Stephen S. Gardner

6/8/77

Catherine:

Governor Gardner had mentioned this to the Chairman and they agreed this was the proper response.

G

COMMERCIAL TELEGRAM OR CABLE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Wriston

call ltrs	KCB	charge to FEDERAL RESERVE BOARD
Rate:		via:

Walter B. Wriston
Chairman
Citibank
New York, New York

I have received your message of June 1 concerning prospective legislation. Thank you for forwarding these comments.

Sincerely yours,

AFB cm

Arthur F. Burns
Chairman, Federal Reserve Board

page 1 of 1

PLEASE TYPE OR WRITE PLAINLY WITHIN INNER BORDER--DO NOT FOLD
If additional space is required continue in space below.

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page 2 of ____

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#824

HONORABLE ARTHUR F. BURNS
CHAIRMAN
BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
20TH ST. AND CONSTITUTION AVE., NW
WASHINGTON, DC 20551

/GNR090 RAB200
.NYIBGCB

FROM CITIBANK NEWYORK NYIBG
MESSAGE DATE JUN 01

WE UNDERSTAND THAT THE TREASURY DEPARTMENT, IN CONJUNCTION WITH THE FEDERAL RESERVE BOARD, IS IN THE PROCESS OF DRAFTING LEGISLATION DESIGNED, IN PART, TO COUNTER THE UNDERSIRABLE DECLINE IN FEDERAL RESERVE MEMBERSHIP BY AUTHORIZING THE PAYMENT BY THE FEDERAL RESERVE BANKS OF INTEREST ON RESERVES REQUIRED TO BE MAINTAINED BY MEMBER BANKS WHICH INTEREST WOULD HELP DEFRAY THE COST OF BANKS PAYING INTEREST ON TRANSACTION BALANCES.
WE ALSO UNDERSTOOD THAT, IN ORDER TO AVOID EXCESSIVE ADVERSE IMPACT ON TREASURY REVENUES RECEIVED FROM THE FEDERAL RESERVE SYSTEM THERE IS UNDER CONSIDERATION THE POSSIBLITY OF IMPOSING LIMITS ON THE RESPECTIVE AMOUNTS OF RESERVES AS TO WHICH INTEREST WOULD BE PAYABLE BY FEDERAL RESERVE BANKS.
WE BELIEVE THAT THE IMPOSITION OF SUCH LIMITS WOULD BE OF QUESTIONABLE CONSTITUTIONALITY AND CLEARLY DISCRIMINATORY AGAINST THE NATIONS LARGER MEMBER BANKS AND WOULD FURTHERMORE SET AN UNFORTUNATE PRECEDENT IN HAVING THE TREASURY DEPARTMENT REGARD RESERVE REQUIREMENTS AS A POSSIBLE REVENUE SOURCE INSTEAD OF AN INSTRUMENT OF MONETARY POLICY. IMPLEMENTATION OF SUCH LIMITS WOULD, IN ANY EVENT, RESULT IN THE PROPOSED LEGISLATION MEETING WITH STRONG OPPOSITION FROM THE LARGER MEMBER BANKS WHO, IN MY OPINION, WULD OTHERWISE BE GENERALLY SUPPORTIVE OF THE LEGISLATIVE PROPOSALS.
ACCORDINGLY, I RESPECTFULLY URGE YOU TO CONSIDER AVOIDING THE FOREGOING PROBLEMS BY ABANDONING CONSIDERATION OF SUCH LIMITS ON INTEREST-BEARING RESERVES AND INSTEAD GIVING FAVORABLE CONSIDERATION TO THE CONCEPTS OF PARTIALLY OFF-SETTING A POSSIBLE DECLINE IN TREASURY REVENUES BY DIRECTING THE FEDERAL RESERVE SYSTEM TO ADOPT AND IMPOSE FULL AND EXPLICIT PRICING FOR ITS SERVICES AND REDUCING THE RATE OF INTEREST PAYABLE ON REQUIRED RESERVES OR SUBSTANTIALLY REDUCING THE AMOUNT OF REQUIRED RESERVES OR A COMBINATION OF SUCH CONCEPTS.
I AM SENDING IDENTICAL TELEGRAMS TODAY TO THE HONORABLE W. MICAHEL BLUMENTHAL AND THE HONORABLE THOMAS BERTRAM LANCE.

RESPECTFULLY

WALTER B. WRISTON, CHAIRMAN

=06020556
NNNN

-- FAXGRAM -- -- VIA GRAPHNET --

April 12, 1977

Dear Walt:

I was pleased to get the reassurances in your letter of April 6 and I also want to thank you for sending me today the binders containing so much explanatory data. The senior staff at the Board will review all this carefully and will also talk to Mr. Piderit in New York after Mr. Eyre and Mr. Angermueller have visited him.

Your prompt response following our discussion in Phoenix is very helpful. I want to see our outstanding problems resolved and the misunderstandings cleared up.

Sincerely yours,

Arthur F. Burns

Mr. Walter B. Wriston
Chairman
Citibank, N.A.
399 Park Avenue
New York, New York 10022

SSG/AFB:slc
#487 & 456

CITIBANK

nk, N.A.
ark Avenue
York, N.Y.

Walter B. Wriston
Chairman

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1977 APR 12 AM 9:35
RECEIVED
OFFICE OF THE CHAIRMAN

April 12, 1977

#487

The Honorable Arthur F. Burns
Chairman
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear Arthur:

In my letter to you of April 6, I promised to research in depth the background and current status of the review of Citibank Overseas Investment Corporation by your examiners. In order to fit the matter into perspective, you would want to note that the original cost of the shares of this company which has some 87 major affiliates was $25,000,000 plus additional capital contributions totaling some $212,000,000. Our report to the Board of Governors of the Federal Reserve System of the results of our research on our attempted compliance with your Examiners' requests are contained in the enclosed binder labeled No. 1. In order to give you an idea of the scope and detail of the material requested by the Examiner on one investment carried at $12 million in FNCB-Waltons, we enclose binder No. 2 which contains this data.

