FOIA Number: 2013-0723-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Counsel Office

Series/Staff Member: Stacy Reynolds

Subseries:

OA/ID Number: 9722

FolderID:

Folder Title:
Yellen, Janet [3]

Stack:	Row:	Section:	Shelf:	Position:
S	115	6	1	2

DATE: DECEMBER 8, 1996

CLIENT: YELLEN
LIBRARY: NEWS
FILE: ALLNWS

YOUR SEARCH REQUEST IS:
JANET PRE/2 YELLEN AND YELLEN AND DATE AFT 05/01/1994 AND YELLEN W/30 (ILLEGAL! OR DRUG! OR CONVICT! OR ARREST! OR INDICT! OR DISCRIMINAT! OR HARASS! OR CLINTON* OR REPUBLICAN* OR INVESTIGAT! OR IMPROP! OR COMPLAIN! OR DISPUTE! OR CORRUPT! OR DIVORC!) AND NOT (REUTER! OR FNS!)

NUMBER OF STORIES FOUND WITH YOUR REQUEST THROUGH:
LEVEL 1... 262

1ST STORY of Level 1 printed in FULL format.

The Washington Post

September 26, 1996, Thursday, Final Edition

SECTION: WEEKLY - MD; Pg. M01; MARYLAND POLITICS

LENGTH: 981 words

HEADLINE: GOP Lawmakers Under Fire From Right

BYLINE: Charles Babington; Manuel Perez-Rivas, Washington Post Staff Writers

BODY:

Maryland Republicans, who haven't enjoyed much success in statewide politics, usually aim their sharpest criticisms at Democrats. But a bare-knuckled GOP newsletter out of Baltimore has battered some Republican legislators so harshly that the party's House of Delegates leader is calling for a truce.

The monthly newsletter is published by the Republican Club of Maryland, a staunchly conservative group that has no official ties to the state Republican Party. The club strongly supports 1994 gubernatorial nominee Ellen R. Sauerbrey but often criticizes moderate Republicans and the state party chairman, Joyce Lyons Terhes.

The group's August newsletter carried a letter to the editor from James Alvin Jones Jr., of Catonsville, a gun rights activist. The letter attacked six Republican state senators and three delegates who had voted for a gun control measure in the 1996 General Assembly session. Jones's letter called on GOP voters "to clean out" those lawmakers and labeled them "turncoats."

That was too much for Del. Robert H. Kittleman (R-Howard), House minority leader and a close ally of Sauerbrey's.

"I cannot support your club's work as long as such attacks continue," Kittleman said in a letter published in the club's September newsletter. Kittleman, who did not support the gun control measure, said the state GOP has to tolerate different views if it is to grow.

"There is no litmus test for membership in the Republican Party," Kittleman wrote. "If our party's continued growth is going to come in suburban communities like Montgomery County, Republicans elected from those areas are likely to represent constituents who favor more gun control and are pro-choice."

Guy Sabatino, president of the club, said in an interview that the newsletter is meant as a forum for Republican activists, and the club doesn't necessarily endorse the sentiments expressed in the published letters.

"We put positive and negative letters" in the publication, he said.

Mooers v. Morella et al.

With six weeks left before Election Day, the campaign in Maryland's 8th Congressional District is heating up as Democratic candidate Donald L. Mooers steps up attacks on Rep. Constance A. Morella (R).

But he's still trying to get at Morella via other Republicans.

For most of the campaign, Mooers has tried to link her to House Speaker Newt Gingrich (R-Ga.), whose conservative views are anathema to most Montgomery County voters. On Tuesday, Mooers widened his attack by releasing a report on the potential economic impact of Republican presidential candidate Robert J. Dole's tax cutting proposal on jobs in Montgomery, noting that Morella supports Dole for president.

The report was written by economist George A. Akerlof, a senior fellow at the Brookings Institution, who is married to Janet L. Yellen, a Clinton appointee to the Federal Reserve. It concluded that the Dole plan could cost Montgomery 70,000 jobs over six years.

"We haven't heard a single, solitary word of dissent from Mrs. Morella," Mooers said at a news conference Tuesday, standing before a huge map of Montgomery marked with six hatchets. "She either doesn't understand the implications of this radical plan, or she doesn't care.

"The budget is about more than Bob Dole, it's about the Republican Party," Mooers said.

In a statement released with the report, Mooers accused Morella of "working to eliminate the jobs that are the life support of Montgomery County families. This would be a tragic victimization of the hard-working citizens of our community."

Morella responded by noting that she has the endorsement of federal employee unions and that during this session of Congress, she has voted against Republican tax cut proposals. She added that she has not endorsed the Dole tax cut plan, saying, "My record states my position."

"Who is he running against?" Morella asked. "Is he running against Newt Gingrich? Is he running against Bob Dole?

"I think he's searching."

Glendening on a Mission

Gov. Parris N. Glendening and a few top aides will travel to Asia in mid-November for the governor's second overseas effort to boost Maryland's foreign trade.

Glendening (D) will discuss business issues, including trade through the Port of Baltimore, with government and private officials in Taiwan and South Korea, his aides said. Accompanying him, according to state officials, will be James T. Brady, secretary of business and economic development; Jim Hughes, state director of international business; David L. Winstead, the state transportation secretary; Tay Yoshitani, executive director of the Maryland Port Administration; and at least one aide from the governor's office.

Glendening is to return to Maryland after the initial visits, but Brady and Hughes will travel to Japan and China for further trade talks.

Glendening spent eight days in May on a trade mission to Norway, Germany, the Netherlands and Great Britain. Upon returning, Glendening said his next trade mission would be to the Far East, according to spokesman Ray Feldmann.

Single-Issue Viewers

A recent survey of Montgomery County Cable 55 subscribers found that many viewers considered regular sessions of the full County Council "boring" but that they might be more inclined to watch sessions devoted to single issues of particular interest.

Now, the council thinks it has found a possible remedy: televising live council committee sessions.

"We are trying to respond to what we learned about viewer preferences," County Council President Gail Ewing (D-At Large) said in a statement announcing the new live telecasts.

Last week, the new program began with a live airing of a joint Public Safety and Health and Human Services meeting. The subject was treatment for drunken driving offenders and addiction treatment at the county jail.

There was no word yet on the ratings.

LANGUAGE: ENGLISH

LOAD-DATE: September 26, 1996

2ND STORY of Level 1 printed in FULL format.

Financial Times

September 23, 1996, Monday LONDON EDITION 1

SECTION: COMMENT & ANALYSIS; Pg. 18

LENGTH: 918 words

HEADLINE: Monetary vigil:
Michael Prowse . America:
Fed chairman Alan Greenspan should ignore the siren voices telling him that the battle against inflation is won

BODY:

Tomorrow's meeting of the US Federal Reserve could prove of historic importance. If governors and regional presidents vote to raise interest rates modestly, they will be sending a strong signal that the US is committed to maintaining permanently low inflation. If they do nothing, the safest conclusion may be that US inflation will begin to drift higher in coming years. Mr Alan Greenspan and colleagues will have shown they lack grit. They will have bowed to pressure from politicians and academics to pursue a more "expansionary" policy.

The case for raising rates modestly is perfectly clear. Mr Greenspan has rightly argued on numerous occasions that Fed policy must be designed to act pre-emptively. The central bank must "look beyond current data readings and base action on its assessment of where the economy is headed". The reason is simple: rate increases exert a restraining influence only with a considerable lag, often as long as a year to 18 months. The fact that most measures of inflation are at present subdued - the "core" rate of consumer price inflation, for example, recently dropped to 2.6 per cent - is irrelevant. What matters is the future outlook for inflation.

Since the beginning of this year, the Fed and other forecasters have been predicting an economic slowdown. There was even talk of a recession. Yet instead of slowing, growth accelerated to an average annual rate of 3.4 per cent in the first half. In the second quarter, growth increased to an annual rate of 4.8 per cent - about twice as fast as the economy's long-term potential.

Fast growth has caused a rapid tightening of labour markets. Employment is growing about 30 per cent faster this year than last year. The jobless rate has plunged from an average of 5.6 per cent last year to 5.1 per cent last month. This is far below estimates of the level of unemployment consistent with stable inflation - the so-called Nairu - which is reckoned to be about 5.8 per cent.

The fall in unemployment is having the expected impact on pay. Growth of average earnings has increased steadily for the past three years. The employment cost index (which includes fringe benefits) was up 3.2 per cent in the most recent quarter, compared with 2.8 per cent last year. Wages will receive a further boost this October when the national minimum wage is increased.

Opponents of rate increases will point to sluggish growth of retail sales as a sign the economy may slow naturally in the second half. But the retail sales figures are notoriously unreliable. Revisions frequently exceed the monthly changes. If domestic demand were really soft, would the US trade deficit be widening at an alarming rate? The July deficit of $ 11.7bn (L7.5bn) was one of the worst on record, and other figures suggest no loss of economic momentum: housing starts, for example, rose 4.5 per cent last month to their highest level in more than two years. Is this a sign of an economy crushed by an excessively tight monetary policy?

The facts are these: wage pressures are mounting, the jobless rate is in the inflationary danger zone, and economic growth is far above its long-term potential. Growth might slow sharply in coming months. But given the lags in monetary policy, the question is whether it would be prudent for the Fed to rely on this happening. To their credit, the majority of the Fed's regional presidents apparently think not. A leak last week showed that eight of the 12 presidents are requesting an increase in the discount rate - five want a quarter-point increase and three a half-point increase.

The discount rate - now of largely symbolic significance - is controlled by the Fed's seven Washington-based governors. The requests for an increase from the regional presidents, however, are a sign that they favour an increase in the federal funds rate, which is now 5.25 per cent. The federal funds rate is the benchmark for short-term rates throughout the economy and is under the direct control of the Fed's open-market committee, which meets tomorrow. The regional presidents command five of the 12 votes on the committee.

Tomorrow's decision - which everyone agrees is finely balanced - will depend largely on the stance adopted by Mr Greenspan, who has acquired tremendous authority in his nine years as Fed chairman. President Clinton's appointees on the Fed's board - Ms Alice Rivlin, the vice-chairman, and Ms Janet Yellen and Mr Laurence Meyer (both academic economists) - may argue that, with inflation subdued, the Fed can afford to wait a little longer to see whether the economy slows of its own accord. Some of the regional presidents will take the opposite line.

To justify a modest quarter point increase in rates, Mr Greenspan does not even have to talk of tightening policy. He can simply argue that some of the recession "insurance" taken out in the past 18 months (three quarter-point cuts in rates) is now no longer needed. If it was right to lower rates last year when the economy looked weak, it is surely right to raise them now when it looks strong. If the economy does subsequently slow down, rates can easily be reduced again.

Politically, the easiest option for Mr Greenspan would be to postpone a decision on rates until after the election. But this would not be the most economically prudent decision. After nearly 20 years of struggle the US is on the verge of achieving "price stability". It would be tragic if the Fed threw in the towel just when success was within reach.

LANGUAGE: ENGLISH

LOAD-DATE: September 23, 1996

3RD STORY of Level 1 printed in FULL format.

BondWeek

September 9, 1996

SECTION: Vol. XVI, No. 36; Pg. 1

LENGTH: 412 words

HEADLINE: CLASHING PRESS REPORTS ON FED'S NEXT MOVE CONFUSE ALREADY SKITTISH MARKET

BYLINE: Viken Berberian

BODY:

Conflicting press reports on the Federal Reserve's next monetary policy move have Wall Street pros wondering who's actually right. Following a Fed conference in Jackson Hole, Wyoming, a Wall Street Journal story last week reported that the Fed would likely raise rates a sharper-than-expected 50 basis points at this month's Federal Open Market Committee meeting. At about the same time, and based on the same conference, the Washington Post reported that although the economy doesn't appear to be slowing as quickly as the Fed expected, officials still aren't sure whether to raise short-term interest rates at all this fall. And a Bloomberg L.P. story reported that senior Fed officials continue to recommend either a 25 or 50 basis point tightening. Finally, Market News reported that a 50 basis point tightening was farfetched. So who's right?

All this confusion has caused erratic moves in the long bond's yield since the Fed conference. A day before the meeting, the long bond yield stood at 7.12%. Following Labor Day weekend, the yield dropped to around 7%. Then by Friday morning, payrolls sent yields briefly to as high as 7.19%, only to come down to 7.15% an hour later.

"From what I'm hearing, the [Wall Street] Journal story was a minority view at the Fed," says Patrick Ledford, portfolio manager at Citibank Global Asset Management, with $ 650 million in fixed-income assets under management. Ledford notes that the confusion on the Fed's next move is not a reflection of internal divisions, but of different interpretations on the Street and in the financial press on the economy's strength. But according to Kevin Flanagan, money market economist at Dean Witter Reynolds, the press reports are partly reflecting the Fed's ideological divisions.

Reporters interviewed different Fed officials with opposing ideological persuasions at the Jackson Hole conference, agrees a Treasury salesman at Aubrey Lanston. President Clinton's appointees, including Alice Rivlin, Laurence Meyer and Janet Yellen, have adopted a strong growth, but benign inflation approach that does not call for an immediate rate hike, says the salesman. He expects no change in Fed policy this year. The more bearish articles reflect Alan Greenspan's views, he says. And according to Ed Hyman, chief economist at International Strategy & Investment (ISI), the press reports are at variance because the FOMC hasn't made up its mind yet whether to ease or tighten.

LANGUAGE: ENGLISH

LOAD-DATE: September 12, 1996

10TH STORY of Level 1 printed in FULL format.

Banking Policy Report

August 5, 1996

SECTION: MERGERS & ACQUISITIONS; Volume 15, Number 15; Pg. 7

LENGTH: 4827 words

HEADLINE: Second Quarter Actions Feature Global Mix With Some Twists

BODY:

For the first time in awhile, the mega-mergers shaping the future of American banking appear to be absent from Federal Reserve Board bank expansion decisions. Instead, second quarter approvals reveal a rather novel mix of domestic and foreign bank mergers, acquisitions, and product expansions approvals.

Banks from Russia and the Czech Republic were among foreign institutions granted Fed permission to expand banking interests in the United States during the March-to-June period. More than one-fourth of the transactions approved by the Fed during the quarter came from foreign banks.

The decision list also included a rare divided vote by the Fed board approving an acquisition by a Colorado-based bank and a New Jersey transaction that some considered a portent of change in Fed merger application procedure.

Russian, Czech Applications

The Fed okayed a request by the $ 1 billion-asset Promstroybank of Russia, Moscow, and the $ 14.6 billion-asset Komercni Banka, A.S., Prague, Czech Republic, to set up representative offices in New York. In approving the Russian and Czech bank offices, the Fed hinted that it might have been tougher in judging the two applications if they had proposed more far-reaching bank operations.

The Fed pointed out that under the Foreign Bank Supervision Enhancement Act of 1991 (FBSEA), it must determine that a foreign bank has "a significant degree of supervision" by its home country regulator before approving its request to open for business in the United States.

"This standard, however, is not mandated by law," the Fed said in discussing the Russian bank application. In fact, the Fed said, the standard "may not be necessary in instances in which the banking activities would be limited generally to traditional representative office activities." It described these as mainly information-gathering and promotion, involving a limited number of employees and other similar factors "that minimize the potential of such office to affect adversely U.S. customers or counterparties."

The Fed then added:

"The Board has determined that, in appropriate circumstances, an exception may be made to the general representative office standard." It used similar language in approving the Czech bank's request to open a New York office.

Competitive Impact Dispute

Two characteristics typify Fed bank expansion decisions. Virtually all transactions acted on are approved, and almost all votes are unanimous. The Board departed from the norm during the second quarter when it split 3 to 2 to allow the Colorado-based Aspen Bancshares, Inc., to acquire the Colorado-based Val Cor Bancorporation, Inc., and indirectly acquire Valley National Bank of Cortez.

Voting for the transaction were Fed Chairman Alan Greenspan and Govs. Lawrence B. Lindsey and Susan M. Phillips. Voting against were Govs. Edward W. Kelley Jr. and Janet L. Yellen.

The dispute within the Board was on whether the merger would seriously restrict competition. The majority conceded the transaction would trigger a 657-point rise in the Herfindahl-Hirschman Index (HHI) to 2367 -- an increase that normally would be a red flag for the Department of Justice (DOJ). (The HHI is a numerical rating system used by the DOJ to rate market concentration by deposits. The agency's guidelines suggest that it generally will challenge mergers that increase the HHI 200 points or more, and compile a post-merger score of at least 1800.)

In this case, however, the Fed majority pointed out that HHI is only a guideline, and that the DOJ cleared the Colorado transaction. The majority argued that the HHI "tends to overstate" the concentration that would result from this acquisition. For instance, the majority said, seven depository institution competitors, including four in Cortez, would remain the market after consummation of the proposal.

In a dissenting statement, Kelley and Yellen said the proposal combines the market's largest and fifth largest insured depository institutions, which together would control more than 38 percent of market deposits and would be twice the size of its next largest competitor. "Considerations relating to other factors do not lend sufficient weight to warrant approval of this proposal," the dissenters said.

Reverse Merger

Another second quarter Fed decision raised eyebrows in some banking circles. The Fed approved a unique proposal by the Massachusetts-based Fleet Financial Group, Inc., to acquire the New Jersey-based NatWest Bank, N.A., a U.S. banking affiliate of British-based National Westminster Bank. The unusual aspect was that Fleet would bring the two organizations together through a transaction known as the reverse merger.

Instead of simply adding NatWest Bank to the Fleet system, a Fleet subsidiary in New York would merge with NatWest Bank, temporarily leaving NatWest Bank as the surviving institution. NatWest Bank's shares then would be exchanged for Fleet shares, and the bank would receive a new name -- Fleet Bank, N.A.

The unusual twist, according to bank lawyers, is that in the past the Fed did not require a banking organization proposing a reverse merger to seek Fed approval. It was a transaction typically channelled through the Office of the Comptroller of the Currency (OCC). In the view of lawyers, the Fleet decision suggests the Fed in the future will require filing of a Bank Holding Company Act application even if a bank holding company is not being acquired or doing the acquiring.

Though absent the potential policy implications of the Fleet decision, there were other unusual transactions okayed by the Fed during the April-to-June quarter.

Multi-State Expansion

One proposal by the Hawaii-based First Hawaiian, Inc., involved financial institutions in four states. The $ 7.4 billion-asset First Hawaiian operates two banks and a savings association in Hawaii. It is the second largest insured depository organization in the state.

Under its expansion plan approved by the Fed, First Hawaiian will establish de novo the Oregon-based Pacific One Bank, which would acquire 26 branches in Oregon. It also would acquire the Idaho-based Idaho First Bank and, through its Hawaii-based saving association subsidiary, acquire five branches located in Washington state.

The Fed said that after consummation of the transaction, First Hawaiian would remain the second largest insured depository organization in Hawaii, and would become the seventh largest in Oregon, the 15th largest in Idaho, and would rank 46th in Washington.

