

# NORTHWESTERN Banker Newsletter

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February 14, 1972

## Will Fed Policy Help Control Inflation?

The Federal Reserve will again have to be the policy arm that will try to control inflation, according to Henry Kaufman, partner and economist of the investment banking firm of Salomon Brothers.

Speaking before the 53rd Midwinter Trust Conference of the American Bankers Association, Mr. Kaufman said that the New Economic Program, which had offered much hope and initial promise in the fight against inflation, is losing its effectiveness. At the same time, he said, the Administration has opted to increase Federal expenditures sharply and to incur an extraordinarily large budget deficit of nearly \$40 billion in this fiscal year.

"If monetary policy must be the main bulwark against inflation, it will come just at a time when this burden should have been carried by the fiscal arm," stated the Salomon Brothers economist, explaining that, "in 1972 a substantial monetary expansion is a key prerequisite for financing the prospective credit demands."

The Federal Reserve, noted Mr. Kaufman, is faced with a problem of at least three dimensions: (1) the monetary stance against inflation, (2) the size of bank credit expansion, and (3) the trend of money rates. "The Fed's emerging battle against inflation may incorporate two approaches," stated Mr. Kaufman. One, he said, is to let markets tighten again. The other, is to intervene through selective allocation of funds. "The aggressive liberalization of fiscal policy will also encourage private borrowers to show



a continued high preference for liquidity." This, Mr. Kaufman explained, is because only through what he called vigorous anti-inflation policies can the Government demonstrate that there is no need for large permanent liquidity. "The failure to institute such policies as the Federal budget turns exceedingly expansionary will prompt private credit demanders to persist with financing a large part of their needs long-term," he said.

With regard to interest rates, the Salomon Brothers economist said that if the economic recovery continues, its sustainability will be challenged by the movement of short and long-term rates. We can have rising short-term rates, reflecting the traditional demands on the credit market at this point in a recovery, without inflicting a setback on the long-term credit markets only when our Government has put a bear hug on inflation, stated Mr. Kaufman. Because the Government has not done this, he said, any meaningful increase in short-term rates will disturb the long-term market.

For the corporate bond market, it is highly likely, according to Mr. Kaufman, that a large part of the total offerings

will come to market in the first half of the year, as corporations will press to continue to improve their liquidity in view of the new liberal fiscal posture. Thus, he said, the yield on high-grade utility bonds may well flare up at least temporarily to within the 7 $\frac{3}{4}$  to 8 per cent range sometime this year. In the Governments market, Mr. Kaufman said, if a meaningful international monetary agreement should be attained this year, it may include a funding of part of the short-dated Governments held by the foreign central banks. "Even if this funding does not involve the takedown of marketable intermediate and long-term issues, but instead non-marketable obligations, it would still provide considerable technical strength to the Government coupon market," stated Mr. Kaufman.

In the municipal bond market, the economist said that continued substantial price volatility should also be a dominant feature. The task of inducing commercial banks to continue to be massive buyers of tax-exempts should be more difficult this year, noted Mr. Kaufman, adding that the banks will be buyers of intermediate and longer dated issues only after loan demand and economic activity fall short of expectations.

### Fed Rules Against Judicial Review

The Federal Reserve Board has held that its rulings on what are permissible activities for bank holding companies under the Bank Holding Company Act Amendments of 1970 are not "subject to judicial review."

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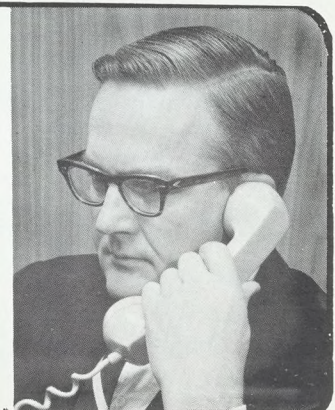
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### IOWA NEWS

In an all-day debate over S.F. 1008, a bill designed originally to regulate bank holding companies and their growth in Iowa, the Senate on February 8 voted approval of limited area branch banking. This is the first time a branch banking measure has ever gotten to the Senate floor for a vote. In approving S.F. 1008, the Senate voted for the following:

- Bank holding companies may acquire additional banks until the total deposits in these banks reach 8.5% of the total time and demand deposits of all banks in Iowa.

- Bank offices would be permitted to offer full-service banking, providing the same services as available at the main bank.

- A bank office could remain in operation even though a new charter is granted for a bank in the same community.

- Banks in "urban complexes" of 50,000 population or more could open their branches in their own city and contiguous communities: 50,000-100,000, two offices; 100,000-200,000, three offices; over 200,000, four offices. By stipulating these by population of "urban complexes" rather than by cities, the bill would permit West Des Moines banks to

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open offices in Des Moines and vice versa, and Marion banks to open offices in Cedar Rapids and vice versa. These were the two examples cited on the floor during debate.

