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The Economy and Banking In the 1970's

"Rather than fearing a return to a more stable and less inflationary environment, bankers should welcome the chance to again regain control of their destiny."

This is the comment made recently by Dr. Beryl Sprinkel, senior vice president and economist for the Harris Trust and Savings Bank, Chicago, as he viewed the economy and banking in the 70's.

Dr. Sprinkel indicates that although the short run impact of moving to a less inflationary environment will inevitably result in a short run squeeze on banking profits, the banking ingenuity displayed in the 1960's will serve the industry and the nation well in the decade ahead. He emphasizes four points:

(1) Once we get past the present recessionary period, the prospects for much less inflation are greatly enhanced. Inflation in this country and abroad has always been induced by excessive money creation. If monetary growth is moderate and steady at 2% to 4% per year, inflation will be restrained. The present serious inflation is an exception in our long term history and the decade of the 1970's is more likely to return to the pattern of 1% to 3% per year rather than the current 6%.



Dr. Beryl W. Sprinkel
"The Future is Inevitable"

(2) This means growth in demand deposits will be less than in recent years and bankers will have to rely to an even greater extent on purchased money as a necessary ingredient of profitable growth.

(3) Less inflation implies a significant decline in interest rates. Although the real rate of interest is likely to remain near the present 3.5%, less inflation could easily result in a drop in the prime rate of 200 to 250 basis points in the one to two-year period ahead as inflationary expectations recede.

(4) If open market interest rates recede and the impediment of Regulation Q is eliminated, bankers will again be able to attract funds and they must give even more attention to devising an efficient system for performing the intermediation function in a manner that will add to banking profitability while better ser-

ving the needs of their customers.

But lower interest rates and reduced opportunities for raising the loan/deposit ratio will place a further squeeze on banking profits in the shorter run. Less favorable tax treatment will increase the bind. Cost control will become even more important and greater attention must be given to allocating loan resources in the most profitable manner. New computer techniques will aid in better performing the allocation function but we all have a lot to learn if the environment changes from one where we discourage as many loan requests as possible to the more difficult task of making longer run decisions as to how loaning resources should be allocated in a calmer economic environment. Perhaps in that setting the job of the loaning officer will again become a satisfying, challenging and rewarding task rather than a source of frustration as in recent years.

Once the legislative environment clears, bankers will know what leeway they will have in providing new services to meet an ever changing market demand. It takes little management skill to conform to legislative limits

Economy and Banking...

(Continued on back page)

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SOUTH DAKOTA NEWS

PIERRE: The 1970 Ag Credit Conference sponsored by the South Dakota Bankers Association will be held at the Pierre Civic Auditorium April 7-8. Tom Diefendorf, SDBA ag committee chairman, and president of Farmers State Bank, Irene, will preside. Registration begins at the Auditorium April 7 at 8:00 a.m.

RAPID CITY: H. P. (Pat) Dixon, assistant vice president at First National Bank, has been named general chairman of the 1970 South Dakota Bankers Association convention to be held in Rapid City, May 7-9.

WYOMING NEWS

CHEYENNE: A. H. Trautwein, president of the Cheyenne National Bank, reports that approval has been received from the Federal Reserve System Board of Governors for Wyoming Bancorporation as a registered bank holding company. It is the first Wyoming bank holding company. The first member banks are Cheyenne National, East Cheyenne National, First Cheyenne State Bank and the Stockgrowers Bank in Wheatland. Total deposits of the four banks are approximately \$39 million.

Mr. Trautwein, president of the corporation, said formation of the holding company was begun as an

effort to stem the drain of capital and profits from Wyoming by out-of-state companies operating Wyoming banks. He said four of the state's five largest banks are owned by out-of-state holding companies.

IOWA NEWS

The 49th Annual State Banking Conference will be held this Thursday, April 9, at the convention facility in Johnny and Kay's Hyatt House Motel across from the Des Moines Municipal Airport on Fleur Drive. It is sponsored each year by the Iowa K. Okerstrom, president of the Junior Bankers and assistant cashier, First National Bank, Mason City, will preside in the afternoon.

AMES: Iowa State University officials remind bankers that the last three Ag Credit Workshops will be held this week as follows: Monday, April 6 at Cedar Rapids (Town House Motor Inn, 4747 First Ave., S.E.); Tuesday, April 7 at Denison (Jo Mart Steak House); Wednesday, April 8 at Ames (Pioneer Room, Memorial Union).