Community Development

Community development also was among the innovations encouraged by the Fed during second quarter bank expansion decisions. The agency okayed a plan by the Louisiana-based First Commerce Corporation to become a limited partner in the Louisiana-based 150 Baronne Street Limited Partnership.

The Fed said the purpose of the transaction is to develop an office building in the historic section of the New Orleans, central business district. The nearly vacant building is located in a low-and moderate-income area, and also is adjacent to a public housing project. First Commerce plans to convert the building into a hotel complex.

The Fed said First Commerce plans to give a majority of the full-time jobs at the hotel to low- and moderate-income individuals. Part of the plan includes creation of a special program to train welfare recipients residing in public housing projects for employment in the hotel complex. A portion of the net profits earned by the partnership also will be donated to a nonprofit corporation that provides low-cost housing, employment, and business opportunities to disadvantaged persons, the Fed said. First Commerce will invest $ 4.9 million in the project and plans to provide $ 7.8 million of the $ 15 million construction financing, the Fed added.

Capital Adequacy

Though the Fed approved all transaction voted during the second quarter, it did require one banking organization to revise its plan somewhat because of the Fed's concern about capitalization of the proposal.

This transaction involved a request by the New Jersey-based Bessemer Group, Inc., to invest in a variety of commodities, and exchange-traded and over-the counter instruments. Bessmer would do this by creating the do novo New York-based Bessemer Asset Management Inc. (BAM), which would serve as the general partner of limited partnership making these investment decisions.

The Fed said that Bessemer proposed deducting its equity investment in BAM in calculating Bessemer's also argues it should not be required to consolidate the assets and liabilities of the partnership with Bessemer for regulatory capital purposes.

The Fed challenged this approach. "The Board does not believe that deduction of the nominal investment that Bessemer proposes to make in BAM adequately addresses the risk of this proposal and the potential exposure of Bessemer and BAM," the Fed said. "BAM would serve as the sole general partner of the partnerships and would exercise exclusive control over the activities of the partnerships."

The Fed then approved Bessemer's plan, "subject to the condition that Bessemer consolidate the assets and liabilities of the partnerships with the financial statements of Bessemer for regulatory capital purposes."

Application Protests

Bank expansion plans considered by the Fed during the second quarter often struck a controversial chord. About two-thirds of the applications were contested. Complaints were almost evenly divided between those who griped that bank expansion plans ignored the needs of the economically disadvantaged and those concerned about other issues such as shareholder rights and competition. Despite the challenges, all transactions voted by the Fed during the last quarter were approved.

First Hawaiian's four-state expansion plan was among those contested. The Fed said one protestor -- The Nation of Hawaii -- complained that First Hawaiian's lead subsidiary bank in Honolulu failed to meet the needs of low- and moderate-income residents. The protestor also said the bank "illegally discriminates in its lending practices against Filipinos and native Hawaiians." Complaints were filed under the Community Reinvestment Act (CRA) and the Home Mortgage Disclosure Act (HMDA).

CRA is a 1977 law that requires banking organization to meet the credit needs of the entire communities in which they operate. CRA performance must be taken into account by regulatory authorities in judging expansion applicatins by banking organizations. HMDA is a 1975 law that requires banks and other depository institutions to compile and make available to the public and supervisory authorities information about home mortgage and home improvement leading practices. The fair lending laws include the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act, two statutes that expressly prohibit discrimination in lending.

IN the case of First Hawaiian, the Fed said that generally high marks on its CRA examinations disprove complaints that First Hawaiian discriminates against any group.

The Fed responded in kind to similar complaints aimed at the application of the Minnesota-based Norwest Corporation to acquire the Missouri-based Prudential Home Mortgage Company, Inc. Protestors contended that Prudential's "record of making housing-related loans to minorities raises adverse considerations for this proposal." But the Fed found that "fair lending initiatives extend through the mortgage operations of Norwest and include fair lending training of all employees."

In another case, the Fed conceded that a subsidiary of a banking organization involved in an expansion request -- the Minnesota-based Farmers State corporation -- received a low grade ("needs to improve") in its 1994-95 CRA examinations from the Federal Deposit Insurance Corporation (FDIC). Farmers proposed acquiring the Minnesota-based First Security Bank-Madison.

The Fed approved the transaction after stating that the bank involved "has taken actions in response to the compliance issues identified by the FDIC."

Non-CRA Challenge

One of the protests dealing with non-discriminatory issues raised during the second quarter was directed at the application of Tennessee-based Wilson Bank Holding Company, a $ 217 million-asset institution, to acquire the Tennessee-based DeKalb Community Bank. The Fed said the bank had been known as the DeKalb Bank & Trust Company, but the name was changed to Dekalb Community Bank during processing of the Fed application.

The name change prompted a protest from the Tennesse-based Union Planters Corporation complaining that the bank's name was "substantially similar" to the previous name of one of its subsidiary banks -- DeKalb County Bank & Trust Company. Union Planters argued that the similarity between these names and DeKalb Community Bank's employment of former trust officers from DeKalb County Bank & Trust Company "would cause customer confusion and enable the bank to compete unfairly for new customers," the Fed said.

In approving the Wilson Bank Holding Company expansion proposal, however, the Fed said it lacked the jurisdiction to settle disputes about the similarity of banking names. It said the Bank Holding Company Act does not confer such authority on the Fed.

Second Quarter Transactions

Here is a state-by-state listing of banking expansion applications acted on by the Fed during the second quarter of 1996.

CALIFORNIA

Dresdner Bank AG, Frankfurt, Germany (assets $ 338 billion), to acquire all the voting interests in RCM Capital Management, California Limited Partnership (assets $ 45.1 million), and RCM Capital Trust Company (assets $ 1.8 million), both of San Francisco, Calif., and thereby enagage in providing investment advisory, trust, and mutual fund administration services. Approved by the Fed May 30, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

COLORADO

Aspen Bancshares, Inc., Aspen, Colo. (deposits $ 262.8 million), to acquire Val Cor Bancorporation, Inc. (deposits $ 59.6 million), and thereby indirectly acquire Valley National Bank of Cortez (deposits $ 64.8 million), both of Cortez, Colo. Approved by the Fed May 31, 1996, under Section 3(a)(3) of the Bank Holding Company Act.

National Bank of Canada, Montreal, Canada (assets $ 36 billion), to establish representative offices in Denver, Colo.; Boca Raton, Fla.; Baltimore, Md.; Boston, Mass.; Southfield, Mich.; Charlotte, N.C.; Cincinnati, Ohio; Cleveland, Ohio; Pittsburgh, Pa.; Memphis, Tenn.; and Richmond, Va. Approved by the Fed June 10, 1996, under Section 10(a) of the International Banking Act.

CONNECTICUT

Creditanstalt-Bankverein, Vienna, Austria (assets $ 64 billion), to establish a branch in Greenwich, Conn. Approved by the Fed April 22, 1996, under Section 7(d) of the International Banking Act.

DELAWARE

Morgan Guaranty Trust Company of New York, New York, N.Y. (deposits $ 5.4 billion), to merge with J.P. Morgan Delaware, Wilmington, Del. (deposits $ 242.5 million), and to establish branch offices. Approved by the Fed April 29, 1996, under Section 18(c) of the Federal Deposit Insurance Act. Morgan Guaranty also has applied under Section 9 of the Federal Reserve Act to establish branches at the current locations of Morgan Delaware's branches, and filed a notice under Section 25 of the Federal Reserve Act and Section 211.3 of Regulation K to acquire the foreign branch of Morgan Delaware in the Cayman Islands.

FLORIDA

First Commerce Banks of Florida, Inc., Winter Haven (deposits $ 103.9 million), to acquire all the voting shares of Prime Bank of Central Florida (deposits $ 46.4 million), Titusville, both in Florida. Approved by the Fed June 5, 1996, under Section 3 of the Bank Holding Company Act.

Union Planters Corporation, Memphis, Tenn. (assets $ 11.3 billion), to acquire Eastern National Bank, Miami, Fla. (assets $ 266.9 million). Approved by the Fed June 5, 1996, under Section 3 of the Bank Holding Company Act.

GEORGIA

Cardinal Bancshares, Inc., Lexington, Ken. (assets $ 675 million), for its wholly owned thrift subsidiary, Security First Network Bank, Pineville, Ken., to acquire Five Paces Software, Inc., Atlanta, Ga., and thereby engage nationwide in data processing activities related to providing banking and financial services over the Internet. Approved by the Fed May 21, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

In a related action, the Fed approved notices filed by Huntington Bancshares Incorporated, Columbus, Ohio, Wachovia Corporation, Winston-Salem, N.C., and Area Bancshares Corporation, Owensboro, Ken., to engage in data processing activities through Five Paces.

IDAHO

West One Bank, Boise, Idaho to merge with U.S. Bank of Idaho, National Association, Coeur D'Alene, both in Idaho, and to establish branches at the current locations of the U.S. Bank. (West One and U.S. Bank are wholly owned subsidiaries of U.S. Bancorp, Portland, Ore. (total assets $ 31.9 billion). Approved by the Fed June 17, 1996, under Section 9 of the Federal Reserve Act.

IOWA

Iowa State Bank, Hull, Iowa (assets $ 33.9 million), to establish a branch office at 1101 Main Street, Hull, Iowa. Approved by the Fed June 25, 1996, under Section 9 of the Federal Reserve Act.

KANSAS

Community Bancshares of Marysville, Inc., Marysville, Kan. (deposits $ 101.1 million), to acquire Community State Bank, Hanover, Kan. (deposits $ 21.3 million. Approved by the Fed June 17, 1996, under Section 3 of the Bank Holding Company Act.

LOUISIANA

First Commerce Corporation, New Orleans, La. (assets $ 8.5 billion), to acquire a limited partnership interest in 150 Baronne Street Limited Partnership, New Orleans, La., and thereby engage in community development activities. Approved by the Fed May 29, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

MASSACHUSETTS

Bank of Boston Corporation (assets $ 47.4 billion) to acquire The Boston Bancorp (deposits $ 1.4 billion) and thereby indirectly acquire its wholly owned subsidiary bank, South Boston Savings Bank (deposits $ 1.4 billion), all in Boston, Mass. Approved by the Fed June 3, 1996, under Section 3 of the Bank Holding Company Act.

MINNESOTA

Farmers State Corporation, Mountain Lake, and its subsidiary, Bank Southwest Corporation, Worthington (deposits $ 152 million), to acquire all the voting shares of First Security Bank-Madison (deposits $ 25 million), Madison, all in Minnesota. Approved by the Fed April 8, 1996, under Section 3 of the Bank Holding Company Act.

Norwest Corporation, Minneapolis (assets $ 72.1 billion), to acquire all the voting shares of AmeriGroup, Incorporated, Minnetonka (assets $ 160.4 million), and thereby indirectly acquire its wholly owned subsidiary, AmeriBank, Bloomington, all of Minnesota. Approved by the Fed April 29, 1996, under Section 3 of the Bank Holding Company Act. The Board also announced its approval, under Section 4(c)(8) of the Banking Holding Company, of the notice of Norwest Investment Services, Inc., Minneapolis, Minn., to acquire certain nonbanking assets of AmeriBank.

BNCCORP, INC., Bismarck, N.D. (assets $ 240.4 million), to acquire substantially all the assets of Cambridge Bank Professionals, LLC, St. Cloud, Minn., and thereby to provide management consulting services to nonaffiliated financial institutions and to engage in certain commercial finance activities, including acquiring debt in default. Approved by the Fed May 1, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

Firstar Corporation, Milwaukee, Wis., and its wholly owned subsidiary, Firstar Corporation of Minnesota, Bloomington, Minn. (assets $ 19.2 billion), to acquire all the voting stock of Jacob Schmidt Company, and its subsidiary, American Bancorporation, Inc. (deposits $ 953 million), both of St. Paul, Minn., and thereby indirectly acquire all American's banking and nonbanking subsidiaries. Approved by the Fed June 24, 1996, under Section 3 of the Bank Holding Company Act.

MISSOURI

Norwest Corporation, Minneapolis, Minn. (assets $ 72.1 billion), to acquire indirectly through its wholly owned subsidiaries, substantially all the assets of The Prudential Home Mortgage Company, Inc., Clayton, Mo., that are related to originating and servicing residential mortgage loans. Approved by the Fed May 6, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

MONTANA

Butte Bank Shares, Inc., to become a bank holding company by acquiring at least 80 percent of the voting shares of First Citizens Bank of Butte (deposits $ 28.2 million), both of Butte, Montana. Approved by the Fed April 1, 1996, under Section 3 of the Bank Holding Company Act.

Flathead Holding Company of Bigfork, Bigfork, Mont. (deposits $ 108 million), to acquire up to 23.4 percent of the voting shares of Bank West, N.A., Kalispell, Mont. (assets $ 40.9 million). Approved by the Fed June 24, 1996, under Section 3 of the Bank Holding Company Act.

NEW JERSEY

Fleet Financial Group, Inc., Boston, Mass. (assets $ 85 billion), to acquire all of the voting shares of NatWest Bank National Association, Jersey City, N.J. (deposits $ 11.2 billion). Approved by the Fed April 15, 1996, under Section 3 of the Bank Holding Company Act.

NEW YORK

Emigrant Bancorp, Inc., New York, N.Y. (assets $ 6 billion), to acquire, indirectly through its subsidiary, Emigrant Savings Bank, New York, N.Y., up to 9.9 percent of the outstanding common stock of Queens County Bancorp, Inc. (assets $ 1.2 billion), and thereby indirectly acquire an interest in Queens County Savings Bank, both of Flushing, N.Y. Approved by the Fed April 1, 1996, under Section 3 of the Bank Holding Company Act.

Promstroybank of Russia, Moscow, Russian Federation (assets $ 1 billion), to establish a representative office in New York, N.Y. Approved by the Fed April 8, 1996, under Section 10(a) of the International Banking Act.

Komercni Banka, a.s., Prague, Czech Republic, to establish a representative office in New York, N.Y. Approved by the Fed April 22, 1996, under Section 10(a) of the International Banking Act.

Commercial Bank "Ion Tiriac," S.A., Bucharest, Romania (assets $ 291 million), to establish a representative office in New York, N.Y. Approved by the Fed April 22, 1996, under Section 10(a) of the International Banking Act.

The Bessemer Group, Incorporated, Woodbridge, N.J. (assets $ 468 million), to engage de novo through a wholly owned subsidiary, Bessemer Asset Management, Inc., New York, N.Y., in establishing and serving as the general partner of limited partnerships that would invest in a wide variety of commodities and exchange-traded and over-the-counter instruments. Conditionally approved by the Fed April 24, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

Cedel Bank, S.A., Luxembourg (assets $ 2.5 million), to establish a representative office in New York, N.Y. Approved by the Fed April 24, 1996, under Section 10(a) of the International Banking Act.

Swiss Bank Corporation, Basel, Switzerland (assets $ 162.1 billion), to retain control of all the voting shares of certain United States subsidiaries of S.G. Warburg Overseas Ltd., London, England, and the assets and liabilities of the branch of S.G. Warburg Forex Ltd., London, England, that is located in New York, N.Y., and thereby to engage in a wide range of securities- and derivatives-related activities, including underwriting and dealing in all types of debt and equity securities on a limited basis. Approved by the Fed May 13, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

Caisse Nationale de Credit Agricole, S.A., Paris, France (assets $ 334.2 billion), to engage through CAL FP (US), Inc., New York, N.Y., a joint venture, in certain nonbanking activities. Approved by the Fed June 10, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

The Bank of New York Company, Inc. (assets $ 54 billion), to engage de novo through its indirect subsidiary, BNY Capital Markets, Inc., both of New York, N.Y., in various nonbanking activities, including underwriting and dealing in, to a limited extent, certain bank-ineligible securities and buying and selling all types of securities on the order of customers as a "riskless principal." Approved by the Fed June 11, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

The Bank of New York Company, Inc. (assets $ 54 billion), to engage de novo through its indirect subsidiary, BNY Capital Markets, Inc., both of New York, N.Y., in various nonbanking activities, including underwriting and dealing in, to a limited extent, certain bank-ineligible securities and buying and selling all types of securities on the order of customers as a "riskless principal." Approved by the Fed June 11, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

Korea Long Term Credit Bank, Seoul, Korea (assets 27.5 billion), to establish a state-licensed branch in New York, N.Y. Approved by the Fed June 24, 1996, under Section 7(d) of the International Banking Act.

R&G Financial Corporation to become a bank holding company by the acquisition of R-G Premier Bank of Puerto Rico (deposits $ 479.6 million) and to acquire R&G Mortgage Corporation, all of Hato Rey, Puerto Rico. Approved by the Fed June 17, 1996, under Section 3 of the Bank Holding Company Act. The Applicant also requested the Board's consent under Section 4(c)(13) of the Bank Holding Company Act and Section 211.5(c) to acquire all the voting shares of R&G Mortgage Corporation, Hato Rey, Puerto Rico, and thereby engage in home mortgage lending and servicing activities in Puerto Rico.

OHIO

Croghan Bancshares, Inc., Fremont, Ohio (deposits $ 205.9 million), to acquire Union Bancshares Corp. (deposits $ 81.9 million), and thereby indirectly acquire its wholly owned subsidiary bank, Union Bank and Savings Company, both in Bellevue, Ohio. Approved by the Fed June 10, 1996, under Section 3 of the Bank Holding Company Act. The Board also announced its approval (under Section 18(c) of the Federal Deposit Insurance Act and Section 9 of the Federal Reserve Act) of the applications of Croghan's subsidiary bank, The Croghan Colonial Bank, Fremont, Ohio, to merge with Union Bank and establish branches at the current locations of Union Bank's branches.

OREGON

First Hawaiian, Inc., Honolulu, Hawaii (assets $ 7.4 billion), to establish de novo Pacific One Bank, Portland, Oregon, which would acquire 26 branches in Oregon; acquire Idaho First Bank, Boise, Idaho, which would acquire one branch in Idaho; and through its savings association subsidiary, Pioneer Federal Savings Bank, Honolulu, Hawaii, acquire five branches in Washington. Approved by the Fed April 8, 1996, under Section 3 of the Bank Holding Company Act.

TENNESSEE

Wilson Bank Holding Company, Lebanon, Tenn. (assets $ 217.4 million), to acquire DeKalb Community Bank, Smithville, Tenn. Approved by the Fed April 1, 1996, under Section 3 of the Bank Holding Company Act.

Union Planters Corporation, Memphis, Tenn. (assets $ 11.3 billion), to acquire Franklin Financial Group, Inc., and thereby acquire Franklin Federal Savings Bank, (assets $ 125 million) both of Morristown, Tenn. Approved by the Fed June 10, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

TEXAS

Woodforest Bancshares, Inc., Houston, Tex. (assets $ 271 million), to acquire up to 80 percent of the voting shares of Mutual Money Investments, Inc., (dba Tri-Star Financial), Houston, Tex., and thereby engage in certain nonbanking activities. Approved by the Fed April 8, 1996, under Section 4(c)(8) of the Bank Holding Company Act.