- The Iowa superintendent of banking would be granted additional authority. Any application to federal authorities to form or expand a holding company in Iowa would also have to be filed simultaneously with the Iowa department of banking. Additionally, the bill gives the superintendent authority of prior approval, as well as subsequent review, of fees paid by a bank to a service affiliate or a major stockholder.

The bill was passed in substantially the same form as presented by the legislative study committee, except that the limitation on holding company control of deposits was dropped from 10% to 8.5%. The bill now goes to the House.

**BURLINGTON:** Group 11 bankers will hold their annual meeting in Burlington at Hotel Burlington, Friday evening, Feb. 18 and Saturday morning, Feb. 19. Details are on page 98 of February magazine issue.

**DES MOINES:** Repr. Fischer and Sen. Brownlee have filed companion bills to prohibit financial institutions from giving away goods as an inducement to open, maintain or add to accounts. (H. 1109).

**IOWA CITY:** First Nat'l. Bk. has advanced Thos. J. O'Brien to exec. v.p.; Mark Thompson to v.p., and Thomas Stockman and Neil W. Goeppinger, to a.c.'s.

**IOWA CITY:** Iowa St. Bk. & Tr. Co. has



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advanced Gladys E. Manning to asst. v.p.; A. W. Schippers, Jr. to data proc. off.; Donald Deacon to customer service off., and Phil Winborn to ag rep.

**MUSCATINE:** First National Bank had year-end deposits of \$39,961,229, up from \$36,032,000 a year ago. Loans were \$27,708,675, up from \$25,517,000 a year ago. The bank was omitted from the list of Iowa's 25 largest banks on page 90 of the February magazine issue of *NORTHWESTERN BANKER*. It should have been listed as 23rd largest in the state.

**NEW HAMPTON:** Open house will be held by Security State Bk. in its new building Saturday, Feb. 19, from 10 A.M. to 4 P.M. Bankers are invited to attend.

**VINTON:** John T. Strawn, Jr., 59, of rural Vinton, has been elected pres. of the State Bk. of Vinton, replacing Judge John W. Tobin, resigned. Mr. Tobin will be chmn.

### SOUTH DAKOTA NEWS

**CANTON:** Application for a new bank to be known as Valley State Bank has been approved by the State Banking Commission.

### NEBRASKA NEWS

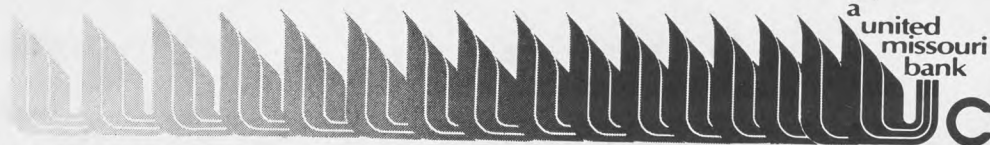
**CENTRAL CITY:** Farmers Nat'l. Bk. has named Terry L. Trueblood as pres. He was formerly exec. v.p. Roy Dinsdale has moved from pres. to chmn.

**DAVID CITY:** David City Bk. has acquired property adjacent to its bank. The present bldg. will be remodeled and an addition will be built on the newly-acquired property. A separate insurance agency is being developed.

**OMAHA:** An application for a state charter for a bank at Offut Air Force Base has been withdrawn.

**OMAHA:** Eugene Zaloudek has been named pres. of the Omaha State Bk. The bank received a charter in Sept. and is scheduled to open March 1. Mr. Zaloudek has been sr. v.p. at Southwest Bank in Omaha.

M. Cooper Smith, a retired group manager for the J. C. Penney Co., is chairman of the board of the new bank.



THE NEW MARK IN BANKING IS HERE.

**CITY NATIONAL BANK AND TRUST COMPANY**  
Kansas City, Missouri

Other board members are Perry S. Francis, J. J. Fuchs, Robert Miller, Frank B. Morrison, F. F. Nebergall, Grove Nelson, Marvin G. Schmid and Zaloudek. William A. Fraser is an associate director.

### MINNESOTA NEWS

**BLAINE:** FDIC has approved the newly-chartered Blaine State Bk. The charter was approved in July by the Minn. Dept. of Comm.

The bank, to be located at 101st and University Aves., will have beginning paid-in capital funds of \$600,000, the spokesman said.

Applicants for the state charter were Herbert W. Bacon Jr., Fridley electrical contractor; William H. Beery, Wayzata bank official; Donald W. Harstad, Minneapolis general contractor, and Donald C. Savelkoul, Fridley attorney.

