

NORTHWESTERN Banker Newsletter

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Sees Strong Recovery by Mid-1972

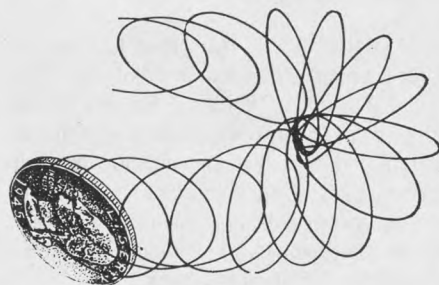
The business picture between now and mid-1972 may be surprisingly strong, according to Arnold C. Schumacher, vice president and economist with Halsey, Stuart & Co., Inc., Chicago. In the June 1 issue of "Money Market Comments," which he distributes weekly, Mr. Schumacher made the above statement and continued with this appraisal of the business recovery.

The psychology of consumers has improved and, after a long period of high savings, their liquidity position is quite favorable. The unemployment rate will remain relatively high, but this is largely the result of additions to the labor force. The total number of those employed will advance in coming months. Personal consumption expenditures should be up close to 8% in 1971 as compared with 1970 and this rate of gain should increase in the first half of 1972.

The real stimulus to the business recovery is likely to come through the capital goods sector. Plant and equipment outlays in the current year are forecast by the U. S. Department of Commerce at \$83.1 billion, a gain of 4.3% over the \$79.7 billion of 1970.

Demands in the government

sector suggest that state and local expenditures will continue to rise at about 10%-12% per year. Total Federal expenditures (in the gross product framework) will be close to \$100 billion in 1971, approximately the same level as in 1970. However, in 1972 Federal spending seems likely to move upward again,



perhaps by 4%-5%. The Federal deficit in fiscal 1971 will be close to \$20 billion. As presently projected, the deficit in fiscal 1972 is placed at \$11 billion but it may exceed this total.

The strength and duration of the cyclical recovery depends on two basic factors, neither of which can be forecast with any degree of certainty.

Number one is the inflation component. In the first four months of 1971 the Consumer Price Index rose at an annual

rate of about 3%. This represents a considerable improvement as compared with the 5.5% rate for 1970. However, this may be only a temporary respite. There are good reasons for believing that food prices at retail will advance more rapidly in the latter half of the year. The cost-push elements associated with wage gains running three and four times the annual improvement in productivity tend to force an extremely liberal monetary policy. This, in turn, serves to transmit price increases throughout the economy.

This leads us to the second unknown. What is the future of monetary and fiscal policies? At the moment these are strongly stimulative and there are demands by several reputable analysts that fuel be injected even more liberally. Our guess is that the stimulus will continue, perhaps coming in larger doses. At some point rising prices will again force a retrenchment, but this may not become an issue until the first or second quarters of 1972.

Summarizing, it seems to us the following are reasonable expectations. (1) A gradually improving pattern of consumer spending reinforced in the latter part of 1971 by an upward trend

(Continued on back page)

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cent announcement. Minor Baird is president of the bank. A completion date has not been announced.

ILLINOIS NEWS

CHICAGO: An application to organize The First Pacific Bank of Chicago, to be located on the east side of Chicago's loop, has been filed with the State of Illinois. The new bank would have approximately 15,500 sq. ft. of ground floor. The Dai-Ichi Bank, Ltd., soon to be Japan's largest commercial bank as a result of a merger, will be the major stockholder. The First Pacific Bank would have \$4.5 million capitalization. Organizers include Russell Baker, a lawyer; Donald O'Toole, Sr., head of the Pullman Banking Group; James Brooks, a lawyer; Noboru Honda, and insurance agent; and Masatoshi Narita, representing the Dai-Ichi Bank, Ltd., Japan.

CHICAGO: Illinois bankers at the 80th Annual IBA convention in Chicago elected the following men to the executive staff of IBA: Louis H. Clausen, president, Champaign National Bank, Chicago, IBA president; John F. McKnight, president, Oak Park National Bank, Oak Park, vice president; James P. Ghiglieri, president, Citizens National Bank, Toluca, second vice president, and Paul Jones, chairman of the board, Glenview State Bank, Glenview. Mr. Clausen succeeds F. W. Heitmann, Jr. as IBA president.

CHICAGO: Roger Lewis has been elected assistant trust officer of the Sears Bank & Trust according to a recent announcement.

EVANSTON: Charles S. Levy has been named vice president of the Evanston Bank according to a recent board of directors announcement. He will join the commercial loan division of the bank.

HOFFMAN ESTATES: Suburban Bank of Hoffman Estates has elected Shirlene Arnett, vice president and cashier, and Alice Pacey, assistant vice president, to their present positions, according to a recent announcement by Robert Rew, president.

WAUKEGAN: A charter has been issued for the organization of the Bank of Lakehurst according to Roland W. Blaha, commissioner of banks and trusts.



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NATIONAL NEWS

WASHINGTON, D.C.: HR5700, the interlocking directorate bill, has been postponed indefinitely by the House Banking and Currency Committee. This action was taken by the committee last week. Informed sources state that Chairman Wright Patman was unable to gain approval of the members of his own committee for the bill.

IOWA NEWS

ANITA: Harry Clarence Faulkner, 88, former owner and president of the Anita State Bank, died recently in Princeton, N. J. He had been a resident there for five years.

CEDAR RAPIDS: F. Forbes Olberg, executive vice president of the Merchants National Bank, who has been serving also as executive vice president of Banks of Iowa, Inc., was elected president of that firm, the bank's holding company. John T. Hamilton II, former president of Banks of Iowa, will succeed the late Howard Hall as chairman of the board. Mr. Olberg has been with the bank 18 years.

