

Serious Threat: Credit Allocation

"Adoption of credit allocation proposals currently before Congress could cripple our capital markets and result in a serious threat to individual freedom."

This is the statement made recently by Willard C. Butcher, president, The Chase Manhattan Bank, N. A., New York. He referred to H. R. 3161 now before the House Committee on Banking and Currency. A similar bill is being reviewed by the Senate Committee on Banking and Urban Affairs.

Mr. Butcher strongly criticized Congressional measures to federally allocate credit and called, instead, for increased incentives to support the creation of needed capital in the United States.

"The highest priority of our economy today should lie in the nurture and stimulation of capital formation, because everything else we want grows out of that," Mr. Butcher said.

He predicted the nation would require close to \$4.1 trillion by 1985 "for energy, for bringing our industrial plant up to date, for the higher quality of life we are demanding." He cautioned, however, that if measures are not taken soon to stimulate capital formation, the U. S. "will be underinvesting

every day for the next 10 years by \$400 million.

Massive Needs

The Chase president added, "In the face of these massive needs for capital and credit, we are confronted with the specter of new government policy and action that could cripple our capital markets."

Mr. Butcher questioned whether the national economy of the American people could survive the allocation of credit by government to some borrowers and away from others.

"It is not such a long step from the constraints written into the act itself to having the government say, 'You can finance a condominium in Florida but not a summer home on Lake Michigan,' or 'You can finance the government deficit but not the needs of a private company,'" he said.

He added that the person chosen to run the governmental allocation mechanism "will possess more power than a bad man should have or a good man would want."

Mr. Butcher argued that the "true allocators of credit and resources in a free society" should be the people themselves, and that the nation's 14,000 banks and other lenders should continue to operate

as intermediaries in making credit decisions.

The banker pointed out that the normal course of government regulation generally bogs down "in a web of inelastic and unchangeable rules."

"Our most troubled industries today—railroads, airlines, utilities—are among the most regulated," he noted.

Rather than allocate credit, Mr. Butcher said, the government should concentrate on helping stimulate capital by "moving toward a much more favorable atmosphere for its creation." Such vehicles as increased corporate profits, he said, should be encouraged.

"There is no such thing as 'excess profits' for a company that needs capital," he said.

In particular, Mr. Butcher recommended five areas where positive government action could contribute to increased capital formation:

1) *Depreciation allowances.* . . . "More realistic methods of determining depreciation allowances for plant, equipment and inventory, to reflect more fully their current rather than historical costs.

2) *Taxes on retained earnings for investment.* . . . "Preferential tax treatment for retained corporate earnings used for investment

(Turn to back page, please)

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Iowa News

BATTLE CREEK: Officers of the First State Bank have started action in district court to gain approval on moving the bank to Ida Grove. Cecil Dunn, superintendent of banking denied the move following application by the group last August.

BOONE: The Citizens National Bank Open House will be held March 4 & 5 from 9 a.m. to 3 p.m. and March 6 from 9 a.m. to 9 p.m. in its new banking quarters. Renovation of the former bank and construction of an addition was begun 18 months ago. Location of the bank remains on the corner of 8th and Story with a full block being utilized for the building, drive-in and parking area.

DES MOINES: Charles O. Russell, president of Highland Park State Bank, has been elected a director of Valley National Bank. All officers of Highland Park State Bank have been elected officers of Valley National Bank.

These actions were occasioned by the merger of the two banks. The agreement to merge was first

announced by the two banks in August of 1973. Approval was granted by the Comptroller of the Currency in January of this year. On March 1, 1975, all offices of the Highland Park State Bank become offices of Valley National Bank.

DES MOINES: Bankers Trust has announced the election of the following seven officers: Leo E. Herrick, assistant vice president and trust officer; Dan J. Bomar, Russell Curtis and Ray Davis, assistant trust officers; Ronald J. Deitrick, trust systems officer; George F. Tomlinson, programming manager, and William D. Weller, systems analyst.

PAULLINA: James F. Meyer, 50, president, First National Bank, died February 19 in an Omaha hospital following surgery. He had been with the First National 26 years. He was a graduate of the Wisconsin Graduate School of Banking.

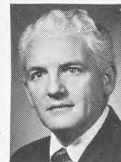
SUMNER: The First National Bank has announced the promotions of Glenn H. Wiebke from assistant cashier to cashier and Eugene Knoploh from assistant cashier to assistant vice president, farm department.

Nebraska News

CHESTER: The officers of the State Bank of Chester were stated incorrectly in the February issue of the Northwestern Banker. The correct list is Harold R. Porter,



Christy
Armstrong



Leo
Kane



Bob
Scott

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president; Bonnie J. Porter, vice president and Jack D. Long, vice president and cashier. These officers serve on the board along with Clay Cafferty and Max Derowitsch. Mr. and Mrs. Porter recently purchased interest in the bank from Mr. and Mrs. G. D. Van Cleef.

