

NORTHWESTERN Banker Newsletter

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May 28, 1979

Will the U.S. Dollar Win, Place, or Even Show?

By Allen P. Stults
Chairman, Executive Committee
American National Bank & Trust Co.
Chicago

THE annual "run for the roses at historic Churchill Downs has a lot in common with the dollar. How does the "sport of kings" resemble the "sport of the central bankers?"

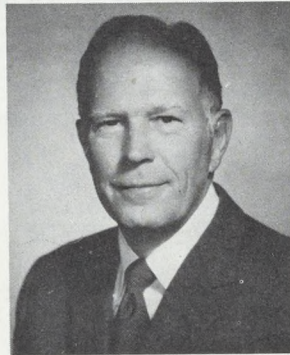
Well, the horses are the various currencies used in world trade, the tote board is the foreign exchange market, and the odds (foreign exchange rates) are established as a result of the monies put up to support the evaluations of the relative strength of the field (the various currencies).

Now, if it becomes apparent to the bettors (foreign exchange traders) that a previous favorite is being mishandled, and badly so, the odds are going to show it. You don't have to be a race track genius to know that it isn't very smart to go borrow a lot of money for betting on the "favorite-turned-longshot" to improve the odds. That would get the odds up, all right, but it wouldn't help the horse to stay in the race, let alone win. You'd end up with a lot of newly-contracted debt and your horse would still be a nag.

The only solution, obviously, is to work on getting your horse back into shape until it is again the strongest in the field. The odds will soon reflect this, as bettors are, in

aggregate, an astute group.

It appears all too obvious that the U.S. is taking the wrong track to improve the odds for the former favorite—the once mighty greenback. The fact that we are now going into debt, and in foreign currencies,



A. P. STULTS

to finance our gamble should add to the considerable concern of those who will foot the bill—all taxpayers!

Odds Drop

As the odds on the dollar have continued to drop, the U.S. has adopted the "bet more" fantasy instead of the "improve the horse" solution.

During the last few months, the U.S. negotiated a \$30 billion swap of U.S. dollars for foreign currencies, floated a \$1.5 billion bond issue in Deutschmarks, a \$1.8 million bond issue in Swiss francs, and proposed an issue in Japanese yen plus yet another in Deutschmarks, all to

provide more funds to bet on the dollar. These moves will indeed increase the price of the dollar in world markets as long as the functions are in operation and "we" have more than "they" with which to bet.

Bad as excess debt is, there is added danger in funding in foreign currencies. A government can pay off all of its obligations with relative ease as long as the obligations are denominated, and can be liquidated, in the currency which that government can issue by cranking up the printing presses. The effect of that procedure would be damaging, thus is not a viable solution. However, the damage becomes intolerable when the debt must be repaid in a foreign currency and there is no avenue other than repudiation if the local currency—dollars—does not have sufficient international value for purchasing the currency required to liquidate the debt.

"Bet" On Dollar

The odds in betting are in direct relationship to the amount bet. And, as long as billions are made available to "bet" on the dollar, the price will strengthen, regardless of the true rating of relative strength. The dangerous fallacy of trying to correct a weakness, which is reflec-

U.S. DOLLAR . . .
[Turn to page 4, please]

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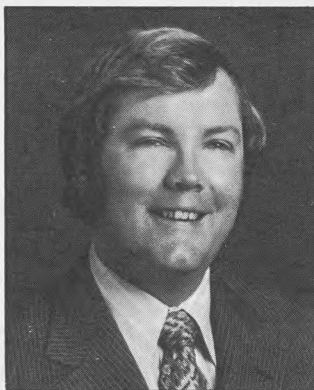
Blumenthal to Resign At End of Term

WASHINGTON, D.C.: Treasury Secretary Michael Blumenthal said he doesn't plan to remain in his post after President Carter's current term expires in January, 1981.

Mr. Blumenthal, who was chairman of Bendix Corp. before joining the Carter Cabinet, said he has decided to leave government because of "the personal sacrifices and family sacrifices" the job entails. He told reporters of his decision following a speech before the Economics Club of Detroit.

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Iowa News

ANKENY: Open house will be held by Ankeny National Bank on June 1 from 9 a.m. until 6 p.m. and on June 2 from 9 a.m. until noon to observe the completion of an extensive remodeling program. The bank has expanded space from 2,400 to 5,100 square feet, added a new cash vault, eight new teller stations, three additional motor bank stations and six private offices.

DAVENPORT: John K. Figge, executive vice president, Davenport Bank & Trust Co., received an honorary degree from St. Ambrose College at the annual commencement.

DES MOINES: Central National Bank & Trust Co. has advanced Harry A. Wilmer to vice president in commercial loans; Kim S. Meadows as vice president in commercial loans, and Craig Jordan to manager, South Des Moines office.

HAMPTON: James E. Coonley II is a new director of First National Bank here. He is a lawyer in Hampton.

