

NORTHWESTERN Banker Newsletter

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March 23, 1981

Fed Vice Chairman Frederick Schultz States:

Budget Cuts Key to Inflation Drop

BREAKING the back of inflation depends in great measure on breaking the expectation of inflation by the American people. To accomplish this will require a continued tight money policy by the Fed, which cannot do it alone without painful cost, and a responsible fiscal approach by the President and Congress. This diagnosis of the sick economic condition of the nation, and a prognosis if matching money policy and fiscal policy are pursued, was given last week in Iowa by Frederick Schultz, vice chairman of the Federal Reserve Bank, Washington, D.C.

Speaking in Ames at the Iowa Bankers Association's 1981 Ag Credit Conference as a special guest, Governor Schultz was accompanied by Senator Roger Jepsen of Davenport, one of Iowa's two Senators in Congress. Governor Schultz repeated his remarks a short time later at a special briefing for businessmen and the press in Des Moines. A summary of his remarks follows:

Fed Can't Do It Alone

"The Fed does not believe the economy functions well with the kind of interest rates we have. We do not believe that we can win this

fight against inflation by ourselves. This is not just a push-pull, cost-price situation, but a momentum type of economy where everyone continues to anticipate inflation. Therefore, we do not have it in our power at the Fed to beat



Sen. Roger Jepsen (seated) and Fed Vice chmn. Frederick Schultz.

inflation alone. There are four components of the high rates we're experiencing: Inflation and the expectations for it, economic activity, credit demand, and the operations of the Fed.

"Credit demand is extremely important. The federal government is taking more than 25% of the credit in the United States. The

private sector needs to rebuild its liquidity badly; it needs to get out of short term debt and into long term rates. We will continue to pursue our firm monetary policy to get interest rates down and beat inflation over a period of time.

"What happens then? It depends on what happens to the economic package of the Administration in Congress. If you have a firm monetary policy and a loose fiscal policy you will have high interest rates and they fall unevenly on all sectors.

"We believe inflation is our most serious problem and we (at the Fed) will continue to work at this with our fullest efforts. We can bring down interest rates by Fed policy to some degree, but at a painful cost; for example, bankruptcies.

Budget Cuts Essential

"But, if we get good, deep budget cuts from Congress we can get many things moving that would loosen the credit pool. This is crucial to affecting expectations in this country, and people are expecting this now after all the election talk.

"When I was in White House meetings with the Carter Administration, they were serious about wanting budget cuts, but they couldn't get the job done. Now, a new Administration looks like it may be able to do the job and if it does, the most crucial thing is creating a change in attitude among



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citizens about the expectation of inflation. I think we need tax cuts, but I'm not sure we need them for the same reasons articulated by the Administration. I think we need them, but would rather see them geared to savings and investment. If they are across the board, it would probably stimulate consumption.

"I cannot stress how important those budget cuts are. If we get them, I'm much more optimistic about getting inflation down without the blood letting an alternative would bring. Defense expenditures are the most inflationary kind because they put money into the economy without matching goods for our own markets. Our strongest bet as a strong nation is to have a strong economy. Weakness in that is our greatest danger."

Question Period

In the ensuing question and answer period, Mr. Schultz was asked if T-Bills should be pegged at a special rate. He referred to the ending of the accord with the Fed that took place in 1951 and said that is the only way to operate. With government rates set in the open market, they aren't going to come

down until the government quits borrowing so much, he said. He noted further that Fed executives pray every night that Congress will make budget cuts so as to take a lead in cutting inflation and heading off more painful effects for business and individual citizens.

"It would have been so much easier to get inflation under control five years ago," Mr. Schultz pointed out, "and it will be worse to handle five years from now."

Sen. Jepsen Optimistic

With this scenario, Sen. Jepsen was asked for his practical assessment of whether, in fact, budget cuts would actually materialize. He stated, "The next 90 days will determine the political will and resolve of Congress. We will either have the needed support, or not. I predict we will. It's in the climate of Washington. I don't think that Congress now will be intimidated by professionals in the government bureaucracy, by vested groups, liberals, activists, any of the special interest groups.

"In the next 90 days you will hear things from Congress that you've never heard before. The theme you hear now is that no cuts are being made. Actually, they're not being increased.

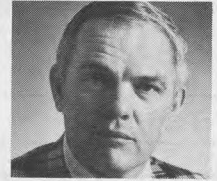
"It's hogwash that we'll be taking from the poor to give to others—pure nonsense.