I hope you will agree with me that this report provides no evidence that we are in any way dragging our feet in attempting to satisfy the informational requests of your examining staff. At the very outset of the examination, George Vojta, Executive Vice President, sent a telex to all entities concerned dated December 24, a copy of which is included in the report, ordering full compliance. I believe that the report amply demonstrates our good faith while at the same time raises in a constructive manner some issues for discussion which might improve the process in succeeding years.

Tomorrow, Wednesday, April 13, Stephen C. Eyre, Comptroller, and Hans H. Angermueller, Senior Vice President and General Counsel, will be meeting with Mr. Fred A. Piderit, Jr., Senior Vice President of the Federal Reserve Bank of New York, to go over this report in detail.

The Honorable Arthur F. Burns
Page 2
April 12, 1977

As I have told you many times, we are fully aware of our obligations to the Board of Governors, and I hope that after you and your staff have reviewed these two binders that you will be able to agree with me that we are working to fulfill these obligations.

Sincerely,

Enclosure: Two binders

April 6, 1977

#456

Citicorp
399 Park Avenue
New York, N.Y.
10022

Walter B. Wriston
Chairman

The Honorable Arthur F. Burns
Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Arthur:

Sometimes in life things come out the exact opposite of the way in which they were intended because somewhere along the line communications break down. As I explained to you in Phoenix, this would appear to be the only logical explanation for the unfortunate state of affairs described in Mr. Allison's letter to me of April 1.

Let me say at the outset that Citicorp and Citibank have always endeavored not only to comply with the letter of the laws applicable to them, but also with their spirit.

In thinking about why we failed to communicate adequately, I believe it is due to the fact that the dialogue was conducted on two different levels without adequately forging any connecting link. One level of dialogue concerned an urgent business problem, and the other level related to the regulatory process. In articulating the former, it is clear that our words were construed to deprecate our concern for the latter. Such was not our intention, and I regret that action on our part may have led to such an interpretation.

In order to understand where the dialogue went off the track, it might be useful to summarize the two levels of problems. The first one was an unforeseen business development which required a virtually immediate business decision in order to avoid substantial adverse consequences. As you know, our affiliate, FNCB-Waltons, is an Australian company, with an Australian board of directors, operating in the Australian marketplace. Another Australian finance company, having no connection whatsoever with either Citicorp or Citibank, decided to write off some real estate loans, in some of which FNCB-Waltons was a co-lender. The resulting newspaper publicity put pressure on the Waltons board of directors to take similar action since Waltons had some common assets with the other unrelated company. The Australian board of directors, acting pursuant to Australian law, duly voted to write off these bad loans and concurrently sought to obtain a capital increase of A$7 million from their two shareholders of which A$3.5 million was our share. The FNCB-Waltons board of directors' judgment concluded that this new capital was essential to absorb the write-down of the real estate loans without violating the debt-to-equity gearing ratio required by the indentures underlying their various publicly held debenture issues.

In communicating this to the Federal Reserve Board, we were accurately reporting the business decision which had been taken in Australia by the FNCB-Waltons board of directors whose judgment it was that, unless new capital funds were immediately forthcoming, the company would face serious trouble in the marketplace. On a business level we perceived our A$3.5 million share of the capital infusion to be a relatively small sum of money in relation to the more than $3 billion of Citibank's equity capital. Also, this capital infusion did not seem to be different in substance from the similar capital infusions which we had, with Board permission, been making at approximately annual intervals since 1969.

In reciting this set of business facts, we were in no way suggesting that any injection of new equity, great or small, was not subject to the Board's approval process. Quite the contrary, the facts are that we came down to Washington and asked for that approval, even though there was a body of opinion in our organization which argued that these funds might be injected in a way which would not require the Board's approval within the short time frame available. We rejected this suggestion out of hand as not being in keeping with the way we conduct business. Instead we came down immediately to talk to your staff face to face in order to tell them the facts, a course of action that was surely not that of someone who was prepared to violate the law.

In view of the importance of dealing as promptly as possible with the matters which are discussed in this letter, I am replying to you within the same day as I received Mr. Allison's letter of April 1 and I am having my reply delivered to you by hand. I have requested my associates to brief me on the matters raised by Mr. Allison's letters of March 29, 1977 and April 1, 1977, as well as by the April 5, 1977 letter of Mr. Frederick C. Schadrack of the New York Federal Reserve Bank, all dealing with data to be provided to the Board for supervisory purposes by Citibank and its subsidiaries and I will reply to those issues as soon as my associates report back to me.

Sincerely,

March 25, 1977

Dear Walter:

I perused with interest the 1976 Review of Citybank's Investment Management Group that you recently sent me. Thank you for bringing the report to my attention.

Sincerely yours,

Arthur F. Burns

Mr. Walter B. Wriston
Chairman
Citicorp
399 Park Avenue
New York, New York 10022
NB:ja
#354

CITICORP

Now

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

1977 MAR 23 AM 9:24

RECEIVED
OFFICE OF THE CHAIRMAN

March 21, 1977

Citicorp
399 Park Avenue
New York, N.Y.
10022

Walter B. Wriston
Chairman

The Honorable Arthur F. Burns
Chairman
Board of Governors of the Federal Reserve System
Twentieth Street and Constitution Avenue, N.W.
Washington, D.C. 20551

#354

Dear Arthur:

The attached copy of our Investment Management Group's 1976 Review represents another step in our continuing efforts at voluntary disclosure.

This year's report highlights the wide range of client investment goals and the variety of investment vehicles used to meet the objectives of the broad cross section of the public that we serve.

You may also be interested in the section dealing with our success in passing through voting power to beneficial owners and co-fiduciaries, as well as our policies on insider information.

