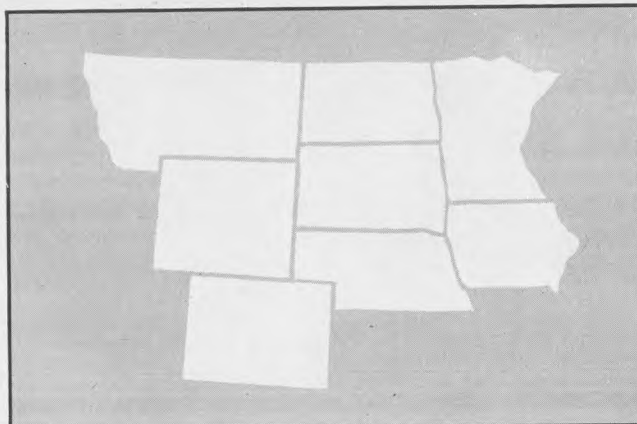


NORTHWESTERN Banker

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February 19, 1968

Should Fed Control All Credit in U.S.?

The possibility of extending new Federal Reserve controls over the entire United States credit industry—not just commercial banks—has been raised by the chairman of America's largest bank.

In the speech, Louis B. Lundborg, chairman of the Bank of America, asserted that the U.S. is entering a new economic era which requires changes in government fiscal and monetary policies and regulations.

The era, Mr. Lundborg declared, is characterized by a "credit crunch" which began two years ago, a chronic shortage of money, and high interest rates.

These conditions, he said, are likely to continue even after the revision of U.S. government controls and policies. But without the revision, he added, the world problem of monetary stability and confidence in the dollar will grow worse.

Mr. Lundborg maintained that three "economic facts" have emerged since the new era began—the need to solve the U.S. balance of payments problem, the need for greater fiscal responsibility in the U.S., and,

the need for broadened new monetary regulations to help control inflation. He devoted the most emphasis to monetary controls.

Noting that the 20-year post-war period of ample but dwindling liquidity and low interest rates has ended, Mr. Lundborg pointed out that large corporations have turned increasingly to the direct sale of commercial paper as a source of short-term funds. This has occurred even though corporate borrowers paid interest rates "significantly" above the prime lending rate of commercial banks.

Meanwhile, the banker observed, rate ceilings imposed on banks by monetary authorities, especially in the field of money market instruments, have prevented commercial banks from competing proportionately for new loanable funds.

This starts a "vicious circle," Mr. Lundborg charged. "As the relative share of business credit provided by commercial banks declines and as the tools of monetary control are therefore applied to a smaller and smaller segment of the whole monetary system, even greater

degrees of restraint will be required to obtain the same over-all impact on the economy," he explained.

"If the goal of monetary restraint is to control general credit availability," Mr. Lundborg declared, "an argument can be made for the extension of Federal Reserve control to all sectors of the credit market."

At the same time, he argued that the "artificial" interest rate ceilings legislated by Congress should be removed, especially from money market instruments. In the new economic environment with its long-term shortage of loanable funds, he observed, interest rates in domestic markets are likely to remain "higher than we are accustomed to."

Mr. Lundborg said the country has a "disturbing" tendency to refuse to accept high interest rates in periods of monetary restraint. "Many people seem to believe that the law of supply and demand in the financial markets can be repealed by Congress," he remarked. He pointed to the current 4½% ceiling on Treasury bonds and the 6% limit on FHA mortgages as examples of the ineffectiveness of this belief.

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IOWA NEWS

AMES: The Annual Agricultural Credit Conference sponsored by the Extension Service of Iowa State University and the Iowa Bankers Association will be held in the Memorial Union at ISU March 19 and 20. The two-day program commences with registration Tuesday morning at 9:15 a.m. and concludes Wednesday after the noon luncheon meeting. Registration fee of \$10 covers the Tuesday evening banquet and Wednesday luncheon, and should be sent to H. B. Howell, chairman of the conference, c/o Cooperative Extension Service at ISU, Ames 50010.

BOONE: Louie C. Sheldahl retired February 1 from Boone State B&T as a teller, a position he held there 14 years. He started his banking career at Huxley, Iowa, in 1911.

BURLINGTON: Hotel Burlington will be headquarters for the Group 11 annual meeting Feb. 21-

22. Registration starts at 5:00 p.m. Wednesday, Feb. 21, followed by social hour and buffet dinner starting at 6:00 p.m., with dancing from 9:30-midnight. The business meeting on Thursday will be concluded after the address delivered by Herbert V. Prochnow, retiring president of The First National Bank, Chicago.

CEDAR RAPIDS: Joe Phernetton has been named head of the data processing department at The Merchants National Bank.