BURLINGTON: Douglas S. Grinde, president of Burlington Bank and Trust Co., has announced the election of Robert I. Hale to the board of directors. Mr. Hale is general manager of the Burlington plant of J. I. Case Co. He succeeds D. C. Andrews of the same company, who has been transferred to Racine.

CHARITON: Max D. Perrin and Ron-

ald T. Levis have been elected directors of First State Bank. They replace Robert D. Perrin and Richard J. Levis.

DES MOINES: The election of Joe Snyder as vice president in the correspondent bank division of Bankers Trust Company is announced by Robert J. Sterling, president of the bank. Mr. Snyder retired two years ago from Manufacturers Hanover Trust Company and had represented that New York bank for 30 years calling on correspondent banks in Iowa, Illinois and Indiana. He will take up his new duties on April 15.

DES MOINES: Frederick W. Weitz, president of the Weitz Company, Inc., a Des Moines contracting firm, and J. Locke Macomber, vice president and trust officer of Valley Bank & Trust Company, have been elected to the bank's board of directors.

FORT DODGE: L. Harlan Pfaff has been promoted from assistant vice president to vice president at the State Bank.

KEOKUK: Open house will be held April 7 and 8 for visitors to view the newly constructed motor bank of State Central Savings Bank.

ROCKWELL CITY: A dual 50th anniversary is being observed here. Earl B. Lemen, president of National Bank of Rockwell City recently marked his 50th year with the bank—and he started with it when it opened 50 years ago.

SIoux CITY: The new motor bank facility of the First National Bank has been opened at 309 Jackson Street. Two drive-in windows and walk-in facilities are available. The second floor of the building houses the bank's new \$400,000 computer, according to Loren P. Miller, assistant cashier and data processing manager.

NEBRASKA NEWS

BRUNING: Amy Reiss, vice president and cashier of the Bruning State Bank was married recently and her married name now is Amy Reiss Lapcheska.

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Richard C. Newlin

Richard C. Newlin has been promoted to president of Bank Investors – Iowa's most progressive Bank Brokerage concern. According to Mr. William C. Knapp, who is president at Iowa Realty Co., Inc., and Mr. Newlin's constituent in the Bank Brokerage endeavor, "Dick successfully negotiated the sale of majority stock in more Iowa banks during 1968 and 1969 than any other broker in the state. His constant effort to demonstrate a sincere awareness of confidentiality in 'bank sales conferences' is truly his trade in stock. Any banker wanting consultation regarding his personal bank stock transaction should not only take advantage of Mr. Newlin's experience in this field, but should also welcome the appropriate tax and legal advice which is made available through Bank Investors.

"We are proud of Dick and his proven record," said Mr. Knapp. "But most of all, we are pleased with the code of ethics by which he lives."

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FREMONT: J. Dale Milliken, 76, chairman of the Fremont National Bank, died recently after an illness of several months. His son, Tom, is president of the bank.

LINCOLN: The Nebraska Bankers Association committee on agriculture will sponsor its first "Agricultural Short Course for Commercial Bankers" May 24-27 in cooperation with the University of Nebraska College of Agriculture. The sessions will be held at the Nebraska Center for Continuing Education. The course is designed for managing officers, ag representatives and others in the bank whose prime responsibilities are to ag customers. There is a limit of 75 for registration.

OMAHA: Five employees have been promoted at The Omaha National Bank. They are: Arthur S. Meyers to data processing officer; Bruce Bucknam and Anna May Wegner to operations officers; Marc Ford to security officer, and Edith Van Kirk to assistant operations officer.

MINNESOTA NEWS

AUSTIN: Permission has been granted by the state banking department to the Austin State Bank to change the name of the bank to Northwestern State Bank of Austin.

BROWNSDALE: Howard G. Hill, 70, senior vice president of the First American State Bank of Brownsdale, died recently. He had been in ill health for several years. Mr. Hill started as an errand boy with the former State Bank of Brownsdale 53 years ago and had worked under four different owners.

DETROIT LAKES: Neil Toso has been appointed installment loan officer of the Detroit State Bank. He was formerly assistant cashier at the J. P. Wallace State Bank in Pelican Rapids.

EDINA: Thomas A. Welch has been elected assistant cashier of the First Edina National Bank, according to Warren R. Hinze, president.

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and began his banking career with the First Westside National Bank of Great Falls in 1965. Since January, 1966, he has been with First Bank System, most recently as credit analyst.