National Bancshares Corporation of Texas, Laredo, Tex. (assets $ 265.6 million), to acquire up to 24.9 percent of the voting shares of Corpus Christi Bancshares, Corpus Christi, Tex. (assets $ 223.9 million). Approved by the Fed April 29, 1996, under Section 3 of the Bank Holding Company Act.

Swiss Bank Corporation, Basle, Switzerland (assets $ 191.0 billion), to establish a representative office in Houston, Tex. Approved by the Fed May 13, 1996, under Section 10(a) of the International Banking Act.

Norwest Corporation, Minneapolis, Minn. (assets $ 72.1 billion), to acquire Union Texas Bancorporation, Inc. ($ 238 million), and its wholly owned subsidiary, Union National Bank of Texas, both of Laredo, Tex. Approved by the Fed May 30, 1996, under Section 3 of the Bank Holding Company Act.

VIRGINIA

Signet Bank, Richmond, Va., to merge with Signet Bank, N.A., Falls Church, Va. (total deposits $ 4.8 billion), and to establish branches at the 16 branches of Signet Bank, N.A., in the District of Columbia. Approved by the Fed April 29, 1996, under Section 18(c) of the Federal deposit Insurance Act.

LANGUAGE: ENGLISH

#056T960819SMARA01# #TMSX960819XPX05XNI#

LOAD-DATE: August 19, 1996

16TH STORY of Level 1 printed in FULL format.

Newsweek

April 8, 1996 , UNITED STATES EDITION

SECTION: BUSINESS; Economy Pg. 46

LENGTH: 529 words

HEADLINE: How Low Should They Go?

BYLINE: BY MARC LEVINSON

HIGHLIGHT:
A public debate over its mission divides the Fed

BODY:

FOR ALAN GREENSPAN, IT SHOULD BE the best of times. His Federal Reserve Board has done the all-but-impossible, squeezing inflation while bringing unemployment near rock bottom. Bill Clinton has tapped him for four more years as Fed chairman, and his major challenger, former vice chairman Alan Blinder, has departed. Even last week's General Accounting Office report knocking the Fed's internal management didn't dent his armor. The Fed, he told a Senate committee considering his renomination last Tuesday, is "an extraordinarily well-run organization."

But even as he glories in victory, Greenspan's championship team is starting to look a bit ragged. Legislation to change the way the Fed does business has exposed a split running clear through the central bank. The issue: should the Fed focus solely on holding down prices, or should it worry about jobs and growth as well? Greenspan and anti-inflation hard-liners are on one side; Clinton's appointees dominate the other. Their debate has finally gone public, providing a rare glimpse of the Fed's philosophical divide. It is, says economist Albert Wojnilower of New York's Clipper Group, "a little Kulturkampf within the Fed."

Obscure, you say? Perhaps-but vitally important. Since 1978, when Congress passed the Humphrey-Hawkins Act, the Fed has been charged with two conflicting goals. It's supposed to keep both the inflation rate and the adult jobless rate at 8 percent. Talk about a liberal fantasy. Unemployment hasn't been that low since the Vietnam boom of the late 1960s-precisely the time inflation began to rage. Enter Sen. Connie Mack, a Florida Republican. Mack would scrap Humphrey-Hawkins and make "price stability" the priority. The Fed would have to set a target-say, a 1 percent rise in consumer prices-and manage monetary policy to hit it.

Targeting inflation doesn't sound so radical. "In my view, that's what they're doing right now," says Donald Fine of Chase Asset Management. But what about the next time there's a recession? Should the Fed ignore rising unemployment, as Germany's Bundesbank does, and think only about inflation? Here's where the central bankers are at odds. Fed governor Janet Yellen, a Clinton appointee, argued last month for weighing employment as well as prices. A week later William McDonough, president of the Federal Reserve Bank of New York, supported a strict inflation focus. Gary Stern of the Minneapolis Fed jumped in on Yellen's side. So did Clinton's two new Fed nominees, Alice

Rivlin and Laurence Meyer. Other Fed officials haven't spoken out, but most are thought to agree with McDonough.

The conflict isn't affecting Fed policy for now. The central bankers agree that unemployment can't go much lower without threatening inflation. In the future, though, Mack's bill would let Greenspan insist that Congress judge him as an inflation fighter, not as a job creator. "This would allow us to subtly shift the public discussion," says Richmond Fed economist Marvin Goodfriend. And what about jobs? Low inflation, Mack insists, is the key to higher incomes and higher living standards. But on that point, well, economists disagree . . .

GRAPHIC: Picture, The best of times? Federal Reserve chief Alan Greenspan, RICHARD A. BLOOM -- SABA

LANGUAGE: ENGLISH

LOAD-DATE: April 08, 1996

27TH STORY of Level 1 printed in FULL format.

January 29, 1996, Monday

SECTION: Leading Article; Pg. 19

LENGTH: 578 words

HEADLINE: Renominating Mr Greenspan

BODY:

The identity of the person who will hold what is arguably the most powerful post in the United States will shortly be known. If the present incumbent, a major figure in domestic politics, survives the peculiarly American ritual of nomination then a landslide victory can be all but assured. Unfortunately for President Clinton, whose practical authority and command depends so much on the co-operation, often not forthcoming, of others, the position concerned is chairman of the Federal Reserve Board and the person is Mr Alan Greenspan.

The chairman's present term expires on March 2 and he has indicated a willingness to accept a third period as the world's most important central bank chief. Since his initial appointment by President Reagan in 1987, Mr Greenspan has built a formidable reputation for himself. He has managed to combine a reputation for vigorous economic orthodoxy with Wall Street and world markets whilst in practice proving rather more flexible than that image would suggest. He has mastered the art of being a political figure whilst not looking one. His genuine internationalism, and capacity to innovate, have earned high praise within the G7 and beyond.

Little option

It is not surprising then that the president not only should renominate him but almost certainly will. Given a Republican Senate, Mr Clinton has precious little option but to back the current chairman. This is compounded by the failure of previous White House efforts to acquire influence on the Fed through more aggressive nominations.

The first Clinton appointment, Ms Janet Yellen, was perceived as insufficiently orthodox and has been a marginalised figure throughout her tenure. Mr Alan Blinder, elevated to vice-chairman, and widely touted as the favoured candidate for chairman, never recovered from a speech that questioned the minimisation of inflation as the board's exclusive mission. He announced his return to academia this month. The president has still to find a replacement for Mr John LaWare, who quit last year, that the Senate will accept. The administration will be playing with congressional fire again if, as suggested, it offers Mr Felix Rohatyn as Mr Blinder's replacement.

Good fortune

Whether Mr Greenspan is wise to court further office is another matter. Central bank governors require luck as well as judgment and he has had an unusually large share of good fortune over the past nine years. To stretch that record for another four years is surely tempting fate.

Yet he must consider the short-term signs to be encouraging. Given last week's agreement, the federal government - and hence his office - will at least be open on March 2. It took the merest hint of a credit downgrading from Moody's for previously gung-ho congressional Republicans to make assuring noises on the debt ceiling.

In the medium term, if any multi-year bargain on the federal budget deficit is reached, deliberately restricting fiscal options, then monetary policy and the control of it will become even more significant. Were this fiscal shift enshrined in a balanced budget amendment to the American Constitution, that enhanced significance would become permanent. The Federal Reserve Board is likely to be an increasingly important body in the 21st century.

In such circumstances, the prospective renomination of Mr Greenspan is especially appropriate. The president would be well advised to announce his intentions immediately.

LANGUAGE: ENGLISH

LOAD-DATE: January 29, 1996

32ND STORY of Level 1 printed in FULL format.

The Washington Post

January 17, 1996, Wednesday, Final Edition

SECTION: FINANCIAL; Pg. F01

LENGTH: 521 words

HEADLINE: Blinder to Leave Federal Reserve; Vice Chairman Reportedly Plans to Return to Teaching at Princeton

BYLINE: John M. Berry, Washington Post Staff Writer

BODY:

Federal Reserve Vice Chairman Alan S. Blinder has resigned his central bank post to return to teaching at Princeton University, White House sources said last night.

Blinder, whose term as a member of the Federal Reserve Board expires at the end of this month, notified President Clinton of his intention in a hand-delivered letter, a White House official said. Under the law, he could remain in the post until the Senate confirms a successor.

The Fed vice chairman declined comment last night but said he would make an announcement about his future plans today. He has been mulling for several months whether he would prefer to stay in Washington or return to the Princeton professorship he held before becoming a member of Clinton's Council of Economic Advisers in 1993. Senior White House officials have said they hoped the prominent liberal economist would remain at the Fed.

Blinder, 50, was appointed by Clinton in April 1994 to a four-year term as vice chairman, but only to the unexpired portion of the 14-year term of his predecessor, David Mullins, who resigned in February 1994 to join a private investment firm.

While Clinton has made no decision on the matter, some of his aides had indicated they would like to see the president couple the reappointment of Blinder with that of Fed Chairman Alan Greenspan, whose four-year chairmanship expires in March, and the selection of a nominee for a current vacancy on the seven-member Federal Reserve Board. The vacancy was created last spring by the resignation of Fed governor John P. LaWare, a former Boston banker.

Aides had viewed such a package as a way to attach the reappointment of Blinder and the replacement of LaWare to the coattails of Greenspan, a conservative Republican popular with the Senate Banking Committee.

Blinder, who frequently has been outspoken in his concerns about keeping unemployment as low as possible, has been viewed skeptically by Wall Street analysts used to having Fed officials focus their public remarks primarily on the need to keep inflation low.

However, the vice chairman also has emphasized that the central bank's essential long-term goal must be fighting inflation. And on the six occasions in 1994 and 1995 that Fed policymakers decided they needed to raise short-term interest rates to keep the economy from overheating and avoid an inflationary surge, Blinder never dissented.

Several other Fed officials, including some far more conservative than the vice chairman, have credited him and another Clinton appointee, Janet L. Yellen, with raising the quality of the discussions about the economy during policymaking sessions.

White House officials seeking to find a candidate for the LaWare vacancy have found some possible nominees reluctant to make themselves available for that slot since the more prestigious vice chairmanship might soon be open.

Two names mentioned as possible Fed members have been international economist Peter Kenen, also on the Princeton faculty, and Benjamin Friedman, a Harvard University economist. White House sources declined to comment on either possibility.

GRAPHIC: Photo, ALAN S. BLINDER

LANGUAGE: ENGLISH

LOAD-DATE: January 17, 1996

38TH STORY of Level 1 printed in FULL format.

The Providence Journal-Bulletin

November 5, 1995, Sunday, ALL EDITIONS

SECTION: BUSINESS, Pg. 1F

LENGTH: 738 words

HEADLINE: 'Dream' job with the Fed is less than she banked on

BYLINE: PETER PHIPPS

BODY:

Janet Yellen was on vacation in Hawaii when the White House called.

President Clinton wanted the University of California at Berkeley professor to take a seat on the Federal Reserve Board.

It meant leaving a chaired professorship, moving across the country and living apart from her husband. Yet it took her, she says, about "two seconds to say 'yes.' "

The Fed, next to the presidency, may well be the most powerful institution in the country. For an economist, the status of the job is second only to winning a Nobel Prize and Yellen set her sights on the job 30 years ago as a Brown undergraduate.

Since graduating from Brown in 1967, she's had quite a career. She got her doctorate from Yale in 1971; taught at Harvard and the London School of Economics in the '70s and moved to Berkeley in 1980.

On Aug. 12, 1994, she gave up her teaching job and took a seat on the board of governors of the Federal Reserve System.

A week and a half ago, Yellen, 48, returned to Brown to deliver the Bernard I. Fain Lecture on economics. Two of her former professors were sitting in Wilson Hall to hear her.

Former Fed governor Wayne Angell gave last year's lecture. Yellen was different - she was critical.

But it wasn't the kind of criticism anyone expected. It had little to do with economics.

Going in, the national press had pegged Yellen as a "demand-side economist" and figured she would be more concerned about the unemployment rate than meeting inflation targets.

The Fed, you remember, increased the discount rate seven times in 1994 and 1995 to the consternation of the Democrats and most other "demand-side economists."

The tightening, the critics charged, squeezed hundreds of thousands of jobs out of the economy - for no good reason.

Providence Journal-Bulletin, November 5, 1995

Nevertheless, Yellen says she voted to increase rates and told her Providence audience she concurred with the Fed's focus on inflation.

The big issue for Yellen is not so much what the Fed does, but how it does it.

The Fed, she says, is formal to a fault. Its meetings are so rigid they can be stifling.

When there is an issue to be decided, the chairman goes around the room giving each governor a chance to speak, briefly. There's little discussion and no real debate.

"No one interrupts," Yellen says.

That's bad enough, but Yellen says there are times when she is called on to take a position on an issue on which she is not an expert. (Her specialty is trade and international economics.)

Well, she says, the next governor makes a more convincing argument and she decides she got it wrong. Too bad. At the Fed, you don't change your mind. "It's nothing like a faculty meeting," she says.

The governors, although they meet in secret, are careful about what they say because transcripts are made public in five years.

They often have even less freedom to speak their minds in public.

When she makes a speech, Yellen says, she has to bring a bodyguard along with her to keep the financial press at bay (although she didn't need one for her informal talk at Brown).

The paparazzi of the financial markets cover her speeches with cellular phones glued to their ears.

They start dictating their stories on her position on, say, interest rates before she's hardly begun to talk.

So Yellen and the other governors work very hard to make sure they don't say anything important.

"I come back to my office and hit the 'B" key on my computer and hope nothing happened to the bond market," she says.

Some job.

The pay's not even that great. Yellen gets $ 123,100 a year.

Then there are the questions about the value of having the Fed at all.

No less an authority than Nobel laureate Milton Friedman says the Fed does as much bad as good and suggests that a computer program could do a better job regulating monetary policy.

No wonder the Fed's vice chairman, Alan Blinder, is thinking about going back to Princeton in January.

When President Clinton named him, it was thought he was in line to be chairman. But the word now is that President Clinton will reappoint Chairman Alan Greenspan. At the Fed, Blinder seems to be thinking, there's only one job worth having.

Not Yellen. She's got 13 years to go on her term. Maybe she can change things before she leaves the job every economist wants.

Peter Phipps is the business editor of the Journal-Bulletin. You can reach him at 277-7330 or by e-mail at pphipps@@projo.com.

LOAD-DATE: November 15, 1995

41ST STORY of Level 1 printed in FULL format.

Euromoney

September 1995

SECTION: No. 317 Pg. 79; ISSN: 0014-2433; CODEN: CSAEAQ

LENGTH: 990 words

HEADLINE: A strained friendship

BYLINE: Celarier, Michelle

BODY:

It all started so well. At president Bill Clinton's January 1993 inaugural address, Federal Reserve chairman Alan Greenspan was given a place of honour next to Hillary Clinton. The new administration continued in the spirit this gesture was meant to imply, trying to prove it was a friend of the financial markets by targeting deficit reduction on Greenspan's advice.

But Clinton never got the payback he was undoubtedly hoping for. Almost as soon as his budget went into effect, beginning to make the biggest dent in the deficit since the Johnson era, the Fe began a round of interest rate hikes. Instead of these bringing down long-term rates, as both the president and Greenspan hoped they would, market rates jumped, taking the interest payments of the US government with them.

If the administration was displeased, and it must have been, it didn't gripe about it in public. "One of the many things the Clinton administration has done right has been to respect the independence of the Fed and avoid jawboning about Fed measures," says treasury deputy secretary Lawrence Summers.

Nor is Clinton's dissatisfaction likely to lead him to appoint a new Fed chairman next year, when Greenspan's term expires. If the economy doesn't slip into recession over the next year, Clinton is expected to reappoint Greenspan, who is still Wall Street's choice to remain in the post that has seen him dubbed the second-most powerful person in the world. For his part, the president is unlikely to risk offending the financial community. "Clinton's biggest concern is re-election," says a Democrat staffer on Capitol hill. "He's not going to make waves. He's not going to do anything to hurt that."

That should give the Fed, and Greenspan, less to worry about. The Federal Reserve's status as an independent agency of Congress has meant that "the real threat to policy independence has always come from the White House," says David Jones, a long-time Fed watcher at securities firm Aubrey G Lanston. Congress makes noises from time to time--hundreds of Federal Reserve reform bills have been introduced in the last decade and a half but none has been passed. On the other and the White House "can attempt to twist the Fed's arm quietly", says Jones, most notably through the treasury secretary, who has informal meetings with the Fed chairman. The White House's other card is its power to nominate the chairman.

Recession fears

Early this summer, as US recession threatened, administration officials began to speak out. Labour secretary Robert Reich noted that industries affected most directly by the rate rises, such as housing, were suffering. "You don't have to be a rocket scientist to see there is a relationship between interest rates and where jobs were lost," he was quoted as saying. Even closer to Clinton, White House chief of staff Leon Panetta made a guarded appeal to the Fed in July, saying the administration would "welcome" lower rates--it happened to be a few days before the Fed made its quarter percentage point cut. (After Panetta made his comments, on a TV talk show, treasury secretary Robert Rubin, the former Goldman Sachs co-chairman, quickly downplayed Panetta's appeal. Rubin, the driving force behind the administration's hands-off approach to the Fed, had been touted as a possible Clinton nominee as Fed chairman.)

A recession is the last thing Clinton needs before next year's election if he is to avoid ending up as a one-term president. In fact what appears to be a revival of tepid growth, and the Fed's rate cut, are giving him some breathing space. Even the most liberal economists now rate the chances for a recession next year as 40% or less. This has brought the administration's criticism of the Fed to a halt. That said, the odds that Greenspan will be reappointed are inversely high.

Clinton may not have much of a choice in the matter. Senator Alfonse D'Amato, the New York Republican who heads the Senate banking committee, would probably not approve a nominee other than Greenspan, say Democrats. There are several other open positions, one at the Fed and three at the Securities & Exchange Commission, that are still unfilled and likely to stay that way. Clinton had one of the worst records in getting nominations approved even before Republicans took control of both houses of Congress. By stalling, the Republicans hope to fill the slots with their own appointees after the 1996 presidential election, which they expect to win.

Congressional sources say that Clinton "can't be entirely happy with Greenspan", claiming that the administration may have supported raising rates up to 4.75%, but "never to 5.5% or 6%", the last two upward moves. The official line is that the administration wants to respect the Fed's independence. But Democrats say it's more complex than that. International investors that "don't understand our democracy", they say, would view any dissension as "disarray" within the government. In addition, the Clinton administration believes that President George Bush's public criticisms of the Fed during the recession plagued the 1992 Bush campaign, and led the central bank to keep rates higher longer just to prove it couldn't be influenced.

Playing a Blinder?

