

NORTHWESTERN Banker Newsletter

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November 10, 1975

Sees Optimistic Future for Midwest

During the recent Nebraska Bankers Association group meetings, a look at the current status of the economy and its outlook for coming months was given by Dr. L. Wayne Dobson, Abbott Professor of Banking at the University of Nebraska in Lincoln. A summary of Dr. Dobson's comments follows, along with his interesting answer to one of the questions asked in the period following his talk:

I reported last February there would be no recovery in our economy until the third quarter of 1975. We started this decline in the last quarter of 1973 and it ran six quarters—the most severe recession of post-WWII.

The reduction in real GNP in the first quarter of 1975 was 13% under the fourth quarter of 1974. In the second quarter of 1975 we had an increase of over 1%, a dramatic turnaround. We expect to see a 7% increase posted for the third quarter when those figures are released, or a 20 point reversal on the up-side in three quarters! We have never before seen a recovery like this. I don't see much more rapid gain than this through the end of this year, based on all sectors.

What has happened in the money market is largely a function of the Federal Reserve System and it's based on the economy in these sectors:

1. **Consumer Sector** is the key. There can be no substantial recovery in our economy unless there is a recovery in the consumer area, and we won't have much response if there are no gains in autos and durable goods. But we



will have gains because: A. We have a real income gain and consumers behave on real income, and B. The tax rebate program for 1975 was most significant and is just now taking effect after the usual six months lag.

2. **Investment Sector** is composed of three things: plant and capital expenditures, inventory, and residential construction.

No one thinks plant and capital expenditures will happen until we are well into 1976; we are presently operating at about 71% of capacity.

I expect 1.4 million housing starts by the end of 1975. This is

higher than other reports but I stick with 1.4 because the S&Ls can't continue to sit on their money. They've had a net inflow of \$29 billion this year through August and have made only \$17 billion in commitments. They are not anxious to move due to usury law limitations in some areas.

Inventories have run off at the retail level. The longer the inventory runoff, the stronger the base for recovery. A couple of more months and we'll see inventory stop being a drag. It looks like within three to four months we'll see a need for a manufacturing increase to meet inventory needs.

3. **Government Sector**—We are probably headed for another tax cut, which we probably should not have.

4. **Foreign Sector**—We'll have a big income continuing in foreign sales, with a good chance of a \$10 billion goods surplus from sales abroad. Nebraska exports total about \$1-\$1.5 billion.

I get awfully tired of organized labor complaining about farmers going out and negotiating the price of their products; especially when organized labor is trying to curb the grain transactions. The largest single cost in most foodstuffs is not the cost of raw material but the processing and transportation costs to industries, most of which are to

FUTURE OF MIDWEST
[Please turn to page 3]

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Iowa News

CORYDON: Dale Heimann has been appointed executive vice president and cashier of the Citizens State Bank of Corydon, Humeston, Allerton and Lineville. Mr. Heimann served seven years as vice president and cashier of the National Bank, Neligh, Nebr.

DUBUQUE: David D. Moore has been appointed vice president and director of marketing for the First National Bank here. He most recently served as vice president and director of marketing of Frank N. Magid Associates, a marketing research firm in Cedar Rapids.

DUBUQUE: Key City Bank and Trust has become the sixth member of Banks of Iowa, Iowa-based holding company. Stockholders had previously endorsed Banks of Iowa's purchase of 182,709 shares of Key City stock.

LEMARS: Al Maser, president, First Natl. Bank, is recovering from a coronary at St. Luke's Hospital in Sioux City.

VINTON: Larry Rolfstad has been named vice president at the Benton County Bank and Trust Co. replacing Glen Wilson who moved

to Forest City. Mr. Rolfstad served as vice president of the Northwest Des Moines National Bank and as Johnston office manager for the past five and a half years.

Nebraska News

OMAHA: Wes Hanson has joined the United States Check Book Company as representative. He is a graduate of the University of North Dakota in Grand Forks and is living in Grandin, N. D.

Minnesota News

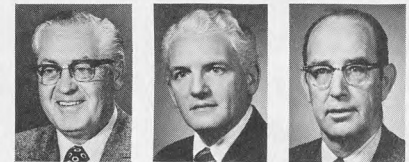
BADGER: Phil Stewart has joined the Badger State Bank as vice president in charge of operations. He previously had been vice president, operations, at Northwestern State Bank in Hallock.

PAYNESVILLE: The First State Bank has increased its capital stock from \$100,000 to \$225,000 by sale of new stock.

PINE ISLAND: A group of local investors headed by F. W. Sanborn, president of The Security State Bank, has purchased controlling interest in the bank. Mr. Sanborn, who will continue in his present position, said that no major changes will be made in the operations.

