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Advocate Tax Cut To Boost Economy

An immediate tax cut to accelerate the recovery rate of the national economy was recommended last week by Dr. Walter W. Heller, Regent's Professor of Economics at the University of Minnesota. Dr. Heller, former chairman of the President's Council of Economic Advisers under both Presidents Kennedy and Johnson, suggested the tax cut during his appearance before the 41st annual convention of the Independent Bankers Association of America at Hotel Radisson in Minneapolis.

He said the nation is in a recovery period—a slow one, but moving in the right direction. The Federal Reserve has pursued a policy of ease and while the Administration is seeking more ease and punch, its next move should be to pull forward the \$4½ billion in tax cuts that have already been written into the law to take effect in 1972 and 1973. Dr. Heller said the acceleration of these tax cuts could be done by the President and would provide a needed stimulus at this time. This would provide, he also noted, a year of some respite from inflation, due to the slack of \$60 billion in the economy between current and potential production.

Dr. Heller's call for a tax cut

at this time was made also by First National City Bank of New York in its April "Monthly Economic Letter." Citibank states,



W. HELLER

"The choice is essentially between boosting consumption through higher public spending or through lower tax rates... Hard evidence suggests that the economy would function better with a smaller tax burden on its citizens. A tax cut would go a long way to relieve social and economic discontent in this country.

"Perhaps the best reason for a tax cut now," says Citibank, "would be its impact in transferring resources to the private sector. Because tax rates are seldom changed, the rise in real incomes and inflation push up tax collections much more rapidly than personal incomes rise... A tax cut would ease the problems

of state and local governments. By increasing the after-tax yield on savings and investments, it encourages the flow of private capital into industrial expansion. Jobs created this way would have a multiplying effect. Not only would the states' tax base be richer but less money would be needed for unemployed workers.

"Lower taxes would, in effect, restore an extra measure of power to the people in a form they would appreciate—purchasing power."

In his comments to the *Northwestern Banker* after his platform appearance, Dr. Heller said that when he first proposed in April, 1962, to President John F. Kennedy that a tax cut be made to stimulate the economy that it was estimated the public would receive about \$4 billion in tax relief. This, with other tax cuts and concessions, totaled \$18 billion and stimulated a \$30 billion growth in the Gross National Product (GNP) and balanced the budget.

If we had those earlier tax rates (prior to 1962 rates)," Dr. Heller stated, "we'd be paying \$26 billion more in taxes today."

He said the national administration must have the courage and foresight to reimpose higher taxes after excess demand is reached following a tax decrease.

(Continued on back page)



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T. L. Collings, D. J. Henry, all of Oak Lawn, John B. Wheeler of Hinsdale, and Anthony DeSantis of Evergreen Park. Total capitalization is \$1,500,000.

IOWA NEWS

DES MOINES: A series of Ag Credit Workshops will be held by the Iowa Bankers Assn. and the Iowa State University Ag Extension Service across the state in the following locations: Tuesday, April 13, Fairfield; Thursday, April 15, New Hampton; Friday, April 16, Storm Lake; Tuesday, April 20, Atlantic; Wednesday, April 21, Cedar Rapids; Thursday, April 22, Ames.

DES MOINES: The 50th State Banking Conference will be held by the Iowa Bankers Assn. on Wednesday, April 14 at Johnny & Kay's Hyatt House. Registration starts at 8 A.M. and the program starts at 9 A.M.

FAIRFIELD: Completion of a major addition to the Iowa State Bank and Trust Co. is expected by mid-June.

VINTON: Over 375 area residents visited the new addition to the Benton County Savings Bank during a recent open house. The event also marked the 90th anniversary of the bank.

WELLSBURG: Funeral services were held on Apr. 15 for Alle Murra, 54, a director of Peoples Savings Bank since 1959.

ILLINOIS NEWS

CHAMPAIGN: James Murphy has been elected vice president and cashier of the Bank of Illinois, according to Tom Rochford, president. Mr. Murphy has been in a similar capacity at Tri-State Bank, Markham.

CHICAGO: The Illinois Bankers Assn. will hold its 34th annual trust conference at Stauffer's Riverfront Inn, St. Louis, Mo. on April 27-28. Following an early bird gathering on Tuesday evening, April 27, the day-long conference will begin with an eye-opener clinic on Wednesday morning. Some 200 bankers will attend.

EVANSTON: First National Bank & Trust Co. has named Mathaniel W. Horton as vice president and head of the trust department.

GALATIA: A permit to organize the Galatia Community State Bank has been issued by the Comm. of Banks and Trusts to Cecil and W. B. Pulliam of Galatia and five others. Total capitalization is \$400,000.

MADISON: Helen G. Eiler has bought 103 shares out of a total of 1,000 in the First National Bank from James R. Alcott.

OAK LAWN: A permit to organize the Heritage Bank at 6001 West 95th Street has been issued by the Comm. of Banks and Trusts to Lyle Brooks,

NORTH DAKOTA NEWS

WILLISTON: North Dakota bankers will hold their annual consumer credit conference here on April 23. A get-together will be held on Thursday evening, April 22, with the business session on Friday, April 23. Round table discussions will be held on the bill extending the loan limits to \$10,000 for a term of 10 years, as well as on general instalment lending practices. A key speaker will be Harley N. Patten, Jr., senior v.p., Central Bank and Trust Co., Denver. Noon luncheon speaker will be Paul Dickson of the Minnesota Vikings.

