

NORTHWESTERN Banker Newsletter

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Chmn. Burns Explains Fed's Independence

In a commencement address to graduates of Jacksonville University in Jacksonville, Fla., on August 13, Dr. Arthur F. Burns, chairman of the Federal Reserve Board of Governors, explained "The Importance of an Independent Central Bank." After detailing the detrimental effect on various societies and governments of a money system controlled by the ruling power, including the inevitable destruction by inflation, Dr. Burns made these remarks, excerpted from his important speech:

With a view to insuring that the power of money creation would not be similarly abused in our country, the Congress has given our central bank major scope for the independent exercise of its best judgment as to what monetary policy should be. In fact, Congress has not only protected the Federal Reserve System from the influence of the Executive Branch; it also has seen fit to give the System a good deal of protection from transitory political pressures emanating from Congress itself.

Probably the two most important elements making for Federal Reserve independence are the following: First, the seven members of the Federal Reserve Board serve long and staggered terms and can only be removed for "cause." This arrangement severely limits

possibilities for any "packing" of the Board and enables members of the Board to act without special concern about falling out of grace



A. F. BURNS

politically. Second, the Federal Reserve System finances its activities with internally generated funds and therefore is not subject to the customary appropriations process. This arrangement is intended to assure that the Congressional "power of the purse" will not be used in an effort to induce System officials to pursue policies that they otherwise might consider poorly suited to the Nation's needs.

The Federal Reserve has thus been able to fashion monetary policy in an impartial and objective manner—free from any sort of partisan or parochial influence.

The degree of independence which Congress has conferred upon the Federal Reserve has been a source of frustration to some

government officials since the Federal Reserve Act first became law. Certainly, from the standpoint of the Executive Branch, it would at times—perhaps often—be more convenient to instruct the central bank what to do than to reckon with the System's independence. In the end, however, the country would not be as well served. The Federal Reserve, it needs to be emphasized, seeks earnestly to support or to reinforce governmental policies to the maximum extent permitted by its responsibilities. When the System's actions depart, as they occasionally have, from the way in which the executive branch would wish it to act, that is generally because the System tends to take a longer-range view of the nation's welfare. Actually, most of the time, monetary and fiscal policies are well coordinated and mutually reinforcing; in other words, they are the product of continuing and fruitful discussions between members of the administration and Federal Reserve officials.

Not only is dialogue continuous with the executive branch of government, but Federal Reserve officials appear frequently before Congressional committees—something that works, on the one hand, to keep Congress informed as to

INDEPENDENCE.....
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Iowa News

ALDEN: Harry A. Peters has resigned as executive vice president of the Alden State Bank to join a bank in Glenwood, Minn.

CORYDON: Deryl F. Hamann, chairman of Citizens State Bank, has announced the election of Dale Heimann as president. Mr. Heimann has been the executive vice president since joining the bank in October of 1975.

DES MOINES: Marvin R. Johnson, Iowa state savings bonds director, is seeking the assistance of bankers to eliminate the current rash of savings bonds "chain letter" schemes in the state. He noted that these chain letters violate Postal Lottery and Fraud Laws as well as lottery laws of the State of Iowa. Banks are requested to refuse to sell savings bonds in cases where they know, or suspect, that the bonds will be used in any type of chain letter scheme. Banks are not liable for refusal of such service, Mr. Johnson said.

ELDORA: Dennis Weis has joined the Second National Bank as farm representative. He comes to Eldora from Harlowtown, Mont., where he

was with a bank for a year and a half as a lending officer.

OGDEN: Helen Lass, vice president, recently was named president of City State Bank. Leonard A. Good was elected chairman and Hugo Boehm vice chairman.

ROCK RAPIDS: Andrea Van Beek has joined the Rock Rapids State Bank as a trust officer and trust consultant. She is being employed jointly by the Rock Rapids State Bank, Sioux County State Bank of Orange City, People's Bank and Trust Co. of Rock Valley and Lester and the Ashton State Bank. Miss Van Beek is a 1977 University of Iowa law graduate.

DONAHUE: The Iowa Department of Banking assumed control of the Donahue Savings Bank at 2:30 a.m., August 20, three days after Banking Superintendent Tom Huston sent examiners to the bank. Irregularities reportedly were found, apparently in the loan portfolio, and Mr. Huston and his chief aides moved in to supervise the examination more closely. Walter Paustian, 74, principal stockholder and chairman of the bank, resigned August 21. Mr. Huston appointed Mike Newland, chief examiner with the department, as manager of the bank while it is under the Iowa department's jurisdiction. A full scale audit by a CPA firm is underway and is expected to take another three weeks to complete. Donahue

Savings had \$4.8 million deposits at last year end. The town of 216 persons is located just north of Davenport in Scott County. Mr. Huston said he "doesn't anticipate that any customer of the bank will suffer a loss." It is covered by FDIC and a \$1.25 million blanket bond.