LANSING: Richard J. Weir has been named vice president in charge of instalment lending at the First National Bank. He came from the Bank of Homewood, Ill.

LE MARS: E. C. Lee, senior vice president, trust officer & cashier of the First National Bank, has been named chief operating officer and director. He joined the bank in 1964.

LONE TREE: Construction on a new \$150,000 building for the Nichols office has started, according to Don Kout, president, Farmers & Merchants Savings Bank, Lone Tree.

MASON CITY: Thomas J. Flynn

has been named trust officer of First National Bank. He was previously with Iowa-Des Moines National Bank.

RED OAK: Houghton State Bank, a member of Hawkeye Bancorporation, celebrated its 100th year on May 12.

Nebraska News

FREMONT: The First National Bank & Trust Co. will be celebrating its 75th anniversary this year. It was established in June, 1904. Open house will be held on June 1, according to H. W. "Bud" Hendriksen, president.

KEARNEY: Lawrence A. Wangrud, 45, has been named president of the Kearney State Bank, succeeding Bernard L. Engels, who has resigned due to ill health. Mr. Wangrud has been a vice president at the Delay First National Bank of Norfolk.

OMAHA: Thomas H. Allen, president, Omaha National Bank, has been named executive vice president of Omaha National Corp., the holding company for the bank.

RAVENNA: Norman A. Schmidt, president, The Ravenna Bank, has announced the election of Dale Pohlmann as executive vice president. Mr. Pohlmann has been president of Fort Lupton State Bank, Fort Lupton, Colo.

Minnesota News

MAPLEWOOD: A grand opening was held recently by the Maplewood State Bank. Over 6,000 visitors attended the three-day celebration. The bank is the main tenant of the "Financial Center," occupying 6,000 square feet of the available 18,000 square foot building.



NEW ISSUE

\$650,000
INDIANOLA COMMUNITY SCHOOL DISTRICT, IOWA
General Obligation School Bonds

Dated: June 1, 1979 Denomination: \$5,000

Both principal and semiannual interest (June 1 and December 1, first coupon due December 1, 1979) payable at the office of the School Treasurer, Indianola, Iowa.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES, IOWA FRANCHISE TAX, AND ALL PROPERTY TAXATION IN THE STATE OF IOWA.

MATURITIES

	<u>6.25%</u>			<u>5.55%</u>	
\$ 15,000	June 1, 1982	5.30	\$ 25,000	June 1, 1990	5.55
15,000	June 1, 1983	5.30		<u>5.60%</u>	
20,000	June 1, 1984	5.35	25,000	June 1, 1991	5.60
20,000	June 1, 1985	5.35		<u>5.65%</u>	
20,000	June 1, 1986	5.40	30,000	June 1, 1992	5.65
20,000	June 1, 1987	5.40		<u>5.70%</u>	
25,000	June 1, 1988	5.45	250,000	June 1, 1993	5.70
	<u>5.50%</u>			<u>5.75%</u>	
25,000	June 1, 1989	5.50	160,000	June 1, 1994	5.75

LEGALITY TO BE APPROVED BY AHLERS, COONEY, DORWEILER, HAYNIE & SMITH, ATTORNEYS, DES MOINES, IOWA

Indianola Community School District is located in Warren County in central Iowa, about 15 miles south of Des Moines. The District includes the City of Indianola and 101,760 acres of Iowa's most productive farm land. Corn, soybeans, cattle, and hogs are the principal agricultural products of the area. The population of the District has grown from 9,500 in 1960 to 14,400 today. A large number of the District's residents commute to jobs in the Des Moines area. There are two banks in Indianola with combined deposits in excess of \$87,000,000. Simpson College, a four year liberal arts college with an enrollment of 1,100 is located in Indianola. Transportation is provided by two railroads, two U.S. highways, an Iowa highway, and an excellent network of paved county roads. Lake Ahquabi State Park is located 5 miles south of Indianola and serves many thousands of visitors annually.

These bonds are being issued under the provisions of Chapter 296, Code of Iowa, 1979 as amended. They were authorized at a special election held March 6, 1979, by a vote of 807 "yes" to 351 "no". The proceeds of this issue will be used to construct an addition to an elementary school. In the opinion of counsel, these bonds are legal and binding general obligations of Indianola Community School District, Iowa, and all taxable property located therein is subject to the levy of sufficient taxes to pay the principal of and interest on the bonds without limit as to rate or amount.

FINANCIAL STATEMENT

Actual and assessed value of taxable property, 1978	\$174,028,564
Direct debt, including this issue	3,052,000
Total direct, underlying and overlapping debt	4,982,000
Population, 1979 estimate: 14,400	Direct debt per capita: \$211.94
	Total debt per capita: 345.97
Area: 101,760 acres	Direct debt per acre: 29.99
	Total debt per acre: 48.96

Tax collections have approximated 102.4% of taxes levied for the last three years.

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion.