"We're entering a period of hope. The President has strong support from mainstream America and if Congress doesn't respond, the President can go directly to the people and he will. I believe that with Republicans and conservative Democrats you will see a coalition in the House.

"Regulatory reform is on the way. Every member of Congress I know wants clean air and all those other things, but it's not the laws for the most part causing dissension, but the regulators.

"There are four elements to this package—budget cuts, tax cuts,

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regulatory reform and monetary control."

Governor Schultz followed the Senator again by reminding his audience that it is not his position to say which budget cuts should be made. "Ours is not a political concern, but only to form monetary policy," he said. □

Iowa News

HAYESVILLE: Ronald Greeson has joined the Hayesville Savings Bk. He was a.v.p. and mgr. of the Richland office of the Union Bank & Trust Company, Ottumwa.

TIPTON: Jeff Meyer, formerly with PCA in central Iowa, has joined the Tipton State Bank as ag rep.

Nebraska News

BELLEVUE: Peter J. Bina has been elected pres. and a director of Southroads Bank. Mr. Bina is a graduate of Kearney State College. He was previously v.p. and cashier of the Bank of Bellevue.

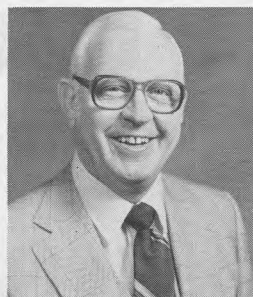
HASTINGS: Michael B. Jacobson, asst. v.p. and ag rep. of City National Bank & Trust Co., has placed in the top eight of his field competing in a regional speech contest in Colorado Springs.

LINCOLN: An application by the First Security Bank of Nebraska for a bank charter to be located at 5900

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1980 Series A

Dated: April 15, 1981

Denomination: multiples of \$5,000

The bonds will be in fully registered form with interest payable quarterly. First interest payment date is June 1, 1981 and quarterly thereafter, 9/1, 12/1, 3/1 and 6/1.

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

MATURITIES

\$40,000,000 March 1, 1996* to yield 11.35**

* Callable March 1, 1988 at 102%.

**The bonds will bear interest at the rate of 11.35% from April 15, 1981 to June 1, 1981 and thereafter at a rate which will fluctuate quarterly based upon 74% of the average bond equivalent rate for 13 week U.S. Treasury Bills auctioned during the quarter ended 3 months prior to each payment date (9/1, 12/1, 3/1 and 6/1) rounded upward to the nearest 1/20 of 1%, but in no event will the interest rate be less than 6% or greater than 13½% per annum. The rate will be calculated on the basis of the result of the regular weekly Treasury Bill Auction.

The 1981 Series A Bonds are offered when as and if issued and received by the Underwriters, subject to prior sale, withdrawal, or modification of the offer without notice and to the approval of legality by Belin, Harris, Helmick & Heartney, Des Moines, Iowa, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins, Delafield & Wood, New York, New York.

Delivery is expected on or about April 23, 1981.

A copy of the Preliminary Official Statement (prospectus) will be forwarded by calling the Carleton D. Beh Co. at 515-288-2152; Iowa calls at 800-532-1468.

1950

MEMORANDUM FOR THE RECORD

DATE: 10/10/50

TO: [Illegible]

FROM: [Illegible]

SUBJECT: [Illegible]

[Illegible text]

Legal Holiday Closing Notices For 1981

Complete Legal Holiday closing notices for 1981 includes the following dates:

- Memorial Day - Mon, May 25th
- Independence Day - Sat., July 4th
- Labor Day - Mon., Sept. 7th
- Columbus Day - Mon., Oct. 12th
- Veterans Day - Wed., Nov. 11th
- Thanksgiving Day - Thurs., Nov. 26th
- Christmas Day - Fri., Dec. 25th
- New Years Day - Fri., Jan. 1, 1982

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In Observance of this

LEGAL

HOLIDAY

we will be closed for

Christmas Day

Friday

December 25th

Lobby Posters
(22" x 28")

Lobby Posters printed on heavy enamel stock.

Counter Cards have easel backs.

