

NORTHWESTERN Banker Newsletter

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May 7, 1973

B of A Head Urges Standby Surcharge Tax

Inflation is our economy's public enemy Number One, A. W. Clausen, president of Bank of America said recently, and urged a standby income tax surcharge with funds diverted to the Social Security trust.

Mr. Clausen, speaking before the Money Marketeers of New York University, suggested such federal programs could stabilize periods of inflation or of inflationary expectations.

He criticized federal foot-dragging as a reason for the nation's inability to respond quickly to early economic warning signs of upcoming inflationary periods. Further, he implied the government itself "is not just a contributor to inflation—it is the principal culprit."

The proposed standby individual and corporate income tax surcharge, he emphasized, "would not take effect unless triggered automatically by an abnormal increase in the rate of inflation or an abnormal excess in the federal deficit or, conceivably, a combination of both."

Mr. Clausen suggested that the funds from such a surtax could go into enforced federal savings programs, such as the Social Security fund, thus delaying or defraying future increases in the Social Security payroll tax. Surplus funds in the Social Security trust are used to offset the federal deficit.

This proposal, the chief executive officer of B of A said, "provides a much-needed stick and carrot. The carrot is a dynamic economy without steadily eroding purchasing power. The stick is the threat of a disciplinary tax if we don't approach government spending responsibly."

He noted the counter-inflation surtax could "go on or off—as circumstances warranted, but without political foot-dragging. The rationale for this sort of mechanism," he said, "is to eliminate political delay."



A. W. CLAUSEN

He reviewed a period in the mid-60s when "inflation warning lights were flashing red." He said the government "did not move to use fiscal restraint," until the late-60s when Congress approved a 10 per cent surcharge.

"But I remind you," the bank president said, "it took 18 months to open the fiscal arsenal, to haul out the artillery, to aim it and to open fire on what by then had become a galloping target."

Mr. Clausen said this delay cost the nation dearly: the credit crunches of 1966, 1969 and 1970; a 12-month recession; a 20-month bear market; a climb of almost 35 per cent to date in wholesale prices, and ultimately two devaluations of the dollar.

In perfecting counter-inflation apparatus, such as devising an automatic, nonpolitical brake on inflation, the

Congress and the Administration should decide how much inflation is tolerable and how much tax is warranted, he said.

The crucial aspect of having an automatic surtax in the fiscal arsenal against inflation, Mr. Clausen said, would be to restore confidence in the government's ability to stabilize the economy. This, he said, would not only act as a weapon against inflation itself, but against the pervasive, and self-regenerating, expectation of inflation.

"The need for fiscal discipline," Mr. Clausen emphasized, "is the critical economic need of our time . . . Because, if we fail, if we don't seek out and develop a methodology of fiscal restraint that is timely and effective, then we're doomed to ever worsening inflation—and an end to the very meaning of the word 'value.'"

NORTH DAKOTA NEWS

FARGO: The 88th annual convention of the North Dakota Bankers Association will be held here May 9-11. The President's Reception is at 6:00 p.m. Wednesday, to start the activities. Full program details are in the May *NORTHWESTERN BANKER*.

FARGO: Fargo National Bank & Trust has filed an application for an office in the West Acres shopping center area. This would provide drive-in, walk-up service, according to C. S. Miller, senior vice president.

FARGO: Russell H. Slotten has been appointed marketing officer at Merchants National Bank & Trust, according to A. K. Simpson, president. He will join the bank May 21 as assistant vice president to handle

(Turn to back page, please)

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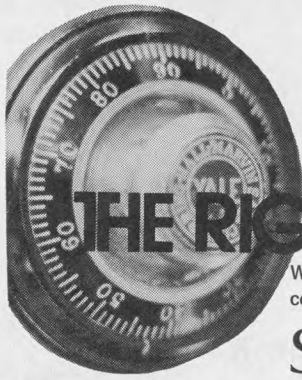


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IOWA NEWS

The Iowa Trust Association will hold its 25th annual conference May 15-16 at the Des Moines Hyatt House. Formal sessions will begin Wednesday with a buffet breakfast and end at 3:15 p.m.

