

NORTHWESTERN Banker Newsletter

Vol. 3. No. 19

Des Moines, Iowa

September 10, 1973

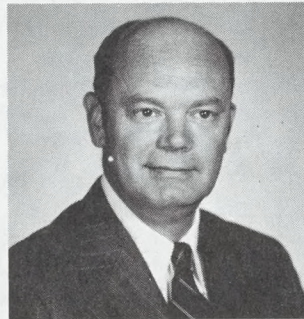
1974 Will Be a Rough Re-entry Year

Condensed from the economic forecast for 1974 by Harvey N. Daniels, vice president, economist and senior investment officer of the First National Bank of Minneapolis, as published in the bank's "Inside the Economy."

WHILE continuing to cling to the notion that the United States will narrowly avoid recession in 1974, this forecaster sees little possibility that the recently overheated economy can be braked just enough so that it will glide smoothly onto a path of sustainable growth. The past mistakes and excesses of politicians and money managers can be expected to cause pain for labor, business, farmers and consumers during 1974. Unfortunately, the general public (in its small knowledge of economics) blames business, labor or farmers for inflation when the blame should be assigned to the huge federal deficits and mismanagement of monetary policy promoted by elected officials or by those officials who are politically appointed.

The economic education of the consumer may well be the only benefit gained from the painful experience of pyramiding distortions, misallocations, shortages, black markets, etc. The great need is for the consumer to understand that controls and their wasteful, inefficient, bureaucratic enforcement establishments are the creatures of politicians seeking short run expedients rather than basic solutions. If consumers do not learn the economic facts of life, politicians will be tempted to (mis)conceive a tougher Phase V when Phase IV fails.

Indeed, it becomes increasingly crucial that wage and price **controls be terminated before they cause serious permanent damage to our economy!** The Administration has consistently disregarded the sound recommendations of a competent group of economic advisors and has, by its poor decisions, hung a millstone of Watergate



Harvey N. Daniels

proportions around the neck of the U.S. economy.

Avoidance of a recession in 1974 is not certain; but, somewhat more likely, is a significant economic slowdown falling short of recession. Several important segments will continue to be relatively strong — capital investment, net exports, and government purchases — thus preventing an overall decline.

• The 1974 Inside the Economy forecast calls for a decline in total GNP growth to \$80 billion from the anticipated \$130 billion of 1973. The growth rate is almost halved from 11.3% to 6.2% in 1974; after adjusting for inflation — 5.1% in the current year and 4.6% next year — with real

growth collapsing from about 6¼% to 1½%.

• The declining trend of housing "starts" will be extended into 1974 when a 14% further drop in unit volume is anticipated.

• Income gains will not be as strong in 1974 with personal disposable income up 6½% in comparison with the rise of over 10% this year. Wage and salary rates will advance, Social Security and other benefits will increase, but tax refunds will probably not be as large.

An even sharper decline in the rate of increase in consumer spending is anticipated. The spending spree of 1973 will push expenditures up by more than 10%, but the gains should moderate to about 5.3% next year . . . the consumer savings rate, for example, is expected to rise sharply to 7½% in 1974 from the current level around 6%.

• In typical business cycle sequence, business spending for plant, equipment and inventories strengthens late in the cycle and persists even after economic growth slackens. The current strength in this area should stay with us well into and perhaps through 1974. Forward orders for durable goods, construction contract awards and capital appropriations all give supporting evidence to this conclusion.

Another reason why we have concluded that a recession will be narrowly avoided is that excessive inventory accumulation has not occurred in the expansion phase of the current cycle. There should then be little need for substantial liquidation of inventories as the economy slows down.

• The very much needed rebound of corporate profits from the 1970 recession low (Turn to Page 3, please)



Dale Luckow

Correspond with the bank that knows
the importance of your bank
to your community.

IOWA-DES MOINES NATIONAL BANK

(515) 284-8686

WHERE CUSTOMERS SEND THEIR FRIENDS



Gene Hagen



Ed Leahy



Jim Honglo

**SECURITY
NATIONAL
BANK** 6TH AND PIERCE
SIOUX CITY, IOWA

IOWA NEWS

The University of Iowa Law School will hold its third annual debtor-creditor seminar for lawyers and bankers on September 14-15 in the New Ballroom, Iowa Memorial Union, Iowa City. Frank R. Kennedy, a former Iowa Law School professor now with the Michigan Law School, reporter for the advisory committee on bankruptcy rules, will discuss the new bankruptcy rules which will take effect on October 1. Other topics to be discussed include basic secured transactions and problems of the farmer, elevator and banker.

