



PRESIDENT OF THE NAVAL WAR COLLEGE
Newport, Rhode Island
02840

9 JUL 1973

Dear Mr. Fox,

Thank you for your interest and the encouragement to attend the Conference Board meeting at Chatham Bars Inn. Just scanning the list of the North East Regional Advisory Council, assures me of the quality of discussion which will characterize the meetings. I'm looking forward to meeting you and to the prospect of spending a delightful yet stimulating weekend in Chatham.

Warm regards.

Yours,

STANSFIELD TURNER
Vice Admiral, U.S. Navy

Mr. John Fox
H.P. Hood Inc.
500 Rutherford Avenue
Boston, Massachusetts 02129

INDUSTRY

Topics of potential interest:

- ① Workers become directors. It is law in Sweden and may soon be sweeping all of Europe. Norway, Britain and Denmark are considering now. Germany had practiced for 20 years already. Results to date overseas 50/50. Today -- a utility company in Northern U.S. has this problem.
- ② Fair financial disclosures. The CPA stamp on a financial statement must be believable for the modern company is so complex in different industries in different countries, that the investor is not equipped to verify the financial statement. It is therefore essential to have an auditor who can see that he gets the "fair disclosure he is entitled to have. Trust is required between -- CPA, company and public."
- ③ Utilities: They claim that they are over regulated and under financed and that the industry is drifting into deep trouble. Most are short of money, ideas, and power -- can't serve present customers let alone those of tomorrow. Regulators are preoccupied with rates and holding rate of return on investments regardless of how company is run. This leaves top management with little incentive to control costs for smart or dumb--rate of return is same. (May turn out to be like railroads if regulations aren't changed.)
- ④ The stock market dries up:

A careful look at pattern^{of} of trading in U.S. financial markets leads to an ominous conclusion: Today's markets are not performing their traditional function of supplying new capital to companies that need it for expansion and modernization ~~(and 437)~~. So much investment is now concentrated in the hands of the institutions -- particularly pension funds and trusts -- that the small investor no longer counts. And the institutional investors are unwilling to put their money

into anything but a limited list of favorite companies.

As a result, there are only two kinds of companies that can sell stock today: the blessed few, who get astronomical multiples, and the desperately hungry, who are willing to take only four or five times earnings for their equity. Hundreds of emerging companies are cut off from stock financing entirely. Thousands of established corporations are going dangerously into debt because they cannot get buyers for equity.

The situation fully justifies the concern shown by Senator Lloyd Bentsen (D-Tex.), who says: "I do not want banks to control American business the way they control German business." Bentsen is holding hearings and expects to bring in legislation designed to broaden the markets. One suggestion is to limit the percentage of any corporation's stock that an institution can hold. Another is to limit the percentage of its assets that an institution can put into any one corporation.

To judge the effectiveness of such measures, however, Congress and the public will need information. The institutions have always been close-mouthed about what they hold and when they make a change. The first step toward repair of the deteriorating capital markets should be to get all the facts about institutional holdings and trading out on the table. Senator Harrison Williams (D-N.J.) has proposed a bill to require institutional disclosure. Congress should lose no time adopting it.

⑤ The promise that productivity still holds:

Two major conclusions emerge from a long, careful look at the productivity of the U.S. economy and the factors that contribute to it or put a drag on it:

- Levels of productivity in the U.S. are high -- the highest in the world. Despite cyclical ups and downs -- and with the notable exception of a few industries -- the record shows a strong, continuing uptrend.
- There is a potential for even greater gains in the future, but they will not come automatically. To convert that potential into realized gains, management must put into practice the new ideas that technology

is feeding it, draw on the behavioral sciences to devise new incentives for its workers, and organize to increase its own effectiveness. Labor must accept the fact that it cannot demand higher wages and more stimulating work and still cling to restrictive job practices and featherbedding.

The U.S. has not by any means come to the end of the line in productivity, but it has come to a crossroads. If it is to achieve real growth in the future, it must strike out now in a new direction.