FREMONT: The Fremont National Bank has announced the following promotions: John A. Haslam, executive vice president and trust officer; Jack F. Paulson, senior vice president and trust officer; Jim A. Hoshier, senior vice president and cashier; David N. Simmons, vice president, marketing, and Norma Jeanne Keisler, manager of Fremont National East.

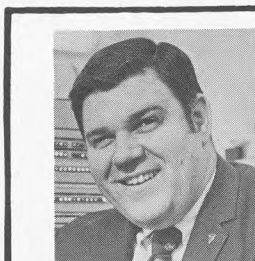
NORTH PLATTE: The Federal Reserve Bank of Kansas City has announced its approval of the application by FIRN-CO., INC., here for approval to become a bank holding company through the acquisition of 100% of the voting shares of The First National Bank and Trust Company.

OMAHA: The First National Bank's annual Chuck Wagon Roundup will be held Thursday, March 13, from 10 a.m. to 3:30 p.m. at the Ak-Sar-Ben Sale Pavilion, Ak-Sar-Ben Field.

OMAHA: The First National Bank has announced the following

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Do you think of credit as a *valuable personal asset*? It is. The confidence others have in you makes it possible to borrow or buy on time

Like all valuable assets, credit can turn into a liability if not managed right. Wise use of credit—without emphasis on "wise"—makes the

difference. Although we know that it can destroy a family if used unwisely without discretion, the staff of our bank can assure you that the wise use of credit is an important part of good financial management in this day and age.

Use of credit is "wise" when it advances long-term family goals, when goods bought on credit give enough satisfaction to compensate for adjustments necessary to repay the debt and when your family deems it more sensible to borrow than to save first and pay cash later. Credit allows your family to buy things when you most need them or at a saving when items are sale-priced.

Each family must decide whether or not to include credit in its financial management plan. The amount you can use safely depends on current income, future income prospects, current fixed expenses, size of family, what phase of the life cycle your family is in and the thrift habits of your family.

Information about your family therefore is requested when you apply for credit at our bank. Since family credit is a personal matter, with no set rule on how much credit a family should use, we invite you to stop and visit about it in privacy and in confidence.

By helping us understand your financial life, our bank can best serve your credit needs and help you achieve family goals.

Fletcher E. Wells, Vice President and Cashier

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Thoughts To Live By

TAYLOR

BY DON LONG

LIVING AND LEARNING

I've heard lots of older people say: "What I'd give to be young and know what I know now." I think I've finally figured out what they mean. Sort of like the boy at 18 who goes away, comes home after 3 or 4 years and is amazed to find how much smarter old Dad is!

Sooner or later, a man, if he is wise, discovers that life is a mixture of good days and bad, victory and defeat, give and take. He learns that it doesn't pay to be a too sensitive soul; that he should let some things go over his head like water off a duck's back.

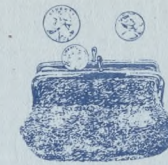
He learns that he who loses his temper usually loses out. He learns that all men have burnt toast for breakfast now and then, and that he shouldn't take the other fellow's grouch too seriously. He learns that carrying a chip on his shoulder is the easiest way to start a fight, and the quickest way to become unpopular is to carry tales and gossip about others.

He learns that buck-passing always turns out to be a boomerang and that it never pays.

He learns that even the janitor is human and that it does no harm to smile and say, "Good morning," even if it's raining.

He learns that folks are not any harder to get along with in one place than another; that "getting along" depends about 98% on his own behavior.

March 1975



MoneyWise II

WHAT EVERYONE WANTS TO KNOW: When will times get better? As prospects look now, the answer is in three parts:

(1) Currently, the economy is in position to *start* getting well—a slow, modest recovery around mid-year or a little later. (2) But full prosperity? That will take longer, and looks about a year away. (3) The **IF** in both parts of the outlook is: If things go well and there's a change in thinking about what the ideal is—recognizing unabated economic growth isn't everything. Growth must come but at reasonable cost.

Although inflation may continue high all this year, it has been slowed. In the short run, there will be plenty of money for consumers to spend the economy into recovery. There's the \$52 billion of deficit spending by the government. And there will be 28 billion of income tax refunds plus \$15 to \$20 billion of tax rebates. If a growth trend is restored—and hence productivity improves—inflation will continue to cool down.

BIGGEST CULPRIT IN INFLATION'S SQUEEZE ON FAMILIES? Food? Housing? Medical Expense? If they are your answer, try again—unless your situation is different from that of most Americans. Taxes—federal, state, local and social security combined—have been the fastest-growing item in the family budget during the recent years of inflation and price increases, according to a Conference Board study through 1973.

