

NORTHWESTERN Banker Newsletter

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The Three Culprits of Inflation

Within a short time it has become evident that significant segments of the population are working hard to break down the wage-price freeze. If these groups succeed in defying the government, the whole program will fall apart. They should be hit and hit hard. The majority are willing to abide by the rules and their rights should be upheld.

The wage-price freeze and whatever comes after it in the way of controls will, in and of themselves, do nothing to stop inflation. There are three primary institutional forces responsible for inflation and these must be subdued, if we are serious about the whole matter.

The first is government spending at all levels — state, local and federal. People expect and are willing to pay for certain services of state and local political entities. These include the traditional police and fire protection, public health services, education, the courts, highway maintenance, etc. However, they do not demand the array of wasteful and extravagant programs which have grown up in recent years. There is no public outcry for the large bureaucracy of young Ph.D.'s devoting hundreds of millions of dollars to planning everything from land use to tree culture, most of which planning ends up in file drawers gathering dust. While education is necessary, schools built and staffed like country clubs are not. Stadiums and arts palaces built at public expense benefit a few contractors and entertainment promoters. An army of social workers that measures its success in seeing how many

additional people can be placed on welfare, primarily to enhance the budget and power of department heads, is hardly a public service. Welfare is essential, but its administration has become a huge joke.



By **Arnold C. Schumacher**
Vice President & Economist
Halsey, Stuart & Co., Inc., Chicago

The list could go on and on. Politicians are always talking about the increased services demanded by the citizens and the need for more revenue. What office holders are mainly interested in is in buying a few hundred thousand votes.

Congressmen and Senators play this game with as much skill as their partners at the local level. Time after time the President attempts to hold down expenditures by presenting a tight appropriation recommendation which Congress promptly increases by thirty or fifty percent. There is constant talk of priorities, but there is only one priority, namely, the next election. This is not a mass indictment of all representatives. Many are hard working people truly interested in economy in government; but they are too often ignored.

It is a little pathetic when young crusaders like Ralph Nader are more interested in getting Corvairs off the road than they are in addressing themselves to waste in government. The vast majority of people are crying for some relief from backbreaking government spending and soaring taxes. Sniping at General Motors makes headlines, but it hardly ranks as a major social contribution.

Government is a powerful engine of inflation and one that probably cannot be stopped short of a tax-payers revolt. There is no way to curb government spending except by denying public officials tax revenues and borrowing power. Revolutions do not come through a scruffy band of long haired theorists. Revolutions come when a majority decide they will no longer submit to having their substance and livelihoods destroyed by taxation and inflation.

Labor unions are a second institutional force contributing to inflation. Only about one out of five workers are organized in the United States. The huge majority of unorganized have struggled along with annual pay increases in recent years of 5%-6% while unions have demanded (and received) raises as high as 12% to 15%, and some have run considerably larger. Through higher prices, the general public has subsidized a labor elite which has shown practically no restraint or responsibility. Union leadership has been totally oblivious to dislocations in industry, destruction of export markets, loss of jobs and impairments to productivity resulting from their actions.

(Continued on back page)

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IOWA NEWS

Oliver A. Hansen, president, Liberty Trust and Savings Bank, Durant, has been named Iowa superintendent of banking by Governor Robert Ray. He succeeds Collin Fritz, who resigned August 1, to become president of the Central National Bank and Trust Company, Des Moines.

Mr. Hansen is well-known among



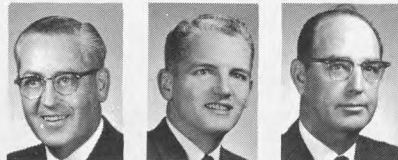
Oliver A. Hansen

bankers in Iowa and the midwest, having served as president of the Iowa Bankers Assn. in 1967-68. He is currently serving as chairman of the Livestock Industry Committee for the Association.

In addition to serving as president in the \$12 million bank in Durant, he and his wife, Chrystol, are directors of the Farmers Savings Bank, West Union.

Mr. Hansen entered banking in June, 1946, following his discharge from the United States Army where he served as a first lieutenant and supply officer for the 40th Infantry Division. During the Korean War, he served as food supervisor for the 24th Corps.