It is vitally important that the U.S. should achieve such growth -- at a rate even faster than the historical averages. For the nation cannot reach the goals it has set for itself -- and cannot face the ever-toughening competition of overseas producers -- without lifting itself to a new level of efficiency.

But before management can come to grips with the problem it must get rid of some excess baggage consisting of misconceptions about what productivity is and how it has behaved in the recent past.

Good but not good enough:

In fact, the U.S. has no reason to be ashamed of its record in productivity. Despite all the rhetoric, the American worker today produces \$100 worth of goods while his German counterpart is producing \$74 worth and a Japanese is producing \$56.

Nor did lagging productivity cause the inflation that began in the mid-1960s and still continues. Rather, it was the inflation that caused the lag in productivity -- by generating a boom-and recession business cycle. Productivity always slows down in the late stages of a boom, and it drops precipitously when the economy goes into a slump. Significantly, output per man-hour has begun to rise smartly now that the economic recovery has picked up momentum.

But impressive though the U.S. record has been, it still is not good enough. The average gain of 3.2% a year in output per man-hour over the past decade will not support wage increases of 8% and 10% without a

violent cost-push inflation. If labor is to get the rising wages that union leaders have promised, only increasing productivity can keep wage bargaining from becoming a permanent inflation machine.

Similarly, U.S. producers cannot expect to hold their share of market when they are chugging along at 3.2% and their competitors are shooting up at 6% (the Common Market) and 11% (Japan).

Add to this the fact that in the fiscal 1973 budget, federal spending exceeds by more than \$12-billion the level that receipts would reach at full employment. Though tight controls on spending would reduce the gap, they still would leave a full-employment deficit -- a sure sign that the nation is overcommitted. If the U.S. cannot produce more -- and thereby lift revenues toward the balance point -- it will have to choose between heavier taxes and more inflation.

This is where productivity could provide the long-run answer. As Chairman C. Jackson Grayson of the Price Commission has pointed out, just one more percentage point on the productivity growth rate for the next 10 years would generate an additional \$600-billion of output.

*Chat
Bans*

Banking

• *OVERVIEW*

Depression years → cautious men -- operate local banking only

Past 15 years → banking into retail service → foreign branches → global money managers. Spend millions on computing machines and comm equip → bank holding companies → diversification into non banking business.

Assets of U.S. banks -- \$746 billion

Main impact of technology = computer and proliferation of credit cards

• What's new --

ECON: NOW accounts -- essentially checking account that draws interest

POLITICAL: Recent decision of Congress to permit all banks and S&L in Mass & N.H. only to offer NOW accounts

- Performance: Bank of America - biggest \$43B assets
CITICORP* had greatest profit - \$202M (\$37B assets)

Chairman and Chief Executive Officer of
CITICORP = W. B. WRISTON

"Our corporate objective," says Wriston, is to provide every worthwhile service everywhere in the world we can legally do it, and do it at a profit. That is part management philosophy and part temper of the times."

*CITICORP = 1st National City Corp, NYC

- Internal problem: Getting bright people with ability to control costs. Their gray flannel suit man must come with completely new wares today.

How to market their new services for competition is severe, i.e., 5000 depositor gets toaster, etc.

Loans to minority groups -- takes inordinate time to transact -- U.S. loan to GM for example

- External problems - Some in Congress would like to see the trust depts spin off from banks--they hold too much! \$330B of the \$500B worth of securities held by institutional investors.

