

# NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

April 7, 1975

## Sees End of Recession by Mid-Year

Economist Harvey N. Daniels of the First National Bank of Minneapolis has forecast the end of



H. N. DANIELS

Gross National Product, double the rate of 1974. He defines real GNP as the sum of consumer expenditures, investment, net exports and government purchases, discounted by a "price deflator" to reflect the effect of inflation.

Asserting that the flow of economic news in the near future will be discouraging on balance, Mr. Daniels said, however, that forces now are at work which can lead to recovery. He cited among them lower interest rates, moderating inflation, savings inflow into thrift institutions, modest upturn in auto production, end of inventory accumulation and strengthening of the common stock and bond markets.

A basic assumption in his

the recession in mid-year, with modest economic growth in the second half of 1975.

For the year as a whole, however, Mr. Daniels sees a 4.3 per cent decline in real

mid-year recovery forecast is the expectation of \$25 billion tax relief in 1975, (announced right after his forecast was released), followed by \$26 billion of added tax and spending stimuli in 1976.

"There is so wide a gap between the current depressed level of output and the economy's potential to produce that substantial expansion can occur before inflationary pressures reappear," Mr. Daniels commented. He cautioned, however, that "if strong stimuli are repeatedly applied over coming years, the gap will close late in the decade."

Excessive stimuli, he warned, could cause failure of the U.S. economic system.

Highlights of his forecast include:

**Consumer prices** -- rate of increase 7.1 per cent of the fourth quarter of 1974 to the fourth quarter of 1975. That compares with the peak annual rate of 15.6 per cent reached last August and September.

**Unemployment** -- up to 9 per cent during 1975, and persisting for some time after economic recovery commences.

**Consumer income** -- annual growth rates of 12.8 and 20.8 per cent for the second and third

quarters of 1975, stimulated by the 1974 tax rebate.

**Housing** -- sales of single family homes have improved in recent weeks. Continued improvement will absorb excessive inventory and encourage added construction.

**Business capital investment** -- plant and equipment spending up 3 per cent of 1975, a much smaller increase than the 12 per cent in 1974.

**Corporate profits** -- decline of 36 per cent from the \$157 billion peak to the \$100 billion level during the second and third quarters before modest improvement becomes evident.

**Prime rate** -- expected to bottom out at around the 6 per cent level sometime in the next several months.

## Financial Institutions Act Fate Is Still in Doubt

Although President Ford terms the Financial Institutions Act (legislation resulting from the Hunt Commission Study) a priority measure needed to "speed the nation's return to economic health," his view is not shared by Congressional leaders and the savings and loan industry. Administration sources look for passage of

FINANCIAL ACT. . . .

(Turn to page 5, please)

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### Comptroller Seeks Comment On Travel Agency Ruling

The Comptroller of the Currency sent to the Federal Register on March 28 a proposed revised interpretive ruling on the subject of national banks providing travel services.

The proposed interpretation states that national banks are without power to operate full-scale travel agencies but may, in the Comptroller's opinion, continue certain travel related activities such as making travel loans, selling travelers' checks, foreign currency, letters of credit, transportation tickets and providing free travel information.

Activities deemed to be prohibited would include travel promotion, soliciting travel business from the public at large and organizing or planning individual or group trips.

Comments on the interpretation are requested to be submitted to be received by May 1, 1975.

### Iowa News

**AMES:** The Federal Reserve Bank of Chicago has approved the formation of a one-bank holding company, K-Three Enterprises, Inc. The company's only bank is University Bank and Trust Company of which Dean Knudson is president.

**CLINTON:** Myron Weil, president of First National Bank, has announced the appointment of

Rudolph D. Bianchi as vice president and accounting officer and Mary Ruth Thornton as director of public relations.

**EARLHAM:** The Earlham Savings Bank will hold a grand opening in its new full service banking facility April 12 from 9 a.m. to 5 p.m.

**FAIRFIELD:** An application by the Iowa State Bank and Trust Company here to acquire the Farmers Savings Bank of Packwood has been denied by the Board of Governors of the Federal Reserve System.

**LUANA:** Larry A. Riveland has joined the Luana Savings Bank. He is a graduate of the University of Iowa, Iowa City.

**MT. PLEASANT:** Funeral services were held recently for John P. Budde, 86, president and chairman of the Henry County Savings Bank. Mr. Budde had been in banking since 1910.