ACKLEY: The Ackley State Bank will hold an open house May 12th from 2 until 8 p.m. Extensive remodeling of its building has recently been completed.

ATLANTIC: Gordon Nicholas, president of the State Bank and Trust Co. in Dillon, Mont., for the past 12 years, has purchased the First Whitney Bank and Trust in Atlantic. Mr. Nicholas acquired the bank through purchase of the Whitney Corporation of Iowa, a one-bank holding company which has owned the First Whitney since 1964. He will be the bank's executive officer and has stated that no personnel changes are anticipated.

GRAND MOUND: Myron Weil, president of the First National Bank, Clinton, has purchased controlling interest in the Union Savings Bank from Robert L. Kelly. Mr. Kelly will serve as managing officer and Mr. Weil will join the board of directors.

SHELBY: The Farmers Savings Bank has announced the promotions of Arler Kirkhart to assistant vice president and Thelma Henderson to cashier.

TINGLEY: The following changes have been made at the Tingley State Savings Bank: Margaret Eighme, cashier, has retired; Harold Grout has been named vice president and cashier, and Eloise Brown has been appointed assistant cashier. Craig Riggs has been elected to the board of directors.

NEBRASKA NEWS

ELM CREEK: The Elm Creek State Bank was ordered closed recently by the State Banking Department. State Banking Director Henry Ley informed bank officials of his decision to take over the bank while a special audit is conducted to determine whether or not the bank should be liquidated.

OMAHA: W. E. (Bill) Jahde has resigned his position as vice president and director at the First West Side Bank of Omaha to become sales representative for the Smith-Lausterer CBS Real Estate Co.

ILLINOIS NEWS

CHANDLERVILLE: A charter has been issued for the organization of the Peoples State Bank, 3 North Main Street. Total capitalization will be \$400,000. Officers are: Burdette A. Harbison, chairman of the board; John B. Chipman, vice president, and Thomas W. Stephans, vice president and cashier. Directors are: Kenneth Wayne

Atterberry, Charles E. Birdsell, Mr. Harbison, Elmer L. Lynn, Edmund L. Nelson and George W. Vollmers, all of Chandlerville; Mr. Chipman, Virginia, and Conrad Noll, III, and Max L. Riseman, both of Springfield.

The bank's application for Federal deposit insurance has been approved.

CHICAGO: Colonial Bank and Trust Company opened in its new building at 5850 W. Belmont Avenue, according to C. Paul Johnson, bank president. Grand opening festivities will take place throughout May with drawings for three successive Saturdays beginning May 12. Twenty-three gifts will be given each week.

CHICAGO: Charles A. Tatum has been elected president of Gateway National Bank. He is part of a group that recently acquired control of the bank.

DOWNERS GROVE: A permit to organize has been issued for the First Security Bank of Downers Grove, Saratoga Avenue. Total capitalization will be \$1 million. Organizers are: Alex N. Bruno, Walter Bard Carroll, Clyde Gleason, Marcel L. Levesque and Henry J. Luckhardt, all of Westmont; Vernon S. Hoesch, Naperville, and James D. Polivka, LaFox.

EVANSTON: First National Bank & Trust Co. has announced that Howard B. Silverman and Leo A. Evers have been elected senior vice presidents.

HAZEL CREST: An application for a permit to organize the First Bank of Hazel Crest has been filed. Total capitalization would be \$1 million. Applicants are: Robert J. Glickman, Chicago; Herbert A. Dolowy, River Forest; John J. Roche, Ville Park; William D. Ambrose, Oak Brook, and Robert L. Simons, M.D., Highland Park.

MINNESOTA NEWS

INTERNATIONAL FALLS: Vic J. Manila has been elected president of the International State Bank, replacing Eugene S. Blair who resigned. Mr. Manila and his brother, Olli, were former co-owners of Manila Mills in Big Falls.

MINNEAPOLIS: George A. MacDonald, vice president in charge of the bond department of First National Bank, will take early retirement, effective immediately. John T. Coulter, Minneapolis, will succeed Mr. MacDonald as head of the bond department.