Mr. Hansen has served the Liberty



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Trust and Savings Bank as cashier, executive vice president, and now as president. He was graduated from Iowa State University, Ames, in 1942, with a B.S. Degree in Animal Science. In addition to his banking duties, he is active in family farming interests.

In recent years, Mr. Hansen has been active in local civic and church organizations; director and past president, Eastern Iowa Angus Breeders; guest lecturer at IBA Ag Credit School in Ames. Preceding his election as president of the Iowa Bankers Assn., he served as president of the Cedar County Bankers Assn. and as chairman of Group 8.

DES MOINES: John H. Amsler, who has been manager of the Des Moines office for First Mid America, Inc., has been named manager of Iowa municipal bond sales for the firm.

ESTHERVILLE: Application has been made to the Federal Reserve System for Associated Bank Corporation to acquire 55% or more of the voting shares of Iowa Trust & Savings Bank.

KNOXVILLE: The Community National Bank & Trust Co. has opened its new drive-in, walk-up facility at East Marion and North Second Streets and has discontinued the drive-in at the bank.

OSKALOOSA: Mrs. Max (Mabel) Whitehead retired recently as vice president and assistant trust officer of the Iowa Trust and Savings Bank. She had been with the bank since it was organized in 1937, serving in her latest position since 1962.

RED OAK: The appointment of John T. Patrick as vice president of Houghton State Bank, effective September 1, was announced by Carl R. Mueller, president. Mr. Patrick will have general supervision of the bank's commercial and real estate lending activities. For the past one and one-half years he has been auditor for Hawkeye Bancorporation, with which Houghton State Bank is affiliated. Prior to that he was an examiner with the Iowa banking department.

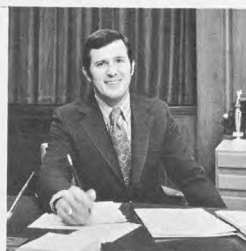
NEBRASKA NEWS

GENOA: The Genoa National Bank has requested permission from the Regional Administrator of National Banks to move its head office from Willard Avenue and Walnut Street to Willard Avenue and Oak Street

LINCOLN: Harold P. Stuckey has joined National Bank of Commerce as assistant vice president in the correspondent bank division.

OMAHA: James A. Irving, president, First Westside Bank, has announced the bank will develop a small park on property adjacent to the bank at the corner of 72nd & Dodge Streets. Work will start within a year on the triangular piece of property, featuring trees, shrubs, a fountain and sidewalks.

NORTH PLATTE: Kenneth N. Langford has been elected an assistant vice president of First National Bank. He returns to North Platte after 13 years of banking experience. He was with First National Bank & Trust of Lincoln for eight years; with Cheyenne National at Cheyenne, Wyo., for two years, and most recently with the Bank of St. Louis in St. Louis, Mo., for three years, as assistant vice president in the correspondent bank division. He will be the third generation of his family to be closely connected with the bank since 1900. His grandfather, Ray C. Langford, was a past chairman of the board, and his father, L. W. Langford, is currently president.



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MINNESOTA NEWS

OWATONNA: Al M. Severson has been elected president of Security Bank and Trust Company and took up his new duties there September 1. He succeeds Clifford C. Sommer, whose appointment as a vice president of Northwest Bancorporation was announced last week. Mr. Severson previously was senior vice president at First National Bank & Trust Company in Fargo, a Banco affiliate. Mr. Sommer will continue as chairman of the Security Bank & Trust.

It was also announced that Norman L. Wicklow, senior vice president and trust officer of the bank, retired September 1 after 35 years with Security Bank.

ST. PAUL: Reproductions of world-famous diamonds are on display in the Skywalk Banking Center of The First National Bank until September 22. The unusual exhibit includes such world-renowned stones as the Cullinan, Jonker, Hope, Tiffany and Kohinoor.

MONTANA NEWS

GLENDIVE: The Fed has denied a request by First Sebanco, Inc. for prior approval to acquire 50.4% of the voting shares of First Security Bank of Glendive.

COLORADO NEWS

CASTLE ROCK: An application has been filed for a new chartered bank to be known as the First National Bank of Castle Rock. Applicants include William B. Paynter, Jr., former president, First National Bank, Sterling; William B. Paynter, III, Evergreen; Ernest H. Sterling, Littleton; Jack W. Ernhart, Sterling; Arthur Guida, Akron, and Thomas H. Bradbury, Byers. Capital would be \$100,000, surplus, \$100,000, and undivided profits and reserves, \$50,000.