IOWA FALLS: Harry Peters will join the Citizens State Bank effective July 1 as executive vice president. He is presently cashier and operating officer of the Are-dale State Bank. The announcement was made by L. C. Jorgensen, president of the Citizens State Bank.

PAULLINA: A. C. Horstman has retired as vice president and cashier of the First National Bank of Paullina. He joined the bank in 1935 and was named vice president in 1969. It was also announced that Vernon E. Hibbing has taken the position as vice president and cashier and that Dennis Petersen and Richard Fiddelke have recently joined the bank.

NEBRASKA NEWS

ST. PAUL: Roger Rupp has been named assistant cashier of the Citizens National Bank in St. Paul. He was formerly affiliated with the Kansas-Nebraska Natural Gas Company.

SUPERIOR: Farmers State Bank will build a new building including drive-up and parking facilities according to a re-



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The bank will have a total capitalization of \$1 million. William F. O'Meara, Jr., will be president and William C. Seraponas, cashier.

WOOD DALE: The new Bank of Wood Dale will open for the first time at 9:00 A.M. Friday, June 25. The opening will be celebrated with an open house and symbolic ribbon cutting ceremony. The bank has a total capitalization of \$750,000.

MINNESOTA NEWS

MINNEAPOLIS: William G. Kirchner, John F. Nash, and G. Reed Macomber were elected to the three executive offices of the Minnesota Bankers Association at the 81st annual convention in St. Paul. Mr. Kirchner, president of Richfield Bank and Trust, is the new MBA president, succeeding Marvin R. Campbell of Brainerd. Mr. Nash, president of the American National Bank & Trust Co. in St. Paul, has been elected vice president. G. Reed Macomber, president of The Roseville State Bank, was re-elected MBA treasurer for a second one-year term.

ST. PAUL: The Independent Bankers of Minnesota has announced that the Detached Facility Bill (H.F. 2444 and S.F. 2154) has been passed by both the Senate and the House and is on the governor's desk for his signature. The distance from

the facility from the main banking house was amended from 2600 feet down to the original distance of 1000 feet.

NORTH DAKOTA NEWS

FARGO: The Merchants National Bank & Trust Company has announced the following officer changes according to A. K. Simpson, president. Herb Wogsland, formerly with the Red River National Bank of Grand Forks, will be vice president and manager of the time pay department. Jack Evje has been named assistant vice president in charge of industrial credits. Wes Pearson, former cashier of the bank, is controller of budget planning and Lyndon Hovland will become cashier in addition to his assistant vice president duties.

SOUTH DAKOTA NEWS

ABERDEEN: Betty Bjoski, assistant vice president of the Farmers and Merchants Bank, was named new chairman of the SD Chapter, National Association of Bank Women at a recent meeting in Yankton.

WYOMING NEWS

CASPER: John Wold has been elected to the board of directors of the First National Bank of Casper according to Robert E. Bryans, president.

LARAMIE: First National Bank President P. W. Wilke announced recently the creation of a new customer travel service resulting from the purchase and combination of the assets of Laramie Travel Service and Wyoming Travel Service. James J. Slater will be the travel coordinator for the bank.

RIVERTON: The American National Bank of Riverton has announced the election of Albert Winchester, pioneer upper county rancher, to its board of directors according to an announcement by board chairman Don Spiker. He replaces Del Crouse who has submitted his resignation to the board.

RIVERTON: John R. Benesch, president of American National Bank of Riverton, was elected president of the Big Horn Basin Bankers Association at a recent meeting. Betty Gifford of First National Bank of Thermopolis, moved up from secretary-treasurer to vice president. Hal Winterholler of Shoshone First National of Cody is secretary-treasurer.

COLORADO NEWS

COLORADO SPRINGS: Max G. Brooks, chairman of the board, Central Bank and Trust, Denver, was elected president



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of the CBA at the 70th annual convention held at the Hotel Broadmoor recently. Donald F. Delano, president, Burns National Bank, Durango, was named first vice president and Dale R. Hinman, president, Greeley National Bank, Greeley, was named second vice president. Mr. Brooks succeeds C. Gale Sellens, president, Lakeside National Bank, Wheat Ridge, as CBA president.

COLORADO SPRINGS: The First National Bank has awarded a contract for construction of a \$1.5 million detached facility at Tejon and Boulder Streets. The facility will have 30,000 square feet in a basement and two-story structure. There will be seven drive-up stations and three lobby teller windows.

LITTLETON: The FDIC has approved the exercise of limited trust powers by the United Bank of Littleton.

Strong Recovery...

(Continued from Page 1)

in capital outlays. (2) Some moderation of the rise in prices in the short run. (3) A continuing rate of unemployment above 6% at least until after the turn of the year. (4) A liberal monetary policy with the money supply increasing at a 7% rate or higher. (5) The risk of a new round of inflation in the first half of next year. (6) A volatile interest rate structure with the possibility of higher rates developing either late in 1971 or early 1972.

Assuming this type of an economic forecast proves to be reasonably correct, there are certain implications for security markets. With a prospect of four or five quarters of expanding corporate earnings, the stock market should perform favorably over at least the next six months. Relatively high interest rates may act to siphon off some funds which would normally move into common stocks. However, we would not expect this to become a serious problem as long as the earnings picture is improving.

With regard to interest rates, we believe the present level pretty well discounts developments in the remainder of 1971. By early 1972 the demand for funds could push rates higher. If this were associated with a more restrictive money policy and high stock prices, then common stocks would be vulnerable to a correction of some magnitude.

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