Some even argue that the Clinton administration wanted to stay quiet until it could shift the balance of the Fed board in a more liberal direction, appointing more academic economists such as Princeton University's Alan Blinder and Janet Yellen, a former University of California at Berkeley professor. Now that looks an unlikely outcome. Yellen is rumoured to be dissatisfied with the Fed, while Blinder's term as vice-chairman is up next January, as is his leave of absence from Princeton. Blinder, whose name was often floated as a possible replacement for Greenspan as chairman, declined to comment on recent rumours that he would be leaving the Fed to return to a career in academia.

LANGUAGE: ENGLISH

JOURNAL-CODE: ERM

AVAILABILITY: Full text online. Photocopy available from ABI/INFORM 9935.00

ABI-ACC-NO: 01113504

LOAD-DATE: November 27, 1995

48TH STORY of Level 1 printed in FULL format.

The Columbus Dispatch

July 15, 1995, Saturday

SECTION: BUSINESS, Pg. 2D, THE INSTANT ECONOMIST

LENGTH: 590 words

HEADLINE: GREENSPAN'S MOVE TO CUT RATES IS PROBABLY TOO LATE

BYLINE: Ross M. LaRoe and, John Charles Pool

BODY:

Finally, the Federal Reserve Board has reversed course and eased up a bit on interest rates.

It's about time. Nearly all the indicators point to the beginning of a serious recession.

The move in itself wasn't any big deal. The Fed announced it was reducing its target for the federal funds rate from 6 percent to 5.75 percent. All that means is the Fed enters the Treasury bond market and buys more bonds than it otherwise would.

The checks the Fed writes to do this end up as deposits in commercial banks. That means the banks have more cash on hand, so they have less need to borrow to meet their legal reserve requirements. That, in turn, means the interest rate banks charge when they borrow from each other (which is called the federal funds rate) declines a bit.

Because banks have more money and can borrow for less, they reduce the rate they charge their most creditworthy customers, which is called the prime rate. This encourages those most creditworthy customers, along with everyone else whose interest rate is pegged to the prime, to borrow more money. They then spend the additional money they have borrowed, which eventually creates more jobs.

More jobs mean people have more money to spend. That additional spending causes the economy to pick up, which was the point of the whole thing in the first place.

The big question now is whether they waited too long. The answer: Maybe.

There are plenty of signs that the economy is already in trouble. The most important one is that the government's Index of Leading Indicators, which does a pretty good job of predicting what the economy will be doing six months from now, has been falling for four months in a row. Other key indicators, such as the Purchasing Manager's Index, also are down dramatically. Given that, an attempt to stimulate the economy by reducing interest rates seemed quite in order.

But it's just as likely that there are political issues involved. President Clinton is up for re-election soon and hardly wants to run in the midst of a recession, even though he could blame it on the Fed. Fed chairman Alan

Greenspan is also up for re-election, so to speak. His four-year term ends next March and he would very much like to be reappointed. Thus it may not be total coincidence that he and Clinton now seem to agree that the economy could use a boost.

However, it's just as likely that the Open Market Committee - the Fed policy-making board - has taken a more liberal stance because it has two new members, appointed by Clinton. Alan Blinder, now board vice chairman, is a long-time inflation dove and champion of low interest rates. Janet Yellen, a UC-Berkeley economist, shares his views. They are far from a majority on the board, which is composed of the seven Fed governors and five regional Fed bank presidents, but it's likely their voices are being heard.

The remaining question is whether the Fed move will work, gliding the economy into a soft landing. The problem is that it takes at least 18 months for interest rate changes to affect the economy. What the Fed is doing today is designed to influence what it expects to be happening at the beginning of 1997.

The only recent precedent we have is the experience of 1989 when, under similar circumstances, the Fed began loosening in June and continued for three years. But it was much too late. By 1990, the economy was in a serious recession.

Will history repeat itself? Probably.

Ross M. LaRoe and John Charles Pool are economists who write for The Dispatch.

LOAD-DATE: July 17, 1995

58TH STORY of Level 1 printed in FULL format.

The New York Times

June 3, 1995, Saturday, Late Edition - Final

SECTION: Section 1; Page 31; Column 2; Business/Financial Desk

LENGTH: 981 words

HEADLINE: A New Tack at the Fed: Chin Up! Think Positive!

BYLINE: By KEITH BRADSHER

DATELINE: WASHINGTON, June 2

BODY:

Even as figures indicating possible economic trouble ahead have piled up in recent weeks, Federal Reserve policy makers have shed their usual gloom and Clinton Administration officials have been steadfastly optimistic.

Their motivation is clear: The difference in the months ahead between a "soft landing" and a recession may well lie in preventing a sudden drop of business and consumer confidence.

If millions of Americans start worrying about the next paycheck or profit and stop spending money, both institutions face a problem. Federal Reserve officials would face the embarrassing task of lowering short-term interest rates just a few months after raising them. President Clinton could face an even tougher re-election fight next year.

The soothing comments from the Fed come as a growing number of economists now believe that the Federal Reserve may have raised interest rates too high over the last year to fight a threat of inflation that has scarcely materialized. "I think the Fed has overdone it," said Preston Martin, a former vice chairman of the Federal Reserve Board. "The last one or two increases were not necessary."

Fed officials acknowledge that their upbeat comments are partly aimed at soothing consumers and business executives, but emphasize that the statements are based on a firm belief that the economy will continue growing. "There is truth to that, but there's truth that we genuinely believe this is a likely scenario," said Alan S. Blinder, the current vice chairman of the Federal Reserve Board. "The likely scenario is a period of, I would guess, a couple of quarters that look kind of rocky and then a restoration of something that looks like sustainable growth, say 2 1/2 percent."

Janet L. Yellen, a Federal Reserve governor, was also optimistic today, but cautiously so. "I'm not going to say I'm unconcerned with the risks -- only history will tell us for sure whether the Fed has overdone it," she said.

These and other comments by top Fed officials suggest that the central bank will be reluctant to cut interest rates unless further economic indicators in the coming weeks and months show a similarly gloomy picture. Although Fed officials declined to discuss specific indicators that might be important, the June unemployment report scheduled for public release on July 7 seems likely to be one of them.

The Fed's top interest-rate committee is scheduled to meet again on July 5 and 6, and to receive a private copy of the June unemployment report on the afternoon of July 6.

If the Fed does decide to go beyond jawboning to an actual cut in short-term interest rates, it has one big advantage: Inflation has barely risen this year, either because the Federal Reserve has been successful in its pre-emptive strike on inflation with higher interest rates last year or because the threat of inflation was never serious to begin with.

Investors in financial markets have shown little concern about inflation and have driven down interest rates for three-month notes to five-year bonds below the level of the overnight rates that the Federal Reserve controls. That gives the Fed some freedom to cut rates soon.

Yet any sharp reduction in interest rates could also hurt the value of the dollar in international currency markets. Just two days ago, the Federal Reserve joined with other central banks to buy dollars in these markets to support the dollar.

Any interest rate reduction now would also put Alan Greenspan, the Federal Reserve chairman, in the position of pursuing the same stop-and-go monetary policy that he has tried to avoid. Indeed, the point of raising interest rates last year before inflation became a visible threat was to break with the Federal Reserve's past pattern of raising rates too late to stop inflation and then lowering rates too late to stop a recession.

In interviews today, top Fed officials offered several reasons for their belief that while the economy might slow sharply this summer, it would not fall into a recession. They pointed to the fall in long-term interest rates, which is making mortgages cheaper for would-be home buyers; the rise until today of stock prices, which has left many households with profits to spend, and the likely recovery of American exports this summer after a dip this spring because of financial troubles in Mexico.

But the same officials also mentioned several concerns: a possible faltering in consumer confidence, a possible weakening of business investment and the large inventories that many companies have accumulated.

Ms. Yellen said that she honestly felt that the disappearing jobs and falling earnings described by the Labor Department today would not disrupt consumer confidence, although she acknowledged that a loss of confidence could send the economy into recession.

"A loss of consumer confidence is a mechanism by which that could occur, but I don't believe there is a reason for a loss of consumer confidence," she said. "The fundamentals in the household sector are excellent -- we probably will have a slow quarter or two, but the ingredients for strong consumer spending are in place."

But if Ms. Yellen and her colleagues are wrong, the Clinton Administration made clear today that its response would be to blame the Federal Reserve for the economy's problems. Labor Secretary Robert B. Reich emphasized in an interview today that many of the jobs lost were in manufacturing industries that are sensitive to short-term interest rates. And in a departure from recent practice, the Council of Economic Advisers included an indirect criticism of interest-rate policy in an otherwise upbeat statement today.

"The current slowing of the economy," the statement said, "is in part the result of the rise in interest rates in 1994, which affected the interest-sensitive sectors such as durable goods and housing."

GRAPHIC: Graph showing yeild on 30-year treasury bonds - plotted daily. (Source: Datastream)

LANGUAGE: ENGLISH

LOAD-DATE: June 3, 1995

60TH STORY of Level 1 printed in FULL format.

The American Banker

May 31, 1995, Wednesday

SECTION: WASHINGTON; Pg. 2

LENGTH: 278 words

HEADLINE: Capital briefs: Gonzalez Calls On Fed To Cut Interest Rates

BYLINE: Jaret Seiberg

DATELINE: WASHINGTON

BODY:

Rep. Henry B. Gonzalez, the House Banking Committee's senior Democrat, blasted the Federal Reserve for keeping short-term interest high and said it should lower rates immediately.

"Surprise, surprise," the Texas Democrat said. "Doubling short-term interest rates in 12 months did not produce the bright, sunny days the Fed saw in its crystal ball. The Fed should not wait until its July meeting to reduce short-term rates. They can and should act now."

However, recently released minutes from the March meeting of the Federal Open Market Committee - the central bank's chief policymaking body - show that the Fed is still worried about inflation, economists said.

"I am very encouraged that the Fed is sustaining its long-term policy of resisting inflation over time," said Eugene Sherman, an analyst with M.A. Schapiro & Co. "That's why it is more interesting then your typical FOMC meetings."

The March minutes, which were released Friday afternoon after last week's meeting, indicate that the Fed knew the economy was weaker than most realized. Still, the Fed decided to maintain its anti-inflationary stance.

Mr. Sherman noted that President Clinton's two appointees - Alan Blinder and Janet Yellen - both voted with the rest of the open market committee to keep the inflation battle going. That should resolve fears that the two are doves on the inflation front, he said.

Rep. Gonzalez, however, said the Fed "should stop taking its cues from the long-term bond market" and begin worrying about the possibility of a recession.

"An economic downturn will be devastating to the nation's workers, who have seen their real earnings fall," he said.

LANGUAGE: ENGLISH

LOAD-DATE: May 30, 1995

64TH STORY of Level 1 printed in FULL format.

Financial Times

April 21, 1995, Friday

SECTION: Pg. 4

LENGTH: 705 words

HEADLINE: Fed predicts a soft landing and no economic recession: Michael Prowse talks to Janet Yellen, a Fed board member

BYLINE: By MICHAEL PROWSE

BODY:

You might think these would be tense times for central bankers. But there are few signs that the dollar's precipitous decline is jangling nerves at the US Federal Reserve.

Ms Janet Yellen, one of two Clinton appointees on the Fed's seven-member board, refuses to comment publicly on the dollar. But she concedes she is grateful for her academic training. Before joining the Fed she was an economics professor at the University of California at Berkeley.

Gesturing toward her computer terminal, which beeps when the dollar moves sharply, she says she might have become quite alarmed in past weeks had she not studied past episodes of financial turbulence.

She did not elaborate, but was probably referring to the 'bubbles' caused by the exaggerated short-term reactions of financial markets. The tendency of exchanges rates to overshoot has been exhaustively studied and is often invoked to help explain the dollar's extraordinary strength in the mid-1980s.

On domestic issues, Ms Yellen is more forthcoming. She says the Fed was already aware of uncertainties in the economic outlook when it raised short-term interest rates to 6 per cent in February. More recently, nearly every economic statistic, from employment and industrial production to housing starts, has begun to flash red.

She is not surprised by these 'pervasive signs of slowdown' because she never expected last year's rapid growth to last. That burst of growth followed a long period of exceptionally low interest rates; once the Fed began tightening monetary policy, growth was bound to decelerate. None of the components of demand - with the possible exception of exports - seems likely to grow as fast as last year.

But is this a pause or a permanent downward shift? Could a recession be in the offing? Ms Yellen concedes that the recent data are 'a little softer than I expected.' The weakness in sales has spread to manufacturing. Unsold inventories have piled up, especially at the big car companies.

Yet, looking forward, 'I don't see anything that is a true negative.' She means there are few signs yet of the serious imbalances - such as balance sheet strains - that usually precede a recession. Any downward pressure on demand, moreover, is being cushioned by the fall in the dollar and in long bond yields. Taking this into account 'it is questionable if there has been any monetary tightening in recent months.'

Ms Yellen says she still feels reasonably confident that the economy is heading for a 'soft landing' - growth at a sustainable rate of about 2.5 per cent against 4 per cent last year. But the balance of risks is moving toward a weaker rather than a stronger outcome.

Ms Yellen and her fellow Clinton appointee Mr Alan Blinder, the Fed's vice chairman, are often described as 'doves' on inflation.

Ms Yellen says this is not fair. As a professional economist, she accepts the so-called 'natural rate' hypothesis. This says that attempts to push the jobless rate below a certain level (believed to be about 6 per cent in the US) will lead to accelerating inflation. To get inflation down again would require a costly period of unemployment in excess of the natural rate. Nobody who accepts this framework, she says, is a 'dove'.

She is firmly committed to the goal of 'price stability' (inflation so low it does not influence business decisions) and believes the US is 'not quite there.' But having this medium-term goal does not mean inflation must fall 'every quarter.' It would not be wise to try to prevent a small cyclical increase in inflation this year. And she does not believe central banks should single-mindedly pursue an inflation goal: a commitment to growth is also important. 'It is possible to do two things at once.'

She says that the hallmark of the Fed's approach is close analysis of the empirical data. Interest rate decisions are based on economic projections prepared by the Fed's technical staff. In 1989, for ex-ample, the Fed began cutting rates even though inflation was above target because the forecast pointed to significantly weaker growth.

Could the same happen this year? She will not be drawn but concedes there are 'many parallels' between this year and 1989.

LANGUAGE: ENGLISH

LOAD-DATE: April 21, 1995

66TH STORY of Level 1 printed in FULL format.

Banking Policy Report

April 17, 1995

SECTION: MERGERS & ACQUISITIONS; Vol. 14, No. 8; Pg. 9

LENGTH: 5012 words

HEADLINE: First Quarter Actions Feature Three Split Decisions by Fed

BODY:

Three split decisions highlighted Federal Reserve Board actions on bank mergers and acquisitions and other banking expansion applications during the first quarter of 1995, according to a Banking Policy Report survey.

All three of the applications were approved by the Board, but one or more Fed governors dissented on substantive grounds in each instance. One of these decisions concerned Board action on an application while a Department of Justice (DOJ) fair lending enforcement investigation was pending. Another concerned Board reaction to an unfulfilled previous commitment by an applicant on community reinvestment matters. The third concerned the criteria for the Board weighing public benefits and anticompetitive effects of a nonbanking expansion proposal.

During January, February and March, about one-third of the applications considered by the Board, a typical volume, attracted protests by neighborhood activist groups alleging violations of the Community Reinvestment Act (CRA) or the nation's fair lending laws. In each instance, the Board cited grounds for approval of the applications despite the protests.

The largest number of protests during the first quarter were filed under CRA and the Home Mortgage Disclosure Act (HMDA). CRA is a 1977 law that requires banking organizations to meet the credit needs of the entire communities in which they operate, including low-and moderate-income neighborhoods. CRA performance must be taken into account by regulatory authorities in judging expansion applications by banking organizations, HMDA is a 1975 law that requires banks and other depository institutions to compile and make available to the public and supervisory authorities information about home mortgage and home improvement lending practices.

Other protests to applications considered by the Board during the first quarter of 1995 involved complaints from bank shareholders, customers and others concerned about a variety of issues ranging from stockholder equity to the competitive implications of transactions.

A significant number of transactions approved by the Board during the first quarter involved applications by foreign banking organizations proposing new services or branches, or both, in the United States.

In three instances -- involving expansion applications by the North Carolina-based Southern National Corporation, Ohio-based KeyCorp, and the Missouri-based Boatmen's Bancshares Inc. -- the Fed was concerned enough about competition to require the banking organizations to divest some of their facilities in order to win approval. Southern National agreed to divest branches in five markets in order to win to acquire a bank. Boatmen's agreed to divest two branches in markets that the agency decided would be highly concentrated after a proposed acquisition is consummated.

There were no Board denials of applications during the first quarter, which is not unusual. Many banking organizations opt to withdraw a controversial application if they learn it is likely to be voted down by the Board.

DOJ Investigation

One of the three first quarter application approvals on which the Board was divided dealt with a proposal by Illinois-based Northern Trust Corporation and Northern Trust of Florida Corporation. Their applications to acquire Florida-based Beach One Financial Services, Inc., was approved 5 to 2 by the Board despite an ongoing DOJ investigation of Northern Trust's compliance with federal fair lending statutes.

According to the Fed, the DOJ investigation is focusing on Northern Trust's Illinois banking subsidiaries, including its lead subsidiary bank, the Northern Trust Company of Chicago, primarily during a period from 1992 until early 1994.

The Board characterized the DOJ probe this way: "Northern Trust has addressed concerns expressed by DOJ regarding the documentation and oversight of its loan underwriting process during the time period covered, but has denied that its Illinois banking subsidiaries violated the substantive provisions of the federal fair lending laws in processing loan applications from African-Americans, or other minorities.

"Northern Trust also has submitted extensive information to the Board on steps taken and to be taken, particularly at the Chicago bank, to improve its underwriting practices and its fair lending compliance programs. The DOJ and Northern Trust are discussing the issued raised by this investigation, but there has been no judicial or other final resolution of this matter."

In approving the Northern Trust application, the Board majority said that all of the banking subsidiaries of Northern Trust "subject to DOJ investigation received either 'outstanding' or 'satisfactory' ratings for CRA performance from their primary federal supervisors in recent examinations that covered the period after the period under review by the DOJ." In addition, the majority said, "examiners did not find any pattern or practice of illegal discrimination or other illegal practices intended to discourage applications for credit during the time periods covered by these examinations."

However, Fed Vice Chairman Alan S. Blinder and Fed Gov. Janet L. Yellen voted to withhold approval of the Northern Trust application pending completion of the DOJ investigation.

"We dissent," they said, "not because we think the application should be denied, but because we believe it wise to wait a short while for more pertinent information." They cited two examples of significant information about to materialize.

"First," Blinder and Yellen said, "we note that Northern Trust and DOJ are discussing the issues raised by the DOJ investigation, and these discussions could be completed in the near future . . . Second, the Chicago bank's first quarterly status report to the Reserve Bank on the bank's progress in addressing problems in the fair lending area is due by April 30. These two pieces of information, we believe, would put the Board in a much better position to make a determination."

