held by member institutions.

Reduction of Fed Board members from seven to five.

Reduction of Governors' terms from 14 years to five years.

Making chairman's term coterminous with that of the President.

An audit by the Comptroller General each fiscal year of the Fed and its banks and branches.

Appropriation of Fed operating funds by Congress.

Mr. Patman's report stated that by "heavy majorities" respondents to the questionnaire favored all the reform provisions of the Patman bill except the one providing that Congress appropriate operating funds for the Fed.

It was reported that those in opposition to retiring the Fed's capital stock included Fed Chairman William McCh. Martin, former Treasury Secretary Henry H. Fowler, Dr. Charles E. Walker, executive vice president of the ABA, and Paul W. McCracken, recently named chairman of President-elect Nixon's Council of Economic Advisors.

Receiving the most support among the proposals was the one to make the Fed chairman's term coterminous with that of the President. Messrs. Martin, Fowler, Walker, McCracken and

Arthur M. Okun favored this. Mr. Okun is current chairman of the Council of Economic Advisors.

Of this group, all opposed a GAO audit of Fed spending except Dr. McCracken. The latter noted, however, this is "distinctly a secondary issue." He said further that a reduction in the number of Governors is probably desirable but not urgent. His additional comments pointed out that the Fed should have "some degree of remoteness from immediate political pressure and he would "strongly oppose" such proposals as retiring Fed stock, the Congressional appropriations measure, and "generally to make the monetary authority simply another government agency."

Mr. Okun concurred in seeing no reason for eliminating ownership of Fed stock by private stockholders. He feels it is unwise to reduce Board members to five because of its implications for the balance of power between Board members of Reserve Bank presidents.

In the area of coordinating
(Continued on Page 6)



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Prime Rate Goes to 7%

Led by First National City Bank of New York, the nation's major banks pegged their prime interest rate on loans at 7% January 7, the highest level in U. S. history. This was the third increase in just over one month. The rate had gone from 6¼% to 6½% December 2 (Chase Manhattan went from 6% to 6½%), and jumped again just before Christmas to 6¾%.

The increase was part of a continuing effort to brake a surging economy and heavy loan demand that has been coupled with a high inflationary rate.

A long list of banks in other cities across the nation had announced their increase to the 7% rate within 24 hours after First National City pegged its rate at that level.

IOWA NEWS

APLINGTON: Russell J. Perry, manager of the State Savings Bank, has resigned to accept a position with the First National Bank of Hampton. He has been named a vice president at the bank.

ASHTON: Douglas Newman, former

cashier at the Rock Rapids State Bank, has purchased controlling interest in the Ashton State Bank from William Johannes, president, and Leo Klosterman, vice president. Both Mr. Johannes and Mr. Klosterman will remain in their present administrative capacities at the Ashton Bank. Mr. Newman will assume the post of cashier.

ATLANTIC: The First Whitney Bank and Trust Company will hold an open house January 17 and 18 in its new bank building, located a block north of the former site of the bank.

DES MOINES: David Nagel and Eugene Blaskovich have been elected vice presidents of the South Des Moines National Bank. Both men were previously assistant vice presidents.

LAWLER: Loren E. Billmeyer has been elected vice president at the State Bank of Lawler. He was previously president of Citizens Savings Bank of Hawkeye, Iowa.

TRAEER: Irwin R. Branson has retired as executive vice president of the Traer First National Bank. Mr. Branson has served the bank for more than 45 years. William J. Boehm has been named executive vice president at the bank. He was formerly employed at the Chelsea Savings Bank as executive vice president.

NEBRASKA NEWS

LESHARA: An application has been

filed with the Nebraska Banking Department to change the location of the Leshara State Bank here to 12100 West Center Road in Omaha. Hearing on the application is scheduled for March 20 at 9:30 a.m. in Room 401 of the NSEA Building, across the street from the Capitol Building.

OMAHA: Funeral services were held recently for W. B. Millard, board chairman and former president of the Omaha National Bank. Mr. Millard was 68.

OMAHA: Stuart D. Howerter has been elected a vice president of Kirkpatrick, Pettis, Smith, Polian, Inc.

