

NORTHWESTERN

Banker Newsletter

Vol. 3. No. 22

Des Moines, Iowa

October 1, 1973

Advance Business Outlook for 1974

By Beryl W. Sprinkel

Senior Vice President and Economist
Harris Trust and Savings Bank
Chicago, Illinois

Looking ahead to 1974, there are a lot of economic problems on the horizon despite the fact that business activity is at an all-time high.

Four major questions that should be answered at this time are:

1. What are the prospects for recession?
2. Is inflation just a passing thing — or is it of a more permanent variety?
3. What is the prospect of the dollar internationally?
4. What's happening to interest rates?

I would like to be able to say that America is moving into another year of stable economic growth with reduced inflation — but if I did so I'd be lying . . . because that's out. That isn't an option for the year 1974. The option, as I see it, is either a substantial reduction in real growth or a recession. My best guess is that we will not have a recession — but the odds are about one out of three or one out of four that we might.

The first place to look in making an analysis of the prospects for business ahead is to look at economic policy and more importantly monetary policy. Changes in the money supply make a major difference in subsequent changes in spending. Inevitably,

prior to recessions we have had prolonged weakness in monetary growth. The theory is simple. If people have more money in their pockets, they spend more money. If they have less, they spend less. Conversely, there has never been a recovery from a recession that wasn't preceded by putting



more money in the economy. Furthermore, if you want a big depression like in the '30's, all you have to do is collapse the money supply. In recent years, monetary policy has not been good. In fact, it has been disastrous in two ways. It has been highly volatile but more importantly the growth in the money supply has been so high that serious inflationary pressures developed. Last year, there was a growth in

the money supply of 8.3%. If this continued indefinitely, it would be enough to give us six to seven per cent inflation a year. This year they reduced it to about 5 1/2 per cent, so the squeeze has not been as severe as it has been prior to most recessions. Since July there has been no growth in the money supply, and if we were to continue the current policy of adding no money to the economy, I'd feel very certain — like nine chances out of 10 that we would be in a recession next year. I think the Fed is in the process of moving back toward monetary growth so as to achieve an annual growth of between five and six per cent.

Turning to the budget, it also is moderately expanded. We are moving into a full employment budget balance. Expenditures are going up — but revenues are rising rapidly, reflecting the substantial increase in incomes and corporate profits. The budget last year rose — but even so, it came in under the \$250 billion ceiling. The budget this year is projected to rise again by about 8.2 per cent and it will be in a balanced position. Economic indicators are not as strong as previously — but not as weak as they were prior to 1969 before the recession at that time. So there is evidence of a slowdown — but no evidence of a significant recession.

One major area of weakness that will become much more serious in the months ahead is housing. Housing starts will be well below two million in 1974 and probably in the area of 1.7 million. There are actions being taken to buttress the decline . . . but they usually come too late.

(Continued on page 6)

For Full Correspondent Banking Service



Jay
Bordewick



Everett
Brown

We're as near
as your phone

CALL 402 536-2000
AREA CODE

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Des Moines' Second Largest

INDEPENDENT!

Your INDEPENDENT Correspondent Bank with the PERSONAL TOUCH!



Capital City Bank

MAIN BANK: East Fifth and Locust
Phone 515/244-5111 • Des Moines, Iowa 50309



Call
"Helpful
Homer"

IOWA NEWS

CLINTON: David G. Taylor has been elected assistant cashier at the First National Bank, according to Myron Weil, bank president. Mr. Taylor joined the bank as a trainee in the commercial loan department in July of 1972.

MARION: The following promotions have been announced at the Farmers State Bank: Edward G. Saucer, vice president and trust officer; William Reilly, assistant vice president, Tom Siders, installment loan officer, Douglas Neighbor, assistant vice president and manager, Hiawatha office, and Gene Neighbor, assistant manager, Alburnett office.

SIOUX CITY: Steel work is up on the new Toy National Bank building and work is progressing on schedule.

WEST LIBERTY: R. T. Rehmke, executive vice president, has been elected president of the West Liberty State Bank, succeeding George W. Drahos who recently retired. Mr. Drahos will continue as a member of the board.

Mr. Rehmke was also elected to the board succeeding Will Eichenauer who retired. Mr. Drahos, 69, served as an officer and director of the bank 21 years and Mr. Eichenauer, 82, as a director for 38 years.

NEBRASKA NEWS

BELLEVUE: Col. Glen R. Dunlap, assistant chief of staff of the Strategic Air Command, has become an officer of the

Bank of Bellevue after retirement from the Air Force. The bank has announced that Col. Dunlap will be vice president and manager of its Offutt Air Force banking facility.

