

“Excessive Taxation Slows Economic Growth”

After a decade of excessive taxation and regulation, investment capital is virtually on strike in the United States. The result is that job creation and economic growth are suppressed, and the vitality of our entire system is weakened, according to Richard L. Thomas, president of The First National Bank of Chicago.



R. L. THOMAS

Taxing income from business investments is the most prominent reason why people are reluctant to invest, Mr. Thomas noted. And since inflation pushes more people into higher brackets each year, they have less discretionary income available for investment purposes.

“A dollar of current income spent on consumption is taxed only once — when it is earned. But a dollar invested is taxed when earned, and again and again as it results in profits, dividends, and capital gains,” Mr. Thomas said. “Rather than taxing what people take out of the economy through consumption, we increasingly tax what they put

into the economy through investment.”

Unproductive

Saving and investing do not serve to increase purchasing power because of inflation and the effect of the tax laws. Thus, funds that would have been invested are being diverted into relatively unproductive channels such as collections, gold, or real estate speculation.

The Administration’s proposals to raise capital gains taxes are intended to produce more tax revenue. The effect, Mr. Thomas said, actually would be to reduce personal investment even further and lock in such gains as might somehow occur despite the resulting exodus from the stock market. The result would be less, not more, tax revenue; the tax base would shrink.

In discussing the flight of individual investors from the stock market, Mr. Thomas noted that in early 1970, when the first major increase in capital gains taxes took effect, there were 31 million individual shareholders who owned 64% of the market value of publicly held stock. By mid-1975, there were only 25 million such shareholders who had 52% of the market value of

publicly held stock and a much smaller share of the active trading.

Concern

“Looking ahead, investors are clearly concerned about continued or higher inflation and what inflation does to the taxation of income from business investment,” he said.

“Increasingly steep taxation of the income from business investments — especially through higher tax rates on inflation-related capital gains — has severely damaged the stock market, the economy, and especially newer or smaller firms. Among those whose incomes are sufficient to permit risk-oriented investments, there is now very little incentive to do so,” Mr. Thomas said. “In the attempt to close a supposed loophole, Congress ended up substantially reducing the availability of risk capital, thus drying up a major source of growth in both the economy and the tax base. You can’t tax investments that are not made.”

Iowa News

AMES: Union Story Trust & Savings Bank has received consent to establish a facility at 3615 Lincoln Way here.

CEDAR RAPIDS: United State Bank has received consent to

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establish a facility at the northeast corner of the intersection of Council Street and Blairs Ferry Road.

CLINTON: First National Bank has announced the following promotions: Madonna R. Pinter, assistant vice president, from bookkeeping supervisor to instalment loans; Kenneth R. Kramer, to manager of instalment loans; Douglas Johnson, from real estate to instalment loans, and Milton Conzett, from instalment loans to real estate loans.

MARSHALLTOWN: Daniel K. Mead has joined the Fidelity Brenton Bank and Trust Co. as a loan officer. He has been employed as assistant manager at a local finance office since receiving his business management degree from the University of Northern Iowa last year. Dennis Miller will join the bank June 1 as director of marketing. He is now coordinator of the Marshalltown Adult and Continuing Education program of Iowa Valley Community College District. Mr. Miller will replace Joe

Ludley who is transferring to the trust division of the bank.

Nebraska News

COLUMBUS: Columbus Bank and Trust Company has announced the promotion of Robert R. Moritz to cashier. Mr. Moritz, a four-year employe, was promoted to assistant cashier one year ago.

LINCOLN: Lincoln Bank East has received consent to establish a detached tellers' facility at 6945 A Street.

LINCOLN: National Bank of Commerce has announced the promotion of Vincent Goeres, head of the trust division, to senior vice president and trust officer. In the correspondent banking division, promotions announced are: Robert Deahn, Duane Nelson and Tom Stuckey, to vice presidents; and Steve Kness and Jerry Runyan to assistant vice presidents; Investment division head Roy Otte was promoted to vice president, and Dan Anderson, investment officer, to assistant vice president. Tom Boatman and John Miller also were named assistant vice presidents.

McCOOK: W. D. (Bill) Troester has been appointed assistant cashier of the First National Bank. He replaces James McGinness, assistant vice president, who has joined the Bank of Plymouth.

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NORFOLK: Charles Cuttell has joined the DeLay First National Bank & Trust Co. as vice president in the commercial and agricultural loan department. Mr. Cuttell was vice president of the Rock Rapids State Bank for the past five years and prior to that was with the Iowa Department of Banking.

SOUTH SIOUX CITY: Nebraska State Bank has received consent to establish a detached auxiliary facility at 3800 Dakota Avenue here.

Minnesota News

BLUE EARTH: Bruce Hanke has joined the First National Bank replacing Jeff Johnson who has returned to farming. Mr. Hanke formerly was with Thorp Loan in Estherville, Ia.