Unfulfilled Commitment

Two related applications approved on a split vote involved a condition imposed by the Board majority for Louisiana-based First Commerce Corporation to submit an additional CRA plan to the Fed on financial counseling and home buyer education programs in a particular community. The First Commerce applications proposed the acquisitions of two Louisiana-based bank holding companies, City Bancorp, Inc. and First Bancshares, Inc.

These applications were protested by the Plaisance Development Corporation, which accused First Commerce of failing to comply with a CRA-related commitment made in connection with a previous application approval. In approving the pending applications, the Board majority said a Fed investigation revealed that First Commerce "has not fulfilled the terms of its commitment to the Board regarding these programs."

As a result, the Board majority said, "the Board's action in this case is expressly conditioned on First Commerce submitting, prior to consummation of this proposal, a written plan satisfactory to the Federal Reserve System to initiate financial counseling and home buyer education programs to the Plaisance community."

Fed Gov. John P. LaWare voted against the Board action, maintaining that the condition was inappropriate. "I do not believe it is appropriate for the Board to condition its action regarding these applications on the submission of an additional CRA plan," LaWare said. "Applicant has an overall satisfactory CRA performance record and has implemented numerous programs throughout its many communities to comply with the CRA. In this situation, I believe that it is more appropriate for the Board to investigate and resolve any question about applicant's compliance with the single commitment under the Board's general supervisory authority and not in the course of processing these applications."

LaWare said the Board should have approved these applications unconditionally. The vote was 5 to 1, with Fed Gov. Susan M. Phillips absent and not voting.

ATM Competition

Another application approval that drew a dissenting vote involved a proposal by a joint venture of four major banking organizations to acquire a data processing operation, including significant automated teller machine (ATM) assets and point-of-sale (POS) assets. The four banking organizations were Ohio-based Banc One Corporation, Pennsylvania-based CoreStates Financial Corp and PNC Bank Corp., and Ohio-based KeyCorp. The proposal was for their joint venture subsidiary, Electronic Payment Services, Inc., to acquire ATM and POS assets of a data processing company owned by Ohio-based National City Corporation and to admit National City to the joint venture.

In some circles, this joint venture ruling was considered a landmark Fed decision in terms of standards for future expansion among banking organizations in electronic services. One of the issues raised by the application was whether markets for ATM network access, ATM network services and ATM processing should be defined on a city-by-city basis or some larger geographic basis.

The Fed cited a recent survey of the 50 largest regional, shared electronic funds transfer (EFT) networks showing that 17 of them have markets encompassing two to five states and four have markets of more than 15 states. It also cited a Fed staff study suggesting "that the geographic market for network access is an area significantly larger than local markets."

Consequently, the Board concluded that the markets for network services and ATM processing are "at least regional." In approving the application, the Board also rejected a protest that the acquisition would have significant anticompetitive effects in the market for ATM services in the Ohio-Kentucky-Pennsylvania region, and particularly in Ohio.

The application was approved by the Board on a 5 to 1 vote, with Yellen absent and not voting. The dissenting vote came from Blinder, who said he did not question approval of the application, but argued that approval should have included conditions aimed at preserving competition in the market.

"My dissent is based on a matter of law, not economics," Blinder said. "The reduction of competition that will result from the proposed acquisition is modest and thus not very troubling on strictly economic grounds. But, Section 4(c)(8) of the Bank Holding Company Act imposes a sterner test: it requires the Board to determine that the acquisition 'can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as . . . decreased or unfair competition."

In this case, he said, it seems to be "undeniable" that allowing National City's ATM network to be merged into the so-called MAC network would result in "some" adverse effect on competition demanding under Section 4(c)(8) the demonstration of overriding public benefits.

The Fed generally recognizes that ATM network operating rules are an important consideration in assessing such competition, he said. Therefore, he added, "if, as a condition for approving this application, the Board were to require a few procompetitive changes in MAC's operating rules (such as eliminating the holding company rule that generally requires all affiliated banks of a holding company to be members of the network if one bank joins), the net public benefits test of Section 4(c)(8) would be met." But, absent such conditions, he said, "I do not see how the standard is met."

Fair Lending Challenge

An application challenged on fair lending grounds involved the bid of New York-based Chase Manhattan Corporation for the Fed's okay on a de novo state savings bank charter to be the vehicle for interstate branching in New York and Connecticut.

According to the Fed, Chase Savings Bank would be chartered as in New York as a non-operating institution in connection with a multi-step corporate reorganization that ultimately would result in the merger of Chase Manhattan Bank of Connecticut, N.A., Bridgeport, with Chase's lead bank in Manhattan, with the Manhattan bank being the surviving institution operating the branches of the Connecticut bank in Connecticut.

A protest accused Chase and its mortgage subsidiaries of violating the Equal Opportunity Act and the Fair Housing Act, the basic federal fair lending laws. The protest charged the bank holding company with steering housing-related loan applications from low-and moderate-income areas and minority mortgage loan applicants to its Manhattan bank in order to improve the bank's CRA performance record, while pointing affluent nonminority mortgage loan applicants to its mortgage subsidiaries, which are not subject to CRA performance evaluation.

In approving the application, the Board noted that a similar, related protest on Chase's lending and credit practices had been registered with the Office of the Comptroller of the Currency (OCC). "On the basis of all the facts of record, the OCC concluded that neither the banks nor the mortgage subsidiaries had engaged in illegal discriminatory lending or credit practices as alleged by protestant," the Fed said.

CRA Challenges

A number of CRA challenges were rejected by the Board during the first quarter of 1995. Among them were applications filed by Illinois-based Coal City Corporation and the Manufacturers National Corporation; Missouri-based Boatmen's Bancshares, Inc.; Louisiana-based Whitney Holding Corporation; New York-based Marine Midland Bank N.Y. and Manufacturers and Traders Trust Co.; Michigan-based Comerica Incorporated and Comerica California Incorporated; and Illinois Financial Services, Inc.

Foreign Bank Applications

One of the noteworthy foreign bank application considered by the Board during the first quarter of 1995 was filed by Banque Nationale de Paris, Paris, requesting permission to engage in futures commission merchant, commodity trading advisor, foreign exchange, securities and data processing activities. The French banking organization proposed doing this through its subsidiary, the Pennsylvania-based BNP/Cooper Neff, Inc.

The company agreed to several Fed requests in order to get the proposal approved. One was that the BNP/Cooper Neff, Inc. and its affiliates not share any confidential information concerning their respective customers without the consent of the customers. Another was that the subsidiary exercise its discretionary management authority only in purchasing and selling exchange-traded instruments. "Therefore," the Fed said, "concerns surrounding over-the-counter instruments, such as the potential for abuses due to the lack of price transparency, are not present in the proposal.

Mutual Fund Advisory Services

Among the nonbanking expansion applications approved by the Fed during the first quarter of 1995 was a plan by the Colorado-based Carbon County Holding Company to provide investment advisory and administrative services to a mutual fund.

Carbon County, the parent of Wyoming-based Rawlings National Bank, an institution with only $ 89.8 million in assets, would do this by acquiring the

Hanifen, Imhoff Management Co., which now provides such services to the fund involved. When the transaction is consummated, Hanifen, Imhoff Management would change its name to Freedom Funds Management Company, and the mutual fund would be named Freedom Fund.

In approving the transaction, the Fed said that a bank holding company may serve as an investment advisor to a mutual fund without controlling it, which would be a violation of the Glass-Steagall Act.

The Fed also ruled that Carbon County would not engage in the distribution of mutual fund shares. "In particular," the Fed said, "the company would not be involved in the promotion or sale of the fund's shares. Carbon County has committed that the company would not engage in marketing, sales or advertising activities relative to any mutual fund."

First Quarter Applications

Here is a state-by-state listing of banking expansion applications acted upon by the Fed during the first quarter of 1994.

ALABAMA

Whitney Holding Corporation, New Orleans, La., (deposits $ 2.4 billion) to acquire all the voting shares of Whitney Bank of Alabama, Mobile, Ala., a de novo bank. Approved by the Fed January 24, 1995, under Section 3(a)(3) of the Bank Holding Company Act. Following consummation of this transaction, Whitney Bank of Alabama would acquire substantially all the assets and assume substantially all the liabilities of five of the nine branches of Peoples Bank, Elba, Ala. (deposits $ 174.3 million).

ARKANSAS

Boatmen's Bancshares, Inc., St. Louis, Mo., (assets $ 28.6 billion) to acquire Worthen Banking Corporation, Little Rock, Ark., (assets $ 3.5 billion) and thereby acquire its banking and nonbanking subsidiaries. Approved by the Fed January 18, 1995, under Section 3 of the Bank Holding Company Act.

CALIFORNIA

Cho Hung Bank, Seoul, Korea, (assets $ 35.1 billion) to acquire Seoul Bank of California, Los Angeles, Calif. (deposits $ 21.3 million). Approved by the Fed March 1, 1995, under Section 3 of the Bank Holding Company Act.

Comerica Incorporated, Detroit, Mich., and Comerica California Incorporated, San Jose, Calif., (assets $ billion) to acquire all the voting shares of University Bank & Trust Company, Palo Alto, Calif. (deposits $ 383.4 million). Approved by the Fed March 1, 1995, under Section 3 of the Bank Holding Company Act.

First Interstate Bank of California, Los Angeles, Calif., to acquire certain assets and assume the liabilities of First Trust Bank, Ontario, Calif. Approved by the Fed March 6, 1995, under the Bank Merger Act.

Investors Banking Corporation, Salem, Oregon, (deposits $ 58.8 million) to acquire up to 88 percent of the voting shares of BKLA Bancorp, (deposits $

79.1 million) and thereby indirectly acquire up to 88 percent of the voting shares of Bank of Los Angeles, both of West Hollywood, Calif. Approved by the Fed March 6, 1995, under Section 3(a)(3) of the Bank Holding Company Act.

Banque Nationale de Paris, Paris, France, (assets $ 272 billion) to establish branch offices in Los Angeles and San Francisco, Calif. Approved by the Fed March 27, 1995, under Section 7(d) of the International Banking Act.

COLORADO

Peak Banks of Colorado, Inc., Nederland, Colo., to become a bank holding company by acquiring Peak National Bank, Nederland, Colo. (deposits $ 40 million). Approved by the Fed January 30, 1995, under Section 3(a)(1) of the Bank Holding Company Act.

Carbon County Holding Company, Englewood, Colo., to acquire Hanifen, Imhoff Management Co., Inc., Denver, Colo., and thereby engage in providing investment advisory and administrative services to one open-end investment company. Approved by the Fed March 6, 1995, under Section 4(c)(8) of the Bank Holding Company Act and Section 225.23 of the Board's Regulation Y.

FLORIDA

Northern Trust Corporation, Chicago, Ill., (assets $ 18.4 billion) and Northern Trust of Florida Corporation, Miami, Fla., to acquire Beach One Financial Services, Inc., (deposits $ 184 million) and thereby indirectly acquire its wholly owned subsidiary, The Beach Bank of Vero Beach, both of Vero Beach, Fla. Approved by the Fed March 1, 1995, under Section 3 of the Bank Holding Company Act.

ILLINOIS

Coal City Corporation, Coal City, Ill., and Manufacturers National Corporation, Chicago, Ill., (together deposits $ 286.5 million) to acquire at least 82.35 percent of voting shares of Peterson Bank, Chicago, Ill. (deposits $ 153.4 million). Approved by the Fed January 17, 1995, under Section 3 of the Bank Holding Company Act.

The Bank of Tokyo, Ltd., (assets $ 271.9 billion) Tokyo, Japan, to acquire The Chicago-Tokyo Bank, Chicago, Ill. Approved by the Fed January 30, 1995, under Section 3(a)(3) of the Bank Holding Company Act.

Illinois Financial Services, Inc., (deposits $ 331.8 million) to acquire indirectly 80 percent of Alpha Financial Corporation, (deposits $ 176.7 million) and thereby indirectly acquire Alpha Financial Corporation's subsidiary banks, Archer National Bank and Chicago National Bank, all of Chicago, Ill. To effect this proposal, Illinois Financial Services, Inc. also has applied to form a new intermediary holding company, Alpha Bancorp, Chicago, Ill., and to acquire at least 80 percent of its shares. Approved by the Fed March 13, 1995, under Section 3 of the Bank Holding Company Act.

LOUISIANA

First Commerce Corporation, New Orleans, La., (deposits $ 5.2 billion) to merge with City Bancorp, Inc., New Iberia, La., (assets $ 85.9 million) and

First Bancshares, Inc., Slidell, La., (assets $ 242.1 million) and thereby indirectly acquire their respective banking subsidiaries, City Bank and Trust Company, New Iberia, La., and First Bank, Slidell, La. Approved by the Fed February 2, 1995, under Section 3(a)(5) of the Bank Holding Company Act.

MAINE

KeyCorp, Cleveland, Ohio, (deposits $ 2 billion) and Key Bancshares of Maine, Inc., Portland, Maine, to acquire Casco Northern Bank, N.A., $ 895.5 million Portland, Maine. Approved by the Fed January 17, 1995, under Section 3 of the Bank Holding Company Act.

MISSOURI

State Street Boston Corporation, Boston, Mass., (assets $ 22.4 billion) to acquire IFTC Holdings, Inc., and its wholly owned subsidiary, Investors Fiduciary Trust Company, both of Kansas City, Mo., and thereby engage in trust and trust-related activities. Approved by the Fed January 30, 1995, under Section 4(c)(8) of the Bank Holding Company Act.

NEBRASKA

Battle Creek State Company, Battle Creek, Neb., to acquire 80.7 percent of the voting shares of Battle Creek State Bank, Battle Creek, Neb., (deposits $ 11.9 million) and thereby become a bank holding company. Approved by the Fed January 30, 1995, under Section 3 of the Bank Holding Company Act.

NEW HAMPSHIRE

Bank of Ireland, Dublin, Ireland, (assets $ 28.3 billion) and its subsidiary, Bank of Ireland First Holdings, Inc., Manchester, N.H., to acquire indirectly all the voting shares of Great Bay Bancshares, Inc., (deposits $ 260.1 million) and thereby indirectly acquire Southeast Bank for Savings and Constitution Trust Company, all of Dover, N.H. Approved by the Fed March 6, 1995, under Section 3 of the Bank Holding Company Act.

NEW YORK

Turkiye Vakiflar Bankasi, T.A.O., Ankara, Turkey, (assets $ 2.7 billion) to establish a branch office in New York, N.Y. Approved by the Fed January 4, 1995, under Section 7(d) of the International Banking Act.

Marine Midland Bank, Buffalo, N.Y., (deposits $ 12.4 billion) to establish a brach office at P&C Store # 139,3577 West Genesee Street, Syracuse, N.Y., and an ATM in Wilson Commons Building, University of Rochester, Rochester, N.Y. Approved by the Fed January 25, 1995, under Section 9 of the Federal Reserve Act.

Union Bank of Switzerland, Zurich, Switzerland, (assets $ 209 billion) to engage de novo through its wholly owned subsidiary, UBS Community Development Corporation, New York, N.Y., in making equity investments in, and loans and grants to, community development corporations that are designed to promote community welfare pursuant to Section 225.25(b)(6) of the Board's Regulation Y. Approved by the Fed February 13, 1995, under Section 4(c)(8) of the Bank Holding Company Act.

Credit Commercial de France S.A., Paris, France, (assets $ 53.9 billion) and Berliner Handels-und Frankfurter Bank, Frankfurt am Main, Germany, (assets $ 32.3 billion) to retain control of all the voting shares of Charterhouse North America Inc., New York, N.Y., and its subsidiaries, and thereby engage in certain private placement and investment advisory activities. Approved by the Fed February 21, 1995, under Section 4(c)(8) of the Bank Holding Company Act and Section 225.23(a) of the Board's Regulation Y.

Manufacturers and Traders Trust Company, Buffalo, N.Y., (deposits $ 6 billion) to establish branches in seven Tops Markets in Rochester, N.Y. Approved by the Fed February 27, 1995, under Section 9 of the Federal Reserve Act.

Chase Manhattan Corporation, New York, N.Y., (assets $ 114 billion) to acquire all the voting shares of Chase Savings Bank, New York, N.Y., a de novo state-chartered savings bank. Approved by the Fed March 13, 1995, under Section 3 of the Bank Holding Company Act.

The Standard Bank of South Africa, Johannesburg, S. Africa, (assets 20.2 billion) to establish a representative office New York, N.Y., Approved by the Fed March 22, 1995, under Section 10(a) of the International Banking Act.

Banco Santander, S.A., Madrid, Spain, (assets $ 73.1 billion) to engage de novo, through Santander Investment Securities Inc., New York, N.Y., in underwriting and dealing in all types of debt and equity securities on a limited basis and other nonbanking activities. Approved by the Fed March 27, 1995, Section 4(c)(8) of the Bank Holding Company and Section 225.23 of the Board's Regulation Y.

North Fork Bancorporation, Inc., Mattituck, N.Y., (deposits $ 2.3 billion) to acquire up to 9.9 percent of the voting shares of Sunrise Bancorp, Inc., (deposits $ 439 million) and thereby indirectly acquire an interest in Sunrise Federal Savings Bank and Paumanok Service Corp., all of Farmingdale, N.Y. Approved by the Fed March 29, 1995, under Section 4(c)(8) of the Bank Holding Company Act and Section 225.23(a) of the Board's Regulation Y.

NORTH CAROLINA

Southern National Corporation, Lumberton, N.C., (deposits $ 4 billion) to acquire BB&T Financial Corporation, Wilson, N.C., (deposits $ 6.2 billion) and thereby indirectly acquire Branch Bank and Trust Company, Wilson, N.C., (deposits $ 6.2 billion) and thereby indirectly acquire Branch Bank and Trust Company of South Carolina, Greenville, S.C.; Lexington State Bank, Lexington, S.C.; and Community Bank of South Carolina, Varnville, S.C. under Section 3 of the Bank Holding Company Act. The Board also approved Southem's application to acquire 15 percent of the voting shares of Southeast Switch, Inc., Maitland, Fla., under Section 4(c)(8) of the Banking Holding Company Act and the Board's Regulation Y and thereby engage in providing data processing services and management consulting advice, and to engage in community development activities.

NORTH DAKOTA

BNCCORP, INC., Bismarck, N.D., (assets $ 144.4 million) to acquire all of the voting shares of JMS Systems, Inc., Bismarck, N.D., and thereby engage in various data processing activities. Approved by the Fed January 9, 1995, under Section 4(c)(8) of the Bank Holding Company Act and Section 225.23(a) of the

Board's Regulation Y.

First Bancshares of Valley City, Inc., Valley City, N.D., (deposits $ 57.1 million) to acquire all of the voting shares of Insurance by Strehlow, Inc., (deposits $ 26.9 million) and thereby indirectly acquire its subsidiary, The First State Bank of Casselton, both of Casselton, N.D. Approved by the Fed January 11, 1995, under Section 3 of the Bank Holding Company.