NORWAY: Burt Day, president, Benton County Savings Bank, has been elected president, freshman class, Graduate School of Banking, Madison.

WATERLOO: Bruce Rickert, 20, was critically injured August 11, when his motorcycle struck a car that pulled out in front of him on a Waterloo street. He is now recuperating satisfactorily at home from head injuries. He is the son of Bill Rickert, senior vice president of the National Bank of Waterloo.

Nebraska News

OMAHA: Center Bank West opened for business on August 29 at its new location at 3540 South 84th Street. The official grand opening ceremony will be held at 10 a.m. on September 12 and the grand opening week will run through September 17.

Minnesota News

ALEXANDRIA: New officers of the Independent Bankers of Minnesota elected here are: president, Merle Larson, president, Farmers State Bank, Clarissa; first vice president, Paul Bringgold, president, First National Bank, Cannon Falls; second vice president, Adrian Golberg, president, Empire State Bank, Cottonwood, and treasurer, Duane D. Gunderson, president, Merchants State Bank, Lewisville. Norbert McCrady continues as executive secretary.

MINNEAPOLIS: Russell E. Kruse, Jr., has been elected personal banking officer at First Minnehaha National Bank.

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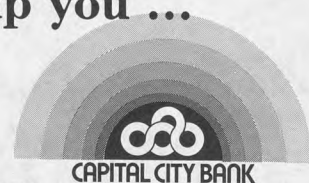
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NEW ISSUE

SCHOOL DISTRICT OF FREMONT, NEBRASKA

MOODY'S: "Aa"

General Obligation School Bonds

Dated: September 15, 1977

Denominations: \$3,000 & \$5,000

Both principal and semiannual interest (March 15 and September 15, first coupon due September 15, 1978) payable at the office of the Dodge County Treasurer, Fremont, Nebraska.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL AND NEBRASKA INCOME TAXES.

MATURITIES

<u>7.00%</u>		<u>4.70%</u>	
\$ 48,000	September 15, 1978	3.10	\$245,000 September 15, 1989* 4.60
60,000	September 15, 1979	3.40	255,000 September 15, 1990* 4.70
160,000	September 15, 1980	3.60	<u>4.90%</u>
170,000	September 15, 1981	3.80	270,000 September 15, 1991* 4.80
175,000	September 15, 1982	3.90	285,000 September 15, 1992* 4.90
180,000	September 15, 1983*	4.00	<u>5.00%</u>
<u>4.70%</u>			
195,000	September 15, 1984*	4.10	300,000 September 15, 1993* 5.00
205,000	September 15, 1985*	4.20	315,000 September 15, 1994* 5.10
215,000	September 15, 1986*	4.30	335,000 September 15, 1995* 5.15
225,000	September 15, 1987*	4.40	350,000 September 15, 1996* 5.20
235,000	September 15, 1988*	4.50	<u>4.00%</u>
		370,000 September 15, 1997* 5.45	

*Optional beginning September 15, 1982 at 101½%; September 15, 1984 at 101%; September 15, 1986 at 100½% and September 15, 1988 at 100%.

LEGALITY TO BE APPROVED BY BAIRD, HOLM, MC EACHEN, PEDERSON, HAMMAN & HAGGART, ATTORNEYS, OMAHA, NEBRASKA.

The School District of Fremont encompasses the City of Fremont, the Village of Inglewood and agricultural land in Dodge and Douglas Counties. There are approximately 35 square miles in the School District. Fremont is located in extreme eastern Nebraska, 35 miles northwest of Omaha and 50 miles north of Lincoln. The City is directly served by U. S. highways No. 30, 77 and 275. Fremont is known as the soybean processing center of Nebraska, as well as a major processor of alfalfa and hybrid seed corn. It is noted for its feed and fertilizer plants, meat packing, foundries, nurseries and farm buildings. Among the non agriculture related products made are mini-bikes, concrete farms, campers, school supplies, ladies garments, store fixtures and steel bearings for railroad cars. The nearly 300 retail outlets in the community are an important factor in the economy with annual sales in excess of \$75 million. Basic financial services in Fremont are provided by two national banks and one state bank with deposits of approximately \$125 million and by two savings and loan association home offices with deposits of more than \$200 million.

These bonds are being issued under the authority of Sections 10-701 to 10-716 Reissue Revised Statutes of Nebraska, 1943, as amended. The proceeds of this bond issue will be used for the purpose of erecting a new school building, paying for additions to and repairs and renovations for existing school buildings of the District and furnishing the necessary furniture and apparatus for said school buildings. In the opinion of counsel, these bonds are legal and binding general obligations of the School District of Fremont, Nebraska and all taxable property located therein is subject to the levy of sufficient taxes to pay the principal of and interest on the bonds without limit as to rate or amount.

