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The Outlook for Business and Interest Rates

Following are excerpts from an address delivered by Dr. Paul S. Nadler, associate professor of finance at New York University, before the National Commercial Finance Conference, in New York City.

The year 1969 should be the time in which the backbone of America's inflation psychology is broken. And if this turns out to be the case, the nation should then be able to go on to a period of sustainable economic growth in the 1970's, after a short recession in the first half of the new year.

The forces that should break the back of the inflation psychology are these:

1. In fiscal policy, the government is working with a budget surplus that should be maintained in fiscal 1970. This is a far cry from the deficits of the recent past.

2. The Federal Reserve has decided that it must take a longer range viewpoint of what is full employment. Thus, it is presently willing to let unemployment rise to the 4½ to 5% level if this in turn can help bring the present inflationary pressures to a halt.

3. The United States has tremendous industrial productivity



Dr. Paul S. Nadler

and is only operating at 84% of capacity right now. Even the shortages of labor should moderate in the near future.

The economy has already seen signs of slowdown in real growth. Real gross national product expansion has slowed down from over 6% in the second quarter of 1968 to just about 2% a year later. With the restraints being imposed by the Federal Reserve and the Treasury, this slowdown should continue until the economy reaches a recession—as defined by two quarters or more of no real growth at all or of negative growth.

With the present restraints being imposed on the economy, there is little likelihood of rises in government spending—either federal or state and municipal. Meanwhile, housing starts are

falling, and consumers also are moderating their spending plans.

Finally, capital spending is not expected to grow markedly in the near future, with profit margins hit and excess capacity available.

Thus, the nation should be able to halt inflation and bring the level of wholesale prices and industrial commodities down close to a point of stability. Consumer prices will continue to rise, but by a lesser degree than in 1969.

Direct controls are unlikely in the U. S. economy, even if the above forecast proves incorrect and inflation continues; for it is politically distasteful and almost impossible to enforce them without a major intervention into the economy. In addition, it is hard to find culprits which can be controlled; for there are no shortages of products that are generally subject to credit controls when they are imposed, and it is virtually impossible to impose wage controls in the U. S.

One force that could upset the forecast of an end to inflation would be if the tax surcharge is not reimposed and this leads to new psychological spending by those who feel that fiscal discipline is being relaxed. It may be

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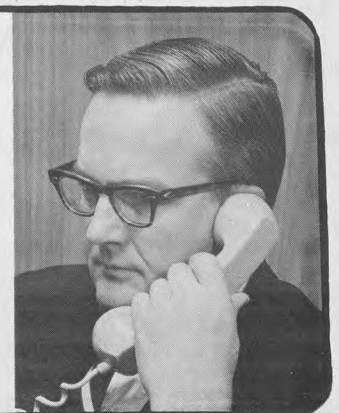
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board of directors, succeeding the late Earl F. Miller.

LISBON: Leon Morningstar has been elected vice president of the Lisbon Bank & Trust Company, succeeding the late Stuart M. Franks. Mr. Morningstar has been a director at the bank since 1952.

OELWEIN: Richard K. Ramsey has been named cashier at the Oelwein State Bank, effective November 1. Mr. Ramsey has been cashier of the Arlington State Bank, Arlington, for the past 10 years.

PALO: Norma J. McVay, a life-long resident of Palo, has been named assistant cashier at the Palo Savings Bank. Daryl Hanna, an August graduate of Kirkwood Community College at Cedar Rapids, has joined the bank to be trained as a customer service representative.

SEYMOUR: The Seymour State Bank recently observed its 10th anniversary with an open house.

TAMA: Derwood D. Potter has resigned as cashier of the Tama State Bank to accept a post with Industrial Mobilizers and Geographical Evaluators (IMAGE, INC.). He has been with the bank for over 13 years.

NEBRASKA NEWS

BLUE HILL: The Commercial Bank has increased its staff with the addition of three new members. Dennis Choquette has joined the bank as vice president. He has been employed as farm manager for the National Bank of Commerce, Lincoln, for the past eight years. Rolland Grandstaff has been named general bookkeeper and teller. Mrs. Richard Hubl has been added to the bank's bookkeeping staff.

HEBRON: Harold Killinger, executive vice president of the Thayer County Bank, suffered a stroke re-

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IOWA NEWS

AMES: Dennis E. Beatty has been appointed trust officer at the Union Story Trust and Savings Bank. Mr. Beatty, a 1967 graduate of the State University of Iowa College of Law, comes to Ames from Sioux City, where he was employed as counsel for the Postal Finance Company.

ANKENY: Rex Jordan has been named assistant cashier at the Ankeny National Bank. Prior to joining the Ankeny bank, Mr. Jordan was employed for 14 years at the Capital City State Bank, Des Moines. Since January, he has been on the staff at the Polk City Savings Bank.

BUSSEY: Kim N. Hansen, a recent graduate of the University of Iowa, has joined the State Bank of Bussey as a junior officer.

DES MOINES: Richard C. Lee, chairman of the Capital City State Bank, has announced that Homer R. Jensen has joined the bank as vice president in charge of the correspondent bank department. Mr. Jensen resigned as vice president of Bankers Trust Company recently after serving in that bank's correspondent department for the past 11 years. Mr. Jensen started

his banking career with the former Des Moines Bank & Trust Company in 1946. He is a graduate of the Graduate School of Banking at the University of Wisconsin and of the Ag Credit School at Iowa State University, Ames.