Sincerely,

Walter B. Wriston

December 22, 1976

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York 10022

Dear Walter:

My colleagues and I were pleased to learn that you have been selected by the Federal Reserve Bank of New York to represent the Second District on the Federal Advisory Council during 1977. I am happy to welcome you into the official Federal Reserve family, and I look forward to our association during the coming year.

The other Board Members join me in extending to you our cordial greetings and best wishes for the holiday season and the New Year.

Sincerely yours,

Arthur F. Burns

AWH:NB:ja

People, Politics and Productivity: The World Corporation in the 1980s

by Walter B. Wriston

People, Politics and Productivity: The World Corporation in the 1980s

by
Walter B. Wriston
Chairman
Citicorp
at
London, England
September 15, 1976

2 Much has been said and written about the future fate of all of us who live on this planet. In this era of almost instantaneous communication, any new intellectual fashion that catches the attention of the media is repeated endlessly throughout the world. In recent years, these fashions have ranged from the desirability of unlimited growth all the way to the Club of Rome's no-growth formula. Intellectual tides have moved from predictions that the world will soon run out of food and natural resources to a blind faith that new technology will provide for us all. The common denominator of most predictions of doom and gloom is a simplistic belief in straight-line projections combined with an unwillingness to believe that man is capable of innovation to meet his own needs. Like most things in this world, history would suggest that trends, no matter how strong, are not inevitable and can be changed by the concerted actions of mankind.

Today, as always, there is good news and there is bad news. The bad news is that more and more of our human resources are being diverted from productive work into government bureaucracy. The good news is that more and more people all over the world have come to this conclusion. Guido Carli recently wrote, "In the last five years public expenditure has more than doubled with no noticeable improvement in the quantity or quality of service, and with more and more funds going to replenish the coffers of the countless public bodies that dot the Italian landscape."

In the same vein, Norman Macrae has stated that he believes "the marginal productivity of new employees in the government sector has for some time been negative." The point is easily made.

3 Mr. Macrae asks simple questions about productivity, such as: "By how much have crime rates gone down? How far has the legal system become more expeditious? By how much is the urban environment more beautiful and its infrastructure better fitted to meet changing demands?" You can make your own list of questions, but the answers will always be the same. If we in fact have a negative marginal productivity in government, it is clear that if we are to be able to feed ourselves in the future, we cannot do so through government action.

The alternative to declining productivity in the public sector is the increasing productivity of the great global corporations of the world. They are even now the principal agents for the peaceable transfer of technology and ideas from one part of the world to the other. Since no country has a monopoly on industrial and agricultural skills, the transfer of men, money, and ideas is necessary if we are to raise the world's living standards. The perceptions of the needs of mankind are not uniform in the public and private sectors. As a general rule, the politicians have been engaged in fragmenting the world, while the multinational corporations have been viewing the planet as one marketplace. The clash of these perceptions has understandably created a great deal of intellectual friction, which has been manifest in great outpourings of scholarly and not-so-scholarly attempts to clarify the issues between the public and the private sectors. We have witnessed lengthy United Nations debates about such weighty details as whether we should call a company multinational, transnational, international, supranational, or perhaps some other term in some other language. None of this rhetoric has really been useful. It is the kind of clarification that consists of filling in the background with so many details that the foreground sinks out of sight.

4 What has tended to be pushed from sight in the current debates is the real nature of the choice confronting us. The arguments that use the world corporation as their focus are only a proxy for the real issue. The present struggle for control of the future is not between national companies vs. international, nor European companies vs. American or Japanese, nor even the currently fashionable theme of the developed countries vs. the developing. The debate is really the continuation and intensification of the battle between two historic ideas concerning economic and social behavior.

One idea, associated with words like free trade and free enterprise and laissez-faire, holds that business is politically neutral, existing only to satisfy the economic desires of the world's people. The other, older idea holds that business is—or should be—the chosen instrument of the state. Or, what amounts to the same thing, that the state should be the chosen instrument of business.

Today's global corporation is the modern heir to the tradition planted here in the United Kingdom by the Industrial Revolution and harvested most abundantly in the singularly free economy of the early United States. Despite the enormous success of the world corporation in supplying the world's needs, the state-dominated system that it displaced not only dies hard, but in some areas is expanding. That system, once known as mercantilism, remained dormant for a period, but it has already been resurrected twice, first as nineteenth century imperialism and then as twentieth century totalitarianism.

5 Today, much of the criticism of the global company is really the disquieting voice of neomercantilism. In this larger historical context, the themes being repeated today are distressingly familiar. Protectionist movements are becoming prominent, and governments are manifesting desires to restrict and control the freedom of the world corporation to conduct its business. It has all been heard before; the challenge comes again from sovereign authority and from affected interest groups using that authority to resist the market allocation of capital, labor, and purchasing power to areas of greater productivity.

Sometimes it would seem that the more successful the enterprise is in supplying the real needs of the world's people, the louder become the voices of protest. Often, nationalism is used as the stick to beat a world corporation. At the beginning of the 1960s, when more than 60% of the large multinationals were based in the United States, best-selling books all over Europe were sounding the alarm over what Servan-Schreiber called, "This strange phenomenon, dangerous and massive in its size and power... so hypnotizing and overwhelming, that it threatens to plunge us from our present ignorance into total despair." This inflammatory rhetoric never had any connection with reality, but it served a political purpose. Ten years later, only slightly more than half of the world's multinationals were headquartered in America, and books were being published in New York with titles like *The Infiltrators,* warning Americans about the impending takeover of their factories by Volkswagen and the Rothschilds.