200 top banks performed

BANK	DEPOSITS					ASSETS 6/30/73 \$ MIL.	LOANS O/S 6/30/73 \$ MIL.	NET OPER. INCOME 12 MOS. ENDING 6/30/73 \$ MIL.	CHANGE FROM 1972 %	12 MOS. E.P.S.	RET. COM. EQY. 12 MOS. ENDING 6/30/73	10-YEAR GROWTH	
	TOTAL 6/30/73 \$ MIL.	TIME %	DEMAND %	FGN. %	DOM. %							COM EQY. %	E.P.S. %
1 BankAmerica (San Francisco)	36521	68	32	35	65	43072	22058	200.1	10	2.90	13.8	6.2	8.8
2 First National City (New York)	29390	26(a)	25(a)	49	51	37350	24124	227.3	25	1.96	14.5	4.9	9.5
3 Chase Manhattan (New York)	26242	25(a)	37(a)	37	63	32608	19100	155.8	5	4.87	12.4	4.7	7.6
4 Manufacturers Hanover (New York)	15238	26(a)	43(a)	31	69	18132	12335(b)	90.3	18	3.15	12.1	4.8	8.4
5 Western Bancorp (Los Angeles)	13472	61(c)	39	9	91	16569	9647	74.4	17	3.25	11.8	6.4	6.8
6 Morgan (J.P.) (New York)	13129	23(a)	34(a)	44	56	17297	9196	132.7	15	3.63	14.9	3.7	9.8
7 Chemical New York	13016	61(c)	39	27	73	16151	9379	62.6	-10	4.58	9.2	3.7	4.5
8 Bankers Trust New York	12848	60(c)	40	31	69	16114	9219(b)	63.8	14	6.15	12.5	4.3	5.2
9 Security Pacific (Los Angeles)	11304	70(c)	30	21	79	12999	6998	58.3	.6	2.88	10.8	6.4	7.7
10 Continental Illinois (Chicago)	11227	40(a)	28(a)	32	68	14833	8675	80.1	2	4.64	12.6	5.7	7.9
11 First Chicago	10703	49(a)	24(a)	28	72	13915	8833	82.1	16	4.17	12.5	6.1	9.4
12 Marine Midland Banks (Buffalo)	9979	63(c)	37	31	69	12174	5936(b)	42.5	-4	3.32	11.1	5.6	6.7
13 Wells Fargo (San Francisco)	8275	48(a)	29(a)	23	77	10551	6427	42.9	18	2.24	11.5	4.6	6.8
14 Charter New York	7849	58(c)	42	26	74	9318	4261(b)	30.7	22	3.65	10.0	5.7	2.0
15 Crocker National (San Francisco)	6532	71(c)	29	16	84	7714	4524	33.4	0	3.24	11.1	4.5	5.2
16 Mellon National (Pittsburgh)	6296	72(c)	28	39	61	8578	5604	49.5	10	4.98	9.4	3.3	6.6
17 National Detroit	5397	58(c)	42	15	85	6392	2783	37.2	3	6.20	11.0	6.4	9.0
18 First National Boston	5247	27(a)	35(a)	38	62	7000	3791	46.0	-18	3.84	11.3	5.5	7.8
19 Northwest Bancorp (Minneapolis)	4642	59	41	0	100	5992	3675	45.7	16	3.94	13.7	5.9	9.7
20 First Bank System (Minneapolis)	4380	61	39	0	100	5780	3423	51.5	10	3.50	14.4	6.6	12.0
21 First Pennsylvania (Philadelphia)	3427	50(a)	33(a)	17	83	5193	3355	41.0	17	3.18	17.3	7.8	13.0
22 Franklin New York	3408	64(c)	36	26	74	4684	2496	13.7	-1	2.34	8.4	7.4	3.3
23 Bank of New York	3075	51(c)	49	10	90	3649	1928	27.0	0	4.40	13.3	9.9(d)	3.9(d)
24 Harris Bancorp (Chicago)	2938	51(c)	49	15	85	3650	1672	20.2	22	6.54	11.3	8.4	8.5
25 Unionamerica (Los Angeles)	2929	50(a)	41(a)	9	91	3795	2362	28.1	26	2.66	18.3	10.2	7.3
26 First International Bancshares (Dallas)	2678	61(c)	39	27	73	3613	1552	26.4	17	2.36	14.7	7.1	9.2
27 Seattle-First National Bank	2626	61(c)	39	9	91	3507	1942	23.7	9	5.27	13.1	6.4	9.2
28 Republic National Bank of Dallas	2596	58(c)	42	33	67	3941	1871	24.8	11	2.64	14.7	2.9	8.4