FISHER: The First National Bank of Crookston recently opened its new facility here. Mary Tiedeman is

[Turn to page 7, please]

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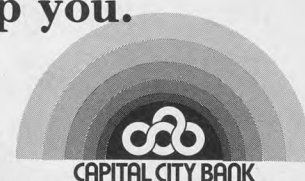
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Both principal and semiannual interest (July 1 and January 1, first coupon due January 1, 1979) payable at the
Northwestern National Bank of Minneapolis, Minneapolis, Minnesota.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL
INCOME TAXES.

MATURITIES

\$650,000 Fire Station Refunding Bonds

4.50%			5.00%		
\$50,000	January 1, 1979	3.90	\$55,000	January 1, 1984	4.60
4.75%			55,000	January 1, 1985	4.70
50,000	January 1, 1980	4.10	50,000	January 1, 1986	4.80
50,000	January 1, 1981	4.25	55,000	January 1, 1987	4.85
5.00%			55,000	January 1, 1988	4.90
50,000	January 1, 1982	4.40	60,000	January 1, 1989*	5.00
55,000	January 1, 1983	4.50	65,000	January 1, 1990*	5.00

\$750,000 Revolving Fund Refunding Bonds

4.50%			5.00%		
\$25,000	January 1, 1979	3.90	\$75,000	January 1, 1984	4.60
4.75%			75,000	January 1, 1985	4.70
50,000	January 1, 1980	4.10	75,000	January 1, 1986	4.80
50,000	January 1, 1981	4.25	75,000	January 1, 1987	4.85
5.00%			75,000	January 1, 1988	4.90
50,000	January 1, 1982	4.40	75,000	January 1, 1989*	5.00
50,000	January 1, 1983	4.50	75,000	January 1, 1990*	5.00

\$850,000 Water Revenue Refunding Bonds

4.50%			5.00%		
\$50,000	January 1, 1979	3.90	\$65,000	January 1, 1984	4.60
4.75%			65,000	January 1, 1985	4.70
50,000	January 1, 1980	4.10	70,000	January 1, 1986	4.80
55,000	January 1, 1981	4.25	70,000	January 1, 1987	4.85
5.00%			75,000	January 1, 1988	4.90
55,000	January 1, 1982	4.40	75,000	January 1, 1989*	5.00
60,000	January 1, 1983	4.50	80,000	January 1, 1990*	5.00
			80,000	January 1, 1991*	5.00

*Optional in inverse order beginning January 1, 1988 at 100%.

LEGALITY TO BE APPROVED BY LEFEVERE, LEFLER, PEARSON, O'BRIEN & DRAWZ, ATTORNEYS,
MINNEAPOLIS, MINNESOTA.

Fergus Falls is located in Otter Tail County, 46 miles southeast of Fargo, North Dakota and 180 miles northwest of Minneapolis and St. Paul, Minnesota. Ten largest firms in the surrounding area are: Otter Tail Power Co.; D. B. Rosenglatt, Inc. (clothing); Medallion Kitchens, Inc.; Mid America Dairy; Fergus Foods Industry (meat packing); Metz Bakery; Northwestern Bell Telephone Company; Coca-Cola & 7-Up Bottling Co.; Central Bi-Products (protein meal) and Con-Agra (flour). The economy of the area comprising the City is dependent upon agricultural, recreational, manufacturing and industrial enterprises.

These bonds are being issued for the following purposes: \$650,000 Fire Station Bonds to provide funds necessary to construct a new fire station; \$750,000 Revolving Fund Refunding Bonds to fund a permanent improvement revolving fund to provide various public improvements; and \$850,000 Water Revenue Refunding Bonds to construct certain improvements and extensions to the trunk water system comprising a part of the City's water utility. In the opinion of counsel, these bonds are legal and binding general obligations of Fergus Falls, Minnesota, 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

Market value of taxable property, 1977	\$122,981,478
Assessed value of taxable property, 1977	38,767,391
Net direct debt, including this issue	7,055,952
Total direct and overlapping debt	9,395,717
Population, 1978 estimate: 13,750	Direct debt per capita: \$509.52
	Total debt per capita: 683.32

