

## Burns: Tax Cut Would Aid Entire Economy

A vigorous call for strong, immediate measures that would emphasize the important underpinnings of profits to the American economy was issued by Federal Reserve Board Chairman Arthur F. Burns in a recent major speech. Addressing the Gonzaga University 1977 Founder's Day in Spokane, Wash., Chairman Burns said that a feature of our current economic environment that could be a barrier to full employment is "the fact that the profits being earned by American business are at an unsatisfactory level."



A. F. BURNS

The current expansion, he noted, "has been marked by notably weaker investment spending than was characteristic of previous recoveries." He attributes the lack of real capital outlays for major industrial construction projects to the fact that businessmen can see the weakness of profits after the "fluff" of inflation is skimmed off the top of profits on which they have to pay taxes. These after-tax, after-inflation profits, Chairman Burns stated, were in 1975 "consistently below the levels reached during 1965-67."

In 1976, he said, Commerce Department estimates show that the replacement cost of inventories used by non-financial institutions exceeded by \$14 billion the materials expenses claimed for tax purposes. Similarly, the amount by which depreciation charges fell short of the replacement cost of the capital assets consumed was "nearly \$36 billion, making a combined understatement of costs from these two sources \$50 billion in 1976."

Dr. Burns said "beyond the critical fact that corporate earnings are discouragingly low" are these important conditioning influences: A strong residue of caution in businessmen's thinking has carried over from the recession of 1974-75. A lingering sense of unease produced by the severity of the recession has been deepened by the sluggishness of the subsequent recovery in much of the world economy outside the United States. The specter of serious inflation continues to haunt the entire business community. Businessmen have had great difficulty in evaluating the implications of the major policy initiatives being considered this year. Chairman Burns drew distinct parallels between the weakness of capital expansion in the late 1950s and early 1960s with 1973 and today, stating that in those

previous periods "a phase of deep-seated economic malaise had set in, with worry voiced that sluggishness in business investment might well prevent the economy from attaining full employment. The parallels with today...are close in many respects, the major differences being that profit rates were not as low then, nor was inflation comparably troublesome."

In response to those conditions, he recalled, President Kennedy developed an innovative tax device—the investment tax credit through the Revenue Act of 1962. Significantly liberalized Treasury depreciation rules followed, along with broadly based income tax reductions both for businesses and individuals in the Revenue Act of 1964. Chairman Burns compared those conditions with the ones of today and said it is "worth recalling those actions had the consequence of strengthening dramatically both investment activity and the general economy."

If such a positive approach was adopted today, he flatly stated, "I for one would have little doubt about our economy's capacity to shake off its malaise." This would not be the sole answer, he said, but would certainly stimulate business investment in new plant and equipment, leading to more employment.

[Turn to page 7, please]

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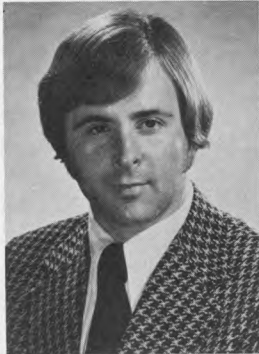


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### McIntyre Bill Permits EFT Across State Lines

Sen. Thomas J. McIntyre (D., N.H.) has introduced a bill that would give all federally chartered financial institutions authority to go across state lines and nationwide with their electronic funds transfer systems and terminals. The bill would be effective January 1, 1980, and include authority to accept deposits. Hearings, Sen. McIntyre states, will be held early next year. Washington observers say passage of the bill is unlikely.

### Credit Unions Issue VISA Cards

An experimental program enabling nine federal and 14 state-chartered credit unions to issue VISA cards to their members began recently and is expected to develop into a nationwide credit

card-issuing program for credit unions.

The offering of credit cards to their members is an interim step in the goal of credit unions to issue plastic transaction cards, for use as either credit or debit cards, for entry into automated teller machines, or for identification purposes.

### Extend Truth in Lending Comment to December 6

The comment period for uniform guidelines for the enforcement of the Truth in Lending law and its regulatory rules has been extended for 15 days, to December 6, 1977, it was announced recently by the five federal agencies that regulate banks, thrifts and credit unions.