DES MOINES: The Iowa Investment Bankers Association will hold its annual business meeting at Hotel Kirkwood February 22 starting at 9:30 a.m. Following the noon luncheon, three speakers will be heard. They are: Herbert Sheidy, secy. of District 8 of the N.A.S.D.; William Robinson Fishman, Chicago attorney, and Robert Oeth, Iowa superintendent of securities.

DES MOINES: The Des Moines Chapter of A.I.B. will hold its annual "Bosses Night" dinner

February 22 at Hyperion Field Club. Cocktail hour is at 6:00 p.m., dinner at 7:00 p.m. Speaker will be James E. Smith, assoc. federal legislative counsel for the A.B.A., Washington, D.C.

ELDORA: R. R. Brown, pres., Hardin County Savings, has invited all customers and friends to an open house at the bank February 22 and 23 for the "Red Carpet Treatment" that will kick off the bank's Centennial celebrations to be held throughout 1968.

HAWARDEN: C. A. Slife, 82, a long-time banker here, died at Fort Dodge Feb. 12 after a long illness. He was born Dec. 25, 1885 at Anamosa. He moved to Hawarden in 1911 and in 1917, Mr. Slife and his father organized the Farmers State Bank. He was chief executive officer until ill health forced him to retire in 1954. He authored several articles for *Northwestern Banker*. His brother, E. V. Slife, is president of the Farmers State. A son, Curtis S. Slife, is senior v.p. of First Natl., Greeley, Colo.

HUMBOLDT: C.H. Lewellyn, pres. of First Natl., has announced the promotion of Roger T. Day and G. Robert Bristol from a.c.'s to a.v.p.'s.

MT. PLEASANT: Robert J. Bontrager has been advanced from a.c. to cash. & auditor at Mt. Pleasant B&T.

RED OAK: Houghton State is sponsoring Farm Day Feb. 23 from 9:30 a.m. to 4 p.m. at the National Guard armory. There will be a buffet luncheon at noon.

Paul Dunlap, pres. of Houghton State, announced last week that P. James Van Dine is joining the Dunlap banks to head the computer services located in the Burlington B&T, Burlington. Mr. Van Dine resigned recently as v.p. and head of computer services at Merchants Natl. Bank, Cedar Rapids, to accept this appointment.

SIOUX CITY: Funeral services were held last week for Edward C. Thompson, Sr., 71, father of E. C. Thompson, Jr., president of Security Natl. The elder Mr. Thompson had been ill several months.

SIOUX CITY: Registration at the Group 1 meeting in Sioux City hit a new high, going over the 900 mark. Full report and pictures by Publisher Malcolm Freeland will be in the March *Northwestern Banker*.

SPENCER: Wm. E. Lundeen has



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resigned as pres. & vice chairman of Farmers T&S. His future plans have not yet been announced.

NEBRASKA NEWS

CEDAR RAPIDS: G. M. (Bert) Cox, 80, president of the Cedar Rapids State Bank since 1936, died Feb. 10 in a Fullerton hospital. At the time of his death he was Boone County Democratic chairman.

COLUMBUS: James Struebing, 36, has been promoted to v.p. at Citizens Bank and Trust Company. He has been employed by the bank since 1961 and has been serving as a.c.

LINCOLN: Banking Director C. R. Haines reported last week that Nebraska's 308 state banks had topped the billion dollar mark in assets for the first time. At the year-end, their assets were \$1,011,315,469.

MALMO: At Security Home Bank, directors have promoted Donald Cejka from cash. to exec. v.p. & cash.

MONROE: Funeral services were held recently for Frederick C. Harris, Jr., chairman & pres. of the Bank of Monroe. Mr. Harris, 55, also was pres. of the Agricultural Products Co. at Columbus.

OMAHA: Friday, February 9 was "Charlie Masilko Day" at Stockyards National Bank. In recognition of completing his 50th year of service with the bank, Pres. Don Murphy and the staff honored him with a special day, inviting Mr. Masilko's friends to call on him at the bank during the day. He started work for the bank at the age of 15, eventually serving as a.c., cash., v.p., and since 1966 as senior v.p. He will retire in

June under the bank's program for retirement at age 65.

VALENTINE: Open house was held by the Bank of Valentine in its new building on Feb. 10-11.

MINNESOTA NEWS

AUSTIN: James Heig, pres. of Northwestern State Bank at Dodge Center, Minn., has been elected senior v.p. of the Austin State Bank and will assume his new duties about March 1. He started in banking in Slayton, later working for Citizens State in Redwood Falls before being elected pres. of the Dodge Center bank in 1964.

CLARKFIELD: Clarkfield business places closed their doors recently in order to pay their last respects to Lyndon Lofdahl, 53, pres. of the Farmers and Merchants State Bank, who died at his home following a two-year illness.