**PARKERSBURG:** Norman Gerdes has joined the Parkersburg State Bank as vice president. He formerly was associated with Maquoketa State Bank.

### Nebraska News

**OMAHA:** Paul D. Kadavy, manager of the personal trust department of the United States National Bank, has been promoted to vice president. He joined the bank in 1969. Norman P. Lund has been

named electronic banking officer. Mr. Lund is coordinator of many of the electronic systems being developed by the bank.

**OMAHA:** William H. Riley, director of banking, has issued an order of approval to the First Westroads Bank, Inc., to establish a detached auxiliary teller facility in the vicinity of 108th and West Dodge Road.

**OMAHA:** John L. Bilby, Jr., has been appointed to the advisory board of Douglas County Bank & Trust Co. He is vice president of the John L. Bilby Construction Company.

### Minnesota News

Hearings will be held by the Minnesota House April 10 on HF929, the Consumer Banking Facilities (EFTS) sponsored by the Minnesota Bankers Association. The Senate version of the bill is SF1000. The MBA supports the bill.

Hearings were held April 3 on SF639, a regional branch banking bill which would authorize banks to open branches anywhere in their economic development region. This bill embodies recommendations from an independent study source for the MBA. The MBA is not taking a position for or against the bill. There were two amendments proposed: 1. Prohibit branching by merger, consolidation or purchase of an existing bank if the combined deposits would exceed 20% of deposits in the region or state. 2. Prohibit branching of any kind in a community of 2,000 population or less if one bank is already there.

**MINNEAPOLIS:** The Board of Governors of the Federal Reserve System has announced its denial of

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The study involved a mid-income couple living in a city of about 125,000 population—giving you an idea of how their "downtown" traffic situation and bill-paying chore compare with your own. For one typical month, this couple assumed they did not have a checking account. Instead of writing checks and letting the postman deliver them around the city, they paid all bills in person. They tried to do it efficiently by taking care of as many bills with one trip as possible without incurring penalties for late payment. Time and automobile mileage used in paying bills were carefully recorded.

After 12 trips, driving 83.8 miles in stop-and-go traffic, and spending 4 hours and 35 minutes paying bills, the study concluded, "This couple had a better appreciation for their checking account and postmen." Paying bills by check and mail would save them more than 1,000 miles of city driving, 49 hours and \$230.40 a year—on the basis of charging 15.5 cents a mile and arbitrarily valuing the couple's time at only \$2 an hour.

You may save more or less by using your checking account to full advantage—depending on mileage costs and value of your time.

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## A GOLD MINE IN YOUR HEAD

A British neurophysicist recently estimated it would take \$3 billion to build an electronic computer that could match the human brain. Just think, you're carrying around a couple pounds of gray matter worth \$3 billion. Why not use it more?

The more you use your brain, the better it works. The main reason that we fail to get good ideas is just a lack of use. Our minds get rusty and dull.

Louis Pasteur made some of his greatest discoveries after he had a stroke that destroyed half his brain. Professor William James said, "Compared with what we ought to be, we're only half awake. We're making use of only a small part of our mental resources."

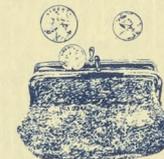
George Bernard Shaw wrote, "Few people think more than two or three times a year. I have an international reputation by thinking once or twice a week."

Here are some ideas from the experts on using that gold mine between your ears.

Write down some of your specific goals in life. When you've listed them, read them over often—think! Take notes. Jot down your ideas before they escape. Share your ideas and dreams. They may stir another person to think.

Your mind is a valuable asset, better than a computer. But you've got to use it!

April 1975



## MoneyWise II

**PROSPECTS FOR RECOVERY:** Although the economy still is slipping and uncertainties make forecasters jittery, better times are in sight. What's ahead looks like this—a bottoming out of the slump this summer—then a leveling off, followed by a long, slow grind upward continuing into 1976.

This is based on the assumption that auto sales and housing starts will perk up by mid-year. Here are some good signs: (1) Wholesale prices—especially food—are down a little and retail price-rise has slowed, (2) Interest rates are declining. (3) Tax refunds and rebates along with higher unemployment insurance benefits and an increase in social security checks are imminent.

At the same time, burdensome business inventories are being sold down. Before long factories are expected to be turning out more goods for restocking store shelves.