### Iowa News

**DAVENPORT:** The Southeast Iowa Group of the National Association of Bank Women will meet Thursday, Nov. 17, at the Davenport Country Club. The meeting will be cohosted by LeClaire State Bank and the Farmers Savings Bank, Princeton. The morning session will be a business meeting, and will be followed by an afternoon program on computer processing.

**DELHI:** The Board of Governors of the Federal Reserve System has announced its denial of the application of First of Iowa Bank Shares, Inc., here to become a bank

holding company by acquiring Delhi Savings Bank.

**ELMA:** Peoples Savings Bank has received consent to exercise limited trust powers.

**MARSHALLTOWN:** Richard K. Isaacson has been named farm manager for Security Savings Bank's trust department. He formerly was a professional farm manager and rural appraiser for Hertz Farm Management, Inc., Nevada.

**MUSCATINE:** Leland Hanson, assistant cashier of Central State Bank, has been appointed manager of the instalment loan department.

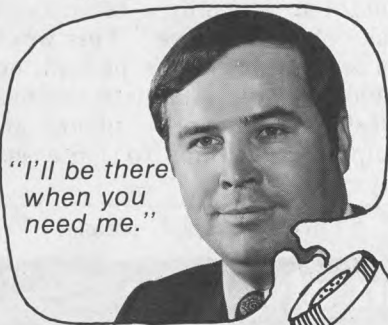
**SOLON:** Doug Stahle has joined the Solon State Bank as officer trainee. He is a recent graduate of Luther College in Decorah.

**STANTON:** Bill Grotenhuis, chairman of Security State Bank, is in Nebraska Methodist Hospital, 8303 Dodge St., Omaha, Nebr. 68114, undergoing surgery for aneurysms. He is expected to be in the hospital another one or two weeks.

### Nebraska News

The Nebraska legislature's banking and agricultural committees will jointly sponsor L.B. 258 when the legislature convenes in January. The bill, supported by the Nebraska Bankers Association, would double and perhaps triple the investment in Nebraska banks of short term state funds under the jurisdiction of the state investment council. Presently, under authority voted last session, those funds amount to about \$50 million on deposit in Nebraska banks. Doubling that total would make that much more available in loans, especially for Nebraska's critical agricultural industry. These facts were brought out in a special hearing conducted November 4 in Lincoln by the legislative committees in cooperation with the Federal

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General Obligation Bonds  
(Part of an issue of \$4,000,000)

Dated: December 1, 1977

Denomination: \$5,000

Both principal and semiannual interest (June 1 and December 1, first coupon due June 1, 1978) payable at the office of the City Treasurer, Des Moines, 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>4.25%</u>				<u>4.40%</u>	
\$200,000	June 1, 1980	3.75		\$390,000	June 1, 1985	4.25
	<u>4.40%</u>			-0-	June 1, 1986	N/R
300,000	June 1, 1981	3.85		400,000	June 1, 1987	4.45
300,000	June 1, 1982	3.95		400,000	June 1, 1988	4.50
300,000	June 1, 1983	4.05			<u>4.50%</u>	
300,000	June 1, 1984	4.15		370,000	June 1, 1989	4.55
				500,000	June 1, 1990	4.65

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

Des Moines is the capital of the State of Iowa and also the county seat of Polk County. Since its incorporation in 1851, it has served as the commercial, industrial, governmental and financial center of the State. Des Moines is the home of Drake University (enrollment 5,800), Grand View Junior College (enrollment 1,600) and several other smaller colleges and business schools. Des Moines is an important insurance center with 58 home offices located in the City. The largest is Bankers Life Company with 1,860 employees. Also, important is the printing and publishing industry; the largest employer in this category is Meredith Corporation who employ 2,426 in the printing of Better Homes and Gardens and other periodicals. Besides insurance and publishing, there are an estimated 400 factories in the area with combined sales in excess of \$500,000,000. Major industrial employers in the area include John Deere (farm equipment, 2,800 employees); Firestone Tire (tires, 2,200 employees); and Pioneer HyBred Seed Co. (seeds, 1,400 employees). Large commercial employers located in Des Moines include Northwestern Bell Telephone (2,700 employees); Younkers Department Stores (2,440 employees) and Iowa Power & Light Co. (1,360 employees). In addition, it is estimated that the various levels of government provide employment to 16,500 people in the area. The population according to the 1970 Census was 201,404 and is presently estimated at 202,800. Des Moines is served by four airlines, seven railroads and 46 truck lines. Interstate highway No. 35 and 80 intersect in Des Moines. The area included within the City's limits is about 65 square miles.

