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Correction: The amount of reduction in defense spending recommended by President Bush was incorrectly reported in this column. He proposed a cut of $50 billion, spread over five years, or 3.4 percent a year.

Conference Board CEO shares his thoughts on `who blinks' recession

By Tony Carideo; Staff Writer

The chief executive of the Conference Board, Preston Townley - most folks know him as Pete - was in town this week to discuss the Board's latest consumer confidence figures and the mood of CEOs in the United States and Europe.

The picture isn't terribly rosy: Consumer confidence dropped again in January, the nation's CEOs are bracing for a sluggish recovery and Europeans are worried about all sorts of things. Meanwhile, in a survey about to be released, the nation's CEOs more than anything want the budget deficit reduced.

Townley, by the way, still maintains his roots in the Twin Cities. The former general manager (early '80s) of the Big G cereal division of General Mills and past dean of the University of Minnesota's Carlson School of Management remains on the boards of Donaldson Co. and TCF Financial Corp. He spoke to a luncheon hosted by old friend and schoolmate Francis Braun, who heads up the Minneapolis office of Kemper Securities.

Townley calls the current downturn a "who blinks" recession - a stare-down between consumers, who refuse to buy because they're afraid of losing their jobs (a rather justifiable fear, one would suggest), and businesses, which continue to trim thousands of jobs that won't be refilled while keeping a "strong hand" on inventories.

January's Consumer Confidence Index, released Tuesday, slid 2.1 more points to 50.4, continuing a decline that now exceeds 30 points from a momentary spike of 81.1 after the Desert Storm victory. Townley considers the current figure "a flattening," which is in keeping with the view from executive row, where the people he speaks with "do not see any evidence of recovery, but they don't anticipate worse."

Townley said CEOs see election year politics as "the wild card" in all this, with many fearing that politicians will start doing dumb stuff to buy votes. "The president has been looked to to lead positive action or thwart short-term fixes," he said. So far, Townley said most CEOs - who happen to be predominately Republican - "are deeply concerned that (Bush) doesn't have a clue."

While Townley believes Bush will win a second term, he said it's worth noting that since World War II no president has been reelected when the growth in real after-tax income has been less than 3.8 percent. The growth rate for Bush's administration has been less than 1 percent - the worst since the 1930s.

In a soon-to-be-released Conference Board survey of 400 chief executives, more than 90 percent said Bush's top priority should be deficit reduction and 57 percent said they'd cut the defense budget by more than 20 percent. (The $50 million in cuts Bush announced in his State of the Union address represents about 17 percent). After paying down the nation's debt, the "peace dividend" should be used to improve the nation's educational system and rebuild its infrastructure, the CEOs said.

Townley said similar priorities are being voiced by European executives. In addition, Europeans remain concerned about the short-term orientation of U.S. corporations and Wall Street and the commitment of the United States to stay in the export game.

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Piper, Jaffray and who?

Tis a time of change at the great regional brokerage house of Piper, Jaffray & Hopwood Inc.

Yesterday we learned that Piper Jaffray Inc., PJ&H's parent company, is going to sell almost 2.2 million shares - all 1.9 million shares held by ITT Hartford Insurance Group and a significant portion of the shares held by the Harry C. Piper Estate Trust - in a secondary offering.

Now word is circulating that the Piper folks are thinking about dropping the Hopwood from the Piper, Jaffray & Hopwood name, making the name just Piper, Jaffray, which is more consistent with the other "Pipers" in the Piper family, such as Piper Capital Management and Piper Trust.

If the scuttlebutt is true, the passing of "Hopwood" would remove a presence in the Twin Cities brokerage community that dates back to 1913 and '14, when F.P. Hopwood established the Hopwood Investment Co. in the McKnight Building. Hopwood founded the firm just months after Harry C. Piper and C. Palmer Jaffray had launched their new commercial paper business and were selling unsecured notes for such fly-by-nights as Northrup King, Washburn-Crosby (General Mills), Pillsbury and Archer Daniels Midland.

Robert Gaddis Hopwood was F.P.'s son and treasurer and by the early 1930s was head of Hopwood & Co. when it merged with Lane, Piper & Jaffray. Robert Hopwood died in 1953 at age 63.

McNeilus vs. everybody

Garwin McNeilus, owner of McNeilus Cos. Inc., has won an important round in his battle with Corporate Report Minnesota. He has also launched a legal assault on another front - suing some of the people who were either quoted in the Corporate Report article or who helped in the research.

In a complaint filed earlier this week, McNeilus sued R. Dale Straley, who was quoted in the article, as well as one to five other sources the magazine used whose identities McNeilus and his lawyer, Gerald Duffy of Seigel, Brill, Greupner & Duffy, don't have.

The suit claims that Straley, a former vice president of sales at Challenge-Cook Brothers of Ohio and once McNeilus' chief competitor, conspired with one or more other sources to help Corporate Report put together its unflattering article on McNeilus, which was published in March as "The Hardest Man in the Cement Business."

Several years ago, Straley sued McNeilus for not fulfilling a contract that he had with the company after McNeilus hired him and for allegedly tapping his phone. That case was settled in 1989.

Still pending against McNeilus Cos. is a suit by Rocket Holding Inc., parent company of the now-defunct Rocket Mixer Inc. of Edina, which has alleged that McNeilus, a manufacturer of concrete mixers in Dodge Center, engaged in "anticompetitive conduct designed and intended to destroy competition and monopolize the concrete transit mixer market," as well as "bid stealing, wiretapping (and) misappropriation of trade secrets."

In his suit against Corporate Report, McNeilus last week won an important victory when District Court Judge Lawrence Agerter in Dodge County ruled that McNeilus was a private citizen and not a public figure.

The ruling, said Marshall Tanick of the firm of Mansfield and Tanick who also is representing him in his libel suit, "changes (McNeilus') burden of proof. He can prevail by showing that Corporate Report was careless or negligent in printing the story." If McNeilus had been judged a public figure, Tanick said, he would have had to prove that the magazine was reckless or had intentionally distorted the facts.

Tanick said the ruling, while it doesn't establish new law, does say the fact that McNeilus is head of a private rather than public company will be an important factor in determining how a business executive is treated by the courts.

Neither Straley nor a representative of Corporate Report could be reached for comment.