OMAHA: Six promotions have been announced by the Omaha National Bank: Merrill M. Hales, manager of check collection control, and Ralph G. Noren, manager of the systems and programming department, have been named second vice presidents.

Others promoted were: Ronald G. Keiser, to systems officer; Robert L. Kirchner, to assistant operations officer; Donna Kloewer, to assistant marketing officer; and Michael P. Spinharney, to assistant international officer.

OMAHA: The Omaha National Bank has permission from the U.S. Comptroller of Currency for a teller facility at 108th and L Streets and has opened a temporary office there, said Frank O. Starr, president and chief executive officer.

The present trailer office will be replaced with a modular building this fall. A permanent building should be completed by next spring, Mr. Starr said.

ILLINOIS NEWS

CHICAGO: Robert G. Dederick, senior vice president and economist of Northern Trust Co., has been elected president of the National Association of Business Economists.

CHICAGO: An application for a Certificate of Authority to establish and maintain a banking office in the central business district of Chicago under the Foreign Banking Office Act of 1973 has been received from the National Bank of Greece, S. A., 86, Eolou Street, Athens 121, Greece. David J. Rosso is the registered agent.

BETTER TALK TO A DROVERS

MAN

FRED CUMMINGS

BERNIE MILLER

ED RIETZ

At The Most Experienced Agricultural Financial Center In Chicago.

PHONE (312) 927-7000

THE DROVERS NATIONAL BANK OF CHICAGO

47th and Ashland Ave. Chicago, Ill. 60609
Member F.D.I.C.

CHICAGO: Gregory F. Mathis of Lamson Bros., brokerage firm, has been accepted as a member of the Chicago Board of Options Exchange.

ELGIN: Michael Lind has been elected vice president and trust officer of the Elgin National Bank.


ELMHURST: Lourie T. Batt has been named senior vice president and cashier of the Elmhurst National Bank.

GLENWOOD: Terry L. Blummer has joined the Glenwood Bank as cashier, according to Donald O'Toole, chairman. Mr. Blummer had been associated with a loop bank for eight years.

MENDOTA: An application for a permit to organize the Northwest Trust and Savings Bank on Meriden Street has been filed. Total capitalization of the new bank would be \$600,000, consisting of: \$200,000 in capital stock, \$200,000 in surplus and \$200,000 in reserve. The 20,000 shares would have a par value of \$10 each.

Applicants include: Raymond W. Hensel of LaMoille; A. Ernest Claus, Howard Fahler, Clarence E. Hoffman, Frank G. Prescott, Allen H. Prescott, Gaylon H. Ehlers, Harold Hitchins, Howard D. Yenerich, R. N. Shafer and Fred H. Swanson, all of Mendota.

ROLLING MEADOWS: The FDIC has approved an application for Federal deposit



Valley Bank and Trust Company
A BANKS OF IOWA BANK
Member FRS • Member FDIC
Des Moines, Iowa 50304 515/288-9711

JOHN RODGERS WELCH
Correspondent Banking Officer

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



STOP

HANDY REUSABLE
STORAGE KIT

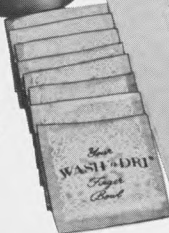
U.L. APPROVED
1 LB.
DRY CHEMICAL
FIRE
EXTINGUISHER



PUNCTURE
SEALER
TIRE
INFLATOR

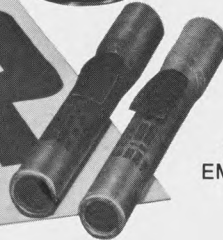


8 PRE-MOIST
TOWELETTES



'HELP' FLAG

2 FUSEE
EMERGENCY
FLARES



Auto Loans? New customers? Board of directors? What about special clients? They're only \$10 per kit—whether you need 3 or 3000.

ORDER TODAY!

Samples on request. Clip and mail today. If you're in a real hurry, call (402) 342-4657.

Name _____

Address _____

City _____ State _____ Zip _____

Terms: NET TEN DAYS
F.O.B. OMAHA

C-R Sales Corporation
1115 Harney St.
Omaha, Nebraska 68102



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.

insurance by the Plum Grove Bank. Total capitalization accounts are \$1,000,000.