These bonds are being issued under the provisions of Chapter 384, Code of Iowa, 1977, as amended, to defray costs of the 1977-78 Capital Improvement Program. In the opinion of counsel, these bonds are legal and binding general obligations of Des Moines, 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, 1976-77	\$2,201,268,030
Direct debt, including this issue	48,875,000
Total direct and overlapping debt	67,872,650
Population, 1977 estimate: 202,800	Direct debt per capita: \$241.00
	Total debt per capita: 334.68

Tax collections have approximated 99.2% of taxes levied for the past five years.

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



MEMORANDUM

TO: [Illegible] FROM: [Illegible] SUBJECT: [Illegible]

DISCUSSION

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CONCLUSIONS AND RECOMMENDATIONS

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APPENDIX

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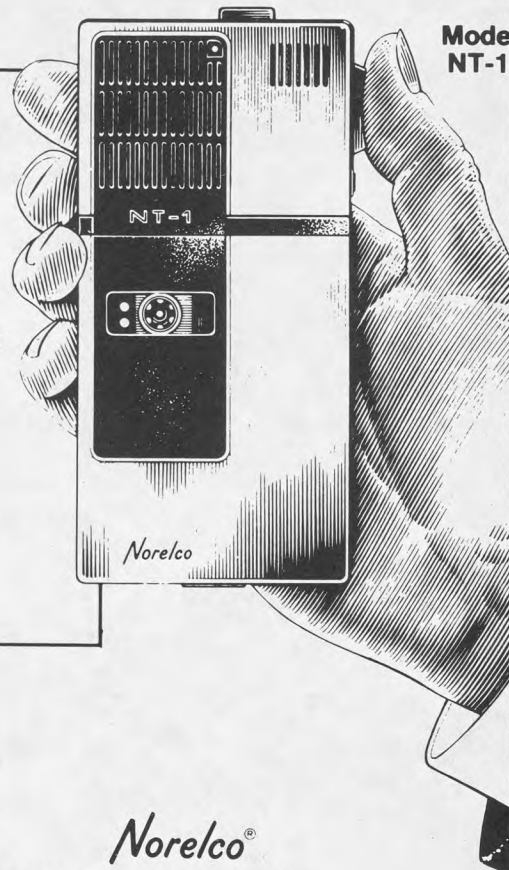
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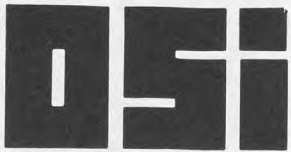
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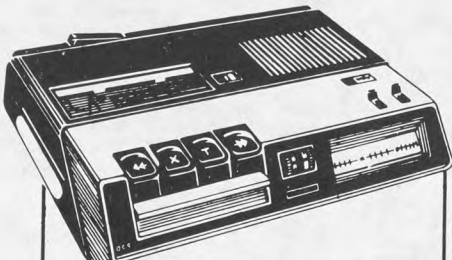
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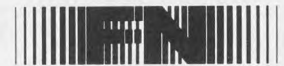
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Reserve Bank of Kansas City. Ed Harshbarger, research officer and economist from the Fed, provided the statistical input from his office's latest survey of ag conditions in Nebraska and the rest of the 10th District.

ASHLAND: Ashland State Bank's application for federal deposit insurance has been approved.

GOTHENBURG: First State Bank has received permission to establish a detached tellers' facility at 605 10th Street.

HENDERSON: Steve Michel, cashier of the Henderson State Bank, has been elected to the board. He replaces the late Maynard Grosshans who had served on the board since 1945.

YORK: Harold Oxley is the new instalment loan officer at York State Bank and Trust Company. He formerly was with Avco Financial Services as manager.