6 All such controversies overlook a fundamental point. In the tough, competitive global marketplace, it doesn't matter where a multinational corporation's headquarters are located. Any global company, whether based in America, Europe, Japan, or somewhere else, will sooner or later have to operate under the same economic and political rules that govern its international competitors. In order to stay in business, any company will be compelled to get its materials for production from wherever they are available most cheaply, conduct its processing activities wherever they are most efficient, and market its goods wherever there is a demand. And all of this has to be done in compliance with a bewildering variety of laws and value systems which have been constructed by our nation-states.

It is precisely this economic necessity that makes the multinational enterprise our best instrument for assuring the most efficient, most thrifty use of the world's resources. In an era when many people express concern that those resources might be squandered, the need to make them go as far as possible and to avoid waste is an economic and human necessity. Yet, efficient use of the world's resources does not generate much applause for the world corporations.

The neomercantilistic ideas have never died and furnish amunition for critics of multinationals both at home and abroad. These familiar themes are articulated by some in developing countries who accuse multinational companies of milking the economies of their host countries by taking more out of them than they put in. At the same time these charges are leveled at the world's

7 corporations abroad, labor leaders at home are averring that multinationals are exporting capital, technology, and jobs that might otherwise be used to build the domestic economy.

It has become a two-front war. If the international managers prove to a host country that they are creating more wealth for it than they are taking out, this very evidence will be used against them at home. If they prove to the labor unions at home that, on balance, they are creating more jobs at home than they export, or prove to their governments that the repatriated foreign earnings are good for the country's balance of payments, that evidence fuels the arguments of their foreign critics.

Because of their intellectual training, many of the critics are quite sincere in believing that international managers are lying when they say that everybody profits from their operations, home and host countries alike. The critics cannot accept this simple truth because they have been taught to believe that business is what twentieth century mathematicians call "a zero-sum game." They believe that a profit for anyone must mean a loss for someone else. But business is not a poker game that transfers a static pot of money from one player to another. It is a creator of wealth.

The zero-sum-game concept of business is the modern reincarnation of pure mercantilism. It belongs to the age of Louis XIV and the economic philosophy of Colbert, who said of French prosperity, "This state is flourishing not only in itself but also by the deprivation which it has inflicted on all the neighboring states."

8 The dead hand of Colbert is easy enough to see when one country after another hoists the flag of protectionism. But there is another, less familiar ingredient in his unhappy legacy with which we are also burdened. Adam Smith described Colbert as "...a man of probity...and of abilities...every way fitted for introducing method and good order into the collection and expenditure of the public revenue." Smith went on to say that because Colbert was "accustomed to regulate the different departments of public offices, and to establish the necessary checks and controls for confining each to its proper sphere...he endeavored to regulate the industry and commerce of a great country upon the same model as the departments of a public office."

The economic consequences of Colbert's policies were, of course, disastrous. Business can no more be run like a government than a government can be run at a profit. But there are still people of "probity and ability" who do not understand the difference and who, with what they believe to be the best of intentions, may wind up doing for the global economy what Colbert did for Europe.

Free enterprise, as preached by Adam Smith and his band of disciples, has never meant license to conduct business without limitations imposed by government. It is the acknowledged function of government to formulate and enforce laws designed to insure, so far as possible, equality, liberty, and justice for its citizens. Free enterprise asks only that, within those guidelines, no commercial enterprise should enjoy extraordinary privileges, and none should be laid under extraordinary restraints. This is all the modern global company requires to become a highly effective institution for making optimum use of the world's resources.

9 The concept of global efficiency, however, places a great strain on even the most liberal of modern nation-states. Each ruling government is primarily concerned with optimizing conditions within its own boundaries. All countries today participate to some degree in international specialization, contributing to the world economy what they can do best, and therefore most profitably. But every country at some point subordinates its possible economic advantages to considerations of military security, domestic stability, the protection of home industries or economic groups, and even national pride. Many of the developing countries struggling to feed and educate their people deem it more prestigious to build a steel mill than a fertilizer plant or public schools.

National governments often assert their dominance over business enterprises not only in pursuit of competitive advantage abroad, but also in furtherance of domestic political policies. No country permits completely free enterprise, but controls in today's world tend to come from one of two diametrically opposed political extremes, with the freer countries positioned somewhere in the middle of the spectrum.

One type of government tends to organize its economy to favor public ownership of enterprise. It adopts policies of income redistribution, regulates consumption, maximizes central planning and government allocation of resources. At the authoritarian extreme of this system are countries like The Peoples Republic of China, the USSR, the nations of Eastern Europe, North Korea, Vietnam, Cambodia, and the socialist countries of Africa. The fruits of this system are written plain in history.

10 The medium-term economic consequences of such policies always involve depressed internal growth rates and can lead to extreme economic degeneration, as we saw in Nasser's Egypt, Sukarno's Indonesia and Allende's Chile.

At the other end of the political spectrum, another group of countries pursues policies that favor private business ownership, deliberately depress current consumption in favor of capital accumulation, permit market mechanisms rather than fiat to allocate resources, tightly control their labor unions, and generally practice social regimentation. These states tend to take a positive view of the world economy and favor policies that foster global interdependence. They usually also experience relatively strong growth rates. But very often these societies produce an increasing maldistribution of income which may ultimately create an explosive social situation. If the situation deteriorates, it is not unusual to see what one economist euphemistically calls "a strong military infrastructure" take over the government.

All the other national economies are strung out somewhere along the spectrum between these extremes. The most comfortable location is somewhere as close as possible to the middle, but it takes an effort to stay there. Every economic crisis creates pressure on governments to flirt with one extreme or the other, sometimes with both at the same time. There is always the temptation to solve short-term problems by exchanging them for long-term instability.

11 In the long run, both types of controlled economies are unstable. The progressive ruination of the economy in the one case and the social regimentation and inequitable income distribution in the other cause internal pressure that will press for radical change. Such countries can either change rather slowly, or they can abruptly flip, from one kind of economy to the other. When internal pressures become irresistible, the regimes in charge may either give ground gradually or be quickly replaced. The transfers of leadership from Sukarno to Suharto, Nasser to Sadat, Allende to Pinochet, and Spinola to Soares are but very recent examples of how rapidly events occur.

