

Banking by Kathy Burdman

Squabble of the titans

Citibank and Security Pacific are spatting over who'll buy up California's regional banks.

As the California state legislature prepared for its new session Jan. 5, New York's giant Citibank suddenly came under a major press attack by the leading West Coast dailies. The *Los Angeles Times*, in a Dec. 26 editorial titled "Money in the Bank," laced into Citibank with surprising gusto on the issue of Assembly Bill 1926, "Foreign Bank Holding Companies." The bill, which was drafted by Citibank Sacramento lobbyist Fred Pownall, refers to all non-California-chartered banks and would allow the Citicorp parent holding company to establish two full-service bank subsidiaries in California.

Citibank is first accused of trying to buy both Sacramento houses. "Citicorp's new love affair with the California legislature is embarrassing," the *Times* writes. Citicorp "is outspending even the Bank of America to lobby the legislatures. . . . \$40,600 to 34 candidates for the state Senate and Assembly in the recent general election; \$37,344 for lobbying the legislature in the first three months alone of 1980. Assemblyman Howard L. Berman (D-L.A.), who co-sponsored the bill Citicorp wanted, got \$3,000 for his campaign; the other sponsor, Louis J. Papan (D-Daley City), received \$2,500.

"'Nobody's buying or selling legislation here,' an aide to Berman said of Citicorp. If not, why not? A bank that spends that much money

and gets nothing in return ought to be sued by its stockholders for misuse of corporate funds."

The *Times* then derides Citicorp's willingness to grant "reciprocity" to California banks in New York. A companion bill in the New York legislature, also authored by Citibank, would grant California banks the right to open full-service subsidiaries in New York State. Under the Douglas Amendment to the Bank Holding Company Act, which prohibits banks from holding subsidiaries in more than one state, state legislatures may abrogate the act by passing reciprocal laws.

"Citicorp wants access to customer deposits in California, which are growing, but California banks have no interest in New York deposits, which are shrinking. The so-called 'reciprocal banking' bill is reciprocal all one way."

Seattle Times Business Editor Stephen H. Dunphy, in a prominent Dec. 23 article, similarly hit plans by Citibank to set up an Edge Act branch in Seattle. Under the 1919 Edge Act, banks may set up branches in multiple states but strictly for foreign trade activity. "Don't look now, but those big money-center banks have found the edge they need and they are coming to Seattle. First to arrive is Citicorp . . . pointing the way toward more intense competition in the banking industry for lucrative international

business."

Are these Los Angeles and Seattle editorialists eager to save smaller West Coast banks? Think again. *EIR* has learned that Los Angeles' Security Pacific Bank and the Bank of America (BOA) are behind the press campaign, because they want to gobble up California's regional banks first.

"It was primarily our strident opposition" that killed Citicorp's bill in 1976 in the last California legislature, Security Pacific lobbyist Norman Jay told *EIR*. "As our Executive Vice-President Jack Duffy said, 'We wouldn't trade two blocks of Fresno for the entire state of New York.' We made the bill's sponsor, Howard Berman, think twice and realize that it is not in his best interest." Jay described how Security Pacific and Bank of America led a lobbying drive that spent over \$141,000 in campaign contributions in Sacramento to kill the bill, which Assemblyman Berman dropped in August "like a hot potato." Although Citibank's Fred Pownall is making the rounds to get a new sponsor and will probably succeed in re-introducing the bill, "it doesn't stand a snowball's chance," Jay boasted. "We've made it clear to all the assemblymen that this is just not in their self-interest."

Security wants a free hand in California. "We're all in favor of interstate banking," Jay said, "but we want Douglas and the McFadden Act [prohibiting interstate branching] repealed on the federal level. Why should we give Citibank a special advantage in California?" If Security and BOA were able to expand nationwide, he argued, then they would have the resources to "acquire smaller California banks" in fair competition with Citibank.