LUVERNE: The promotion of Richard Christianson from assistant vice president and cashier to vice president was announced recently. Grace A. Loose, assistant cashier and auditor, was advanced to cashier. Wayne L. Untiedt, installment loan officer, was elected assistant cashier.

ST. MARTIN: Herbert Emter has been elected executive vice president and director of the St. Martin National Bank. He succeeds Paul Herges, who continues as an officer and director.

VIRGINIA: In last week's issue it was stated that Raymond H. Willenbring was named cashier of the State Bank. The story should have read that Mr. Willenbring, president of the bank, announced the appointment of Richard D. Seliga as cashier. We regret this error.

MONTANA NEWS

HAVRE: Two executive promotions and the election of a new officer were announced recently at the Citi-

zens Bank of Montana. Phil A. Yates was promoted from executive vice president to president. Paul V. Malmberg, who has been cashier, was elected vice president and cashier. John Monahan was elected an assistant cashier.

HELENA: The new First Security Bank of Helena is scheduled to open April 13 at 1721 11th Ave.

NORTH DAKOTA NEWS

VALLEY CITY: Stanley R. Hill has been elected assistant cashier and manager of the Timepay department of First National Bank,

Mr. Hill has been a credit analyst in First Bank System headquarters in Minneapolis.

ILLINOIS NEWS

CHAMPAIGN: Richard M. Jorgensen has joined First National Bank as assistant vice president. He was formerly director of merchandising at J. M. Jones & Co.

HARVEY: Edward Mathieu, president of Bauer Buick Co., and Jesse H. Black, vice president and controller of the First National Bank, have been elected to the bank's board of directors.

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COLORADO NEWS

BUENA VISTA: Glenn H. Watmore has been promoted from executive vice president to president of the Buena Vista Bank & Trust Company, according to D. O. Gustafson, Minnesota banker and board chairman of the Buena Vista Bank & Trust.

DENVER: University Hills Bank has received approval from the Comptroller to convert to a national charter under the name of University National Bank. The announcement by Walter M. Orr, Jr., came on the bank's 14th anniversary of founding. Assets are now \$28.6 million.

COLORADO SPRINGS: The Regional Comptroller of the Currency has approved detached facilities for two banks. The First National Bank facility will be at 400 North Tejon St. The Northern National facility will be located at 3110 North Nevada Ave.

DENVER: Colfax National Bank of Denver has received permission to change its name to Summit National Bank and Trust Company of Denver.

Bank PRMA to Meet in Denver

The 1970 Regional Conference of Bank Public Relations and Marketing Association will be held April 9-10 at the Denver Hilton Hotel in Denver. An Early Bird cocktail party will be held April 8 starting at 6:00 p.m.

Theme for the business sessions Thursday and Friday will be "Out Where the Action Is." Thursday's sessions will include talks on marketing, group banking, check services, marketing environment, cen-

tral information file, automated teller stations, unions and banking, and area-wide public relations programs. A champagne outing and dinner will be held at the Hiwan Country Club in the mountains at nearby Evergreen, Colo.

Friday's topics include the media and message, integrated advertising effort, and advertising with a conscience.

Sparkman Says One-Bank H. C. Hearings Will Be Held Soon

Sen. John Sparkman, chairman of the Senate Banking Committee, has told the committee staff to begin preparations for hearings very soon on one-bank holding company legislation passed previously by the House (HR6778). The chairman apparently is under pressure from some committee members, who in turn are getting high pressure from nonbank sources to get hearings initiated so they can hopefully pass in the Senate the restrictive legislation contained in the House bill.

Sen. Sparkman feels the committee should have the benefit of studies to be made by the Presidential Commission on Financial Structure and Regulation. He states, however, that he never said he would delay hearings on the 1-Bank H.C. Bill until the committee has received any pressure to delay hearings.

Economy and Banking in the 70's . . .

(Continued from Page 1)

upon services offered but if some existing shackles are removed and new restraints are avoided, choice again presents managerial challenge.

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If a severe profit squeeze is to be avoided as interest rates decline, new or better banking services may represent a partial answer. Greater emphasis on market research will be necessary if the proper choices are to be made.

Finally, if bankers are again in a position to control their own destiny instead of being buffeted around by inflation, controls and restrictive legislation, we must do a better job of longer range planning for our respective institutions. The appropriate techniques have long been available and widely used by industry but only lately have banks indicated an interest in adapting these techniques.

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