No matter where a government is positioned on the political spectrum, often the public and private sectors are in conflict. This natural interplay has generated a great deal of nonsense about the relative power of multinationals and governments. The facts are clear and simple.

A multinational corporation, no matter how large, is essentially helpless in the hands of a nation-state, no matter how small. Despite overwhelming evidence of this truism, investigations abound. The Group of Eminent Persons appointed by the United Nations Economic and Social Council in 1972, at the instigation of the then-communist government of Chile, started an investigation of the relative powers of multinational companies and the sovereign states. It is not now, nor ever has been, a contest. I can give them one example right next door to the UN headquarters in New York, where I happen to live.

12 New York, as you may know, is a hard place to park an automobile. Members of missions assigned to the UN enjoy diplomatic immunity. They can, if they choose, ignore the No Parking signs—which many of them do, to the constant irritation of less privileged New Yorkers. If I park my own car in the neighborhood, the Police Department tows it away. And the head of every global company is in the same fix.

There you see the true difference between sovereignty and the lack of it. If the example I chose seems a little absurd, it is no more so than books with titles like *Sovereignty at Bay*. Or for that matter, some of the reports that were turned out by the Group of Eminent Persons who parked their cars outside the UN building, in clear defiance of local laws.

The same may be said of the accusations of neocolonialism. Paolo Rogers of Olivetti put it well when he asked: "What kind of colonialism could it be when taxes are paid to the colonized country? Multinational corporations, whether U.S.- or Europe-based, when investing abroad, have no power to infringe on the sovereignty of host governments, and like it or not, they are bound to abide by local laws, rules and regulations."

As a last resort, all the multinational company can do in its relations with a sovereign state is to make an appeal to reason. If this fails, capital, both human and material, will leave for countries where it is more welcome. Whether or not there is a shortage of capital is the subject of debate, but

13 no one asserts there is a surplus. Since men and money will in the long run go where they are wanted and stay where they are well treated, capital can be attracted but not driven.

In the long run, it all comes down to this: the future of the global company in any one area will be determined by the degree to which a particular government is willing and able to sacrifice the material well-being of its citizens to noneconomic factors. Everything we've discussed thus far will be resolved almost automatically when our nation-states make up their minds concerning this one basic question.

The reality of a global marketplace has been the driving force pushing us along the path of developing a rational world economy. Progress that has been made owes almost nothing to political imagination. It has been the managers of the multinational corporations who have seen the world whole and moved to supply mankind's needs as efficiently as politics would allow. The thousands of products that have helped raise the living standards of mankind have made this economic process highly visible to millions of people. Far too many of the world's people have now seen what the global shopping center holds in store for them. They will not easily accept having the doors slammed shut by nationalism. The reason for optimism about the future of the world corporation rests on the solid base that it is the best way that has yet been found to organize our society to give it the optimum chance of supplying the needs of mankind in an increasingly crowded world.

For additional copies write to Publications Unit,
18th Floor, 399 Park Avenue, New York, N.Y. 10022
9-150-76 Printed in U.S.A.

CITICORP

March 18, 1976

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York

Dear Walter:

I have examined with great interest the Review of 1975 by Citibank's Investment Management Group that you recently sent me. Thank you for bringing the publication to my attention.

Sincerely yours,

Arthur F. Burns

AFB:ccm

Norm

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1976 MAR -8 AM 10: 24
RECEIVED
OFFICE OF THE CHAIRMAN

FIRST NATIONAL CITY BANK

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N. Y. 10022

March 4, 1976

#316

The Honorable Arthur F. Burns
Chairman
Board of Governors of the Federal Reserve System
Twentieth Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Arthur:

I thought you would like to have a copy of our Investment Management Group's Review of 1975, the sixth annual voluntary disclosure of the investment activities carried out on behalf of our clients.

Consistent with our belief that the public benefits from broader awareness of the principles and practices of fiduciaries, the report contains a brief statement of our outlook for the economy and the securities markets, followed by quantitative information on our investment activities. The report concludes with some comments on trends in the disclosure arena that concern us from the standpoint of fiduciary responsibility and the public interest.

Please let me know if you would like additional copies for your staff.

Sincerely,

Walt

FIRST NATIONAL CITY BANK

WALTER B. WRISTON
CHAIRMAN [redacted]

399 PARK AVENUE, NEW YORK, N. Y. 10022

May 23, 1975

Dear Arthur:

Thank you for your nice note of May 19 about my recent speech. I appreciate it more than I can say.

Sincerely yours,

The Honorable Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C. 20551

FIRST NATIONAL CITY BANK

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N. Y. 10022

February 21, 1975

Dear Arthur:

Congratulations on the superb job you did in testifying before the House Committee!

Sincerely yours,

The Honorable Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C. 20551

May 19, 1975

Dear Walt:

I just read your speech of May 5, and you have my warm congratulations.

Sincerely yours,

Arthur F. Burns

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York

AFB"cc.

Mr. Walter B. WRISTON
Chairman
First National City Bank
399 Park Avenue
New York, New York

7/23/74

See Storage Files for complete file.

1974 JUL 25 PM 1:18

RECEIVED
OFFICE OF THE CHAIRMAN

FIRST NATIONAL CITY CORPORATION

#1314

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N. Y. 10022

July 23, 1974

L Record
Citicorp

The Honorable Arthur F. Burns
Chairman, Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Mr. Chairman:

On July 9, just two weeks ago, you asked us to postpone for an interval of two weeks (that is to say, until July 23) the public offering of our new note issue in order to enable the Congress and the government officials principally concerned to study with due deliberation the economic and financial implications of this financing.

