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Rockefeller Answers Patman On Rates

On September 9, 1970, Congressman Wright Patman, chairman, House Banking and Currency Committee, wrote a letter to David Rockefeller, chairman of The Chase Manhattan Bank, stating that large banks went on "an unnecessary and highly unfortunate interest rate binge after the election of President Nixon in 1968," and calling for a rollback of the prime lending rate to the 6% figure that prevailed at that time. Attached is Mr. Rockefeller's reply to the Congressman.



David Rockefeller

Dear Chairman Patman:

Like yourself I would welcome a further easing of inflationary pressures which would permit the lower interest rates that you and I and the country as a whole so earnestly wish for.

If wishing could make it so, the level of interest rates would already be down to the 6% figure you envisage.

But surely, Mr. Chairman, from your years of experience in handling financial and economic legislation on Capitol Hill, you more than anyone realize that interest rates are determined — as

are other prices in a free-market economy — by the law of supply and demand.

Commercial banks such as Chase Manhattan are not free to charge as they please or to charge what the traffic will bear.

Aside from the fact that interest rates are influenced by national fiscal and monetary policies, strong competition from other banks as well as from other sources of credit provides commercial bank customers with many alternatives.

The bond market, the commercial paper market, and other fi-

nancial intermediaries all provide credit in competition with domestic banks. Of growing importance in recent years, foreign sources have provided a number of U. S. companies with financing alternatives of both a short and longer term nature.

It is the interplay of rates in all these markets, domestic and foreign, which establishes the range within which banks charge their commercial customers on a competitive basis.

I realize you find this hard to believe, but bankers do not like high interest rates and tight money any more than you do.

And with good reason. Lending money is our main business. During periods of tight money, we have to turn away customers and that's usually not a wise business policy.

Over the past year-and-a-half, our own bank alone has turned away more than \$3 billion in loans that we would ordinarily have made if it had not been for our voluntary credit restraint program in support of the government's anti-inflation campaign.

High interest rates mean that banks must pay more for the mon-

(Continued on back page)

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IOWA NEWS

CEDAR RAPIDS: Merchants National Bank has filed an application with the Comptroller of the Currency for permission to establish a detached office, 2767 16th Avenue S.W. in Cedar Rapids.

LEMARS: The First National Bank of Le Mars has announced the appointment of James E. Christensen as vice president in charge of commercial lending. Mr. Christensen was formerly with the U. S. Treasury department in the comptroller of currency's office as a bank examiner.

Mr. Christensen was transferred to Sioux City and has been the supervisory bank examiner for the greater Sioux City area before joining First National.

MANCHESTER: The banking interest of the Mussmann family in the Citizens State Bank at Hopkinton has been sold to a group of Hopkinton and Ryan businessmen and farmers, it was announced by Mrs. Edna Mussmann.

Stan Grotenhuis, a member of the new purchasing group, is president of the New Vienna Savings Bank. He will assist in the management of the bank.

MANLY: Arthur M. Barth retired October 1 from the Manly State Bank after 55 years of service in the banking business. Mr. Barth began his career in banking in 1915 when he started as a bookkeeper at a private bank in Kensett. After the bank dissolved he joined the First State Bank at Kensett. Later, he served as manager of the Farmers Savings Bank of Plymouth. He then joined the Manly State Bank owned by Martin Hansen.

OSKALOOSA: Frederick C. Reed, assistant cashier at Iowa Trust and Savings Bank, has been named cashier by the bank's board of directors. Mr. Reed succeeds Robert E. Bullock. He received his degree in business administration from Central College, Pella in 1957 and taught three years at Boyden-Hull in Sioux City before joining the Iowa Trust and Savings Bank.

RIPPEY: Darwin Thompson of Rippey has been elected to the board of directors of the Rippey Savings Bank to fill the vacancy caused by the recent death of Tom Gannon.

WASHINGTON: Directors of the National Bank of Washington recently elected Kent Dallmeyer to the post of assistant cashier. Mr. Dallmeyer has been working at the bank for the past two years. He will be working with the loan department in his new capacity, according to C. P. Weldin, vice president of the bank.

WAUKON: James G. Sneer, executive vice president of the Farmers and Merchants Savings Bank at Waukon has announced that John W. Hansen of Winona, Minn., has joined the bank as manager of the installment loan department.

Mr. Hansen has been associated with Liberty Loan Corporation of St. Louis, Missouri for the past four years. He has also worked in Des Moines and Iowa City serving as manager of branch offices.