WILLISTON: Fred Hodgdon has assumed the position of senior v.p. for American State Bank. He has been president of the Downtown State Bank of St. Paul, Minn. since 1966.

NEBRASKA NEWS

GERING: Plans are progressing for the new drive-in facility for the Gering National Bank. The drive-in facility should be ready by fall.

IMPERIAL: The Farmers & Merchants Bank has moved into its new building which includes a large public lobby, two private conference rooms, a large group conference room along with a new drive-in facility. J. E. Burke is president of the bank.

KEARNEY: The new Riverdale Bank is now under construction just across the street south of the present facility. Construction on the \$77,000

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facility is expected to be completed by July.

OAKDALE: Merle D. Wagner, 49, director of the First National Bank, died recently after an illness lasting several months. He was a prominent businessman and farmer in the Oakdale community.

OMAHA: Laddie Kozeny of the Packers National Bank, has retired after 47 years with the bank. After a month's leave of absence, he will return to the bank as vice-chairman of the board.

MINNESOTA NEWS

LAKEVILLE: Michael Larkin, formerly vice president of the Valley National Bank, Eagen Township, has been elected president of the First National Bank here, replacing Glendon M. Timm, resigned. Mr. Timm had been named president in February.

MINNEAPOLIS: An annual interest rate of more than 8% on revolving charge accounts violates Minnesota's usury law Judge Otis H. Godfrey, Jr. of Ramsay County District Court has ruled.

MINNEAPOLIS: The 9th Consumer Lending Conference will be held by the Minnesota Bankers Assn. on Wednesday and Thursday, April 28-29 at the Leamington Hotel. Roy M. Schuette, vice president, First National Bank, Rochester, is chairman of the conference.

WINONA: Dale E. Eikmeier of Pipestone has been elected exec. v.p. of the Town & Country Bank. He was formerly cashier of the First National Bank, Pipestone.



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chasers of the Stockgrowers State Bank. The sale was announced in the *Northwestern Banker Weekly News*, March 29.

WISCONSIN NEWS

NEW FRANKEN: Sale of controlling interest in New Franken Bank, New Franken, and Algoma Bank, Algoma, was completed recently by William C. Talen, Des Moines, to Walter O'Connor, Green Bay, Wisconsin. Mr. Talen previously had sold his stock interest in University State Bank, Green Bay. He resigned as president of all three banks after accepting the position of executive vice president and member of the board of directors of Bankers Trust Company, Des Moines, late last year.

Mr. O'Connor, formerly had been president and owner of Park Falls State Bank, Park Falls, for 15 years before selling his interest a few years ago. Mr. O'Connor has been made president and member of the board of directors of the two rural banks and has moved to Green Bay.

WYOMING NEWS

WORLAND: James S. Schumacher, attorney from Rapid City, South Dakota, was among the principal purchasers of the Stockgrowers State Bank. The sale was announced in

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COLORADO NEWS

DENVER: Bank officials from Hawaii to Florida will meet in Denver for a Personal Banking Conference hosted by the United Bank of Denver April 13-16.

The three and one-half day conference is being held "in response to a growing demand from banks across the country for information on the United Bank's Personal Banking concept."

WINTER PARK: A state banking charter for the proposed Bank of Winter Park was given preliminary approval last week by the Colorado Banking Board.

Organizers of the Bank of Winter Park are John H. Minor, president of the Middle Park Bank; W. V. Burgner, executive vice president of the Central Bank & Trust, Denver, and board chairman of the Middle Park Bank, and Don Lorenz and Richard Thomason, both of Granby.

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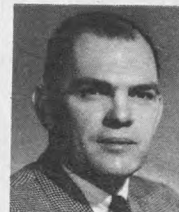
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Tax Cut...

(Continued from Page 1)

In other statements, Dr. Heller said he feels that President Nixon should use the pressure of the White House power of public opinion to urge across-the-board voluntary wage-price restraints. He noted that "73% of Minnesota people said they would favor wage-price controls." President Nixon, Dr. Heller continued, should do all he can to avoid mandatory wage/price controls, but at the same time "jawbone all he can" for voluntary controls.

He cited three factors leading to a reduction in long-term money rates:

1. Continued slack in the economy—little movement in plant and equipment expenditures.

2. The Fed Board is consciously trying to pull down long-term rates. Chairman Arthur Burns has stated repeatedly we can't live with high long-term rates.

3. The rush to the bond market by corporations is subsiding. The first quarter of 1971 had an unprecedented \$9½ billion of corporate long-term borrowing. We will possibly have less borrowing in 1971 than in 1970. However, he said, long-term rates in the 1970's will generally have a higher floor than in the 1960's. One factor affecting this is the expansion in the 25-40 age group that wants to buy now, pay later—thus pressuring long-term rates.

On the point of savings, Dr. Heller predicted a drop from the current high level of 7½% savings rate to about 6.7%, thus putting more money into the stream.

High Court Rules Against Banks on Funds

The Supreme Court ruled that commercial banks can't enter into direct competition with mutual funds.

The decision, in a test case involving First National City Bank of New York, upset the banking industry's efforts to win government authority to offer accounts that would tap the huge investment market opened by mutual funds.

The ruling wouldn't prevent Congress from amending the Glass-Steagall Act to let banks into the mutual fund business.

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