The House Committee on Banking and Currency held hearings on July 15, 1974. As you know, representatives of the Treasury Department, the Federal Reserve Board, The Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board all appeared at the hearing. The private sector was represented by a panel of witnesses speaking for the AFL-CIO, the National Association of Home Builders, National Association of Mutual Savings Banks, the United States League of Savings Associations, and the American Bankers Association.

Since our note issue was in registration with the Securities and Exchange Commission at the time these hearings were taking place, I was advised that it would be inappropriate for me to testify, but I did have an opportunity to respond to Chairman Patman's letter, which I did on July 9. In addition, the Comptroller of the Currency made his views known to the Committee by letter dated July 17, 1974.

Concurrently with these events, Citicorp responded promptly and fully to the requests of the Securities and Exchange Commission and provided a great deal of information in furtherance of the legal mandate to make full disclosure. The positions taken by various groups which opposed the issuance of these notes assured wide publicity and I think helped fulfill the Board's request that our issue be thoroughly discussed.

In short, the Board's request of July 9 has, I believe, been fulfilled completely, and our underwriters plan to offer the issue in the reduced amount of $650,000,000 tomorrow, July 24.

Sincerely yours,

July 12, 1974

Dear Walter:

In view of your modification of the terms of the projected Citicorp note issue, as explained in your second letter of July 11, 1974, namely that no holder of the notes would have the right to request payment from Citicorp before June 1, 1976, the Board feels that its concern about the effects on thrift institutions is substantially reduced. From the viewpoint of the Board, you have met the basic concern that gave rise to our request for a postponement of the issue.

However, there may still be serious doubts on the part of Congress and the other regulatory agencies, and you may therefore still want to consider the suggestion for a postponement that I made in my communication of July 9.

Sincerely yours,

Arthur F. Burns

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York

AFB:ccm

July 12, 1974

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York 10022

In view of your modification of the terms of the projected Citicorp note issue, as explained in your second letter of July 11, 1974, namely that no holder of the notes would have the right to request payment from Citicorp before June 1, 1976, the Board feels that its concern about the effects on thrift institutions is substantially reduced. From the viewpoint of the Board, you have met the basic concern that gave rise to our request for a postponement of the issue.

However, there may still be serious doubts on the part of Congress and the other regulatory agencies, and you may therefore still want to consider the suggestion for a postponement that I made in my communication of July 9.

ARTHUR F. BURNS, CHAIRMAN
FEDERAL RESERVE BOARD

AFB:slc

FIRST NATIONAL CITY CORPORATION

#1118

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N. Y. 10022

Secy Gen.

July 2, 1974

The Honorable Arthur F. Burns
Chairman, Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Chairman Burns:

As you are aware, Citicorp has filed with the Securities and Exchange Commission a registration statement covering $850,000,000 of its 15-year floating rate notes to be listed on the New York Stock Exchange. On June 26, Mr. Norman Strunk, the Executive Vice President of a trade association called the United States Leagues of Savings Associations, wrote you a letter complaining about the Citicorp note issue, apparently on the ground that the "astronomical rates" of the notes would make the small consumer in America aware of the interest return which is available in the "big money markets." Mr. Strunk suggests that making comparable rates of return available to the small investor would constitute a "disservice" to him or her.

It is difficult to believe that in today's value system, with Congress constantly concerned about the treatment of consumers, that responsible people would seriously advance the thesis that large investors are somehow entitled to a higher return on their money than the consumer. And yet, this appears to be the thrust of Mr. Strunk's letter. The underwriters of this security tell us that, as we had hoped, small investors are expressing interest on the basis that they will, when the securities are offered, be able to get an even break with large investors. Mr. Strunk confirms this in his letter to you when he says: "Spot checks with brokerage firms confirm that a great deal of interest has already been expressed from small investors."

Some vague reference is made in Mr. Strunk's letter to the fact that some people with savings accounts might use their savings to purchase Citicorp's note issue. Mr. Strunk obviously must have access to the fact that Citicorp's note issue represents less than 1/5 of 1% of the consumer savings accounts in the United States. If you were to make the unlikely assumption that every one of our notes would be bought with money withdrawn from a savings account, a fifth of one percent of the total deposits could hardly be called disintermediation on any material scale. Our subsidiary, the Citibank, has over two billion dollars of consumer savings accounts which it is forced to solicit from the general public at a rate of interest lower than savings banks are permitted to pay and does not share Mr. Strunk's concern.

Mr. Strunk's innuendos that a Citicorp security listed on the New York Stock Exchange is in fact a deposit in a bank is startling. As you are undoubtedly aware, the amended preliminary prospectus dated June 27, 1974, carries on the very first page of the text the following statement:

> "The Notes offered hereby are unsecured debt obligations of Citicorp and do not represent indebtedness of, or deposits with, Citibank or any other commercial bank and, accordingly, are not insured by the Federal Deposit Insurance Corporation."

I do not share Mr. Strunk's obvious belief that the consumer cannot differentiate between a listed security on the New York Stock Exchange and a deposit in a bank. I have far more confidence in the consumer apparently than does he.

Sincerely yours,

Walter B. Wriston

April 19, 1974

Dear Walter:

I found our discussion last Wednesday useful as well as pleasant. Many thanks for arranging the dinner meeting.

With kind regards,

Sincerely yours,

Arthur F. Burns

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York

AFB:ccm

FIRST NATIONAL CITY BANK

#491

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N. Y. 10022

March 27, 1974

Dr. Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Arthur:

As you can appreciate with such a peripatetic group, it is impossible to get the chairman of each New York bank in town on the same day, but we have assembled for your dinner on April 17 a member of the senior management of each of the twelve banks making up the New York Clearing House. For your convenience, I am enclosing a copy of the names of the people who will be attending and, of course, Al Hayes will be there also.