OHIO

Bank Holding Company.

OHIO

Banc One Corporation, Columbus, Ohio; CoreStates Financial Corp, Philadelphia, Pa.; PNC Bank Corp., Pittsburgh, Pa.; and KeyCorp, (KeyCorp) Cleveland, Ohio, through their joint venture subsidiary Electronic Payment Services, Inc., (EPS) Wilmington, Dela., to acquire certain data processing assets of National City Corporation, Cleveland, Ohio; for National City to become an equity owner of EPS; and for KeyCorp to increase its equity ownership in EPS. Approved by the Fed March 1, 1995, under Section 4(c)(8) of the Bank Holding Company Act and Section 225.23(a) of the Board's Regulation Y.

OKLAHOMA

Cheyenne Banking Corporation to become a bank holding company by acquiring 100 percent of the voting shares of Security State Bank, (deposits $ 59.8 million) both of Cheyenne, Okla. Approved by the Fed February 15, 1995, under Section 3(a)(1) of the Bank Holding Company Act.

OREGON

Commercial Bancorp, Salem, Ore., (deposits $ 254.9 million) to merge with West Coast Bancorp, (deposits $ 134.9 million) and thereby indirectly acquire Bank of Newport, both of Newport, Ore. Approved by the Fed February 13, 1995, under Section 3 of the Bank Holding Company Act.

PENNSYLVANIA

Banque Nationale de Paris, Paris, France, (assets $ 244 billion) to engage, through BNP/Cooper Neff, Inc., Radnor, Pa., in certain futures commission merchant, commodity trading, foreign exchange, securities and data processing activities. Approved by the Fed February 9, 1995, under Section 4(c)(8) of the Bank Holding Company Act.

TEXAS

South Texas Capital Group, Inc., San Antonio, Tex., to become a bank holding company by acquiring 100 percent of the voting shares of Plaza Bank, N.A., San Antonio, Tex. (deposits $ 21 million). Approved by the Fed February 8, 1995, under Section 3(a)(1) of the Bank Holding Company Act.

Woodforest Bancshares, Inc., Houston, Tex., (deposits $ 117 million) to acquire 100 percent of Sun Belt Bancshares Corporation, Conroe, Tex., (deposits $ 110 million) and thereby indirectly acquire its bank subsidiary National

Bank of Conroe, Tex. Approved by the Fed February 15, 1995, under Section 3 of the Bank Holding Company Act.

Irving National Bancshares, Inc., Dallas, Tex., to acquire all the voting shares of Irving National Bank, Irving, Tex., (deposits $ 23.5 million) and First Continental Bank of Grand Prairie, N.A., (deposits $ 18.8 million) Grand Prairie, Tex., and thereby become a bank holding company. Approved by the Fed March 13, 1995, under Section 3(a)(1) of the Bank Holding Company Act.

WISCONSIN

Johnson International, Inc., Racine, Wis., applied for the Board's approval under Section 4(c)(8) of the Bank Holding Company Act and Section 225.23 of the Board's Regulation Y to acquire 100 percent of the outstanding voting shares of Seaboard Savings Bank, FSB, Stuart, Fla., and thereby engage in the operation of a savings association. The request was denied by the Fed on March 27, 1995.

LANGUAGE: ENGLISH

#056T950505SMARA01# #TMSX951011XPX03XNI#

LOAD-DATE: May 05, 1995

The New York Times, March 18, 1995

Mr. Blinder's impact on the Federal Reserve's actual decisions -- as the first vice chairman appointed by a Democratic President since the 1970's -- is harder to measure. While his predecessors as vice chairman, David W. Mullins Jr. and Manuel H. Johnson Jr., were mainly inflation fighters like Mr. Greenspan, Mr. Blinder provides a different counterpoint. For him, unemployment and inflation should be of equal concern.

Most of the Fed's policy makers -- its governors and the presidents of its regional banks -- endorse at their periodic gatherings the decisions on interest rates their chairman favors. But one or two are beginning to acknowledge the influence of Mr. Blinder and of another Clinton appointee, Janet L. Yellen, an economist at the University of California at Berkeley who also became a Fed governor last year.

"Hopefully, when the time comes to move in the other direction and ease interest rates to avoid a recession, we will be able to move sooner than we otherwise might have," said a top Fed official who declined to be identified. "The Blinder-Yellen analysis may be part of that change."

But not yet. Mr. Blinder's first two attempts to buck rate increases fell short, Fed officials say. Last November, four months after joining the Fed, he argued unsuccessfully against Mr. Greenspan's proposal to raise short-term interest rates by three-quarters of a percentage point. Mr. Blinder and Ms. Yellen instead favored an increase of half a percentage point, Fed officials said. Two meetings later, they reportedly argued against the half-point increase that the Fed's policy makers approved on Feb. 1.

"I believe the classic mistake of Fed policy is to not look far enough ahead and to overreact," Ms. Yellen said. "You have to guard against a possibility that we could say, 'Let's clobber the economy because it has not slowed down enough yet.' "

For all their resistance to higher rates, however, Mr. Blinder and Ms. Yellen voted with the majority in November and in February. "Dissent around here, any dissenting vote, is a big deal," Mr. Blinder said. "This is not like the Supreme Court, where you regularly get 6-3 or 5-4 votes. So you hold your fire until you feel you must shoot."

That dissenting vote almost certainly will not come at the next meeting, on March 28. Evidence in recent weeks of a slowing economy seems likely to keep the policy makers from making any changes in rates.

What's more, the talkative Mr. Blinder, who is 49, shares with the more solemn Mr. Greenspan, who is 69, a basic view that softens their differences. Rate increases are indeed necessary, Mr. Blinder says, when future inflation threatens. He had no problem, he says, with the Fed's rate increases through most of last year. And these increases should curb rising prices over the long run.

Where Mr. Blinder's differences with Mr. Greenspan show up is in the short run, the two or three years of hardship that rising interest rates often bring. Mr. Blinder argues that unemployment might rise to unnecessarily painful levels starting next year if he and his colleagues go too far now in their effort to slow the economy with rate increases.

86TH STORY of Level 1 printed in FULL format.

The New York Times

March 18, 1995, Saturday, Late Edition - Final

NAME: Alan S. Blinder

SECTION: Section 1; Page 37; Column 2; Business/Financial Desk

LENGTH: 1480 words

HEADLINE: Opening the Fed's Doors From Inside;
Alan Blinder Preaches Communication at Tight-Lipped Central Bank

BYLINE: By LOUIS UCHITELLE

DATELINE: WASHINGTON

BODY:

What is most striking about Alan S. Blinder's large, sunny office at the Federal Reserve is how quiet it is. That's partly tradition. The men and women who set the nation's interest rates don't drop in on one another very often. But for Mr. Blinder, who came aboard last summer as the Fed's vice chairman, hoping to make his voice heard, the isolation was a big obstacle.

"I thought there would be more governor-to-governor chitchat," Mr. Blinder said in an interview. "I thought the staff would be walking in to my office more, telling me, 'You ought to know about this; you ought to know about that.' That happens to some extent, but not nearly as much as I had imagined it would."

Mr. Blinder found his impact inside the Fed largely limited to what he had to say at meetings of the central bank's policy makers -- meetings dominated by the chairman, Alan Greenspan. But he also took his case to the public, revealing in speeches and interviews the dynamics of the Fed's private policy debates. And gradually Mr. Blinder's influence is starting to be felt.

"My biggest disagreement with my colleagues at the Fed is over openness," Mr. Blinder said. "I believe we should talk to society more and say what we are doing and why we think it is right. But the position of this institution has always been to be extremely tight-lipped."

In breaking with that tradition, he has emerged as the highest official in Washington to publicly caution the Federal Reserve -- his colleagues -- against raising interest rates too much before it is clear to what extent earlier increases will brake the economy. In the past, the White House and Congress played this role. Mr. Blinder's efforts are aimed partly to offset pressure from bond traders who want more rate rises to fight inflation.

"Someone asked me during a recent speech, do I think we can ever achieve zero inflation," Mr. Blinder said. "I said, 'Absolutely, yes.' We can get there in only a couple of years if we are willing to pay the price. But I think if you put the question to ordinary people -- 'Would you like right now to have a recession like the one in the early 1990's to get inflation to zero by 1997?' -- you would be hard put to find a single vote. You can have a more moderate strategy, arriving more slowly with less pain."

Mr. Greenspan, as Fed chairman, has argued that whatever this risk, fighting inflation should be the primary goal -- a view he repeated in Congressional testimony this month.

There are other differences, which seem to work against Mr. Blinder's being considered for Fed chairman when Mr. Greenspan's term expires next year. While Mr. Blinder argues that reversing an increase in inflation is no more difficult than reversing disinflation and a declining economy, Mr. Greenspan says an uptick in inflation is the greater danger and the more difficult to reverse.

Mr. Blinder, the theoretician, relies heavily on computer models that demonstrate the long lags between changes in interest rates and their effects on the economy. Pay less attention to what is happening today, he says. The real impact on employment and inflation from the rate increases of the last year will not begin until months from now.

Mr. Greenspan, on the other hand, puts more faith in projections based on what he sees happening now in various crucial sectors of the economy, which is how he built his reputation as a private economist.

Finally, Mr. Blinder, an economics professor at Princeton University before he joined President Clinton's Council of Economic Advisers in 1993, has not yet built the alliances within the institution that some of his predecessors had. Mr. Blinder's sway with his Fed colleagues is concentrated in the appeals he makes at the Fed's periodic meetings. They rely heavily on his skill as a theoretician, laced with what Edward W. Kelley Jr., a Fed governor, called Mr. Blinder's "wry sense of humor and a way of expressing himself that is really nice."

But Mr. Greenspan is the more skilled and experienced politician, having developed close ties over the years to the Fed's other leaders -- ties that Mr. Blinder lacks.

Mr. Blinder has instead taken his views much more to the public, offering to outsiders an insider's glimpse of the debate that takes place when the policy makers gather around the huge oak table in the closed-off board room at the Fed's headquarters. Although the Fed has gradually become more open in the last year -- announcing its decisions on interest rates, for example, on the day they are made -- there is resistance among the policy makers to going further.

Mr. Blinder has argued for an essay-style communique to accompany announcements of rate changes, instead of the two-sentence releases that are now the standard. Under current practice, the heavily edited minutes are only issued six weeks after each meeting.

But don't look for more detailed explanations on the day of decision anytime soon. Too much of each meeting, Mr. Greenspan has argued, would have to be devoted to writing carefully worded releases rather than to debating policy.

Still, Mr. Blinder plans to keep plugging away. "If the central bank makes good decisions," he said, "we should not have any trouble explaining them."

ALAN S. BLINDER

BORN -- Oct. 14, 1945, Brooklyn

POSITION -- Vice chairman, Federal Reserve Board

RESIDENCE -- Princeton, N.J.

EDUCATION -- B.A., Princeton University; M.S. London School of Economics; Ph.D., Massachusettes Institute of Technology .

CAREER HIGHLIGHTS -- 1971-93, economics professor, Princeton; 1993-94, member of President Clinton's Council of Economic Advisers; June 1994, joined Federal Reserve Board as vice chairman.

GRAPHIC: Photo: The silence of his office is deafening, Alan S. Blinder says, as the Clinton appointee struggles to make his own voice heard as vice chairman of the Federal Reserve. (Lisa Berg for The New York Times)

LANGUAGE: ENGLISH

LOAD-DATE: March 18, 1995

95TH STORY of Level 1 printed in FULL format.

Business Week

December 12, 1994

SECTION: WASHINGTON OUTLOOK; CAPITAL WRAPUP; Number 3403; Pg. 53

LENGTH: 119 words

HEADLINE: YELLEN SPEAKS

BYLINE: EDITED BY OWEN ULLMANN

BODY:

-- During her first four months on the Federal Reserve Board, Janet L. Yellen has been the invisible central banker, avoiding public appearances and press interviews. But Yellen at last is emerging to position herself as an inflation hawk. She may have learned from the debut of another new Clinton appointee to the Fed, Vice-Chairman Alan S. Blinder, who got into trouble with remarks that made him look soft on inflation to Wall Street. Yellen, also suspected of being an inflation dove, isn't taking any chances with the Street. In an interview with BUSINESS WEEK, the former University of California-Berkeley economist says: ''I don't want the inflation rate higher when I leave here than it is now.''

LANGUAGE: ENGLISH

98TH STORY of Level 1 printed in FULL format.

Investor's Business Daily

November 21, 1994

SECTION: Economy Update; Pg. B1

LENGTH: 506 words

HEADLINE: Fed Voted 11-1 Against Rate Hike In September

BODY:

Federal Reserve policy-makers voted 11-1 against raising interest rates at their Sept. 27 meeting, even as they saw signs inflation may accelerate next year, according to minutes of the meeting. ''The ongoing inflow of information on the performance of the economy continued to indicate a significant potential for higher inflation down the road,'' the minutes said. FOMC Cited Slow Growth In Money As Key Factor The central bankers concluded at the meeting that the slow growth of the nation's money supply meant inflation was unlikely to accelerate immediately. While policy-makers on the Fed's Open Market Committee didn't raise rates, they took the technical step of voting for a shift toward favoring higher rates. That was a signal they were more likely to raise rates, departing from their earlier policy of holding rates stable. Clinton Appointees Voted In Line With GreenspanFed Vice Chairman Alan Blinder and Gov. Janet Yellen, who were appointed to the board by President Clinton, supported Chairman Alan Greenspan in this September change. The only dissenting vote was cast by Richmond Federal Reserve Bank President J. Alfred Broaddus Jr., who urged an immediate rate increase that would respond to ''signs of increasing price pressures and rising inflationary expectations,'' the minutes said. But other FOMC members were unsure whether earlier Fed rate increases were already cooling the economy enough to keep inflation from accelerating. Employment Laws Hurt U.S.' Competitiveness Current federal employment laws will prevent American workers from competing effectively in the global marketplace in the 21st century, an expert on labor law warned. Ed Potter, president of the Employment Policy Foundation in Washington, D.C., also said if the laws don't thwart America's global competitiveness, they will create ''sufficient disincentives'' for employers to remain competitive. Recent Labor Changes Are Worst, Report SaysPotter's messages were emphasized in ''Keeping America Competitive: Employment Policy for the 21st Century,'' a book written by Potter and political scientist Judy Youngman of the U.S. Coast Guard Academy. The study said labor policies are ''antique, dysfunctional and sometimes conflict with one another.'' It cited the proliferation of labor laws in the last quarter century as the problem's root. Between 1970 and 1993, 72 employment laws were enacted, 150% of the number passed in the 20th century's first 70 years, they said. White House Will Seek To Lift Home OwnershipHousing and Urban Development Secretary Henry Cisneros spelled out several options under consideration to make it easier for Americans to buy a home, aiming to boost home ownership to an all- time high by the year 2000. A plan is expected within six months to hit that goal. In general, officials want to lower the up-front costs of buying a home, cut government red tape and fees and eliminate racial barriers to home purchases.

LANGUAGE: ENGLISH

LOAD-DATE: November 21, 1994

127TH STORY of Level 1 printed in FULL format.

The New York Times

August 28, 1994, Sunday, Late Edition - Final

SECTION: Section 1; Page 26; Column 1; National Desk

LENGTH: 811 words

HEADLINE: Fed Official Disapproves Of Rate Policy

BYLINE: By KEITH BRADSHER, Special to The New York Times

DATELINE: JACKSON, Wyo., Aug. 27

BODY:

Alan S. Blinder, the vice chairman of the Federal Reserve, publicly broke ranks with most of his colleagues today, saying he believed that the nation's central bank should seek to hold down unemployment in setting interest rates.

Speaking at the Federal Reserve's annual conference here, Mr. Blinder said that while controlling inflation was important, the Federal Reserve could limit unemployment for a few years at a time through low interest rates. He strongly criticized the idea, widely held among his colleagues and many economists, that a central bank would be more effective in fighting inflation if it focused solely on maintaining stable prices.

Mr. Blinder's comments revealed an intellectual split within the Federal Reserve, but seemed unlikely to produce a split over policy for the time being. Mr. Blinder said he thought unemployment in the United States, which stood at 6.1 percent in July, was now roughly as low as it could go without feeding inflation.

The clear implication of his comment, though not explicitly stated, was that the Federal Reserve could continue to raise short-term interest rates to fight any threat of inflation as long as unemployment stayed low.

First Clinton Appointee

But Mr. Blinder's comments did suggest that if unemployment and inflation rose simultaneously again, as occurred in the 1970's, he would be much more reluctant than his colleagues to raise interest rates further.

Mr. Blinder is President Clinton's first appointee to the central bank, and his comments today were especially significant because he is a leading candidate to head the central bank when Mr. Greenspan's term expires early in 1996. President Reagan first appointed Mr. Greenspan in 1987, and President Bush appointed him to a second term in 1992.

In contrast to Mr. Blinder's statements today, Alan Greenspan, the chairman of the Federal Reserve, has tried for years in testimony before Congress to distance the central bank from responsibility for unemployment. Mr. Greenspan told a House panel on Aug. 10 that maintaining stable prices was the primary goal of the Federal Reserve.

He reminded Representatives that he had previously testified in favor of a bill that would require the Federal Reserve to pursue zero inflation above all other goals, including the reduction of unemployment.

He has said he does not believe sustained reductions in unemployment can be achieved by permitting low interest rates and rising inflation.

Long-Term Approach

While Mr. Greenspan has never publicly defined the duration of a sustained reduction, none of his comments have suggested that the Federal Reserve might be able to hold down unemployment for a few years, as Mr. Blinder suggested today. Mr. Greenspan said on Aug. 10 that any unemployment gain was "ephemeral" and "very quickly dissipates."

Mr. Blinder did say he did not believe that interest rates could be used to hold down unemployment over the long term -- which he defined as 5 to 10 years.

He said he believed the economy was now roughly at the maximum level of employment possible without feeding inflation. He had testified at his Senate confirmation hearing last spring that he supported the Federal Reserve's first three interest-rate increases.

He is widely rumored to have supported the Fed's decision to raise short-term interest rates by another half a percentage point on Aug. 16, although Fed officials have refused to confirm or deny this. Mr. Blinder has never publicly expressed a view on the Fed's fourth interest-rate increase, which took place in May, after his confirmation hearing but before he joined the Fed.

Mr. Greenspan made an oblique reference here on Friday to his distaste for using low interest rates and higher inflation to hold down unemployment, a tactic known in economic policy circles as using monetary policy to seek macroeconomic gain.

"Any tendency to seek a bit of macro policy relief by pushing on the outer limits of monetary policy risks longer-term financial instability," Mr. Greenspan said.

Endorsing a Fed Goal

Congressional Democrats amended the Federal Reserve Act in 1978 to require the central bank to seek full employment as well as price stability. It is this amendment that the bill supported by Mr. Greenspan would change.