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ST LOUIS PARK: Sheldon Z. Wert, Edina, has been named chairman of the board of the Shelard National Bank which is scheduled to open early in May in St. Louis Park. J. J. Green, Anoka, was named president.

SOUTH ST. PAUL: Robert Branham, president of the Northwestern National Bank in Rochester from 1964-67, has been elected president and chief operating officer of the Northwestern National Bank of South St. Paul. He had been senior vice president, public relations, at Northwest Bancorporation.

STILLWATER: Richard D. Mackaman, manager of Krog Agency, was elected assistant vice president of Farmers and Merchants State Bank. Krog Agency, a division of the bank, provides insurance services.

WANDA: Funeral services were held recently for Nicholas W. Jenniges, 64, Wanda banker. He had been employed by Wanda State Bank since 1926.

WORTHINGTON: Richard Koranda has been appointed vice president of the State Bank of Worthington, according to Arnold W. Brecht, chairman. Mr. Koranda has been with the bank in the insurance and real estate departments for 10 years.

COLORADO NEWS

DENVER: The state banking board has scheduled a hearing on one application for a new bank charter and has announced the filing of applications for two more charters.

Northeast Iowa Banks

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A hearing has been scheduled for June 28 at 9:00 a.m. in the State Capitol Annex Building on the application for Big Country Bank at Steamboat Springs. Incorporators of the proposed new bank are: John H. Gayer, Lloyd G. Lockhart and Keith L. Studer, Steamboat Springs; Sumner C. Hockett, chairman, Yampa Valley State Bank, Hayden, and Joe J. Huckfeldt, president, Gering National Bank, Gering, Nebr. Another bank, Routt County National Bank, with deposits over \$20 million, is located in Steamboat Springs.

Application has been filed for a bank to be known as Bank of Snowmass, to be located at Snowmass Resort, with total capital of \$250,000. Agent and proposed president is J. Robert Young, president of Roaring Fork Bank at Carbondale. Other organizers include Dudley Lockren, Snowmass; Peter N. Guy, Aspen; Rodney E. Slifer, Vail, and William B. Vollbracht, Denver.

Application has been filed for a charter to be known as Speer Valley State Bank, to be located within one-half mile of 28th Avenue and N. Speer Blvd. Organizers are Irving Wolinsky, Richard D. Amen and Jack M. Eiteljorg, Englewood, and John B. McCallan and Alfred L. Covillo, Golden.

DENVER: Don Echtermeyer, vice president in the correspondence bank department at Central Bank and Trust Company, has been named head of the department by Don Hoffman, president. Mr. Hoffman also announced the appointment of Richard B. LaSance as a vice presi-

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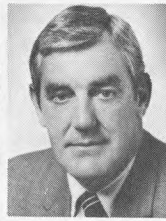
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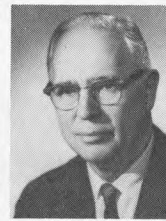


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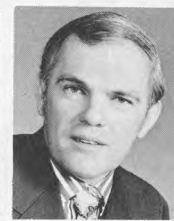
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COMMERCE BANK of Kansas City

dent in charge of the commercial loan department. He was most recently a vice president at First National Bank, Dallas.

MONTANA NEWS

HELENA: Plans are underway for a new building to house the Federal Reserve Bank branch in downtown Helena on the site of the old Helena High School. The branch has outgrown the quarters it has occupied since 1935.

SOUTH DAKOTA NEWS

BOWDLE: Arthur J. Haerter, 76, has retired after serving as president of the Farmers State Bank for 46 years. He is succeeded as president by his son, John Haerter, whose election was announced earlier following the annual meeting.

MT. VERNON: The Live Stock State Bank of Artesian is constructing a \$40,000 building here and expects to have its new bank office in operation by September. The bank headquarters in Artesian and also has an office in Letcher.

NORTH DAKOTA NEWS....

(Continued from Page 1)

research, advertising and public affairs of the bank. For the past year he has been director of public affairs for the Dayton-Hudson Corporation in Minneapolis.

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