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Reuss Bill: Grab for Political Control of Fed

In the first step of a new approach to the Financial Reform Act that splits it into three separate bills for consideration by Congress, Rep. Henry S. Reuss, D., Wis., has introduced HR 12934 for "reform" of the Federal Reserve. As initially presented, HR 12934 would not only effectively emasculate the independence and authority of the Fed as it is presently constituted, but it would subject every position of authority from the 12 Fed bank presidents up through the Fed chairman to political pressures, making each of these positions a political plum. It would also eliminate member bank stock ownership.

Rep. Reuss, chairman of the House Banking, Currency and Housing committee, introduced HR 12934 on March 31. A second bill, HR 13077, is specifically addressed to a depository institutions reform, while the third segment, as yet un-introduced, would deal with regulation of foreign banking in the United States.

Burns' Hearing

When HR 12934 was filed by Rep. Reuss and made public, Federal Reserve Chairman Arthur F. Burns requested a hearing before the committee and was heard April 9. Chairman Burns testified the bill

would give politicians more control over the central bank, stating, "The Board believes that this provision would turn these offices



HENRY S. REUSS

into political plums, and that an atmosphere of partisanship would thus be injected into the formulation of monetary policy."

Principal aspects of the bill are these:

- A requirement that the Fed Chairman, in addition to present reports and new ones that he would be required to give Congress, would also have to make a 12-month forecast of interest rates for Congress. Chairman Burns testified this is not possible.

- Section II, which deals with member bank stock ownership and other factors involving bank

membership and control, apparently would be repealed, although Mr. Reuss avoided reference to this in his bill. A number of Washington attorneys feel the wording of the bill as proposed would repeal Section II, while there are some who consider it a revision only.

- The term of the Fed Chairman would be coterminous with that of the President of the United States, plus six months for a time lag. Chairman Burns said he does not object to this provision.

- Make the Open Market Committee independent of commercial banks and provide that the presidents of the 12 regional Reserve Banks be appointed by the President and confirmed by the Senate. These presidents would serve staggered six-year terms, beginning in 1981. In the meantime, none of the present Fed presidents would be entitled to vote as members of the FOMC; the voting by presidents would be effective only with their appointments under the new bill.

- Revise the Fed Board of Directors to 12, with six Class C directors from the public.

- Require the Fed Board to pursue the objectives of the Employment Act of 1946—"maximum employment, maximum production, and maximum purchasing

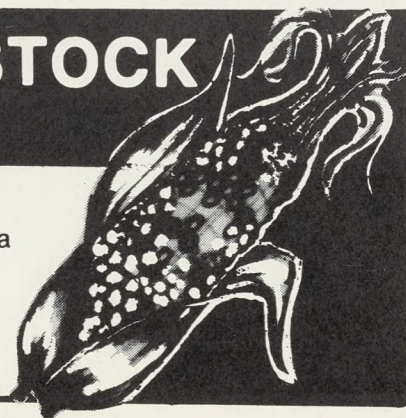
THE FED
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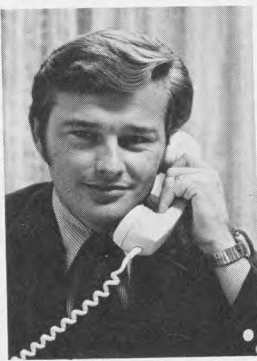
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Iowa News

CENTERVILLE: Funeral services were held recently for James Shanks, director of the Centerville National Bank for 34 years.

CRESCO: Earl W. Nelson, president of Associated Bank Corporation, and Messrs. Robert W. Murray, Douglas S. Grinde and Lewis L. Lowe announced that agreement has been reached on the purchase by Associated of 70% of the voting stock of the Cresco National Bank. Consumation of the purchase is contingent upon Federal Reserve approval. Associated Bank Corporation, a registered multi-bank holding company, is located in Mason City.