ALGONA: The Iowa Lakes chapter of the Bank Administration Institute will hold a meeting on September 12 at the Algona Country Club. Richard German of the Small Business Administration (SBA), Des Moines, will discuss SBA programs to help banks.

BELLE PLAINE: Paul Groszkruger, 79, president, Citizens State Bank, died August 19 at Sun City, Calif. He had served as president of the \$12.5 million bank since 1936. Survivors include his son, Carleton, bank vice president.

CHARLES CITY: O. J. Tomson will become active as president of Citizens National Bank. He was formerly executive vice president of Marquette National Bank, Minneapolis.

Northeast Iowa Banks

When you're ready for it, make an appointment to see our computer compute. It can solve a lot of problems for your bank. When your bank needs this or any other service, call Bill Rickert or Ken Young.

nb National Bank of Waterloo

SIOUX CITY: A second weekly auction sale featuring slaughter cows and bulls in the morning and feeder cattle in the afternoon will be added to the services of the Sioux City Stockyards. Opening day for the new weekly Friday auction has been set for September 14. Both auctions will be held in the new facilities just west of the Exchange Building.

STANHOPE: Grand opening for the Farmers State Bank new building will be September 16 from 1:30 to 4:30 p.m., according to John A. Walker, cashier.

NEBRASKA NEWS

GORDON: The First National Bank has announced the following changes: Robert E. Connealy, from vice president to executive vice president; Robert J. Strachan, from assistant vice president to vice president, and Gary E. Ruse, from assistant cashier to cashier.

LINCOLN: The First National Bank of Lincoln has named David L. Patrick, formerly vice president and manager of the commercial banking division, senior vice president in charge of all lending divisions; Robert D. Northrop, formerly vice president, senior vice president of the trust and investment division; Eames Irvin, vice president and manager of the commercial lending division, and William E. Edgecomb, vice president of the corporate and community relations division.

MARTELL: New officers have been announced by The Martell State Bank. Fred W. Morgan was elected chairman, succeeding Howard W. Hall, who died on August 6. Alan R. Haugner was promoted

to president. He will retain his title of cashier.

OMAHA: The Omaha National Bank will construct Omaha's largest walk-in, drive-in attached banking facility on the southwest corner of 18th and Douglas. Construction is to begin immediately and calls for late December completion and opening. The new facility will have 10 drive-through bank teller stations as well as six lobby tellers and four new-accounts service representatives.

Architects are Henningson Durham & Richardson, Omaha. Vrana Construction Co., Omaha, is the prime contractor.

MINNESOTA NEWS

HENDERSON: Open house will be held September 13-14 at Sibley County Bank following completion of extensive remodeling, according to Edwin B. Maurer, president, and O. L. Tomson, executive vice president.

MINNEAPOLIS: Clifford S. Jacobson has been named assistant vice president of the Northwestern National Bank Southwest. He joined the bank in 1971 as assistant cashier in commercial loans.

MINNEAPOLIS: The Federal Deposit Insurance Corporation has approved Federal deposit insurance for Riverside Community State Bank. The bank is to open for business September 17 with eight employees and capital accounts of \$1 million raised by sale of stock mainly to residents of the Cedar-Riverside area. David E. Cleveland, formerly president of the State Bank of Hudson, Wis., is president of the new bank, 1801 Riverside Avenue South.

ILLINOIS NEWS

H. Robert Bartell, Jr., Illinois commissioner of banks and trusts, said that his office has received applications for permits to organize four state banks. They are: Charter Bank of Northbrook Court, Lake-Cook and Lee Roads, Cook County; Bank of Plainfield; and Auburn Peoples Bank and Citizens Bank of Auburn.

CALUMET CITY: The application of the First State Bank for consent to establish a motor facility at 926 Burnham Avenue has been approved.

CHICAGO: John J. Dudzik has been

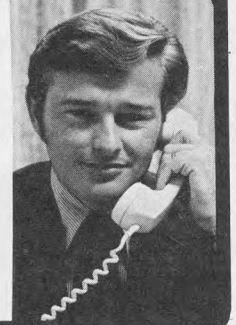
When you choose a city correspondent,
do what over half of the banks in Iowa do
— bank at MNB.

Mark Christen
Correspondent Banking Rep.



Merchants National Bank

A 'BANKS OF IOWA' BANK Cedar Rapids, Iowa 52401



CALL ON THE "PERFORMANCE TEAM"

where common transactions are handled uncommonly well.