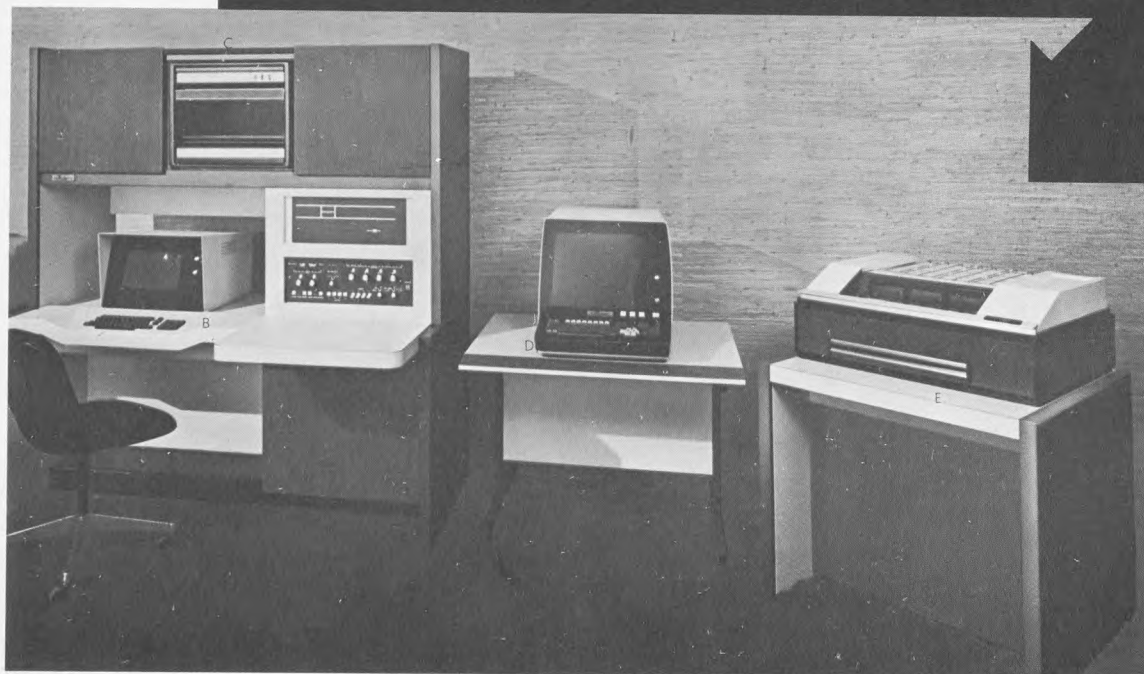
Tax collections have approximated 99.4% of taxes levied for the past five years.

Supplement to the Northwestern Banker Newsletter 4-24-78

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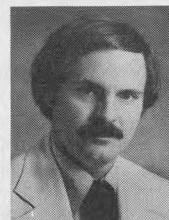


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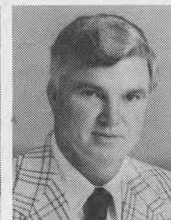
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facility manager. She joined the bank in 1972 and was promoted to head bookkeeper in 1975.

NORTH ST. PAUL: William R. Buethe has resigned as president and director of the Heritage State Bank. His future plans were not disclosed.

ST. PAUL: Arthur A. Haessig, head of the correspondent bank department at American National Bank and Trust Company, has been advanced to senior vice president. Mr. Haessig has been with the bank since 1952, serving as vice president most of those years in the correspondent department where he has developed a wide friendship among bankers in several states.

ST. CLOUD: Tim Stern is the new president of the Northwestern Bank of St. Cloud, according to Jerry Kigin, newly-elected chairman. Mr. Stern previously served as president of the Northwestern National Bank of Norfolk, Nebr. Mr. Kigin had served as president of the St. Cloud bank since 1955.

WAYZATA: Mary Ann Neighbor and Verna M. Ricker have been elected assistant operations officers of the First National Bank.

Illinois News

The 41st annual Trust Conference of the Illinois Bankers Association will answer questions about trust administration, regulatory problems and legislative issues. The conference will be held May 10-11 at the Forum 30, Springfield.

Besides guest speakers, the conferees will take the first afternoon to divide into peer groups and discuss some of the administrative problems common to trust departments. Topics of discussion during the conference will include: the auditor's and regulator's view of the trust department, educational opportunities, trust administration problems, legislation, federal estate taxation update, overall risk management from the insurance point of view and investments.

Wyoming News

CASPER: A new Wyoming Bancorporation bank, Wyoming National Bank of East Casper, has been approved by the Comptroller of the Currency. It will be located on the corner of Thelma Drive and East Second Street. Construction will begin immediately and is scheduled for completion in mid-1979.

GILLETTE: After four years of applications and court litigation, the Wyoming Bancorporation has received federal approval to go ahead with the First Wyoming Bank here. It will be built on the corner of Seventh and South Douglas Highway and should be open in August or September.

Denies Stay During Share Draft Appeal

U. S. District Court Judge Aubrey E. Robinson has denied a request by the ABA for a stay pending appeal of his March 7 decision that the National Credit Union Administration can permit the use of share drafts by credit unions. The ABA is asking the U. S. Court of Appeals for the stay. In the meantime, NCUA has encouraged credit unions nationwide to immediately offer share drafts if they have not already done so.



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Montana News

The Montana Bankers Association will be holding its annual 1978 Group Meetings early in May. Following are the dates and locations:

Friday, May 5—Group 6 Meeting at Butte Country Club.

Saturday, May 6—Group 7 Meeting at Riverside Country Club, Bozeman.

Monday, May 8—Group 2 Meeting at Jordan Hotel, Glendive.

Tuesday, May 9—Group 4 Meeting at American Legion Club in Poplar.

Wednesday, May 10—Group 1 Meeting at Chinook Library Meeting Room.

Thursday, May 11—Group 5 Meeting in Travelodge, Helena.

Saturday, May 13—Group 3 Meeting at Outlaw Inn, Kalispell.

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