

# NORTHWESTERN Banker Newsletter

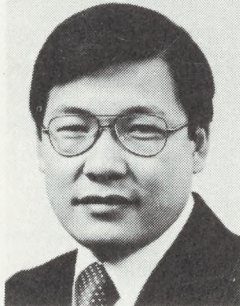
Vol. 7 No. 36

Des Moines, Iowa

January 1, 1979

## Predicts Mandatory Wage-Price Controls

**M**ANDATORY wage and price controls in 1980 will probably follow a 1979 recession according to Dr. Sung Won Son, chief economist, Northwestern National Bank of Minneapolis.



"Our July forecast of a high inflation- recession scenario remains intact," Dr. Son said. "Next year, cost and demand pressures will push inflation to near a double digit rate. Presuming President Carter will try to avoid a recession in the 1980 election year, a mild recession will most likely occur around mid-1979."

Dr. Son's remarks were released in the December 1978 issue of Northwest Economic Indicators, a publication of the economics department of Northwestern National Bank.

Growing inflationary pressure will most likely not be solved by the current voluntary wage-price guidelines. Thus, the odds for politically inspired mandatory controls in the next year or two are at least fifty-fifty, according to Dr. Son.

However, wage-price controls are not the solution to the high inflation-recession situation, Dr.

Son said.

"The problem is that short-run successes through artificial means divert attention away from the real causes of inflation—excessive government spending financed by expansionary monetary policy" he stated.

Controls also tend to distort the price structure in the economy.

"It is a simple truth that if money is available, it will be spent. Dollar votes will move from controlled to uncontrolled areas. In other words, controls tend only to hold down the price of controlled products. Consequently, the average price level may not be affected very much by controls," Dr. Son said.

But with a recession in 1979 highly likely, the only choice government has is between the present voluntary guidelines and full-fledged mandatory controls.

Inflation may approach a double digit rate in 1979 due largely to increasing labor costs, which account for 60 to 70% of inflation, Dr. Son stated.

"This year, compensation will have increased about nine percent. Next year, the wage and benefit costs will increase at least that much," Dr. Son said. "The runaway cost of maintaining even existing levels of fringe benefits will eat up much of the seven percent Carter wage guideline, making it

more difficult for bargainers to stay within the standard."

The odds are against the current business expansion continuing beyond mid-1979, Dr. Son indicated.

"Consumers are indebted up to their ears and there is little room left for them to leverage their income," he said.

Consequently, new domestic car sales are falling and retail sales have been on a downtrend since mid-year. Tight credit conditions are also beginning to bite the mortgage market, resulting in a decline in home building in the months ahead, he said.

"Since President Carter would logically not allow a recession in 1980, a recession would have to occur either in 1979 or 1981. A recession next year is not all that bad. There would be much less time for additional excesses to develop, so the following economic downturn would be less painful," Dr. Son concluded.

## French Heads 1st St. Louis Correspondent Banking

T. Barton French, senior vice president and head of the real estate and mortgage loan department of First National Bank in St. Louis, has assumed the additional responsibility for supervision of the correspondent banking division. This change follows a restructuring of other duties within the bank.

In addition, Clarence C. Barks-

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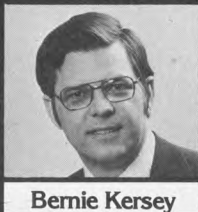
dale, chairman and chief executive officer, announced the appointment of John W. Rowe, vice president and assistant manager of the bond department, to manager of that department. He succeeds Frank K. Spinner, who resigned to accept the presidency of Tower Grove Bank & Trust Co. in St. Louis.

## Iowa News

DAVENPORT: James R. Peterson has joined the staff of Brenton First National Bank here as an installment loan officer.

EARLY: Directors of the Early

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Savings Bank have voted to elevate Marvin G. Hansen to board chairman from president and promoted Donald W. Kelley from executive vice president to president. Mr. Hansen was named president in 1967 and Mr. Kelley has served as executive vice president since 1977.

TIPTON: Tipton State Bank has increased its capital and surplus accounts from \$1 million to \$1.4 million. A 200% stock dividend was declared from surplus and \$400,000 was transferred from undivided profits to surplus. Capital is now \$600,000 and surplus is \$800,000.

## Nebraska News

ARLINGTON: Services for Clarence W. Rockwell, 73, chairman of the Arlington State Bank, were held December 11. He was associated with the Nebraska State Bank of South Sioux City for 25 years until 1947 and then operated a Firestone Store for two years in Auburn. Mr. Rockwell had been with the Arlington State Bank since 1949. He recently retired as its president and was chairman of the board.