FINANCIAL STATEMENT

Market value of taxable property	\$214,770,486
Assessed valuation	75,169,670
Direct debt, including this issue	6,996,000
Total direct and overlapping debt	8,353,800
Population, 1977 estimate: 29,508	Direct debt per capita: \$237.09
	Total debt per capita: 283.10
Area: 20,480 acres	Direct debt per acre: 341.60
	Total debt per acre: 407.90

Tax collections have approximated 100.2% of taxes levied for the past three years.

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion.

FEDERAL RESERVE BANK OF ST. LOUIS



[Faint, illegible text covering the majority of the page, likely bleed-through from the reverse side.]

PLUMMER: The Board of Governors of the Federal Reserve System has announced its approval of the application of Caprice Corporation, Red Lake Falls, to acquire Plummer State Bank.

Illinois News

BOULDER HILL (Unincorporated): A permit to organize has been issued to the Boulder Hill State Bank at the southeast corner of Boulder Hill Pass and Hillstone Road in Oswego Township, Kendall County. The state bank's total capitalization of \$1 million will consist of \$400,000 in both capital and surplus and \$200,000 in reserve. The 40,000 shares of stock will have a par value of \$10 each. Organizers are: William E. McCauley, Oswego; Don L. Dise, Frank Voris, George B. Peters, William H. Blackburn, Jay B. Gossett, Herbert E. Funk, all of Aurora.

CHICAGO: Charles M. Bliss, 55, president of Harris Bank, has been elected president and chief executive officer of the bank, of which he has been president since July, 1976. As c.e.o., he succeeds William F. Murray, who will retire September 30 after reaching the age of 65 September 19. Stanley G. Harris, Jr., was elected chairman of both the bank and its holding company.

PEORIA: Hayne Ellis, III, has been promoted to trust officer of Commercial National Bank. He joined the bank in 1970.

Montana News

GLASGOW: Treasure State Bank's application for Federal deposit insurance has been approved. The bank's capital accounts total \$700,000.

Wyoming News

WORLAND: Robert Noel, executive vice president of Wyoming Bancorporation of Cheyenne, has announced that the corporation has filed for a state bank charter for a bank here.

North Dakota News

DICKINSON: Liberty National Bank has received consent to establish an office on the northwest corner of 194 and Highway No. 22 here.

FARGO: Al K. Simpson, 56, president and managing officer of

the First Bank of North Dakota--Fargo, will leave that post to become chairman and chief executive officer on September 15 of FIRST BANK, with divisions in La Crosse and Milwaukee, Wis. The Wisconsin bank also is an affiliate of First Bank System, Inc.

KENMARE: Leonard M. Jorgenson, president of the State Bank of Kenmare, has announced the promotion of James A. Jorgenson, his son, to executive vice president.

Colorado News

ALAMEDA: Marvin Curry has been named a vice president and Betty Newman operations officer of Alameda National Bank.

Mrs. Prochnow Dies

Mrs. Herbert Prochnow, wife of Dr. Herbert Prochnow, retired president of the first National Bank of Chicago, died August 12. Dr. Prochnow also is registrar of the Central States Graduate School of Banking at the University of Wisconsin in Madison.

INDEPENDENCE..... [Continued from page 1]

System activities and which, on the other, affords Senators and Congressmen an effective means of registering approval or disapproval of Federal Reserve policy. In practical terms, the economic policy dialogue that is always in process within our government

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produces a thorough exploration of options. It may fairly be said, I believe, that the System's independence results in a more thorough discussion and thrashing out of public issues than would otherwise occur.

Despite the salutary influence that the Federal Reserve's independence has had on our Nation's economy, legislative proposals that would place the System under tighter rein keep being introduced in Congress.

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individual proposals matter less, however, than what appears to be their common objective, namely, to reduce the Federal Reserve's independence and to restrict its scope for discretionary action. That, I believe, is the real thrust of the diverse efforts to "reform" the Federal Reserve System. It is perhaps of some significance that such proposals not infrequently come from individuals who are basically dissatisfied with what they regard as excessive Federal Reserve concern with battling inflation.

The Federal Reserve System, I assure you, will not be deterred by the drumbeat of dubious propositions concerning money and interest rates. We are determined to continue on a path of further gradual unwinding of the inflationary tendencies that have

become so deeply embedded in our economic life. We are determined to continue promoting the expansion of our economy and yet control the supply of money so as to prevent a new wave of inflation. Such a policy, I firmly believe, is the only responsible option open to us.

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