CONSUMER-BUSINESS TRENDS—Cost of making sales calls is up—increasing 14% last year. And with the recession, more calls are needed to get an order . . . Flood of illegal aliens—Estimates range from 6 to 12 million competing in the U.S. job market . . . Movies are back in style, as people try to get away from the problems of real life.

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FIRST NATIONAL LINCOLN

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elections and promotions: Elias J. Eliopoulos, vice president and head of the operations division, named to the board; Al C. Frouillard, business development officer, promoted to second vice president, commercial accounts, and Denny M. Dickinson, promoted to loan officer.

STANTON: John B. Eberly, vice president, is now president of the Stanton National Bank. He succeeds his father, G. D. Eberly who will remain as chairman.

Illinois News

CHICAGO: Duke P. Gibbon has been elected an assistant vice president of the Merchandise National Bank. He will serve as manager of the credit section, commercial lending department.

CLARENDON HILLS: Neil J. Koranda has been named loan officer at the Bank of Clarendon Hills.

ELMHURST: The Bank of Elmhurst has announced the promotion of Keith T. Kauffman to assistant cashier.

PERU: First National Bank's application for permission to establish an office at 2022 Fourth Street here has been approved.

SYCAMORE: Farmers and Merchants Bank has received consent to establish limited trust powers.

Minnesota News

BROWNS VALLEY: Union State Bank has announced the appointment of Ronald B. McCaskell to assistant vice president.

MINNEAPOLIS: Northwestern National Bank will hold a two-day operational and planning session for bankers on Automated Clearing House systems March 13-14.

MINNEAPOLIS: The Minnesota chapter of the Bank Marketing Association will hold a chapter meeting Wednesday, March 12, at the Thunderbird Motel in the Hall of Tribes. Glen O. Olson, vice president, American National Bank and Trust, St. Paul, director of the meeting, announces that Jack W. Whittle, vice president, marketing, Continental Bank of Chicago, will speak on "Marketing Planning." Cocktails are at 5:30 p.m. with dinner at 6:30 followed by the principal speaker.

MINNEAPOLIS: Frank B. Krause has been elected a senior vice president of First National Bank. He will become deputy head of the trusts and investment management group and will continue in charge of the trust administration department.

OLIVIA: The American State Bank has announced the addition of G. W. Walburn as agricultural representative. He recently retired as district director of the Farmers Home Administration.

North Dakota News

WAHPETON: Clair W. Hudson, general manager of Lillegard's Inc., has been elected to the Wahpeton National Bank's board of directors.

South Dakota News

CORSICA: Joyce L. Brink has been elected assistant vice president of the National Bank of South Dakota, Corsica branch.

SIOUX FALLS: Gerald B. Feldhaus has been elected vice president and cashier at the Union Bank & Trust Co. He will in charge of lending activities.

Colorado News

DENVER: Five persons have been promoted at Security National Bank, according to C. Gale Sellens, president. They are Herman J. Zueck, senior vice president for operations; Charles B. Worthington, cashier; and Larry G. Goscha, Raymond D. Horton and Scott R. Scholbe, assistant cashiers.

LAFAYETTE: First National Bank's application for permission to establish an office at 301 East Simpson has been approved.



Montana News

HELENA: The board of Bancorporation of Montana has decided to withdraw the Company's application for Federal Reserve Board approval of the proposed acquisition of Bank of Montana here. It is anticipated that Bancorporation will re-submit the application in mid-1975 or later.

Wyoming News


CHEYENNE: The Board of Governors of the Federal Reserve System has announced its approval of the application of Wyoming Bancorporation, Cheyenne, to acquire Bank of Wyoming, Hanna, a proposed new bank.

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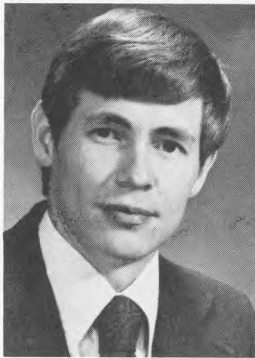


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CREDIT ALLOCATION. . . .
(Continued from page 1)

purposes." Mr. Butcher also endorsed President Ford's suggestion that preferred stock dividends be treated as a business expense.

3) *Capital gains tax treatment.* . . . Amelioration of "the relatively harsh treatment of capital gains as compared with that of most other countries."

4) *Stability in monetary policy.* . . . "Changes, when they are deemed necessary, would be subtle and gradual, so that they do not dislocate any sector of the economy."

5) *Freer market economy.* . . . "Measures contributing to a freer market economy would include 'the removal of regulations that have outlasted their time and the dismantling of agencies that have outlived their purpose. This would also include rejection of controls.'" Mr. Butcher added that capital formation is everybody's business. "What we need for the long-term is an ever-growing base of personal savings, so that more people will have a larger and larger stake in our total economy, and in the stability of our currency," he said.

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