DES MOINES: Edwin A. Langley, chairman and chief executive officer of Capital City Bank, has announced the addition of James H. Eick, 37, to the staff as a correspondent bank officer. He had previous experience with Iowa State Bank

and Trust Company, Iowa City, Readlyn Savings Bank and National Bank of Waterloo.

SHELDON: Home Federal Savings & Loan of Spencer will establish a branch here, following approval of the Federal Home Loan Bank Board.

Nebraska News

The nominating committee of the Nebraska Bankers Association will propose the name of Harold Larmon, president, First National Bank, McCook, for the office of president-elect of the NBA at the election to be held May 3 during the annual convention. Nominees from each group for election to three-year terms on the executive council will be: 1—Victor Michel, president, Henderson State. 3—John E. Glandt, president, National Bank of Neligh. 4—Richard Armstrong, president, Minden Exchange Bank. 5—James McBride, president, First National Bank, Aurora. 6—Ted King, president, Sioux National Bank, Harrison. Omaha (over \$200 million)—Bruce Lauritzen, vice president, First National Bank, Lincoln (over \$200 million)—William Smith, president, First National Bank. Nominations also may be made from the floor.

BROKEN BOW: Nebraska State Bank has announced the following promotions: Terry Jensen to assistant vice president and Catherine Schmitz, Connie Trotter and Jo Woodward to assistant cashiers.

DONIPHAN: David Niemoth has joined the Bank of Doniphan as vice president. He has been with the Overland National Bank, Grand Island.

BEATRICE: Four new directors of the Beatrice National Bank and Trust Company have been elected. They are J. R. Brashears, president of Total Systems; C. R. Cooper, Jr., president of Beatrice Construction Co., Inc.; J. M. Quakenbush, agent for Scully Estates, and Ralph A. Stump, executive vice president of Beatrice Iron & Metal Co., Inc. The bank also announced the following promotions: Eldon F. Goble, executive vice president; John C. Rypma and Gerald C. Davison, vice presidents, and Jean Schneller, assistant cashier.

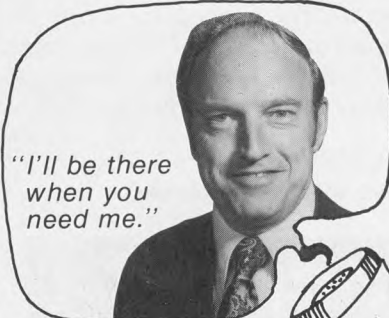
GRAND ISLAND: The 1976 Nebraska Bankers Association President's Golf Tournament will be played Friday, May 21, at the Riverside Golf Club here. This date is one week earlier from the previously announced May 28.

NORTH PLATTE: Richard A. Barnes has been elected assistant vice president in the commercial loan department of the First National Bank and Trust Company. He previously was a national bank examiner.

Illinois News

NEW ATHENS: The Federal Reserve System has announced its approval of the application of Kaskaskia Bancshares, Inc., here to become a bank holding company through acquisition of State Bank of New Athens and to engage in the sale of credit life and credit accident

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OAKBROOK: "What's New in Planning for Trust Profitability?", "Practical Planning for Trust Business," and "Estate Planning for Farmers," are among the topics to be discussed at the Illinois Bankers Association Annual Trust Conference, April 29-30 at the Sheraton Oakbrook.

Minnesota News

E. Milton Klohn, president of the Independent Bankers of Minnesota, has announced that "Seminar '76," the 1976 edition of the association's annual Keyman Seminar, will be held April 28 and 29 at L'hotel SOFITEL in Bloomington. Featured at the opening luncheon April 28 will be Noel H. Busch, reporting on the developing correspondent banking services of Independent State Bank of Minnesota, where he serves as executive vice president. Other topics to be discussed include national banking legislation, Minnesota banking legislation, loan pooling, agricultural trends, bank stock transference, independent banks in the state systems, and a look at the future.