## Minnesota News

Members of the Minnesota chapter of Bank Marketing Association and the Minnesota Bankers Association will co-sponsor the 1979 Bank Marketing Convention at the Radisson St. Paul Hotel

January 10-11. Charles R. Herman, vice president of Jostens, Inc., Owatonna, will be the lead speaker following the opening dinner at 7 p.m., January 10.

Richard Erickson, president of the Minnesota BMA chapter, and assistant vice president of Midland National Bank, Minneapolis, will preside at the all-day meeting January 11. Morning speakers will include J. Frederic Ruf, vice president, Marshall & Ilsley Bank, Milwaukee—"Wisconsin EFT Experience"; Bob Lanzi, assistant vice president, marketing division, Northwest Bancorporation—"Detached Facilities"; Elizabeth H. Bennett, assistant vice president-marketing, Northwestern National, St. Paul—"Marketing a New Facility," and David M. Ehlen, vice president, consumer division, Pillsbury Co., Minneapolis—"Marketing Package Goods and Its Application to Bank Marketing."

After the noon luncheon, speakers will be: Jerome J. Jenko, senior associate counsel, General Mills, Inc., Minneapolis—"Marketing Law"; Gerald F. Milano, assistant director, operations automation division of ABA—"Check truncation," and Vicki Ann Thomas, vice president, Credit Union National Assn., Madison, Wis.—"Everything You Wanted to Know About Credit Unions."

MINNEAPOLIS: Northwestern National Bank of Minneapolis has increased its capitalization by \$20 million by the placement of a \$10

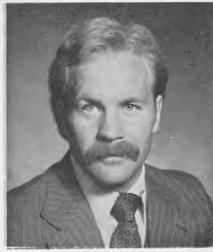
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million subordinated note and a \$10 million sale of common stock to its holding company. Northwest Bancorporation bought 22,222 shares of stock and the debenture due in March 2003. The added capital will boost the bank's lending limit to \$20 million.

**MINNEAPOLIS:** Roger L. Prigge, vice president-foreign exchange and investments, Northwestern National of Minneapolis, has been elected president of World Trade, Inc. World Trade is a state-wide, non-profit association organized to advance world trade.

**South Dakota News**

**YANKTON:** American State Bank here has received consent to change the location of its branch bank, formerly a detached drive-in facility, from 21st Street and Broadway to a location inside the mall.

**Illinois News**

**ARLINGTON HEIGHTS:** Deposits of North Point State Bank have been assumed by The Bank & Trust Company here, according to the FDIC, following the closing of North Point State December 16 by William C. Harris, Illinois commissioner of banks and trust companies. The office of North Point State is open as a facility of The

Bank & Trust Company, which assumed \$20,800,000 in deposits plus other liabilities, for a purchase premium of \$2,252,000, submitted as the high bid. The FDIC will advance cash amounting to approximately \$15,700,000 and will retain book assets of the failed bank of approximately \$20,100,000.

**CHICAGO:** Edward Byron Smith plans to retire March 6 as chairman of Northern Trust Corporation and become chairman of the executive committee. E. Norman Staub will continue as chairman and chief executive officer of The Northern Trust Company and on March 6 also will succeed Mr. Smith as chairman and chief executive officer of the parent Northern Trust Corporation. Philip W. K. Sweet, Jr., continues as president of the holding company and the bank.

**Colorado News**

**ESTES PARK:** Steven L. Patrick has been named executive vice president-bank administration at the First National Bank of Estes Park. He joined the bank in December, 1977, as senior vice president.

**Wyoming News**

The seventh annual Western Agricultural Lenders Institute will be held January 15-17 at the School

**"Opportunity Talks..."** Robert Scott, Correspondent Banker



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of Extended Studies, University of Wyoming, Laramie.

The opening session January 15 will include speakers Dr. Hugh B. McFadden, acting president, University of Wyoming; Dr. Harold Tuma, dean, College of Agriculture; Dr. Harold Hjort, director of economics planning, policy & budget, U.S. Department of Agriculture, and Richard McDougal, president, National Cattleman's Association.

The afternoon session will feature a talk on "Hedging Through the Futures" by Peter J. Stubben, Chicago Mercantile Exchange.

Speakers January 16 will include professors from the University of Wyoming with sessions on cattle, sheep and water law and management. Participants will travel to Denver January 17 to attend the National Western Stock Show.

**Montana News**

**BILLINGS:** The Montana Bank of Billings has received its state banking charter from the state banking board of the Department of Business Regulation. Eldon Kuhns, chairman of the bank, reported that the new bank has been accepted for membership in the Federal Reserve System and that the facility will open for business by March 1.

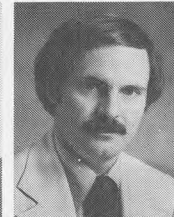


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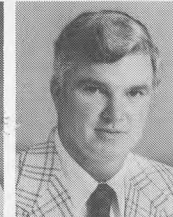
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