MINNESOTA NEWS

DULUTH: Permission has been granted for The Miller Hill State Bank of Duluth to be established at 4932 Decker Road. The four applicants include: Jerry J. Jubie, president of First State Bank, Floodwood; Michael J. Paulucci, vice president of J. F. P. Enterprises; Stuart Seiler, part owner of Security Jewelers Co., and his brother, Michael S. Seiler, officer, Security. The last three are of Duluth.

Mr. Jubie will serve as chairman of the board. Managing officer will be Charles E. Russell, vice president. Mr. Russell previously was executive vice president of the First National Bank of Proctor.

Capital structure of the bank will total a minimum of \$500,000 with 5,000 authorized shares of stock.

MINNEAPOLIS: Robert E. Dahl has been named vice president of credits for the Northwest Bancorporation. Mr. Dahl formerly was senior vice president of the Northwestern National Bank, Omaha Banco affiliate.

ST. PAUL: C. A. (Cy) Fitterer has joined First Computer Corporation in the newly created position of vice president, software sales. Previously he was with Warrington Associates, Inc. First Computer is the data processing affiliate of First Bank System, Inc., regional bank holding company.

ST. PAUL: James C. Burdette has been elected auditor of the Commercial State Bank.

RICHFIELD: Ronald R. Fletcher has been elected a director of Summit State Bank. Mrs. Dehon Rhode has been named cashier.

WAYZATA: First National Bank has begun construction of a detached banking facility in the Wayzata Bay Center parking lot, 950 feet from the bank's new building at Highways 12 and 101.

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 263-8181. MEMBER FDIC.

WILLMAR: Randy Petersen has joined the installment loan department of the Bank of Willmar.

joined the bank in August of 1972 as assistant vice president.

SOUTH DAKOTA NEWS

The 1973 South Dakota Bankers Association Installment Credit Conference will be held October 18 and 19 at the Howard Johnson's Motor Lodge in Rapid City. Registration will begin at 12 on the 18th, with the program starting at 1:30 p.m. The two-day conference will conclude at noon on Friday.

Some of the topics to be covered include student loans, filing of security agreements, holder in Due Course Doctrine, mobile home financing, along with a panel of state bankers covering the different problems and phases of the industry.

NORTH DAKOTA NEWS

The North Dakota Bankers Association will hold four group meetings October 16-19. Dates and places follow:

Northeast — Tuesday, Oct. 16, Devils Lake Country Club.

Northwest — Wednesday, Oct. 17, Farmers State Bank, Crosby.

Southwest — Thursday, Oct. 18, Liberty National Bank & Trust Company, Dickinson.

Southeast — Friday, Oct. 19, Jamestown Ramada Inn.

WISHEK: Gideon Raile has been promoted to executive vice president of the Security State Bank, according to Arthur T. Sayler, president. He replaces William H. Schmagel who resigned. Mr. Raile

COLORADO NEWS

COLORADO SPRINGS: Mountain Banks LTD., the Colorado Springs-based holding company, has formally changed hands in a stock purchase deal valued at \$13.5 million. Frederick M. Farrar, board chairman, reported completion of the sale of 528,639 shares of common stock owned by him and his family to a group of 22 investors from Denver, Houston and El Paso, Tex. The price was \$25.50 per share payable in installments over five years, he said, and was for about 40% of the total outstanding stock of Mountain Banks.

WYOMING NEWS

CASPER: The board of governors of the Federal Reserve System has approved the affiliation of Security Bank & Trust Company of Casper with Wyoming Bancorporation, registered multibank holding company, H. F. McCulla, Security Bank & Trust president, and Paul L. Howes, president of Wyoming Bancorporation, have announced.

CHEYENNE: Robert L. Mulholland has been elected vice president and cashier at American National Bank. He began his career in 1956 at the First National Bank of Sheridan.

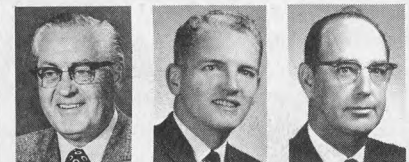


Bernie Kersey

There are 101 ways we can serve your bank. Tomorrow there will be 102.

IOWA-DES MOINES NATIONAL BANK

Member Federal Deposit Insurance Corporation



Christy Armstrong Leo Kane Bob Scott

'WE HAVE WHAT YOU WANT in a correspondent bank'

American Trust and Savings Bank

9TH AND MAIN, DUBUQUE, IOWA
 MEMBER FDIC - FRB

The major reason for the decline is the ceilings placed on rates that can be offered the saver by financial institutions that finance housing. With other instruments paying more, people are not putting their money into financial institutions. In fact, they are taking some out so that the money just isn't there. Compounding this problem in (like Illinois) is the interest rate ceiling of eight per cent. This did not keep the potential borrower's cost down. It merely means that there isn't any money. Housing has more to be gained than any other industry by promoting stable economic policy.