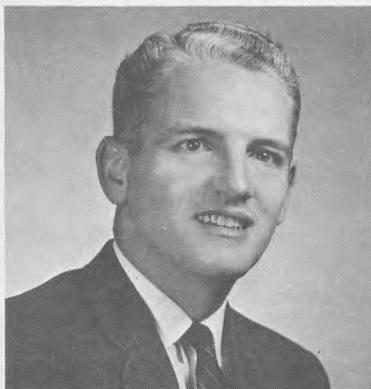
SYRACUSE: Charles W. Andrews, vice president and director of the First National Bank, has died at the age of 68.

WAHOO: Edward J. Carlson, vice president of the First National Bank of Omaha, has purchased a major block of stock of the First National Bank of Wahoo.

MINNESOTA NEWS

ALEXANDRIA: Application has been filed with the Department of Commerce for the proposed Community State Bank, to be located on Highway 29 here. Incorporators named in the application are: Paul W. Bergien, LeRoy A. Meyer and Roger B. Perry, all of Alexandria. Proposed capital for the bank is \$250,000, consisting of \$100,000 common capital, \$100,000 surplus and \$50,000 undivided profits. No date has been set for hearing on the application.

APPLETON: The Northwestern State Bank has been sold to three Milan residents. They are Donald Strand, who is the bank's new president; Paul Thompson, newly elected vice president; Sally Thompson, a director. The bank formerly



Leo Kane

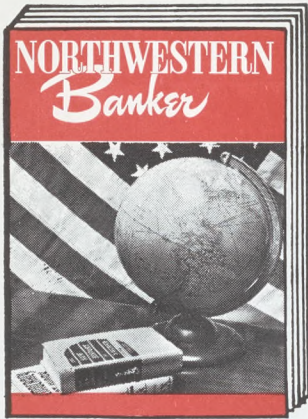
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had been owned by the Krebs family, with Robert Krebs serving as bank president.

LAKEVILLE: S. C. Gustafson, vice president and cashier at the First National Bank of Lakeville, will retire February 1. He will be succeeded by Glendon Timm, who has been employed at the Northwestern National Bank of Minneapolis for the past 17 years, currently as assistant vice president. Joe Graeve has been promoted to vice president in charge of the loan department. He joined the bank in September, 1967.

MARSHALL: Robert L. Wilson has been promoted from cashier to vice president and cashier at the First National Bank of Marshall. David S. White has been promoted from assistant cashier to assistant vice president, and James Winn has been elected assistant cashier.

MINNEAPOLIS: Walter A. Hintz, formerly vice president and manager of the municipal bond department of A. G. Becker and Company, Inc., Chicago, has been named vice president and manager of the municipal bond section of the Northwestern National Bank. John P. Sten has been appointed assistant vice president in the bank's international banking department.

MINNEAPOLIS: Ralph V. Hagen has retired after 45 years with the First Hennepin State Bank. He was elected president of the bank in 1956 and vice chairman of the board in 1963.

MINNEAPOLIS: Lorne Newhouse, representative in the correspondent bank department at Marquette National Bank, and Stewart Stotestbery, investment officer, have been advanced to assistant vice presidents at the bank.

MINNEAPOLIS: Lyle C. Howg, Jr., has been elected assistant trust officer of Richfield Bank and Trust Company. He formerly was a contract negotiator for Control Data Corporation.

MINNEAPOLIS: Selmer L. Jerpak is retiring as chairman of the executive committee and a member of the Federal Reserve Bank of St. Louis

of the loan committee at the National City Bank.

NEW HOPE: An application has been filed with the Department of Commerce for the proposed New Hope State Bank, to be located at the intersection of Winnetka and Rockford Road North here. Incorporators named in the application are: J. J. Choromanski, Chrystal, Minn.; Gerald G. Kranz, Golden Valley, Minn.; J. B. Hoffman and M. C. Honsey, both of New Hope. Proposed capital is \$500,000, consisting of \$200,000 common capital, \$200,000 surplus and \$100,000 undivided profits. No date has been set for hearing on the application.

OWATONNA: R. A. Kaplan, chairman of the board of Security Bank and Trust Company, has retired after 27 years of service on the bank's board of directors. Eugene Diedrich, president of Owatonna Manufacturing Company, has been named a new director.

ILLINOIS NEWS

VIOLA: The Farmers State Bank of Viola has been sold to three Davenport men, John Howes, James Kelly and Lawrence Satin, all associated with the Hynes and Howes Group. The Hynes and Howes Group also is associated with the Iowa National Bank of Dyersville, Citizens State Bank of Donnellson, Security State Bank of Bettendorf and the Bank of Silvis. No bank personnel changes have been announced.