The information contained in this circular is not guaranteed, but is derived from sources we deem reliable and is that on which our purchase of these bonds was based. Offered subject to prior sale and change in price.

Supplement To Northwestern Banker Newsletter 5-28-79

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Northwestern Banker

Nebraska
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- Other offices away from main bank
- Addresses and phone numbers
- Departments within the bank and their officers
- Correspondent banks used

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306-15th St.

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Supplement To Northwestern Banker Newsletter 5-28-79

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FIRST NATIONAL LINCOLN

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MENAHGA: Work will start soon on remodeling and expansion of the First National Bank, according to W. E. Froemming, president.

NORTH MANKATO: Richard F. Voelz, formerly senior vice president at American National Bank, Eau Claire, Wis., has been named president of Valley National Bank here, according to Raymond Steeber, chairman.

PIPESTONE: First National Bank plans to expand its present facility by adding a two-level structure onto the northeast side of the present building. Completion will be December 1.

PRINCETON: Tim Nelson, formerly with Center City Bank, has joined the Community State Bank as an assistant vice president.

ST. PAUL: Dennis S. McChesney has been elected group vice president at Northwestern National Bank. He is rejoining the bank from Banco.

ST. JOSEPH: First State Bank has moved into its new building, according to William Meinz, president.

STORDEN: First State Bank held an open house recently in observance of the bank's 75th anniversary, according to Dayel Olson, president. Lunch was served to 400 people.

South Dakota News

SIOUX FALLS: Glenn H. Waltner, president, First National Bank, Freeman, has been elected president of the South Dakota Bankers Association at the 87th annual convention. Named first vice president was John W. Thomson, president, The Bank of Centerville,

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Oakland, Iowa

and Nels Turnquist, president, National Bank of South Dakota, Sioux Falls, was named second vice president. A complete report will appear in the June issue of the NORTHWESTERN BANKER magazine.

Wyoming News

CHEYENNE: Clifford P. Hansen, former Wyoming governor and former U.S. Senator, was named a director of Wyoming Bancorp, succeeding William C. Allen, president, First Wyoming Bank in Cheyenne, one of 18 member banks.

SUNDANCE: A mid-summer completion is expected for the new office of the Sundance State Bank, located one block from the present building.

Colorado News

BOULDER: Ronald V. Nelson has been promoted to vice president in charge of instalment lending at National State Bank of Boulder.

Estate Appraisals

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BOULDER: Margaret S. Hansson, chief executive officer of Genac, Inc., a Boulder-based manufacturer of products for the handicapped, has been named a director of United Bank of Boulder.

DENVER: Oliver W. Hickel III has been named vice president, commercial loans, and Alvin K. Lutz, assistant vice president, operations, by United Bank of Denver.

Money Talks

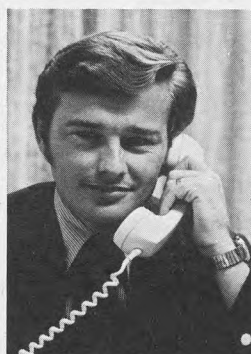
Part of the money you give the American Cancer Society helps the International Association of Laryngectomees help thousands of people to learn to talk again after their voice boxes have been removed.

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This space contributed by the publisher as a public service.

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Asst. Vice President

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U.S. DOLLAR . . .

[Continued from page 1]

ted in a drop in price (odds), by forcing up the price (odds) artificially, is that for a while it appears to work—but is not a durable solution.

We won't be able to stay in the race, let alone lead it, without identifying our basic underlying weaknesses and moving to correct them. Such economic gimmickery and shortcuts, as using foreign swaps and foreign debt to strengthen the odds with borrowed money, is dangerous in the long run and could be counter-productive. In the case of the U.S. dollar, the underlying weaknesses, domestically and internationally, are our fiscal policy, monetary policy, and continuing to pump into the world more dollars than are needed for world trade, through unwarrantedly expansive fiscal and monetary policies. Moreover, we are putting our products and services at a competitive disadvantage and are reducing foreign demand for them by the cost-boosting actions of government intervention.

The problem is that our jockeys in Washington possess the fertile, brilliant minds that endlessly create "solutions" to our economic woes . . . while, frankly, the problem is these "solutions." We ought to elect more people with economically-sound, one-track minds. Then there would be only one way to go. We have a great horse and that way would get him back in the winner's circle. □

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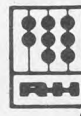
LENDING/OPERATIONS - 2 yrs exp in good training program. Trained in instalment loans, commercial credit and operations. Has a solid career foundation and is ready for an oppty. Asks \$14,400.

AG LOAN OFFICER - Degree with high grade point. Ag background & currently Farm Rep for rural bank. Stated career path is Agricultural Finance. Asks \$13,000.

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INSTALMENT LOAN HEAD — 20MM department in Kansas bank over 100MM. Experience must include direct, indirect, and administration. . . . \$25-30,000

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