We plan to gather at the Sky Club which, as you undoubtedly know, is on the top floor of the Pan American Building at 6:30 p. m. The Pan American Building is located at 200 Park Avenue and is reached by turning off Lexington Avenue at 45th Street and going about a half a block toward Vanderbilt Avenue.

We all look forward to the occasion.

Sincerely yours,

W.W.

Enclosure

Arthur Burns Dinner
Wed., April 17, 1974

Elliott Averett, President
The Bank of New York
48 Wall Street
New York, N. Y. 10015

George A. Roeder, Jr.,
Vice Chairman of the Board
Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, N. Y. 10015

Walter B. Wriston, Chairman
First National City Bank
399 Park Avenue
New York, N. Y. 10022

Norborne Berkeley, Jr., President
Chemical Bank
20 Pine Street
New York, N. Y. 10015

Ellmore C. Patterson,
Chairman of the Board
Morgan Guaranty Trust Co. of NY
23 Wall Street
New York, N. Y. 10015

Charles E. Woodruff,
Vice Chairman of the Board
Manufacturers Hanover Trust Co.
350 Park Avenue
New York, N. Y. 10022

Joseph A. Rice,
Vice Chairman of the Board
Irving Trust Company
One Wall Street
New York, N. Y. 10015

John W. Hannon, Jr.,
Chairman of the Executive Committee
Bankers Trust Company
280 Park Avenue
New York, N. Y. 10017

Charles F. Mansfield,
Chairman of the Executive Committee
Marine Midland Bank - New York
140 Broadway
New York, N. Y. 10015

Charles W. Buek, President
United States Trust Co. of NY
45 Wall Street
New York, N. Y. 10005

Harold V. Gleason,
Chairman of the Board
Franklin National Bank
450 Park Avenue
New York, N. Y. 10022

John H. Vogel, President
National Bank of North America
44 Wall Street
New York, N. Y. 10005

February 5, 1974

Dear Walter:

Thank you very much for sending me a copy of Mr. Christophe's study of competition in the financial services industry. Mr. Christophe is to be commended for a very useful study.

Sincerely yours,

(signed) Arthur

Arthur F. Burns

Mr. Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York 10022

NB:slc
#146

FIRST NATIONAL CITY BANK

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N. Y. 10022

#146

January 31, 1974

WB - f

The Honorable Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Arthur:

You will recall that last year we published a study on bank capital adequacy in an effort to make a constructive contribution to the continuing dialogue on that subject. Mr. Cleveland Christophe of our bank has now finished a new study on the competition in the financial service business. As you know, the share of financial assets held by the commercial banking system is steadily declining, but few people are aware of the extent to which personal financial services are being delivered to the consumer by non-bank organizations. The booklet, which is enclosed, is our effort to dimension the nature of our competition on as scholarly a basis as possible. I think you and your colleagues will find it quite interesting.

Kind regards.

Sincerely yours,

Walt

Enclosure

"Competition in Financial Service"

#841

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
1973 APR 24 AM 9:47
RECEIVED
OFFICE OF THE CHAIRMAN

FIRST NATIONAL CITY BANK

WALTER B. WRISTON
CHAIRMAN

399 PARK AVENUE, NEW YORK, N.Y. 10022

April 20, 1973

Dr. Arthur F. Burns
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C. 20551

Dear Mr. Chairman:

This letter is written in response to your request for a clarification of the Citibank's statement yesterday concerning its floating base rate. Let me say at the outset, that as a result of a misprint on page 13 of "The Wall Street Journal" of April 20, 1973, a false impression was left with the public. "The Wall Street Journal" reported that "Mr. Palmer indicated the bank was likely to move ... " when what he actually said was that the bank was "unlikely to move ... " Since we did not spell out the time interval over which our rate would move in harmony with the marketplace, I can clarify this by stating to you that the transition to the full formula basis will be administered in such a way as to be fully responsive to all the expressed guidelines of the Committee on Interest and Dividends.

Kind regards.

Sincerely yours,

Walt B. Wriston

TELEGRAM
LEASED WIRE SERVICE
RECEIVED AT WASHINGTON

1973 APR 23 PM 2 42

FED RES BD DC

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

THIS IS FIRST NATL CITY BANK NY APR 23

FEDERAL RESERVE BANK WASHINGTON DC

MR JOSEPH COYNE

ARPIL 20,1973

DR ARTHUR F BURNS CHAIRMAN OF THE BOARD OF GOVERNERS FEDERAL RESERVE

SYSTEM WASHINGTON DC 20551

DEAR MR CHAIR ~~MA~~N COLON

THIS LETTER IS WRITTEN IN RESPONSE TO YOUR REQUEST FOR A CLARIFICATION

OF THE CITIBANKS STATEMENT YESTERDAY CONCERNING ITS FLOATING-JASE ~~R~~

RATE PERIOD LET ME SAY AT THE OUTSET COMMA THAT AS A RESULT

OF A MISPRINT ON PAGE 13 OF QUOTE THE WALL STREET JOURNAL UNQUOTE OF ~~AP~~

~~XXX~~ APRIL 20

COMMA 1973 COMMA A FALSE IMPRESSION WAS LEFT WITH THE PUBLIC PERIOD

QUOTE THE WALL STREET ~~DYTRRY~~ JOURNAL UNQUOTE REPORTED THAT QUOTE MR

PALMER INDICATED THE BANK WAS LIKELY TO MOVE UNQUOTE WHEN WHAT HE

ACCTUALLY SAID WAS THAT THE BANK WAS QUOTE UNLIKELY TO MOVE UNQUOTE

SINCE WE DID NOT SPELL OUT THE TIME INTERVAL OVER WHICH OUR RATE WOULD

MOVE IN HARMONY WITH THE MARKET PLACE COMMA I CAN CLARIFY THIS BY

STATING TO YOU THAT THE

TRANSITION TO THE FULL FORMULA BASIS WILL BE ADMINISTERED IN SUCH A WAY

ON INTERESTS AND DIVIDENDS

KIND REGARDS SINCERLY YOURS

W B WRISTON FIRST NATL CITY BANK FA

FED RES BD DC

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TELEGRAM
LEASED WIRE SERVICE
RECEIVED AT WASHINGTON

X

1973 APR 23 PM 3 25

FED RES BD DC

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

THIS IS FIRST NATIONAL CITY BANK NEWYORK APRIL 23 1973

THE FOLLOWING IS A REPEAT AND CORRECTED COPY OF MESSAGE SENT EARLIER TO MR JOSEPH COYNE

QUOTE

MR. JOSEPH COYNE
FEDERAL RESERVE BANK
WASHINGTON D.C.