FIRST NATIONAL LINCOLN

13th & M Street • Lincoln, Nebraska 68501 • Member, F.D.I.C.

elected a vice president in the commercial department of the National Boulevard Bank.

CHICAGO: Eugene Holland, Jr., has been elected an executive vice president of Continental Illinois Corp., holding company of Continental Illinois National Bank & Trust Company of Chicago. He also is an executive vice president of Continental Bank.

SOUTH HOLLAND: A charter has been issued for the organization of the Thornridge State Bank at the southwest corner of Sibley Boulevard and Waterman Drive. Total capitalization of the new bank will be \$1 million, consisting of: \$400,000 in both capital and surplus and \$200,000 in reserve. Officers are: William G. McCarthy, chairman; Samuel C. Maragos, president; Richard E. Winger, executive vice president, South Holland; Patrick O'Block, vice president, South Holland.

NORTH DAKOTA NEWS

BISMARCK: The North Dakota Banking Board has granted conditional approval for a charter for the Bank of Kirkwood Plaza. It increased the minimum paid-in capital accounts from \$750,000 to \$1 million. Proposed president of the bank would be James Kelly of Bismarck.

COLORADO NEWS

BOULDER: An application by The National State Bank of Boulder requesting permission to establish a bank office has been approved. The location of the office will be 1624 Canyon Boulevard in Boulder.

DENVER: Jefferson Bankshares of Colorado, Inc., has filed registration with the Securities and Exchange Commission for a 200,000-unit public offering of a common stock and warrants package that could raise more than \$3 million and give the state another publicly held bank holding company.

When you need a little help call us on our toll free wats number 800-362-1615



EDDIE A. WOLF

WILLIAM B. GREAVES

RUSSELL G. PLAGER

GREGORY S. WOLFE

GERALD MURPHY

Correspondent Bank Department

"C" Central National Bank & Trust Company

MAIN BANK, LOCUST AT SIXTH AVENUE, DRIVE-IN MOTOR BANK AT FIFTH & GRAND. FULL SERVICE OFFICE AT 35TH & INGERSOLL, DES MOINES. PHONE 245-8181. MEMBER FDIC.

DENVER: Keith J. Brighton has joined the Century Bank and Trust Company as vice president and loan officer.

DENVER: George M. Fornnarino has been named vice president of Security National Bank, where he will direct the bank's credit department and be involved in the commercial loan department.

MONTANA NEWS

Six persons were appointed by Gov. Thomas L. Judge recently to the new State Banking Board set up by the legislature early this year. The board members include two bankers, Charles Rubie, chairman, Central Bank of Montana, Great Falls, and Jack King, chairman and executive vice president, Valley Bank of Kalispell, and two attorneys, Robert Crotty, Great Falls, and Al Weingartner, Billings.

RE-ENTRY YEAR.....

(Continued from Page 1)

will quite surely come to an end in 1974. Indeed, we forecast a 3.5% decline in after-tax corporate profits. Through the year 1973 corporate profits will have recovered almost 75% from the recession low of 1970. The dip in 1974 will still leave profits at a level 20% above 1972. Expressing profits as a share of total GNP, the 1970 experience was 4.0% and 1973 will be about 5.3%, still substantially below the 8.8% profit share of 1948.

• Inside the Economy's forecasts for

sharply rising short-term interest rates have been achieved and surpassed. Rates are significantly higher than at any time since World War II; the prime rate at 9½% (now 9¾%) exceeds the 1969-70 peak by 1% (now 1¼%). In the belated exercise of monetary restraint, the Federal Reserve is continuing to make some funds available but at the same time is willing to see rates rise sharply with the expectation that the very high cost of borrowing will reduce loan demand and in turn cool the economy. Although the time may not be far ahead, the clear evidence of a cooler economy with less inflationary pressure is not yet available. The Federal Reserve Board is not likely to ease monetary policy until it can observe more tangible results than are so far evident in economic measures. Meanwhile, market participants will try to anticipate such a change in policy. In any case, short-term yields are in a peak area and although the prime rate could go higher, the current cycle should be close to an end. A year from now 90-day Treasury bill rates should be down from the 9% to the 7% area, or lower.

Longer-term interest rates may also be in the zone of peak yields; the absolute peak may be some months away, but at a not much higher yield level.

Of great importance is the attitude of the long-term investor relative to the inflation outlook. Investors have probably made an upward adjustment in their inflation expectations and are likely to demand that yields stay high enough to provide a substantial



Get to know our Correspondent Bankers.