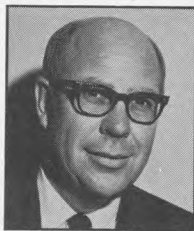
**CLARISSA:** Dennis Feda was advanced to exec. v.p. and cash. of the Farmers St. Bk. He will assume the active management of the bank from Pres. Merle Larson.

**FREEPORT:** Arnie Hoeschen was promoted to 1st v.p., and Gene Raeker was named v.p. & cash. Both men were elected directors of Freeport St. Bk.

**STAPLES:** Larry Klimstra has been named exec. v.p. of the Staples St. Bk. He was formerly with the State Bk. of Foley.

### ILLINOIS NEWS

**CHICAGO:** 24th Annual Consumer Credit Conference sponsored by I.B.A. Cons. Credit Div. will be Feb. 16-17 Palmer House. Congresswoman L. K. Sullivan, mem. House Bank/Currency Comm., will be dinner speaker. Bob Blackman, head football coach, U. of Ill., will address luncheon. Also featured will be panel discussions on future of consumer credit.



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**CHICAGO:** Drovers National Bank will begin its 90th year of service and celebrate the unveiling of its new "all-weather protected" drive-in/walk-up at an open house Feb. 11-18 in the South Side facility.

**CHICAGO:** Chicago Bank of Commerce, newly formed merger of Civic Center Bank & Tr. and So. East Nat'l. Bank has four new v.p.'s: Joseph Wahala, exec. v.p.; Fred E. Buettner, admin. v.p.; Albert F. Ivan, v.p./cashier, and Richard B. Nuzzo, v.p. and sec.

**FREEPORT:** First National Bank named David D. Baer as exec. v.p./trust off. As t.o., he succeeds Kenneth P. Johnson, who resigned. Also promoted were Thomas F. McFeggan to a.c. and Michael J. Lester to aud.

**McHENRY:** Carol A. Sompel is asst. aud. at McHenry St. Bank instead of auditor as stated in Jan. 31 NWB News.

**PERU:** Mr. Fred Erlenborn, pres. of First Nat'l. Bank since 1936 has retired but

will serve as chmn. Harold L. Simkins was named pres. Richard Wendt moves to cashier.

**SKOKIE:** George O. Podd, Jr., exec. v.p., was named director and t.o. of Old Orchard Bank & Tr.

### WYOMING NEWS

**BURNS:** Dennis Wallace, v.p. and cash. of the Farmers St. Bk., has been elected pres. Lois Springer has been advanced from a.c. to cash. Henry Weber, former pres. is now chmn. of the bd.

**PINE BLUFFS:** Todd Gross, Jr. has succeeded his father, Charles C. Gross, as pres. of the Farmers St. Bk. Mr. Gross, Sr. will serve as chmn. of the bd.

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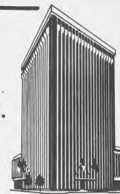
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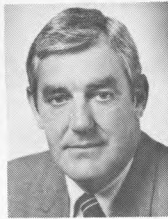
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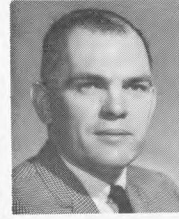
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Fred Coulson



Tom Cannon



Dick Muir

# COMMERCE BANK of Kansas City

## NORTH DAKOTA NEWS

**BISMARCK:** Lee M. Stenehjem, v.p. of State Bank of Burleigh County Trust since 1959 has been named chmn. and chief exec. officer. Alvin Haas was promoted to exec. v.p. and Milton Hochhalter to asst. cashier.

**CARSON:** Board of directors of Grant County State Bank have elected: D. C. McVay, exec. v.p.; Gideon Eckman, cashier; Edward Atkinson, asst. v.p./mgr. Flasher office; Mary Jane Emter, asst. cashier; and Ruth Wenger, asst. cashier/asst. mgr. Flasher office.

**GRAND FORKS:** Fred Orth, chmn., First National Bank, has announced the election of Richard O. Wold as pres. and director of the bank. For 14 years, Mr. Wold has been associated with the Northwestern National Bank of Sioux Falls, last serving as v.p. in charge of marketing.

**COOPERSTOWN:** L. A. Sayer, pres. of Farmers and Merchants Bank since 1954 has retired but will remain chmn. of the board. Roy L. Solberg is the new pres. advancing from v.p. Clarence Sandvik, v.p., will also serve as cashier. Leon A.

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Sayer, Jr., was elected v.p.

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### See You In Burlington

When Group 11 of the Iowa Bankers Association meets in Burlington on February 18-19, Max Roy and Cy Kirk, vice presidents of LaSalle National Bank, Chicago, will be on hand to greet their many customers and friends.

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