## Illinois News

The following banks have received consent to establish a facility: South Chicago Savings Bank, at 9250 South Chicago Avenue; East Joliet Bank, at Briggs Street and New Lenox Road; and West Suburban Bank, Lombard, at 33 East St. Charles Road, Villa Park.

BLOOMINGTON: Prairie State Bank's application for consent to exercise limited trust powers has been approved.

CHANNAHON: First Bank of Channahon's application for federal

deposit insurance has been approved.

CHICAGO: Colonial Bank and Trust Company has received consent to exercise limited trust powers.

ELK GROVE: Kathy Sicher has been promoted from loan supervisor to assistant cashier of Suburban National Bank.

LAWNDALE: Community Bank has announced a series of executive changes. The post of president was merged with chairman and chief executive officer and continues to be held by Cecil C. Butler. James T. Hadley was named senior vice president, Lawrence D. Covington vice president and cashier, and Donald D. Ford vice president.

## Minnesota News

The Minnesota Bankers Association will present its first annual Security Conference Monday-Wednesday, Nov. 14-16, at the Radisson South Hotel in Bloomington. Registration will be held from 3-7 p.m. on Monday.

BROWNS VALLEY: Joe Doblar has joined the Union State Bank. His prior banking experience includes an association with the United National Bank of South Dakota, Sioux Falls.

CANNON FALLS: Gerri Callstrom has been promoted from head teller to assistant cashier of Security State Bank.

DULUTH: Miller Hill State Bank's application for federal deposit insurance has been approved.

MINNEAPOLIS: First Plymouth National Bank has announced the promotions of Mildred Gilbert to personal banking officer and J. L. Gaulden to marketing officer.

ST. PAUL: Northwestern National Bank has elected Jeanne Fogelberg to banking officer. She will be assistant manager of the bank's new North Suburban office in Arden Hills.

## Colorado News

PARKER: Bank of the West's application for federal deposit insurance has been approved.

## South Dakota News

ABERDEEN: Gary W. Peterson has been named vice president and marketing officer of Aberdeen National Bank. He joined the bank in 1966.

## North Dakota News

GRAFTON: R. S. (Reich) Reichert has been elected vice president of the Walsh County Bank and Trust Company. He is manager of the Hoople Office.

## Wyoming News

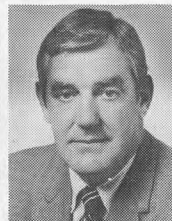
CHEYENNE: Betty M. Oyler has been promoted to operations officer at the American National Bank.

BURNS .....  
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He concluded by saying, "I cannot overstate the importance of unwinding the inflation that is continuing to plague our economy. There is a paramount need for

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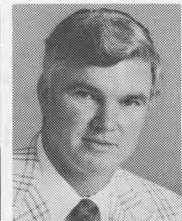
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avoiding new cost-raising measures by government, of which the recently legislated increase of the minimum wage is only the most recent very troublesome example. Fiscal and monetary policies need to be conducted in ways that will quiet, rather than heighten, inflationary expectations. On the fiscal side, this means that great caution will have to be observed both in giving up tax revenues and in program initiatives entailing new expenditures.

"On the monetary side, I want to assure you that we at the Federal Reserve fully appreciate the critical linkage between money creation and inflation. We have no intention of letting the money supply grow at a rate that will add fuel to the fires of inflation. On the contrary, we are determined to bring about a gradual reduction in the rate of money expansion to a pace compatible with reasonable price stability."

The latter objective can be achieved, Dr. Burns emphasized, "if the Federal Reserve retains, as I expect it will, the independence from political pressures on which the Congress has so wisely insisted across the decades." (Ed. Note: A week later, the Senate killed the House proposal for the President to

choose his own Fed Chairman after Sen. William Proxmire, D., Wis., argued that the Fed must be independent of the White House.)

Chairman Burns concluded by saying, "We at the Federal Reserve always welcome advice on how best to proceed. Ours, however, is the responsibility to act in the monetary area, and we intend to exercise that responsibility in ways that promote the long-run, as well as the immediate interests, of this Nation."

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