MINNEAPOLIS: Workshops on such topics as the Uniform Commercial Code, lending laws and regulations, sources of credit and open-end note financing will be included in the fourteenth annual Lending Conference, sponsored by the Minnesota Bankers Association. The conference will be held April 21-22 at the Leamington Hotel. James T. Gowan, conference chairman and vice president, First National Bank, St. Paul, will preside.

ST. PAUL: Darlene A. Sundheim has been named assistant vice president and auditor of the Minnesota State Bank.

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North Dakota News

The North Dakota Bankers Association will hold its 1976 Consumer Credit Conference April 29-30 at the Ramada Inn, Jamestown. Registration begins at 4 p.m., Thursday, April 29. Topics to be discussed include: the emerging philosophy of marketing, legislative and administrative reports, and amendments to Reg. Z and Reg. B.

South Dakota News

PIERRE: The Federal Reserve System has announced its approval of the application of South Dakota Bancshares, Inc., to become a bank holding company through acquisition of The Pierre National Bank.

Colorado News

Any hopes for EFT legislation this year died when the Colorado Senate killed the bill that carried the House title and Senate language, based on the Colorado Bankers Association original bill. The vote was 17 for, 15 against and needed 18 votes to carry. All other EFT, branch banking and holding company bills were killed in committee. The Governor had sent word to the legislature he would veto anything that was not a complete package covering these phases of financial reform.

A late bill introduced by special permission last week (passed by the House and before the Senate) would kill the 3,000 foot distance requirement for detached facilities, but only in counties where there is just one bank (about 7 counties). Six counties have no banks and apparently could be served with a facility by a bank in a contiguous county.

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THE FED [Continued from page 1]

power—defined as maximum price stability."

• Give Congress permanent oversight of the Fed Board as outlined in HConRes 133, which requires the Board to testify before the House and Senate Banking Committees every three months on Board objectives and projections for monetary policy for the next year.

HR 13077-Reform

HR 13077 is intended to increase competition among financial institutions by granting to thrift institutions consumer lending powers now held exclusively by commercial banks.

The legislation also would extend for 5½ years a law which allows thrift institutions to pay one-quarter per cent more for savings than can banks.

The depository institutions proposal also would require that Federal Deposit Insurance Corp. and the Comptroller of the Currency operate with funds appropriated by Congress. Both agencies are now financed by assessments from the banks they regulate.

To support his endorsement of HR 12934 in the face of Mr. Burns' testimony, Rep. Reuss called on three witnesses—James L. Pierce, his own committee consultant; Kathleen P. O'Reilly, counsel for the Consumer Federation of Ameri-

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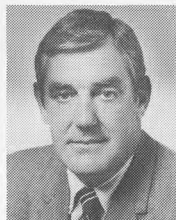


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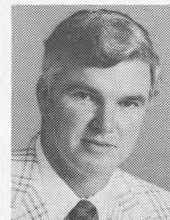
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ca, and Carole DeSaram, president, New York chapter of National Organization of Women. They argued that the Fed is too secretive, too bank-oriented and not too efficient in implementing monetary policy.

Chairman Burns rejected the reorganization proposal that would require appointments to the Fed regional bank boards from among the ranks of consumers, labor and educators. "We are concerned," he said, "that singling out certain favored interests may have the effect of excluding others. Why, for example, should not due consideration also be given to the interests of retired persons, or investors, or professional men and women, or the clergy?"

Death Slows Calendar

The House Banking Committee's calendar was altered suddenly by the death April 12 of Congressman William Barrett, D., Pa., second ranking member of the committee and chairman of its housing subcommittee. Protocol dictated adjournment of the Banking committee's further deliberations until after the funeral, which meant, in effect, an adjournment until after the Easter recess. It is expected the committee will reconvene April 26 to start its mark up of HR 12934 for the House floor. HR 13077 was to be taken up by the committee April 27, but it looked last week like the other bill would take precedence.

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