29 Philadelphia National	2567	52	48	29	71	3686	2096	23.3	1	4.14	12.2	6.1	10.1
30 First Wisconsin Bankshares (Milwaukee)	2538	70	30	21	79	3128	1758	18.4	21	4.38	12.4	6.9	10.1
31 Cleveland Trust	2513	63	37	(e)	100	3070	1789	30.3	17	10.06	10.3	7.0	9.9
32 NCNB (Charlotte, N.C.)	2511	64(c)	36	25	75	3456	1852	24.5	24	1.52	16.9	10.8	12.8
33 Girard (Bala Cynwyd, Pa.)	2492	62(c)	38	26	74	3103	1584	16.2	8	6.38	11.8	5.3	7.0
34 Michigan National (Bloomfield Hills)	2416	68	32	0	100	2881	1889	21.4	NA	5.44	18.7	12.3	7.7
35 Wachovia (Winston-Salem, N.C.)	2397	60(c)	40	13	87	3554	2132(b)	32.9	7	2.25	12.0	15.4	11.3
36 Detroitbank	2293	68	32	3	97	2710	1587	20.7	15	6.15	12.0	6.0	9.2
37 Nortrust (Chicago)	2264	61(c)	39	23	77	2876	1757	19.9	20	3.91	12.1	7.9	10.8
38 National Bank of North America (N.Y.)	2256	57(c)	43	11	89	2489	1811	17.7	-15	NA	9.6	18.7(d)	NA
39 Valley National Bank of Arizona (Phoenix)	2249	63	37	1	99	2725	1713(b)	15.6	1	1.76	12.9	7.9	9.5
40 BancOhio (Columbus)	2239	62	38	0	100	2783	1453	19.4	17	2.86	11.1	11.4	6.0
41 Manufacturers National (Detroit)	2207	62	38	1	99	2579	1586	15.7	13	5.07	13.2	6.2	8.0
42 Citizens & Southern National (Atlanta)	2152	52	48	2	98	2894	1957	24.8	18	1.06	14.0	12.9	12.8
43 First City Bancorp of Texas (Houston)	2150	50(c)	50	7	93	2748	1378	18.0	18	2.38	14.1	4.8	8.7
44 Bancal Tri-State (San Francisco)	2108	59(c)	41	9	91	2604	1630	7.4	10	2.45	8.8	4.3	1.3
45 Lincoln First Banks (Rochester)	2063	58	42	0	100	2462	1426	14.0	-2	3.69	9.9	8.6	7.1
46 U.S. Bancorp (Portland, Ore.)	1940	59(c)	41	3	97	2430	1500	18.2	19	2.25	14.2	4.8	8.6
47 Fidelity of Pennsylvania (Philadelphia)	1847	62(c)	38	22	78	2407	1510	18.3	15	4.17	15.0	6.2	10.2
48 Texas Commerce Bancshares (Houston)	1830	52(c)	48	8	92	2322	1274	19.4	24	2.14	13.9	6.5	8.2
49 Pittsburgh National	1755	56	44	5	95	2393	1221	22.4	5	3.65	12.3	6.3	10.8
50 Shawmut Association (Boston)	1695	45(c)	55	4	96	2247	1303	11.4	4	5.96	9.6	7.7	5.4
51 Marine Bancorp (Seattle)	1687	51(a)	36(a)	13	87	2089	1192	10.1	3	2.74	9.2	10.0	9.7
52 Financial General Bankshares (Wash., D.C.)	1660	58	42	0	100	1925	1003	9.7	27	1.72	13.1	15.1(d)	20.2(d)
53 Southeast Banking (Miami)	1600	54	46	1	99	2042	1111	16.8	23	2.01	15.7	15.1	11.3
54 Security National (Hempstead, N.Y.)	1596	57	43	0	100	2146	1387	11.5	-17	2.35	9.7	24.7	13.2
55 Centran Bancshares (Cleveland)	1580	62(c)	38	6	94	1960	1124	12.2	-9	3.18	11.3	7.7	7.6
56 United Virginia Bankshares (Richmond)	1563	55	45	0	100	2087	1339	14.5	15	2.91	14.3	12.4	9.2
57 Baystate (Boston)	1447	44	56	0	100	1675	966	13.0	9	4.30	12.1	7.7	8.4
58 National City (Cleveland)	1411	59(c)	41	9	91	1864	848	23.1	6	3.21	14.3	6.7	10.2
59 United Jersey Banks (Princeton)	1382	63	37	0	100	1757	1024	11.8	8	2.09	15.1	18.9(d)	11.2
60 Midlantic Banks (Newark)	1378	58(c)	42	2	98	1657	969	15.5	10	4.86	14.4	12.6	9.8