But in an interview after his speech today, Mr. Blinder endorsed the full-employment goal. "A central bank should have an employment objective," he said. "The evidence is overwhelming."

Janet Yellen, who is President Clinton's other appointee to the Federal Reserve Board this year, also endorsed the use of monetary policy to hold down unemployment at her confirmation hearing in July. But she was not as emphatic as Mr. Blinder was today, nor did she actually criticize the idea that central banks can control inflation better if they do not look at unemployment.

LANGUAGE: ENGLISH

LOAD-DATE: August 28, 1994

135TH STORY of Level 1 printed in FULL format.

Investor's Business Daily

August 15, 1994

SECTION: The Economy In Brief; Pg. B1

LENGTH: 62 words

HEADLINE: Senate Approves Yellen For Fed Governor Seat

BODY:

The Senate late Thursday overwhelmingly approved President Clinton's nomination of **Janet Yellen** to join the Federal Reserve Board as a governor. The approval, in a 94-to-6 vote, makes Yellen eligible to participate in tomorrow's Federal Open Market Committee meeting. She will assume the seat formerly held by Wayne Angell who left the board in February.

LANGUAGE: ENGLISH

LOAD-DATE: August 15, 1994

155TH STORY of Level 1 printed in FULL format.

USA TODAY

August 8, 1994, Monday, INTERNATIONAL EDITION

SECTION: MONEY; Pg. 10B

LENGTH: 697 words

HEADLINE: JAPAN TRADE SURPLUS

BODY:

Japan's current-account surplus rose 4.7% in June and 2.2% in the first half to a record $ 68.78 billion, the Finance Ministry says. The broadest measure of trade performance rose to $ 11.11 billion from June a year ago. The current account measures trade in merchandise plus transactions in investments and other services. In June, the merchandise-trade surplus widened 14.2% to $ 13.11 billion from June a year ago. Exports rose 9.4% to $ 32.58 billion while imports increased 6.5% to $ 19.48 billion. The two surpluses have been a source of tension for more than a decade with the U.S. and other trading partners.

CYSTIC FIBROSIS TEST: Two multinational companies said Monday they are launching the world's first diagnostic test to screen people to determine whether they are carriers of a gene which may lead to cystic fibrosis in their children. Britain's Zeneca Group and U.S.-based Eastman Kodak said their diagnostics units would work together to make and market the tests, which will be launched in Europe next month.

FED GOVERNOR: The U.S. Senate Banking Committee voted 18-1 to recommend that the full Senate confirm Janet Yellen for a 14-year term on the Federal Reserve Board. Yellen, 47, an economist at the University of California at Berkeley, is expected to win approval by the Senate. The only senator to oppose Yellen in committee was North Carolina Republican Lauch Faircloth. During confirmation hearings, Yellen pledged to work with Fed board members to craft a monetary policy geared to "maximum employment, stable prices and moderate long-term interest rates." But she left it unclear whether she believes the Fed should lean toward stimulating jobs by leaving interest rates alone or continuing to raise rates.

GM PARTS UNIT: General Motors has formed a new South American unit that will oversee its parts-making operation. Jabes da Costa Cabral will serve as executive director of the regional subsidiary of Automotive Components Group Worldwide. ACG South America will be headquartered in Sao Paulo, Brazil, and function in the same way as other regional units.

WINE DEAL: Canandaigua Wine Co. completed the purchase of several wine brands from Heublein Inc., the U.S. unit of Britain's Grand Metropolitan. Cost: $ 130.5 million in cash. The deal makes

Canandaigua the USA's second-largest wine producer, fourth-largest marketer of imported beers and eighth-largest producer and marketer of distilled spirits. Main brands include Corona beer and Paul Masson wines. Canandaigua also assumed about $ 4.8 million of operating liabilities.

CATERPILLAR WORKER WOES: The 2,800 workers at Caterpillar's Brazilian subsidiary may strike later this month unless the company gives into their demands for higher wages, union officials say. A Brazilian walkout would compound the labor strife at Caterpillar, which is engaged in a bitter contract dispute with unionized U.S. workers. The United Auto Workers union has been on strike at three of the company's U.S. plants employing about 13,300 workers since June 20, but it's unclear how many are honoring picket lines.

ZAIRE DIAMONDS: Zaire's new government has announced a crackdown on diamond and gold smuggling, saying it is time the country benefited from its huge mineral resources. The measures include a ban on the subleasing of operating licences and enforcement of a legal requirement on counters to declare at least $ 1.5 million a month in exports. But industry critics say the measures will be ineffective and too weak to halt the rampant fraud that each year robs the state of hundreds of millions of dollars.

TRADE PACT: The Mercosur trade bloc - which embraces Argentina, Brazil, Paraguay and Uruguay - has opened the group to Chile. The bloc encompasses nearly 200 million people and has a combined gross national product of almost $ 800 billion. Chile and Bolivia have expressed interest in joining.

BUSINESS HOLIDAYS: Banking and government offices may be affected by holidays Monday in Grenada, Iraq; Tuesday in Grenada, Singapore; Wednesday in Ecuador, Nicaragua; Thursday in Chad, Jordan, Zimbabwe; Friday in Cuba, Thailand, Zimbabwe.

LANGUAGE: ENGLISH

LOAD-DATE: August 10, 1994

215TH STORY of Level 1 printed in FULL format.

The San Diego Union-Tribune

June 26, 1994, Sunday

SECTION: BUSINESS; Ed. 1,2; Pg. I-1

LENGTH: 961 words

HEADLINE: Dollar's long doldrums may be Fed's fault Currency's fall reflects more on interest rates than the U.S. economy
ECONOMIST NEWSPAPER LTD

BODY:
For the past three years, and even longer for some currency forecasters, the refrain has been the same: This will be the Year of the Dollar.

Having declined in value since early 1985, and having stayed weak during America's recession of 1989-92, the dollar looked sure to climb.

Forecasters reasoned that America's economy would be growing while other rich countries were in recession, and that U.S. interest rates would be on the rise relative to those elsewhere.

Both assumptions have proved to be correct. But still the dollar refused to budge. And last week it fell briefly below 100 yen, its lowest value against the yen for half a century, contributing to a further sell-off in bond and share markets around the world.

To many, this is a mystery -- and a deeply worrying one. Might mayhem in the markets mean that economic recovery in America and elsewhere is ephemeral at best, a mirage at worst?

The first answer is that the dollar's decline is itself something of an illusion.

The rate against the Japanese currency has grabbed the headlines. "Yen Is Worth 1 Penny In New Low for Dollar," cried the International Herald Tribune. But looking at a single exchange rate is misleading.

The dollar's value is better measured by its trade-weighted exchange rate, or its rate against currencies weighted according to their importance in America's trade. On that measure the picture is less dramatic.

The dollar did fall by 1.4 percent in the week to June 21, but its current trade-weighted rate remains almost 10 percent higher than in 1992's third quarter, which was really the dollar's weakest period.

Recently, the American buck has been weak against the yen and the deutsche mark, but has risen against the Canadian dollar and Latin American currencies.

Which leads to the second answer. Part of most forecasters' reasoning for why the dollar was bound to rise is no longer valid.

The San Diego Union-Tribune, June 26, 1994

America's economy is indeed growing, but recovery has now also begun in Western Europe and, tentatively, in Japan.

The industrial world's recession is over, reducing the relative attractiveness of American assets and making it unlikely that official interest rates in Europe or Japan will fall any further. In Britain, they might even rise.

It can no longer be assumed that every move by America's Federal Reserve or Germany's Bundesbank will make the dollar a higher-yielding currency and the D-mark a lower-yielding one -- or that frailty in Japanese financial markets might lead to the desertion of the yen.

Nevertheless, behind those two answers lies a third conclusion.

This is that although the real story is not a decline in the dollar, it is nevertheless significant that the American currency has not appreciated strongly in the past year or so, an appreciation that might now merely be fizzling out.

The likeliest reason for that failure to rise is American monetary policy. Although the economy has been growing since early 1992, and strongly so since early 1993, monetary policy was not tightened until February this year, when the Fed began to raise interest rates.

Widely criticized as premature, that raising of interest rates was in fact pretty late, and although rates have since been raised further, they are still relatively low.

This did not matter to the markets as long as they thought American growth might still be fragile. But now that they know it to be vigorous, a policy of low interest rates has become a serious worry.

Inflation is now subdued, but in 1995 and 1996 it is likely to revive unless interest rates are raised sharply.

Oil and other commodity prices are climbing. The price of gold, singled out in February by Fed Chairman Alan Greenspan as a warning sign for inflation, is on its way up.

And the Fed's resolve is in doubt because the political demands of the presidential election cycle will increasingly make themselves felt, because two new Fed governors appointed by President Clinton -- Alan Blinder and Janet Yellen -- seem soft on inflation, because Greenspan himself has to be reconfirmed or replaced within two years, and because the Clinton administration's trade policy toward Japan appears to favor a weaker dollar against the yen, which can be achieved only by the Fed dragging its feet on interest rates.

Although economies (especially mature rich ones) always move in cycles of growth and recession, it is best to have moderation in both. That is why powerful American growth has been a bad sign.

As there has been no apparent change in America's long-term productive potential, rapid growth is not sustainable and will be sure, eventually, to boost inflation and to bring on the next powerful recession.

A far better sign would be a tight monetary policy and more modest growth, for it would stand a chance of lasting much longer.

Market panics of the sort seen in the past week are not necessarily harmful; they are messengers rather than murderers.

The best outcome, however, and one that would help Japan as well as America, would be if these market panics forced Greenspan and his political patrons in the White House to forget about Japanese trade, to become sanguine about growth, and to clamp down hard on inflation.

WHEN THE DOLLAR'S DEPRESSED

Main effects of a weak dollar on U.S. consumers and businesses:

What happens

Raises prices of imports and items bought in Eastern Europe and Japan for U.S. consumers

Prompts foreign investors to sell U.S. bonds, stocks, other dollar-based investments

What could be done

Treasury Department could buy dollars to prop up currency

Federal Reserve could raise interest rates to make dollar-denominated stocks, bonds and other investments more attractive to foreign investors

GRAPHIC: 1 CHART; WHEN THE DOLLAR'S DEPRESSED Main effects of a weak dollar on U.S. consumers and businesses (I-2)

LANGUAGE: ENGLISH

LOAD-DATE: June 26, 1994

261ST STORY of Level 1 printed in FULL format.

Chicago Sun-Times

May 2, 1994, MONDAY, Late Sports Final Edition

SECTION: FINANCIAL; PERSONAL INVESTING; Pg. 46

LENGTH: 712 words

HEADLINE: Fed, White House Set to Collide

BYLINE: John Crudele

BODY:

Buy yourself some popcorn. There will soon be some interesting political theater to watch.

Here's the setup:

The Commerce Department announced that the nation's gross domestic product for the first quarter dropped sharply from the unsustainable, weather-boosted 7.5 percent recorded in the last four months of 1993.

While most of the decline was predictable, the White House is likely to complain that the slowdown was the result of the Federal Reserve Board's decision to raise interest rates.

Depending on how the financial markets react to this weakening, President Clinton and Treasury Secretary Lloyd Bentsen will either be polite in their criticism of the Fed or publicly hostile.

In the face of White House criticism, the Fed will argue -- probably through anonymous quotes to the Washington Post -- that it was really the ill-advised tax increase imposed last summer by the Democrat-controlled Congress and White House that was responsible for the falloff in output.

And there will be hell to pay in the Clinton administration. Older, wiser minds inside the White House, such as Bentsen, will wonder why it took until April 22 to make nominations for two vacancies on the Federal Reserve Board.

Alan Blinder, a member of the President's Council of Economic Advisers, should sail through the confirmation hearings for Fed vice chairman because he already has undergone congressional scrutiny. But there'll be questions as to why unknown **Janet Yellen** was picked for the second Fed vacancy.

Yellen is a 47-year-old macro-economist at the University of California at Berkeley, who until her nomination was known mainly as a tough grader. Now she'll have to undergo the same rigorous confirmation process that has sunk other Clinton nominees.

Even if Yellen does pass muster, the position to which she was nominated will remain vacant longer than necessary. Clinton could have picked several candidates -- some of them women -- whose backgrounds already have undergone government scrutiny. They could have assumed the Fed post sooner than Yellen will.

And time is of the essence. The Federal Reserve has raised interest rates unnecessarily three times since the beginning of the year.

Publicly, the Fed says it is fighting inflation that might happen someday. But my readers know that the central bank started its crusade to raise rates because it believed the stock and bond markets had created a dangerous bubble.

The Fed's actions will put it in a very vulnerable position. Those three rate increases are going to look extremely ill-advised.

In the weeks ahead, the Fed is going to look downright foolish, and the administration is going to be livid at the central bank and at itself.

Depending on the size of the U.S. trade deficit in March (a figure not yet reported), the economy could have been growing at less than a 2 percent rate in the first quarter. If the GDP figure eventually is revised down to that level, the Fed will come under unprecedented attack.

The total trade deficit, when you count goods and services, rose to $ 9.7 billion in February from only $ 6.6 billion in January. Part of that rise occurred because the U.S. economy is growing slightly faster than the economies of our trading partners.

But there also may have been a clerical problem with the low January deficit, caused by implementation of the North American Free Trade Agreement.

If the deficit continues at the $ 9.7 billion level, says Lacy Hunt, an economist and expert in predicting GDP figures, the nation's economy would be growing at less than 2 percent.

Worse, Walter J. Williams, an economist who accurately predicted that the February deficit would balloon, says the March figure -- when it is finally reported in late May -- will show that the trade imbalance worsened from February levels.

If that happens, it could cause a major downward revision in the GDP figures in late May.

Get your popcorn. Washington is going to be putting on quite a show.

But you can also make some money. If things work out this way, bonds should rally and stocks could temporarily go along for the ride. But only temporarily.

John Crudele is a financial columnist with the New York Post. His mailing address is P.O. Box 610, Lincroft, N.J. 07738.

LANGUAGE: English

LN-ACC-NO: CRUD02051994

LOAD-DATE: May 4, 1994

```
****--------------------------------------------------------------------****

*     107 PAGES             3762 LINES               JOB  89364   104PH6      *
*  11:23 A.M. STARTED    11:24 A.M. ENDED               12/08/96            *
****--------------------------------------------------------------------****
****--------------------------------------------------------------------****
*                        EEEEE     N   N     DDDD                         *
*                        E         N   N     D   D                        *
*                        E         NN  N     D   D                        *
*                        EEE       N N N     D   D                        *
*                        E         N  NN     D   D                        *
*                        E         N   N     D   D                        *
*                        EEEEE     N   N     DDDD                         *

****--------------------------------------------------------------------****

****--------------------------------------------------------------------****
```

SEND TO: BURGESS, W. GREG
WHO - GEN. COUNSEL
725 17TH ST. N.W.
WASHINGTON, DISTRICT OF COLUMBIA 20503

PRINT DOC REQUESTED: DECEMBER 8, 1996 104PH6
2 DOCUMENTS PRINTED
14 PRINTED PAGES

SEND TO: BURGESS, W. GREG
WHO - GEN. COUNSEL
725 17TH ST. N.W.
WASHINGTON DISTRICT OF COLUMBIA 20503

**********************************00888**********************************

DATE: DECEMBER 8, 1996

CLIENT: YELLEN
LIBRARY: NEWS
FILE: CURNWS

YOUR SEARCH REQUEST IS:
JANET PRE/2 YELLEN AND DATE AFT MAY 1, 1996
AND JANET PRE/2 YELLEN AND DATE AFT MAY 1, 1996 AND DATE BEF MAY 3, 1996

NUMBER OF STORIES FOUND WITH YOUR REQUEST THROUGH:
LEVEL 1... 373 LEVEL 2... 2

Benefits Quarterly

First Quarter 1995

SECTION: Vol. 11, No. 1 Pg. 18-24; ISSN: 8756-1263; CODEN: BCORBD

LENGTH: 4577 words

HEADLINE: The equity niche in total compensation: A brief review of recent research and some practical applications

BYLINE: Hannah, Robert L

BODY:

The theme of equity, or fairness, of compensation in the 20th century United States has been one of continuous controversy and dynamic evolution.(1) We have progressed through the eras of workers collectively bargaining over the principle of "a fair day's work for a fair day's pay," antidiscrimination legislation and comparable worth. Now we find ourselves in a global economy with competitive pressures that, coupled with underlying demographic changes of the American workforce, require that employers explore modifications of or options to traditional compensation schemes. A small but important part of this ongoing drama may be the inclusion of a formal equity component in the design of modern compensation systems.

This article is an abbreviated review of equity mechanisms in direct compensation and benefits from two perspectives--recent academic research and applications from the practitioner's domain. The academic dimension is shortchanged to the extent that philosophical roots and problems of measurement are not covered.(2) The focus is kept on work that shows direct linkage to practice today.

To further define and explore this compensation niche, legislated requirements are excluded. Nor will comparable worth be reviewed since it has become almost exclusively linked to gender equity, which, though arguably the common theme of compensation equity in this century, suffers from not being rehabilitated into a more "generic" view of equity.(3) The primary focus is on the voluntary notion of administered, and to a lesser extent negotiated, equity.

RECENT RESEARCH

Though neither definitive nor inclusive, the following perspectives are representative of the recent scope and nature of research. Powerful insights are presented for those organizations rethinking the nature of their compensation systems.

The Psychology of Equity: Substitution and Framing Effects

Though psychologists initially researched the influence of specific variables on employees' feelings about pay equity (Belcher 1979; Tombari 1979), the more recent research has related workers' psychological views of the timing and structure of compensation to economic analysis of outcomes. Kahneman and

Thaler (1991) approach the problem of whether worker satisfaction can be increased by changing the compensation mix without increasing the compensation cost. In essence, this approach conceives of the substitution of alternative economic or noneconomic outcomes to achieve an equivalent or higher perception of equity by the employee. For example, these authors concluded that workers prefer a rising to a flat wage profile through time (controlling for equivalent present values) and that profit-sharing plans can foster group identity, cooperation and improved worker performance, even in the presence of the "free rider" problem.

The balance of the important findings of Kahneman and Thaler is related to bonuses. Here, pay structures and fairness are perhaps in sharpest focus in the authors' three conclusions: (1) Pay cuts by profitable firms are perceived as unfair; (2) pay cuts by economically stressed firms are acceptable; and (3) elimination of bonuses is considered more fair than reducing the base pay rate.

Equity research has also been advanced by surveys. In one study (Kahneman et al. 1986) community standards of fairness with respect to compensation were inferred. Not surprising, one finding was that past history of compensation changes weighed heavily on respondents' perceptions of equitable adjustments. More revealing were what the authors describe as framing effects, i.e., the respondents' varying judgments based on perceptions of how the outcomes are defined. For example, there was a much greater sensitivity to out-of-pocket costs vs. opportunity costs and to losses vs. forgone gains. This phenomenon is described as a "naive accounting" that is contrary to the rationality assumed in economic analysis. Kahneman et al. also make the point that employees can be manipulated through these framing effects by insignificant changes in the ways compensation choices or changes are presented.