NORTH DAKOTA NEWS

COLUMBUS: Quentin Benson, former assistant cashier at a Morristown, S. D., bank, has assumed management of the Columbus State Bank for the DPS Corporation, which has purchased the institution. Principal stockholders of the bank are Glen Shevlin, bank president, and Harold Dwyer. Both are Vermillion businessmen.

SOUTH DAKOTA NEWS

ABERDEEN: Kent Baird has retired as senior vice president of



C. Gustafson



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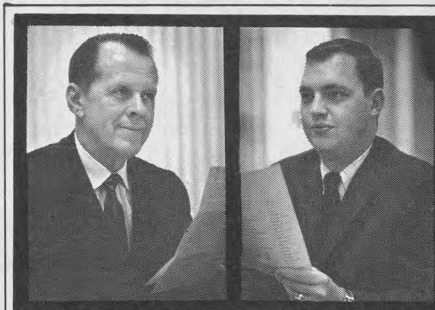
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the Aberdeen National Bank, following a career of nearly 45 years in banking. Six promotions have been announced at the bank. Roy C. Hanson and William F. Hurrell have been named vice presidents; LeRoy Misfeldt, assistant vice president; Helen Griffin, Lyle Weismantel and Kent Robson, assistant cashiers.

WATERTOWN: Carroll H. Lockhart, former president of the First National Bank here, died recently in a Phoenix, Ariz., hospital. He was 76.

COLORADO NEWS

COLORADO SPRINGS: Jack S. Wilson has been promoted to mortgage loan officer at the First National Bank of Colorado Springs. Ronald Johnson has been promoted to assistant mortgage loan officer



DICK WEYRAUCH

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and Larry R. Zook to assistant trust officer.

DENVER: John Rentz has been promoted from assistant cashier to assistant vice president at the Northeast Colorado National Bank. James W. Gunter has been promoted from loan officer to assistant vice president and Lester L. Hawley from loan interviewer to loan officer.

DENVER: Mrs. Marian Jarosz has been promoted from assistant cashier to auditor at the Cherry Creek National Bank.

DENVER: Fred E. Kirk and Robert Knowlton, both top officers in Service Investment Company, a mortgage firm recently acquired by the Denver U. S. National, have been named vice presidents at the bank. Also named vice president was A. Dean Lund. Donald Luttrull has been named systems officer; Marvin Shamon and Richard Vancil, trust operations officers; Robert Tschappat, credit officer.

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James A. Lackey have been elected assistant cashiers at the National City Bank.

FORT COLLINS: The First National Bank has formed a wholly owned subsidiary, First Colorado Agricultural Credit Corporation, and promoted four officers. Heading the subsidiary's operations will be Don Pavel, who has been promoted from assistant vice president to vice president. Rodger St. Michel has been appointed special services officer and assistant manager of marketing; Jim Jencks, formerly collection manager, has been promoted to installment loan officer; Jim Hubble has been named collection manager.

WYOMING NEWS

TORRINGTON: Bill Askman has been named agricultural representative at the Citizens National Bank. He was formerly associated with the Holly Sugar Company here.

Fed Reform

(Continued from Page 1)

fiscal, debt management and monetary policies, a 3 to 2 majority favored requiring the President to present annually an economic program of such coordination. Mr. Fowler, Mr. Martin and 12 economists favor keeping the present system of Fed independence. Mr. Okun, Dr. McCracken and 40 other economists favor a more coordinated role.

It was also recommended by a 2 to 1 majority that the Fed should make either the money supply or some closely related measure its

main target. Dr. McCracken said monetary and fiscal policy should operate within an "explicit flight plan" but should have "some room to maneuver."

Dr. Walker said such coordination of fiscal, debt management and monetary policies could easily lead to lessening of the Fed's independence and increased influence by the executive branch over monetary policy, thus bringing the probable result of political considerations to bear on monetary policy. Dr. Walker stated, "One cannot study H.R. 11 without concluding that its underlying but unstated purpose is to increase the influence of the executive branch over Federal Reserve policy actions. So-called coordination, if implemented formally through the Office of the President, could only lead in such a direction." He also opposed Congress setting up guidelines to direct monetary policy.

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