(a) Does not total 100% because foreign deposits, which cannot be broken out between time/savings and demand are excluded; (b) Loans include federal funds sold; (c) Assumes that all foreign deposits are time/savings, but a breakdown from the bank is not available; (d) Five-year growth rate, 10-year data not available; (e) Foreign deposits amount to less than 1% of total deposits; NA, not available; NM, not meaningful. (Data: Investors Management Sciences, Inc.)

61 CBT (Hartford)	1367	44(e)	56	7	93	1719	965	9.5	-4	5.22	11.3	7.0	7.4
62 First National State Bancorp (Newark)	1360	56	45	0	100	1698	835	11.3	13	3.63	12.1	7.9	4.2
63 First Empire State (Buffalo)	1346	74	26	4	96	1744	1161	15.4	28	3.19	15.8	4.8	6.4
64 Industrial National (Providence)	1346	74	26	4	96	1744	1161	15.4	28	3.19	15.8	4.8	6.4
65 Hartford National	1340	44	56	4	96	1698	952	8.6	-3	3.09	10.1	5.4	5.4

"To a responsive public, Sanwa Bank expresses its sincere appreciation."

A Message from T. Murano, President of Sanwa Bank

"A motto is only as meaningful as the efforts behind it. Behind ours — 'Sanwa Bank at Your Service' — is a long tradition for serving the public's banking needs.

"With the increasing public demands for socially responsible business conduct, and with dramatic changes occurring in the international economic society, Sanwa Bank has striven to expand and modernize its services.

"We're a people's bank, a pioneer in both customer service and near-banking businesses, such as the credit-card system, leasing, factoring and computer services. This pioneer spirit can be seen not only in our domestic

banking, but also in our international operations, such as joint ventures and capital participations. We are also increasingly supplying medium-term and long-term loans, including syndicate loans, and making international investments.

"In other words, we are meeting the needs of the times. This, I believe, is an important basis for further growth as it has been for our growth thus far. Our financial statement reflects the result of Sanwa's efforts to build better customer relationships through better service."

CONDENSED BALANCE SHEET

March 31, 1973

ASSETS (in thousands)			
Cash and Due from Banks	¥ 397,356,374	\$ 1,500,024	
Call Loans	4,107,918	15,507	
Securities	730,104,984	2,756,153	
Loans and Bills Discounted	3,821,564,193	14,426,441	
Foreign Exchanges	322,586,038	1,217,765	
Domestic Exchange Settlement a/c, Dr.	18,038,329	68,095	
Customers' Liabilities for Acceptances and Guarantees	701,178,266	2,646,955	
Bank Premises and Real Estate	89,185,422	336,676	
Other Assets	16,659,961	62,892	
TOTAL	¥6,100,781,485	\$23,030,508	

LIABILITIES (in thousands)

Deposits	¥4,308,215,175	\$16,263,553
Call Money	322,747,000	1,218,373
Borrowed Money	164,602,060	621,374
Foreign Exchanges	184,750,053	697,433
Domestic Exchange Settlement a/c, Cr.	12,283,098	46,369
Acceptances and Guarantees	701,178,266	2,646,955
Accrued Expenses	86,711,837	327,338
Unearned Income	26,893,611	101,524
Other Liabilities	24,126,399	91,077
Reserve for Possible Loan Losses	67,045,121	253,096
Reserve for Retirement Allowances	17,277,209	65,222
Reserve for Price Fluctuation	8,583,968	32,405
Other Reserves	12,823,045	48,407
Capital (Paid-up)	50,400,000	190,260
Legal Reserves	11,034,750	41,656
Other Surplus	102,109,893	385,466
(Profit for the year after Tax)	(22,858,404)	(86,291)
TOTAL	¥6,100,781,485	\$23,030,508