The Sociology of Equity and the Referent Context

Elliott Jacques(1970) suggested that an explicit consideration of pay equity promotes a "socially cohesive sense of economic fairness" that can be beneficial to a firm. Sociologists have also investigated the referential context of comparison and power relationships. For example, one notable perspective is that the weight of the status quo anchors traditional pay methods in a system of equity that is attacked by those on the outside who promote fairness based on their vision of more "objective" premises. In the case of comparable worth the objective premise is job evaluation. Intellectual honesty demands that we recognize that visions of equity are predicated largely on self-interest (Hegtvedt 1989).

In this context equity perceptions and behavior are bound together. he interesting kinship here is with the earlier explored psychological views that equity perceptions and utility were entwined. To complete the utility-behavior-production linkage of equity, the economist's perspective is introduced.

The Economics of Equity and the Work Effort

The efficiency wage hypothesis emerged in the 1980s to explain why some employers were willing to pay higher wages to employ fewer, but more productive, workers (Akerlof and Yellen 1986). This theory consistently fits one dimension of equity, the principle that pay differentials are considered equitable if they are in fact based on productivity differences. Controversies arise when this principle is believed by employees to have more rhetoric than substance.

Akerlof and Yellen (1988) pose an even more interesting research hypothesis with respect to equity theory. In essence, they postulate that work effort is a function of the variance of wages. They point out that short-term experiments have tended to support this hypothesis, but similar long-term behavior cannot be inferred.

To summarize this brief overview of academic inquiry into equity compensation, the basic thrusts have been in three areas. The first is conceptual in the sense of formulating functional relationships among measures of equity and other variables such as effort. The second, which is experimental, has attempted to isolate and measure the functional relationships. The third is surveys, or attempts to define equity standards. These approaches have in common a multidisciplinary quality and a failure to evaluate real-world equity compensation mechanisms. Given the dearth of information available, the latter is understandable. Even a prestigious panel convened by the National Research Council to review pay equity research concluded that the largest gap in knowledge was not theory or policy, but a failure to understand how firms operate with respect to compensation decisions (Michael et al. 1989). But as we shall see in the next section, there is some insightful evidence.

PRACTICAL APPLICATIONS

The information presented in this section is drawn from survey data and case studies that reflect or illuminate the practice of equity adjustments as a component of total compensation. Again, the niche within which we are working excludes legislated or regulatory requirements.(4) The practice referenced here may be described as unilaterally voluntary or negotiated with a union.(5)

Role of Unions

As democratic institutions that have been permanently entrenched in the function of labor markets and administration of compensation, unions must maintain at their core an advocacy for fairness. Extensive volumes have been written about unions' views of fairness, and no pretense will be made here to summarize them. With respect to equity in compensation, three broad observations can be made. Unions have historically considered flatter pay structures as more equitable pay structures. Given this context, unions have focused on procedural justice relative to other aspects of the employment relationships within the collective bargaining context. Union contracts are not given to negotiated language that identifies equity compensation as a separate consideration.

One trend that has generated considerable angst in the union role as arbiter of fairness in the collective bargaining arena has been concession bargaining. These "givebacks" or "takeaways" as referenced by union members come in the form of absolute wage decreases, two-tier wage structures, relaxation or elimination of work rules, and decreases in retirement and health care benefits (Bell 1989).

Extent of Reporting of Equity Compensation

Though usually specific to narrowly defined categories or limited industry surveys, limited data are beginning to emerge about equity compensation as an explicit component of the total compensation system. For example, while the U.S. Department of Labor's 1989 study, Human Resource Policies and Practices in

American Firms, does not include a response category for equity compensation, the subject was reported indirectly with respect to external market influences with information about matching pay offers extended to employees by other firms. The only two outstanding groups receiving this consideration were managers, with 9.6% of businesses reporting that they matched pay offers, and nonunion professionals, at 8.6%.

A more revealing survey of higher education staff compensation administration was conducted by the College and University Personnel Association (CUPA 1987). As reported in this study, about one-half of the respondents rely upon internal equity systems as a primary determinant of salary levels. An additional one-third of respondents use a mixture of internal and external information. This information must be tempered somewhat by observing that most estimates indicate that one-half to two-thirds of American workers are covered by some form of job evaluation system (England 1992). Some CUPA respondents may have based their answer on the presumption that job evaluation implied equity compensation. While the two are compatible, they are not necessarily administered with this objective.

Virtually no publications have been dedicated to analyzing the interaction of the different components (including equity) of compensation systems within firms. This is clearly a weakness in research not likely to be remedied soon since, even in practice, employer records rarely contain automated employment histories necessary for extensive analysis. Furthermore, there is understandable reluctance to make such records available to outside researchers.

Some firms may be building equity (or fairness) into the traditional compensation programs. This approach encompasses fair, understandable criteria for measuring performance, honest feedback, flexibility and simple, easily comprehended mechanisms for payouts and nonpayouts. The other side of this coin is the inequity of the lack of a relationship between pay and performance (Milkovich 1991). Furthermore, pay policy has been historically isolated from overall organizational management. This practice often makes pay systems haphazard and secretive (Thakur et al. 1988). Therein lies the difficulty of conducting field research into real-world operations of compensation systems. The interdependence of multiple components of compensation in practice is often obscure even to the practitioners.

The scant reporting of the impacts of equity adjustments in practice should not lull us into thinking the practice is not there and consequently dismiss the question of how employers make decisions in this area. The following review of two actual cases should illuminate the imperfect decision making environments in which equity compensation occurs.

Two Case Studies

The first case is a midsized public university for which an equity study of 660 faculty and exempt staff employees was commissioned and completed by an external consultant. (This author had a minor role in advising and was given permission to review the completed study.) For faculty, pay ranges were developed, and an incumbent's penetration into the relevant range was projected based on weighted factors. External market data were used for both classes of employees. A policy decision was that no incumbent's pay would be reduced. The overall objective was to raise each undercompensated employee's pay level to the estimated equitable penetration within the applicable range. Though analyzed as a separate group, the 13 executive titles were priced in a manner similar to the staff employees, who had 61 job titles market priced and 101 titles nonmarket priced.

The calculated cost to achieve equitable penetration into the ranges for all undercompensated employees was $ 3,425,474. The institution funded 18% of the increases in the first year of the plan and expects to proceed with annual increments until full adjustments are made.

Several points are of interest in this case.

First, merit was excluded from the analysis because "there were no uniform existing performance review systems in which the university had confidence relative to reliability and validity." This is not surprising given the reputation for haphazard administration of merit systems in general, but the admission was nonetheless ominous and signaled implementation difficulties for equity adjustments. Such was the origin of a major disagreement among faculty members since some peers who were perceived as poor performers received significant pay adjustments.

Second, the study pointed out that a critical problem in maintaining the integrity of the system was holding the new hires to the allowable range penetrations, with variances of more than 2% requiring the approval of the president.

Third, there remains some dispute about the initial participation in the design of the study by employees, especially faculty. The origin of this conflict appears to lie in the confusion surrounding the urgency to implement the program, since first year allocations were to come from surplus funds that could not be carried over into the next fiscal year.

Fourth, regardless of the flaws, real or perceived, this equity plan is interesting because, at a minimum, equity was openly formalized as a component of the total compensation mechanism.

Fifth, the impacts of these adjustments upon retirement benefits could be very significant for some employees through either the defined benefit or defined contribution plan. (Employees choose the plan in which they wish to participate.)

A second case is another, but smaller, public university for which equity compensation had been written into policy for approximately ten years, but in very ambiguous language. This author was given permission to research the historical administration of this mechanism. The basic findings were that equity adjustments were given to individual employees throughout this period, but with widely divergent rationales ranging from exclusive external market comparisons to exclusive internal comparisons that included several levels of screening.

There are two other important observations. The first is that there had been no systematic evaluation of how the many different components of compensation interacted. Besides equity, there were compensatory adjustments for promotions, acquisition of higher education degrees and special certifications, annual lump sums based on length of service and merit. In other words, no one really knew why some individuals appeared unfairly overpaid or underpaid. As previously suggested, this state of affairs is probably not unusual for most organizations.

The last observation is that in recent years there had been a concerted effort to rely upon equity adjustments to realign the pay of those employees for whose comparatively depressed wages no explanation could be found. In this sense equity adjustments became a residual mechanism to be relied upon after the determination that the other components of the compensation system had failed to produce results that are considered equitable.

Guidelines for Direct Compensation

With respect to direct compensation, from a practitioner's perspective a few simple points can be summarized. First, subjective decisions in allocation of equity adjustments are accepted within certain boundaries--i.e., not discriminatory, arbitrary or capricious as contrary to laws or collective bargaining agreements. Conflicts arise between employees and employers when equity adjustments are made on the basis of such "unfair" rules as "the squeaky wheel gets the grease." Few managers or administrators would deny that the power to allocate pay adjustments is a very convenient way either to eliminate this noise or reduce their own discomfort of withholding pay from employees.

Second is the problem of retroactivity (or, conversely, deferral). How much history one considers in the analysis and at what chronological point pay adjustments are made effective often depend on such factors as availability of resources, synchronization with other employment events and the nature of the internal review process.

Third, proposed equity adjustments (or pay reductions) should be sensitive to changes in the rankings of employees by pay level. Quite often the quality of the pay relationship (more or less than) can stir more resentment than the quantity (difference).

Finally, the pay equity issue reaches to the top of the organization. Data do tend to demonstrate a sustained, substantial difference in earnings growth between executives and hourly workers in the same organizations. One study cited 11% earnings growth for the former and 6% for the latter between 1972 and 1990 (Kesner 1992). Still, there appears to be very little interest within organizational governance to link executive compensation to other employees in an equity context. Even in academic and popular literature very few articles reflect consideration of this prospect. For example, an on-line library search by this author of over 500 abstracts referencing executive compensation uncovered only three articles related to equity (Kesner 1992; Wilhelm 1993; Cook 1991). The overwhelming interest is in the structure and level of compensation among executives, rather than the relationship to subordinates. Only one author (Cook 1991) presented a policy alternative. He advocated executive pay linkages to internal compensation and benefits for the firm as a whole.

A Special Note on Employee Benefits

From an employer decision making perspective there are a large number of equity issues related to employee benefits. One of the more recent examples is deferred (or at-risk) compensation related to stock values in the total compensation package for executives. Valuing these benefits plays no small role in determining the new deduction limit on executive compensation, a federal tax constraint introduced in the name of fairness. A more longstanding conundrum is the fairness of valuation of accrued sick leave to employees. Clearly, the "abuser" often appears to apply sound economic rationality by realizing the full cash value of sick leave, compared to the "hoarder" who may either forfeit excess accrued days or receive a diminished present value if those days are converted to retirement service.

Obviously, cost, regulatory constraints and business relationships with insurance providers and pension fund managers all contribute to the design and administration of an employee benefits package. However, the shaping of benefits within these constraints clearly must rely on some judgment of equity or its more technical dimension of benefits valuation. Specific examples include eligibility, vesting, accrual rates, withdrawals, cash-ability, retroactivity, cross subsidization through pooling income maintenance and income replacement ratios.

As the academic literature reviewed earlier has suggested, significant substitution and framing effects can be achieved by bringing benefits tradeoffs into the employee's choice picture. Also, when equity considerations within the total compensation context are superimposed with respect to the comparative problem of valuing benefits to employees vs. cost to employers, much greater complexity is created.

CONCLUSION

The vast majority of employees are not compensated in an environment where a sense of collective fairness is implied in a negotiated contract. Though fairness may also be implied in individual exchanges, the subsequent administration of pay equity leaves considerable discretion in the hands, or head(s), of someone or some group within an organization. The tenor of this assertion is very different from traditional topics thus far addressed in theoretical, experimental or field research on equity in compensation. Where these have focused on subjective equity valuation from the employee's, the union's or society's perspective, the suggestion here adds the subjective valuation by the executives, managers or administrators who, by design or default, make decisions with respect to formal compensation design, informal adjustments and exceptions, and resource allocations within these frameworks.

The dynamically changing character of U.S. labor markets and the philosophies and practices of human resource management require a continuous probing and reevaluation of the mix of compensation mechanisms and the manner in which they are administered. The objective of this article has been to provide more context for the equity compensation niche as evolved beyond legislated requirements or comparable worth implementation. Admittedly, the background is disjointed, as has been the history of the range of (especially field) research in this area (Dornstein 1991). But there are points of substance for organizations to consider in rethinking the totality of their compensation systems with an eye on the future.

The evidence does not as yet signal a bellwether status for formal equity mechanisms in total compensation systems. As conceived in this article, equity may never achieve more than a niche status but, once formalized, this may be enough to project employer credibility and managerial accountability far beyond the limited framework of an additional tool of compensation. This would appear to be well worth exploration by organizations squeezed between competition and demographic change.

Endnotes

1. For example, the idea of "equal pay for equal work" was first introduced by the Knights of Labor in the late 1800s. The idea reemerged in the administrative controls of the National War Labor Boards of both World Wars. The World War II board was particularly prolific in administering wages and benefits from a formal and deliberative equity framework.

2. These omissions include the equality-equity relationship and the biases introduced by choice of the mathematical method (Allison 1978), extensive psychological interpretations of the relationship of equity and well-being (Curtain 1977), philosophical inquiries of equity that are traceable to Aristotle (Georgiadis 1987), and ethical considerations (Rawls 1971).

3. Actually, the technical application of comparable worth had its roots in the formative stages of collective bargaining when employers had to find ways to group and compare jobs for negotiation and consequent wage setting purposes (England 1992). The idea became strongly attached to pay equity for women in a few National War Labor Board cases in WW II and especially during the debate of language to be included in the Equal Pay Act of 1963.

4. While the practices of individual organizations, public or private, are relatively unexplored, the written regulations and decisions of the two National War Labor Boards and the governing apparatus of Phase II of the Nixon administration's wage and price controls are the most explicit and instructive source reflecting a systemic consciousness toward equity in compensation.

5. An excellent survey comparing different academic concepts of equity and what practitioners believe to be mechanical means of measuring equity can be found in Wallace and Fay (1988).

References

Akerlof, George A., and Janet L. Yellen, eds. 1986. Efficiency Wage Models of the Labor Market. Melbourne, Australia: Cambridge University Press.

--. 1988. "Fairness and Unemployment." American Economic Review 78, no. 2: 44-49.

Allison, Paul D. 1978. "Measures of Inequality." American Sociological Review 43: 865-879.

Belcher, David W. 1979. "Pay Equity or Pay Fairness." Compensation and Benefits Review 11: 26-30.

Bell, Linda A. 1989. "Union Concessions in the 1980s." Federal Reserve Bank of New York Quarterly Review 14, no. 2: 44-58.

College and University Personnel Association, 1987. Survey of Compensation Practices in Higher Education. Washington, DC: College and University Personnel Association.

Cook, Frederick W. 1991. "Executive Compensation Strategies That Support Employee Relations Initiatives." Human Resource Professional 3, no. 2: 26-28.

Curtain, Richard T. 1977. Income Equity Among U.S. Workers: The Bases and Consequences of Deprivation. New York: Praeger Publishers.

Dornstein, Miriam. 1991. Conceptions of Fair Pay: Theoretical Initiatives and Empirical Research, New York: Praeger Publishers.

England, Paula. 1992. Comparable Worth, Theories and Evidence. New York: Aldine DeGruyter.

Georgiadis, Constantine. 1987. "Equitable and Equity in Aristotle." In Spiro Panagiotov, ed., Justice, Law and Method in Plato and Aristotle. Edmonton, Alberta, Canada: Academic Printing and Publishing.

Hegtvedt, Karen. 1989. "Fairness Conceptualizations and Comparable Worth." Journal of Social Issues 45, no. 4: 81-97.

Jacques, Elliott. 1970. Equitable Payments. Carbondale, IL: Southern Illinois University Press.

Kahneman, Daniel, Jack L. Knetsch and Richard Thaler. 1986. "Fairness as a Constraint of Profit Seeking." American Economic Review 76, no. 4: 728-741.

Kahneman, Daniel, and Richard Thaler. 1991. "Economic Analysis and the Psychology of Utility: Applications to Compensation Policy." American Economic Review 81, no. 2: 341-346.

Kesner, Michael S. 1992. "Are U.S. Executives Paid Too Much?" CFO: The Magazine for Senior Financial Executives 8, no. 4: 6.

Michael, Robert T., Heidi I. Hartmann and Brigid O'Farrell, eds. 1989. Pay Equity: Empirical Inquiries, Washington, DC: National Academy Press.

Milkovich, George. 1991. "Strengthening the Pay-Performance Relationship: The Research." Compensation and Benefits Review 23: 53-62.

Rawls, John. 1971. A Theory of Justice. Cambridge, MA: Harvard University Press.

Thakur, Manab N., Paul DuMont and Herff Moore. 1988. "Achieving Managerial Pay Equity: A Dilemma of Resources Allocation." Compensation and Benefits Review 20: 29-39.

Tombari, Henry A. 1979. "Determinants of Equity Rewards for Managers." Compensation and Benefits Review 11: 31-37.

U.S. Department of Labor, Bureau of Labor-Management Relations and Cooperative Programs. 1989. Human Resource Policies and Practices in American Firms. Washington, DC: U.S. Government Printing Office.

Wallace, Marc J. Jr., and Charles H. Fay. 1988. Compensation Theory and Practice. Boston: PWS-Kent Publishing Company.

Wilhelm, Paul G. 1993. "Application of Distributive Justice Theory to the CEO Pay Problem: Recommendations for Reform." Journal of Business Ethics 12, no. 6: 469-482.

GRAPHIC: References

LANGUAGE: ENGLISH

JOURNAL-CODE: BFQ

AVAILABILITY: Full text online. Photocopy available from ABI/INFORM 15720.00

ABI-ACC-NO: 00974207

LOAD-DATE: March 4, 1996

```
****------------------------------------------------------------------------****

*      15 PAGES             473 LINES            JOB  89447   104PH6          *
*  11:34 A.M. STARTED    11:34 A.M. ENDED             12/08/96                *
****------------------------------------------------------------------------****
****------------------------------------------------------------------------****
*                       EEEEE      N   N      DDDD                            *
*                       E          N   N      D   D                           *
*                       E          NN  N      D   D                           *
*                       EEE        N N N      D   D                           *
*                       E          N  NN      D   D                           *
*                       E          N   N      D   D                           *
*                       EEEEE      N   N      DDDD                            *

****------------------------------------------------------------------------****

****------------------------------------------------------------------------****
```

SEND TO: BURGESS, W. GREG
WHO - GEN. COUNSEL
725 17TH ST. N.W.
WASHINGTON, DISTRICT OF COLUMBIA 20503