GRANITE FALLS: Donovan E. Crouley, resident of Maple Plain and retired senior v.p. of the Northwestern Natl. Bank of Minneapolis, has been elected pres. of the Granite Falls Bank. F. L. Wilson, stockholder and one of the founders of the Minnesota Valley Improvement Company, has been named to the board of directors.

MANKATO: The Minnesota Department of Commerce has set a hearing on the application of Mankato State Bank for a state charter for March 19 at 9 a.m. in Room 260 of the state office building. The application is sought by the same group which filed for a Security State Bank charter in Mankato earlier. The state banking commission has indicated that applicants for an American State Bank charter at the same site on Mankato Hilltop had priority on that

location. Proponents of Mankato State refiled the new application and are reported to be seeking a downtown location.

MANKATO: National Bank of Commerce officials disclosed recently that they have purchased a downtown site on which to erect a new bank building. The purchase price of the site was reported to be \$150,000.

MINNEAPOLIS: Joseph W. Frantz, former First Natl. Bank of Minneapolis correspondent bank division staff member who retired in 1964, died February 4 in St. Paul at the age of 68.

MINNEAPOLIS: Worthie E. Holmberg, a.c. at Fourth Northwestern Natl., will retire February 29 after completing 48 years of service that started in 1919 as a savings teller.

ST. PAUL: The Department of Commerce banking division has approved a name change for The Downtown State Bank of St. Paul. The new name will be Gambles Continental State Bank.

ST. PAUL: David A. Shern is resigning as v.p. in the banks and bankers dept. at First Natl. of St. Paul to become exec. v.p. on March 1 of Valley Natl. Bank. Mr. Shern, 41, started his banking career with First Natl. in 1949. He is a graduate of St. Olaf College and the Stonier Graduate School of Banking at Rutgers University.

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SOUTH DAKOTA NEWS

FLANDREAU: J. A. Smith has been named to the board of directors of the Farmers State Bank.

SIOUX FALLS: The 76th annual convention of the South Dakota Bankers Association is scheduled for May 2-4 at the Ramada Inn in Sioux Falls.

SIOUX FALLS: Ken Fladgard has been advanced from a.c. to a.v.p. at the East office of the Natl. Bank of S. D. Howard Priesz has been elected a.c.

STOCKHOLM: Charles Arthur Berg, 85, died recently after an illness of several months. He became associated with the Stockholm State Bank in 1933 and served as its pres. from 1940 until poor health forced his retirement a year ago. He was succeeded as pres. by his son, Stanley A. Berg.

WATERTOWN: The following promotions have been announced at the Farmers & Merchants Bank: Karl F. Berggren and Terry L. Waba from a.v.p. to v.p.; W. M. Hanten from a.c. to a.v.p.; Paul Korbelt, Kenneth Kellogg and Paul Sigelman to a.c.

YANKTON: H. C. Danforth, pres. of the First Dakota Natl. Bank, and his wife were robbed recently by a gunman who surprised them in the home of a relative in San Diego, Calif. The robber took Mrs. Danforth's wedding ring and cash from Mr. Danforth's wallet.

NORTH DAKOTA NEWS

DICKINSON: Phillip G. Schroeder has been named cash. at American State Bank. He began his banking career in 1949 at Belfield. Later, he joined American Natl. B&T of Rapid City, S.D., and in 1965 was elected that city's full-time Mayor. Fred S. Gengler, a Dickinson native, has joined American State in the installment loan dept. He has been office manager in Williston for Beneficial Finance the past 1½ years.

GRAND FORKS: Curtis Hagert, Emerado farmer, has been elected a director of First Natl. Officer promotions include: W. B. Johnson Jr., from a.v.p. & ag rep. to v.p. & ag rep.; John A. Dunagan and Dennis R. Larson from a.c. to a.v.p.; Fred G. Stewart from auditor to auditor & controller; Dale L. Bjerke to a.c., and Joel Tangen to asst. auditor.

MONTANA NEWS

BUTTE: At Miners Bank of Montana, N.A., Charles F. Brasier has been promoted to a.c., and Law-

rence Mitchell has been advanced to a.v.p.

COLORADO NEWS

DENVER: Officials of Metropolitan Natl. have filed an application with J. R. Thomas, reg. adm. of natl. banks, for permission to move from the present location at 2031 Stout Street to a downtown location on 17th Street. The intended site is reported to be 17th and Welton, directly across from First Natl., although Marvin Davis, vice chmn. of Metropolitan said no definite location has been selected. He and his father were among founders of the bank and continue as the largest stockholders.

FOUNTAIN: The First State Bank, with total capital of \$250,000, has been approved by FDIC for insurance coverage. Roy I. Gordon is pres. of the new bank.

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