DES MOINES: Registration at the 83rd annual convention of the Iowa Bankers Association was 5,017. J. C. Blackford, president, Union Bank & Trust Company, Ottumwa, was elected president of the IBA to succeed James Lipton, executive vice president and cashier, Ida County State Bank, Ida Grove. New IBA vice president is James Redman, president, State Bank, Fort Dodge. New treasurer is Kenneth Bean, vice president, Marion County State Bank, Pella. Arthur Lindquist's title has been changed to executive vice president and secretary. A complete convention report with pictures will appear in the November *Northwestern Banker*.

DES MOINES: George M. Karnedy has been elected assistant marketing officer and Larry E. Welch a systems officer, both at the Iowa-Des Moines National Bank. Mr. Karnedy joined the bank's master charge department this year and will continue to serve in that area. Mr. Welch joined the bank in 1955 and has been working in the computer sales department since 1968.

LUANA: George Heins, attorney, has been elected president of the Luana Savings Bank, and Harva O. Miller has been named vice president. Dr. D. R. Fields has joined the bank's

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cently and remains in Bryan Memorial Hospital in Lincoln. He welcomes cards from friends.

STROMSBURG: Evelyn Oquist has been promoted to cashier at the Stromsburg Bank, according to W. E. Johnson, executive vice president. She succeeds Laverna Rystrom, who has retired after 34 years with the bank.

ILLINOIS NEWS

CHICAGO: The First National Bank of Chicago has announced the election of Robert J. Mitchell as assistant cashier in the municipal bond underwriting section of the bank's bond department and, the election of James L. Russell to assistant cashier in the home mortgage loan division of the retail banking department. Two additional officer assignments have been made in First Chicago Corporation, parent company of the bank. Nicholas DeLeonardis, vice president in the bank's bond department, has assumed the additional duties of assistant treasurer of the corporation. James E. Depies, assistant vice president, has been transferred from the bank's trust department to First Chicago Corporation.

FREEPORT: The Comptroller of the Currency has approved the application of the First National Bank to open a detached facility at 439 West Stephenson Street here.

LINCOLNWOOD: The First National Bank of Lincolnwood has received Comptroller of the Currency approval to open a detached facility at 6211 North Lincoln Avenue, Chicago.

MORTON GROVE: The Comptroller of the Currency has approved the application of the First National Bank of Morton Grove to open a

detached facility at 6208-10 Dempster Street in Morton Grove.

ROCKFORD: Robert P. Kline, vice president in charge of the northwestern area in the correspondent bank department of the Northern Trust Company, Chicago, has resigned to become executive vice president of the Illinois National Bank here.

URBANA: The 24th annual Illinois Bank Management Conference, sponsored jointly by the Illinois Bankers Association and the University of Illinois, will be held at the University of Illinois Urbana Campus on November 5-6.

WEST CHICAGO: Joseph E. Hitzemann has been elected vice president and Dennis D. Powell has been elected cashier, both at the West Chicago State Bank.

MINNESOTA NEWS

DULUTH: Two new assistant cashiers and a new assistant trust officer have been elected at the First American National Bank of Duluth, according to Emmons W. Collins, board chairman and chief executive officer. Richard J. Binette and Raymond C. Sink have been promoted to assistant cashiers, and Timothy J. Burges has been elected assistant trust officer.

FERTILE: David E. Hanson, president of the First State Bank of Fertile, has announced the election of the following officers: David L. Egge, assistant vice president; Otto W. Johnson, cashier; Mrs. Margaret Thompson, assistant cashier. Robert R. Remark, attorney in Fertile, has been named to the bank's board of directors.

MINNEAPOLIS: William O. Roberts



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has been elected assistant cashier of the First Southdale National Bank, Southdale Center. He succeeds Thomas A. Wright, who recently resigned, as the officer in charge of the bank's installment banking department. Mr. Roberts has been with the bank since 1967. Robert W. Gibson has been added to the staff of the installment banking department. He is manager of installment collections and a loan interviewer.

COLORADO NEWS

COLORADO SPRINGS: R. Calder Myer, formerly of Galveston, Texas, has been named a new executive cashier at the East Colorado Springs National Bank, according to W. L.



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Perry, vice president. Mr. Myer was previously cashier of Moody National Bank in Galveston, a post he held since 1964. R. L. Bishop, vice president, has been appointed head of the bank's customer services department, a new position. Mr. Bishop has been with the bank for five years.

Nominated New Fed Chairman...

Dr. Arthur F. Burns, counsellor to President Nixon, has been nominated to succeed William McC. Martin as chairman of the Federal Reserve Board. Appointment of the 65-year-old Burns to the 14-year term as chairman must be confirmed by the Senate. By law, Chairman Martin must step down from the post when his term expires in January.

Outlook...

(Continued from Page 1)

that we can end the surcharge be-

fore 1970 without causing a rekindling of inflationary pressures, but it is definitely a risk to end it.

While the stock market should remain in the doldrums in the face of the present expectation of a corporate profit squeeze, the bond markets should do better in the months ahead. For with the economy slowing, there should be little reason for rates to stay at their current levels. Also, with the rise in saving and some institutions now switching from stocks to bonds, some modest decline in interest rates should develop as the economy slows. But no sharp decline in bond yields is to be expected.

Thus, interest rate levels should remain more in the range seen in the 1920's and before than in the range witnessed in the past 30 years, when a depression, a war and tremendous amounts of liquidity kept rates of interest at levels that will appear extremely low from a historical perspective.

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