* Yen amounts were converted into U.S. dollars at the current rate of Mar. 30, 1973 (U.S.\$1=¥264.90)

SANWA BANK

Tokyo, Osaka and 209 Domestic Offices

OVERSEAS OFFICES: New York Agency: 1 Chase Manhattan Plaza, New York, N.Y. 10005 / Chicago Representative Office: One IBM Plaza, Suite 3610, Chicago, Ill. 60611 / San Francisco Branch: 300 Montgomery Street, San Francisco, Calif. 94104 / London, Frankfurt, Hong Kong, Kowloon, Sydney, Singapore, Jakarta, Kuala Lumpur

ASSOCIATES AND AFFILIATES: The Sanwa Bank of California: 300 Montgomery Street, San Francisco, Calif. 94104 / Sanwa Bank (Underwriters) Ltd.: London / Sanwa Financial Services Ltd.: London / Associated Japanese Bank (International) Ltd.: London / Banco Bradesco de Investimento S.A.: São Paulo / Eurofinance: Paris / Commercial Continental Ltd.: Sydney / Commercial Continental (Securities) Ltd.: Sydney / Liberty Bank: Honolulu / New Hebrides Trust Co., Ltd.: New Hebrides / Bangkok Nomura

BANK	DEPOSITS					ASSETS 6/30/73 \$ MIL.	LOANS O/S 6/30/73 \$ MIL.	NET OPER. INCOME 12 MOS. ENDING 6/30/73 \$ MIL.	CHANGE FROM 1972 %	12 MOS. E.P.S.	RET. COM. EQY. 12 MOS. ENDING 6/30/73	10-YEAR GROWTH	
	TOTAL 6/30/73 \$ MIL.	TIME %	DEMAND %	FGN. %	DOM. %							COM EQY. %	E.P.S. %
131 South Carolina National (Columbia)	703	34	66	0	100	883	544	8.1	19	2.49	14.8	8.7	13.8
132 Arizona Bank (Phoenix)	701	53	47	0	100	873	473(b)	7.7	17	3.63	16.5	17.3(d)	13.6(d)
133 Idaho First National Bank (Idaho)	689	22	78	0	100	782	443	8.6	13	2.57	16.1	14.7(d)	14.3(d)
134 Old Kent Financial (Grand Rapids, Mich.)	687	71	29	0	100	829	443	8.6	13	2.57	16.1	17.1(d)	13.4(d)
135 National Central Financial (Lancaster, Pa.)	684	62	38	0	100	818	501(b)	7.3	24	2.30	12.9	NA	NA

Glossary:**Deposits**

Total deposits as of June 30, 1973. Time and savings deposits and demand deposits will together total 100% unless otherwise indicated. Foreign and domestic deposits will together total 100% unless otherwise indicated.

Loans outstanding

Aggregate face value of all outstanding loans before deduction of loan loss reserves. Excludes federal funds sold and securities purchased under agreements to resell unless otherwise indicated.

Net operating income

Net current operating income after minority interest and taxes but before securities gains and losses and preferred dividends for the 12 months ending June 30, 1973.

Earnings per share

Net operating income available for common per share after the effect of common stock equivalents and minority interest, and before securities gains and losses and extraordinary items, for the 12 months ending June 30, 1973.

Return on common equity

The ratio of net available for common stockholders to average common equity, which includes common stock, undivided profits (retained earnings), capital surplus, and contingent reserves.

Growth in common equity

Annual percentage growth in common equity for latest 10-year period, based on least squares method.

Growth in earnings per share

Annual percentage growth in earnings per share, including all common stock equivalents, for latest 10-year period, based on least squares method.