Capital spending shows every sign of being strong. Utilization rates are high, profits are up so that incentive is there to expand. Backlogs are continuing, so that 1974 should see capital spending up 12% to 14%.

You should remember that capital spending is always a lagging indicator in that it is the last thing to go down. Industrial output is going to go up much less rapidly. Unemployment is likely to creep up a little bit. If we get a recession, it will creep up more than a little. If we get a two per cent real growth, which is what we are projecting, you will still see unemployment moving about five per cent.

How serious is inflation? Judging from the rise in consumer and wholesale prices, it is much more serious than at any peacetime period in modern history. Politicians are inclined to try to find easy ways out. There aren't any. We get into inflation because of the overexpansion of policy and there is only one way out — and that's a recession. That's a very costly affair. Many politicians feel that inflation can be fought by wage and price control. After two years of various forms of wage and price control, inflation is much worse than it was in August, 1971. Phase IV is in many ways tougher than Phase II, and we are getting recurring shortages of industrial products across the whole spectrum of American business. One other way that we could get a recession in 1974 is to continue to get a tight enforcement of Phase IV rules. You can tell a businessman that he cannot raise prices, but you cannot pass a law forcing production. If production is conducted at a loss, production stops. It is anticipated that Phase IV will be phased out during the next six months!

It appears that present objectives are to move back to 5 1/2 per cent growth. Over a period of time, I would hope that we would pull it down further, but in the meantime I think we are stuck with sizeable inflation. This means that interest rates will be higher than they would be otherwise. It will affect wages, rent contracts, lease contracts, and eventually into corporate pricing practices. Inflation is a highly inequitable way of redistributing income and wealth. People on fixed incomes are the ones that get hurt.

Turning to the dollar, I feel rather optimistic about the dollar internationally for two reasons. One is that while we have inflation, foreign countries have more. Furthermore there has been a major devaluation which has reduced the growth of imports and stimulated exports. We are beginning to move back to a trade balance. There is a good possibility that next year we will show a surplus in our basic balance of payments for the first time in eight years. Exports are increasing and capital is moving our direction. Over the next year or two, I expect the dollar to do well in the money market.

Interest rates are very high due to the serious inflation. Countries that have the highest inflation have the highest interest rates. Short term rates have peaked out and will be moving down during the months ahead. There has also been some decline in long term rates, and I think that this is a little less believable. If we are stuck with a five or six per cent inflation rate this year and next, I cannot believe that long-term corporate rates will stay long below the eight per cent rate. So long as we have inflation, interest rates will have a much higher base than they have had in the past. My guess is that we are moving into an era of much more inflation.

WANT ADS

POSITION AVAILABLE

Loan officer wanted by \$30 million bank. Experience required.

FIRST NATIONAL BANK
York, Nebraska

AG REP POSITION WANTED

Experienced Ag man with Masters Degree in Agriculture and SOLID BUSINESS BACKGROUND seeks new opportunity. Write Box PXT, c/o NORTHWESTERN BANKER, 306 - 15th Street, Des Moines, Iowa 50309.

WANTED

Bank of \$6.5 million in northwest Iowa town desires a farm representative — agricultural credit man. Should also have some experience in farm management and real estate. Send complete resume to Box INW, in care of the NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

AG POSITION WANTED

Ag Education Grad with Iowa farm background and 3.25 honor point ratio seeks opportunity in country bank. One year Federal Reserve Bank experience. Age 25. Married. Excellent business and banking references. Write Box JIA, in care of NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

POSITION WANTED

Desires position in installment loan department with future and advancement. Eleven years small loan finance, manager and supervision. Three years small country bank installments and general operations. Complete resume on request. Write Box JDS, in care of NORTHWESTERN BANKER, 306 Fifteenth Street, 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 can save you time during bank examinations

Call our Correspondent Banking Department, and we'll call the Fed or any other Correspondent Bank. We guarantee to have your safe-keeping list and statement out of our bank in one day! Call Cy Kirk or Max Roy at the LaSalle National Bank in Chicago today. Telephone (312) 443-2774.

SERVING PROFESSIONALLY

Banking, Financial & Business Personnel
Iowa and Nationwide

CAPITAL PERSONNEL SERVICE

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

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