Counter Cards
(5" x 10")

(with easel back)

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Christmas Day
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December 25th**

(Fits most standard size displays)

(For use in Drive-up window and teller line)

Legal Holiday Signs Order Form

LOBBY POSTERS: \$8.00 each (orders under 24 total posters)
\$6.50 each (orders of 24 posters or more)

COUNTER CARDS: \$4.00 each (orders under 24 total cards)
\$3.25 each (orders of 24 cards or more)

Please enter my order for the following:

HOLIDAY	LOBBY POSTERS (Quantity)	COUNTER CARDS (Quantity)
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Independence Day		
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Columbus Day		
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Christmas Day		
New Years Day		

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Officer _____

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N.W. First St., Highlands North Development, has been denied.

OMAHA: The Mid Plains Chapter of the National Association of Bank Women will hold their annual Executive Night on Tuesday, March 24, at the Omaha Country Club. Frances Schmeling, Mid West Region v.p. from Mapleton, Ia., will present an "Update on NABW."

Minnesota News

MINNEAPOLIS: The board of trustees of F&M Savings Bank elected Paul B. Damkroger asst. v.p. Mr. Damkroger joined F&M in January of this year and is responsible for F&M's commercial loan portfolio. Previously he was publisher of a local magazine.

PIPESTONE: Rick A. Stevens has joined the Arlington State Bank as a management trainee. He graduated from Pipestone Area Vocational Technical Institute.

Illinois News

CHICAGO: Northern Trust Corp. has named Philip W.K. Sweet, Jr., chmn. and c.e.o. of the bank holding company and its principal subsidiary, Northern Trust Co. Mr. Sweet, formerly president, succeeds retired Chairman E. Norman Staub, who will continue as director of the holding company and the bank. Charles H. Barrow was named pres. and second-ranking officer of both corporations. David W. Fox was named vice chmn. and elected a director. Two additional directors elected were Warren J. Hayford, pres. and c.o.o. of International Harvester Co., and William D. Smithburg, pres. and c.o.o. of

Quaker Oats Co.

CHICAGO: A group of midwest investors has agreed to purchase controlling interest in Central National Bank from F.H. Prince & Co., Inc., and members of the Regnery family who together own 40% of the common stock and all of the 60,000 shares of preferred. Purchasers include Solomon A. Weisgal, president of Solomon A. Weisgal, Ltd., Chicago; Joel Labovitz, private investor, Duluth, Minn.; Martin Bucksbaum, chairman, General Growth Properties, Des Moines, Ia., and two brothers, Norman and Martin Rich, chairman and president respectively of Louis Rich, Inc., Davenport, Ia., a subsidiary of Oscar Mayer & Co., Inc.

Montana News

DILLON: George S. Henry, 71, sr. v.p., State Bank & Trust Co., died recently. He began his banking career at the age of 19 at the Bison State Bank, S.D. He is survived by a son Robert, pres. of First Bank-Southside Missoula.

Wisconsin News

The Federal Reserve Board has announced its dispositions of five applications of First Southeast Banking Corporation, Darien: Approval of its application to acquire First Bank Southeast of Lake Geneva, conditional approval of its applications to acquire First Bank Southeast, N.A., Kenosha, and First Bank Southeast of Silver Lake, and denial of its applications to acquire First Bank Southeast of West Kenosha and First Bank Southeast of Twin Lakes.

WAUKESHA: Lee Melville, pres., Independence Bank Waukesha, has announced the election of Eric Delzer to the board. Mr. Delzer is pres. and c.e.o. of Delzer Lithograph Company, Inc.

Wyoming News

BUFFALO: George Schaffer has been promoted to asst. v.p. of First National Bank and William Omohundro, a Buffalo attorney, has been named a director.

LYMAN: First State Bank has elected G. Haldane Bradshaw chairman of the board. Nick D. Lives has retired as pres., c.e.o. and director. Robert D. Morrison, v.p. and cashier, will assume the duties of c.e.o.

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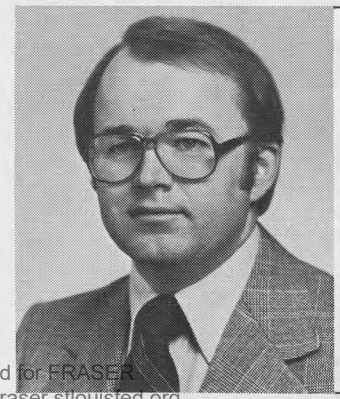


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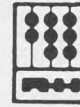
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