ST. PAUL: Peter J. LaNasa has been named assistant cashier and manager of Commercial State Bank's "Convention Center" at Fifth and Wabasha Streets here.

WELLS: John Knutson has joined the Security State Bank as vice president for loans and operations.



Christy Armstrong

Leo Kane

Bob Scott

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He formerly was cashier at the Red River State Bank in Halstad.

WENDELL: State Bank of Wendell has increased its capital stock from \$25,000 to \$100,000 by stock dividend.

Illinois News

BELLEVILLE: Discussion of major new developments affecting banking in Illinois will be featured at a meeting of Region V of the Association for Modern Banking in Illinois (AMBI) on Wednesday, Nov. 19. The meeting will be held at Fischer's Restaurant here beginning at 1:30 p.m.

CHICAGO: Robert E. Hunt, executive vice president of The Northern Trust Co., has retired. He joined the bank in 1934 when total deposits were \$34 million.

GIBSON CITY: An application for a permit to organize Bank of Gibson City, 617 South Sangamon Street, has been filed. The bank's capitalization would be \$1 million.

HOMWOOD: The Community Bank of Homewood-Flossmoor has received approval to exercise limited trust powers.

MARION: A permit to organize has been issued to The Peoples Bank of Marion, 1116 North Carbon Street. The state bank's total capitalization of \$1,200,000, will consist of \$500,000 in both

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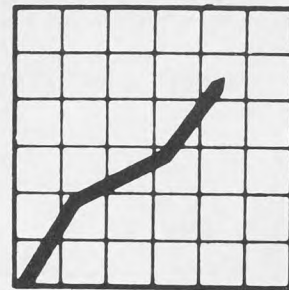


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capital and surplus and \$200,000 in reserve. There will be 25,000 shares of stock with a par value of \$20 each. Organizers are Gerald K. Freezor, Benton; William V. Brown, Glenn Clarinda; L. D. Ferne, F. E. Holmes, Leslie Meredith, J. C. Mitchell, Gerald D. Mullen and Amos Strobel, all of Marion.

North Dakota News

FORMAN: The Sargent County Bank has received permission to establish a paying and receiving station at Lot 1-4, Block 1, Main Street, Rutland.

South Dakota News

CANTON: First American Bank here has filed an application to establish a branch bank at Worthington.

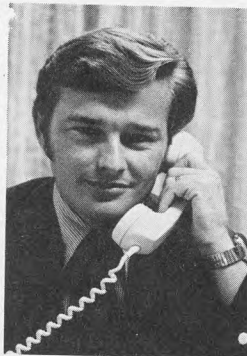
Montana News

THOMPSON FALLS: The Federal Reserve System has approved Bancorporation of Montana's application to acquire First State Bank here.

FUTURE OF MIDWEST [Continued from page 1]

organized labor. The farmer does not have collective bargaining but relies on a free, public market, and when the market tried to function as it should, based on supply and demand, labor tried to rescind this!

A good correspondent bank relationship is still built by good people. Yours and ours.



Mark Christen
Assistant Cashier

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Merchants National Bank
Cedar Rapids, Iowa 52401 A BANKS OF IOWA BANK

Inflation ran at 12.4% through 1974, but is at 7.6% well into 1975, a monumental achievement in eight months. The price level has declined; we are whipping inflation.

All in all, I am very optimistic about the future for these midwest states, with the exception that I'm apprehensive about export or import controls or the reimposition of exchange rate restrictions (government intervention in international currency transactions).

Q. If a bank and a savings and loan each generate \$10 million new funds, which results in more being invested back into the community?

A. This is a big difference between S&Ls and banks that is seldom pointed out. On the bank

report there are seven loan categories, each of which is subdivided into all sectors of loan activity. Therefore, a bank makes a much more diversified contribution to its community through its lending activities than an S&L because the latter serves only one area of lending need--real estate construction. This is what bankers should point out as the big difference between themselves and S&Ls--their diversified loan portfolio. This is what makes banks Full Service.

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POSITION AVAILABLE

Agricultural loan officer for bank of \$50MM in north central Iowa. Banking experience required. Excellent opportunity. Send resume in confidence to Box CCC, c/o NORTHWESTERN BANKER, 306 15th St., Des Moines, Iowa 50309.

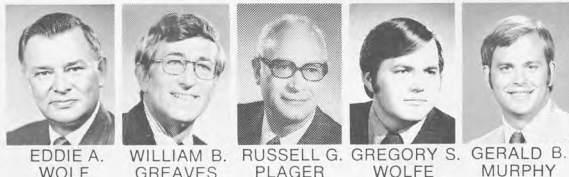
TRUST OFFICER

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PLATFORM & INSURANCE—General banking experience, plus insurance agency type background. Small Nebraska town.

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