Get to know: (left to right) Leon Winters, Harold Kinney, Lolita Hansen, Bill Fleming and Norm Burkepile. And let them get to know you. Then, when you need help with any of our services, you'll get the help you need. Quickly and efficiently.



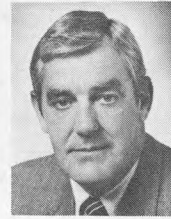
COLORADO NATIONAL BANK

17th and Champa • Denver, Colorado 80202 • (303) 893-1862

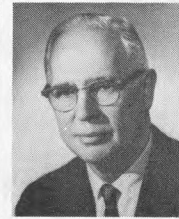


COULSON AND CANNON

Two of our men
on your side at



Fred Coulson



Tom Cannon

COMMERCE BANK of Kansas City^{NA}

inflation hedge. No sharp downturn (more than about 1/2%) in yields is expected for long maturity bonds. The amount of the upward price move implied does, nevertheless, represent a relatively attractive capital gain opportunity.

WANT ADS

Rates 25 cents per word per insertion. Minimum: 12 words.

TRUST OFFICER WANTED

Excellent opportunity and challenge to run trust department in \$50 million bank in Eastern Iowa. Legal background and estate planning experience required. Salary open. Write Box CEI, c/o NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

WANTED

Bank of \$20 million in excellent northeast Iowa county seat town desires young man with some experience in operations and commercial and farm lending. Salary open, depending on educational background and experience. Send complete resume to Box HGB, in care of the NORTHWESTERN BANKER, 306 - 15th Street, Des Moines, Iowa 50309.



Call Lyle Hulke

He's one of our Correspondent Banking Specialists always at your service at Des Moines' largest independent bank.



BANKERS TRUST

607 Locust / Des Moines, Iowa 50309

Use our toll free WATS line number: 800-362-1688

POSITION WANTED

Ambitious young banker with 10-1/2 years experience in lending and operations desires comparable position with opportunity for future advancement. Presently serving as second man and loan officer. Have attended one year at Graduate School of Banking. Write Box WDB, in care of NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

LOWER YOUR FARM LOAN RISK

By sending him DOANE'S Farming For Profit, the hard-hitting, fact-filled monthly, newsletter that provides help in management, production and marketing. Free sample subscription for 6 months. Write D. R. Gorr, DOANE Agricultural Service, Inc., Dept. 701, 8900 Manchester Road, St. Louis, Missouri 63144.

LA SALLE'S Teller Referral Guide can help your tellers work more efficiently

It's a handy card that gives your tellers a complete step-by-step procedure for the proper handling of their various operations. Yours without charge. Just write or phone Cy Kirk or Max Roy at the LaSalle National Bank in Chicago today. Telephone (312) 443-2774.

POSITION WANTED

Not being satisfied with the growth potential at present location, I am seeking a position as Ag Rep with an aggressive bank willing to explore new methods for footings growth. BS in Farm Operations from ISU, two and one-half years operational experience. Write Box ARB, in care of the NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

POSITION WANTED

Banking school graduate with 14 years management experience desires comparable position with a Nebraska or Iowa bank. Write Box ION, c/o NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

WANTED: Midwestern Banks

Have qualified buyers willing to pay substantial Premium.

Write or Call: J. Mason Henry, President
CHARLES E. WALTERS CO., INC.
P.O. Box 1313, Omaha Neb. 68101
Phone: (402) 553-6400

SERVING PROFESSIONALLY

Banking, Financial & Business Personnel
Iowa and Nationwide

CAPITAL PERSONNEL SERVICE

204 Securities Bldg. 515-283-2545
Des Moines, Iowa 50309

SECURITY EQUIPMENT

Sales and Service

Full line of bank security equipment

DIEBOLD BANKLOCK SERVICE COMPANY

Branch Offices

1960 W. 12th Place
Denver, Colorado 80204
Phone: 303/825-8241

2066 Farnam Street
Omaha, Nebraska 68104
Phone: 402/342-1821

FACE IT!

"It Takes a Banker to Know One"

TOM HAGAN & ASSOC.

(816) 474-6874

P. O. Box 12346

North Kansas City, Mo. 64116

BANK PERSONNEL ONLY—MIDWEST & SOUTHWEST

Vol. 3. No. 19 Northwestern Banker Newsletter is published weekly by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 25¢ per copy, \$6 per year. Second class postage paid at Des Moines, Iowa. Address all mail subscriptions, changes of address (Form 3579), manuscripts, mail items to above address.