MINNESOTA NEWS

WEST CONCORD: Adrian C. Haen has recently acquired the stock interest of the late Walter E. Glarner, president of the First National Bank in West Concord, who passed away



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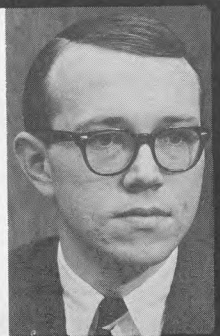
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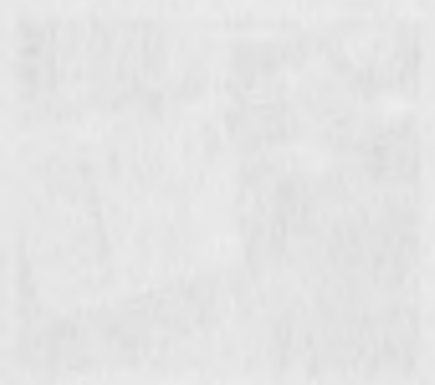


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earlier this summer. Mr. Haen has served as cashier of the bank since 1966.

New officers of the bank were elected as follows: H. R. Bringgold, president; Carl J. Glarner, vice president to fill the vacancies caused by the deaths of Mr. Glarner and Charles E. Bringgold.

Mr. Haen was named to the board of directors and will continue in his present capacity as cashier and managing officer.

NEBRASKA NEWS

ELKHORN: G. Dee Spence, 36, was killed September 25 on Interstate 80 near Greenfield, Ia., in an auto accident. Mr. Spence, a building contractor, was the son of Mr. and Mrs. George H. Spence of Omaha. George Spence is agricultural officer for American National Bank & Trust Company of Chicago. Dee Spence is survived by his wife, Jean, and a 12-year old daughter.

COLORADO NEWS

DENVER: An interim legislative study committee recommended by a 4-2 margin last week that the 1971 Legislature enact the Uniform Consumer Credit Code which did not pass last year.

Rep. Carl Gustafson (R-Denver), chairman of the committee set up to study the measure after it passed the House but failed to clear the

Senate in 1969, predicted the measure will be enacted next year.

The committee action gave tentative approval of the bill that would, among other things, raise interest rates on loans of \$100 to \$1,500 with increases varying from 12 cents to \$18.96, but reduce interest rates on loans of \$2,500 to \$5,000 by amounts varying from \$33.24 to \$156.24.

On a \$5,000 loan, for instance, interest now is \$673, or 24%. Under the proposal, interest would be \$517.36 or 18.59%.

On a \$1,500 loan, present interest rates allow charges of \$202.08 or 24%, while the new measure would raise the interest to \$211.68, or to 25.11%. The measure would also

place some restrictions on existing creditor's remedies.

NORTH DAKOTA NEWS

BEACH: Farmers & Merchants Bank will hold open house October 10 for visitors to view the completed building project.

SOUTH DAKOTA NEWS

ABERDEEN: E. C. Rhodes has been named interim president and director of the Farmers and Merchants Bank of Aberdeen.

MITCHELL: The South Dakota Bankers Association will hold its 9th

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Heading the forum will be Leland L. Steele, SDBA president, from the Farmers and Merchants Bank in Huron and Roy K. Lippert, chairman of SDBA. Key speakers from the fields of education and banking will be featured during the two day event.

Rockefeller...

(Continued from Page 1)

ey they borrow to lend out to their customers, so earnings come under increasing pressure. This pressure has been reflected at Chase Manhattan where we had lower earnings in 1969 than in the previous year, and lower earnings in the first half of 1970 than in the corresponding period last year.

High interest rates also mean a reduced market value for bonds and other fixed income securities. Banks have sold off some of these securities at a loss, and have substantial paper losses in their bond portfolios.

Several points in your letter call for the most direct and emphatic response.

You imply that Chase Manhattan has frequently been a leader in raising the prime rate. The fact is that since 1967, we led the reduction in the prime rate on two of the three occasions when rates were reduced, and were the lead bank on only one of seven occasions when rates were increased.

You further imply that the banking community, in private meetings, periodically reviews interest rates. I myself have never participated in private meetings such as you describe, nor am I aware that any such

meetings take place.

You also imply that bankers allow election-year considerations to affect their banking decisions. This certainly is not the case at Chase Manhattan, and I cannot imagine that such thinking would have a part in the management of any reputable bank.

You say that I could do the nation a "great service" by moving immediately to reduce the prime rate to 6%.

I would respectfully suggest, Mr. Chairman, that you could do the nation an even greater service by using the prestige of your position as head of the House Committee on Banking and Currency to encourage sound economic and fiscal policies.

I am sure that all bankers, businessmen and consumers would welcome your leadership in helping to control the Federal Government expenditures that have contributed so largely to the inflationary pressures now plaguing our national economy.

Sincerely,

/s/ David Rockefeller

September 15, 1970

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