**TAXES ARE TOO HIGH**—That is the real reason behind pressure for a tax cut—and why Congress is so willing to go along. Federal, state and local tax collectors now take more than a third of every dollar of income generated in this country—37 cents of every \$1—with the federal government getting \$2.49 for every \$1.21 that goes to state and local collectors. The tax take is nearly nine times what it was in 1944—up from \$48 billion to \$423 billion. The average person works about 3 hours every day to meet his or her tax bill—more time than required to buy food, clothing and housing.

**CONSUMER-BUSINESS TRENDS**—Census bureau reports show that the average U.S. household dropped to 2.97 persons in 1974. This reflects the decline in birth rate plus an increase in single-occupancy households. . . . Retail store credit is getting tighter and some firms offer incentives for cash.

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the application of Gamble-Skogmo, Inc., for exemption from the Bank Holding Company Act's restrictions relating to nonbanking activities and acquisitions.

### Illinois News

**BELLEVILLE:** Bank of Belleville has received approval to exercise full trust powers.

**COUNTRYSIDE:** A charter has been issued to the State Bank of Countryside, 6801 Joliet Road. Total capitalization would be \$1,250,000, consisting of \$500,000 in both capital and surplus and \$250,000 in reserves. Officers are John C. Wheeler, chairman; David J. Robinson, president, and Henrietta Pokrajac, cashier.

**GIRARD:** State Bank of Girard has received permission to establish a motor facility at 113 North Second Street here. It also has received permission to exercise limited trust powers.

**GLEN CARBON:** Cottonwood Bank and Trust Company's application for Federal deposit insurance has been approved. Capital accounts of the bank total \$1,000,000.

**NORTHFIELD:** An application for a permit to organize The Glenbrook Bank here has been filed. Total capitalization would be \$1,000,000.

**RIVER GROVE:** A charter has been issued to the River Grove State Bank at the corner of Belmont and Thatcher. The state bank's total capitalization will be \$1,375,550, consisting of \$550,220 in both capital and surplus and \$275,110 in reserve. Officers are Nels E. Werner, chairman; Salvatore A. Lombardo, president, and Donald B. Kaufman, acting cashier.

**ROMEOVILLE:** An application for a permit to organize Bolingbrook-Romeoville Bank has been filed. Total capitalization would be \$1,500,000.

### North Dakota News

The North Dakota Bankers Association will hold the 1975 Federal Reserve Bank of St. Louis

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Before adjourning March 26, the North Dakota legislature passed the EFTS enabling bill sponsored by the North Dakota Bankers Association. Purpose of the bill was to permit North Dakota banks to compete with S&Ls granted powers by the FHLBB, as well as with national banks granted powers by Comptroller James E. Smith to operate unmanned teller terminals at remote locations on an unrestricted geographical basis.

**DICKINSON:** Richard Kingsley has been named auditor at the Liberty National Bank. He formerly was a bank examiner for the

Federal Deposit Insurance Corporation.

**PARSHALL:** Peoples State Bank has received permission to exercise limited trust powers.

### Colorado News

**LITTLETON:** John T. Waltershausen has been appointed trust officer of the United Bank of Littleton, according to W. G. Johnsen, president. He began his banking career in 1963 with United Bank of Denver.

**SALIDA:** The Chaffee County Bank's application for Federal deposit insurance has been approved. Capital accounts of the bank total \$505,000.

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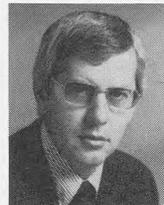


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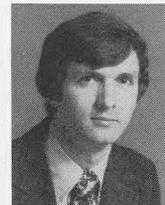
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## FINANCIAL ACT. . . .

(Continued from page 1)

a bill this year; sources on the hill are not that optimistic.

The Administration-backed version would now continue the present deposit rate ceilings and rate differential between S&L's and banks for 5½ years, then abolish them. Originally, the White House bill would have "phased out" the differential advantage enjoyed by S&L's over the 5½ year period. Even this revision to continue the differential for 5½ years hasn't won S&L support. They want it continued, while obtaining all the other features in the bill advantageous to S&L's and at the expense of commercial banks.

These further advantages would give S&L's third party powers-checking accounts, NOWs, and credit card operations. Additionally, S&L's would have lending authority to include consumer loans, real estate loans and construction loans. Their investment authority would include investments in community welfare and development projects, commercial paper, high grade corporate debt, and banker's acceptance on a limited basis.

National banks would have liberalized powers to make real estate loans and additional authority for community welfare and development investments.

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