DENVER: The Colorado Banking Board has given preliminary approval for one new bank charter and denied the application for another, Harry Bloom, Colorado bank commissioner, said recently.

The approval, subject to changes in the organizational structure, was for the Bank of Applewood, which is



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to be located near W. 31st Avenue and Youngfield Street in Jefferson County.

Denied was the application for the proposed Bank of Evergreen.

Heading the applicants for the Bank of Applewood is Dan H. Sebastian, who has been connected with the United Bank of Denver, Colfax National and the Bank of Fairplay.

Applying for the proposed Bank of Evergreen were officers of the Central Bank & Trust Co., Denver, and the First State Bank of Idaho Springs.

DENVER: Application for a new bank charter was filed with the State Banking Commission on August 27, 1971 by five officers of Colorado National Bankshares, Inc.: Melvin J. Roberts, Charles A. Baer, Will F. Nicholson, Jr., Kenneth H. Nordling, and Vern Elliason.

The proposed name for the new state bank incorporation is Weld Colorado Bank. It would be located in or adjacent to the planned Greeley Mall which is in South Greeley near the Highway 34 bypass. The Greeley Mall will be a large regional shopping center serving the growing Greeley market.

DENVER: James W. Henry has been named executive vice president of Mid-States Bank, 3910 Buchtel Blvd. He was formerly a credit officer for First National Bank, Denver.

ILLINOIS NEWS

CHICAGO: Approval has been granted to merge The South East National Bank of Chicago into the Civic Center Bank and Trust Co.

EVANSTON: Joseph D. Barnette has been elected executive vice president of the First National Bank & Trust Co.

EVANSTON: David E. Albertson has

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Richard C. Newlin, President

been elected executive vice president and a director of State National Bank, according to Robert Humphrey, president. Mr. Albertson has been a vice president at Northern Trust Company, Chicago, in the commercial banking department covering correspondent banks for the states of Michigan and Ohio.

SALEM: Salem National Bank has received approval to establish a branch at 301 West McMackin Street.

WYOMING NEWS

JACKSON HOLE: Robert T. Noel has been named president of the new First National Bank. He has been executive vice president and cashier of Boulder National in Boulder, Colo.

LANDER: Application of Wyoming Bancorporation to acquire First National Bank has been withdrawn.

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Inflation...

(Continued from Page 1)

Undoubtedly, many union members are not in accord with the policies of their leaders, but they are powerless to make their wishes known. Those unions which have tried to be more reasonable in wage negotiations (and there are some) get little or no credit.

Finally, the money managers have contributed to inflation through an overly expansive monetary policy since early in the year. In an attempt to provide fuel for a business recovery, the Federal Reserve Board has fed the fires of inflation. The outpouring of money only served to undermine confidence.

Until and unless these three elements — government spending, labor union irresponsibility and money management — are forced into a mold which will slow the erosion of purchasing power, then all the rules and regulations, wage-price freezes, review boards, tax reductions, floating dollar, etc. mean nothing.

The great merit in the President's action was that it gives the nation one

more opportunity to attack its basic problems. If we get real determination to curb financial demands and a willingness to make sacrifices, then we can look forward to prosperity and expanding output and relief from financial strains. The story will be told in coming weeks and months.

SOUTH DAKOTA NEWS

HURON: Details have been announced for the annual group meetings in South Dakota. Dates and locations are as follows:

Sept. 13 — Gr. I - Minnehaha Country Club, Sioux Falls.

Sept. 14 — Gr. V - Howard Johnson's, Rapid City.

Sept. 15 — Gr. IV - First Natl. Bk., Aberdeen, Moberge. Social hour and banquet, Moberge Country Club.

Sept. 16 — Gr. II - Guest House, Watertown.

Sept. 17 — Gr. III - Holiday Inn, Mitchell.

The Fair Credit Reporting Act will be discussed. Instead of a formal presentation on the provisions of the Act, Mel Burstein, assistant

general counsel of the Federal Reserve Bank in Minneapolis, will answer questions posed by member banks.

A new program to assist member banks in reducing losses will also be presented during the afternoon program.

The banquet speaker for the group meetings is Somers H. White, known as America's number one speaker on motivation in business and finance.

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