APRIL 20 , 1973
DR. ARTHUR F. BURNS
CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON D.C. 20051

DEAR MR CHAIRMAN:

THIS LETTER IS WRITTEN IN RESPONSE TO YOUR REQUEST FOR A CLARIFICATION OF THE CITIBANKS STATEMENT YESTERDAY CONCERNING ITS FLOATING BASE RATE . LET ME SAY AT THE OUTSET, THAT AS A RESULT OF A MISPRINT ON PAGE 13 OF QUOTE THE WALL STREET JOURNAL UNQUOTE OF APRIL 20, 1973, A FALSE IMPRESSION WAS LEFT WITH THE PUBLIC. QUOTE THE WALL STREET JOURNAL UNQUOTE REPORTED THAT QUOTE MR. PALMER INDICATED THE BANK WAS LIKELY TO MOVE... UNQUOTE WHEN WHAT HE ACTUALLY SAID WAS THAT THE BANK WAS UNLIKELY TO MOVE... UNQUOTE SINCE WE DID NOT SPELL OUT THE TIME INTERVVAL OVER WHICH OUR RATE WOULD MOVE IN HARMONY WITH THE MARKETPLACE, I CAN CLARIFY THIS BY STATING TO YOU THAT THE TRANSITION TO THE FULL FORMULA BASIS WILL BE ADMINISTERED IN SUCH A WAY AS TO BE FULLY RESPONSIVE TO ALL THE EXPRESS GUIDELINES OF THE COMMITTEE ON INTERESTS AND DIVIDENDS.

KIND REGARDS
SINCERLY YOURS
W.B. WRISTON

UNQUOTE

April 20, 1973
10 a.m.

Notes on Conversation Between Dr. Arthur Burns and Mr. Walter Wriston, Chairman, First National City Bank of New York:

Mr. Wriston: What can I do for you?

Dr. Burns: Walter, I learned of ~~the~~ your intention to restore the floating prime rate and would like to chat with you about it.

Wriston: All right.

Burns: Can you tell me just what your plans are?

Wriston: Sure. What we did was that we read what the CID said as an indication the prime would be linked to market rates and sort of isolated from small business rates. Also what we did was said we're going back to the floating and going to take a while to get it. It went up by 1/4 to 6-3/4 where the ~~market~~ most banks are today.

B: That's right.

W: The thought was that over time we would merge our rate with the paper rates. You said don't do anything presumptuous or don't do anything in one jump. Did not think it would move any quicker or sooner than other banks.

B: My concern is that your move is now being interpreted by some observers and by some banks to mean that the prime rate charged by your bank on the basis of the formula will move up rather quickly and reach a level of 7-1/2 or 7-5/8 rather quickly.

W: I don't expect that would be the case.

B: Could you issue a clarifying statement ? I think that it is essential that it be done promptly.

W: I don't know exactly what you would say. What we said was that it would move over time. The only thing I could think of to clarify would be if you put some time frame in there.

B: That might be helpful.

W: I wouldn't know how to arrive at that period. That would be my problem.

B: I understand that. But you see I have worked awfully hard with bankers all over the country and with Members of the Congress. I succeeded in stopping very damaging legislation on the basis of a plan for the dual prime that I was working out and what you have done now in view of the interpretation

B :
(cont'd)

that is being placed on your action in some quarters -- and I'm not saying the interpretation is right, but it is a human interpretation -- but may undo all that I have tried to accomplish and so far have succeeded in. Therefore a clarifying statement from my viewpoint is essential.

W:

Let me see what we can dream up.

B:

All right.

W:

Obviously we don't want to undo any work. The concept of the prime as a market rate to begin with is an essential difference. I read your CID statement that you agreed that it was a market not an administered rate.

B:

I don't want to get into semantics. I have a practical objective and the practical objective is to have this committee no longer concern itself with the large business prime rate. But to accomplish my purpose I put in paragraph 8 in the committee statement,~~to~~ you see, calling for increases if they should occur that they be made in moderate steps.

W:

Right.

B:

And your statement could be read to many that all this would be accomplished and that your formula be fully operative in ~~the~~ two to three weeks. And that is just unsatisfactory. Another point is the paragraph that deals with profit constraint. I would like to see a clarifying statement indicating that these two paragraphs on guidelines are understood, would be respected and once that becomes known to the banking community then I think everything I have been working out can go forward smoothly. As things stand now, two things can happen. Another bank or a number of banks may move rather quickly and undo what I have tried to accomplish. I may have trouble on Capitol Hill again. The Economic Stabilization Act is not completed. Even if ~~the~~ it were, seething under the surface. Unfortunately it is stirred up again. If down gradually, committee can forget about this and the committee can concern itself with those areas that are politically sensitive. That is the interest rate on business loans to small enterprises, home buyers, etc. And I'll we'll all be better off, including you and your bank.

W:

OK. Let me see what I can think up to say. The problem is that issuing something may confuse it more than saying nothing and doing nothing.

B: If you don't issue a clarifying statement, I'll have to take action. I don't want to take action.

W: Let me see what ~~you~~ we can do.

B: Will you let me know later on in the day?

W: Yes, surely.

B: Thank you very much.