

CALDWELL TRUST COMPANY

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Art Laffer, world-renowned economist and Caldwell adviser, shares his thoughts on politics and the state of the economy

Art Laffer pulls no punches. A longtime adviser to Caldwell Trust Company, Laffer met with Caldwell's staff and investment committee in April, updating them on his views about the economy and politics.



World-renowned as “the Father of Supply-Side Economics” and inventor of the Laffer Curve, Art is a down-to-earth person whose sometimes controversial opinions—delivered with a strong dose of humor—left no doubt about his positions on a broad array of issues.

Everyone could find points of agreement as well as disagreement. That's fine with Art. He knows he isn't in a popularity contest, and that his success depends on the accuracy of his analyses and the results his advice generates.

The founder and chair of Laffer Associates, since 1979 Art has been providing global investment-research services to money managers including what was then “Caldwell Company”—one of his very early clients.

“Art's been with us forever,” says R. G. “Kelly” Caldwell, Jr., president of Caldwell Trust Company. “We're very proud of our relationship with him. He is one of the internationally respected advisers we consult regularly as we develop investment strategies for our clients. Our ability to draw on such high-level economic advice is the reason CTC has done well for our clients.

“We're pleased to present a summary of Art's key points, which range from a historical overview to his projections beyond the presidential election,” Kelly said.

As Laffer discussed tax policies, the redistribution of wealth, trade balances, the upcoming election and his views on immigration, he drew heavily on the principle of the Laffer Curve: that tax cuts can lead to increased tax revenues in certain situations. His rat-a-tat recitals of statistics backed up every claim.

A look back

“We've had a long, lovely run in the United States,” Laffer began. “If you go back to the late '70s, early '80s, you can look at how the world has evolved. In the stock market of July 1982, just before the Reagan tax cuts took effect, the Dow was at 777; today it's around 13,000. The prime interest rate was 21.5%, inflation was running at 14-15%, the highest tax rate was 70 percent and capital gains were taxed at 50 percent.

“We have benefited tremendously from trade. It wasn't just Ronald Reagan. I voted for Bill Clinton twice. He did some pretty spectacular things. He cut government spending, got rid of retirement cuts for retirees, reappointed Reagan's Fed chairman twice, pushed NAFTA through Congress against his own party, cut the capital gains tax rates by the most ever... That's big-time stuff,” he said.



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The Art of the Laffer Curve

A trusted adviser to numerous U.S. presidents and a variety of government agencies for almost three decades, Arthur B. Laffer, Ph. D., is perhaps best known as the inventor of the Laffer Curve. (He modestly credits it to others including 14th-century Muslim philosopher Ibn Khaldun and 20th-century British economist John Maynard Keynes.)

The Laffer Curve had been part of Dr. Laffer's lectures to his economics students for many years. It only took Art a minute to sketch it on a napkin during a 1974 dinner with Dick Cheney, Donald Rumsfeld and *Wall Street Journal* reporter Jude Wanniski, who gave the doodle its name and fame.

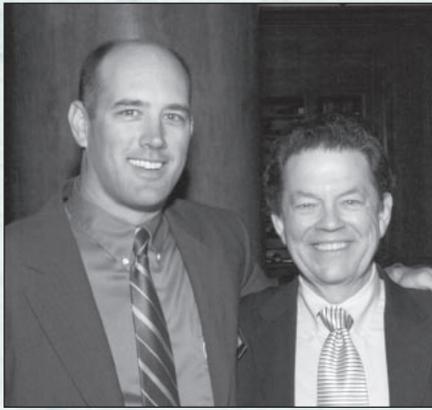
Laffer was honored in *Time* magazine's cover story on “The Century's Greatest Minds” for his Curve, which *Time* listed among “a few of the advances that powered this extraordinary century.” *Institutional Investor* dubbed the day of the dinner a “memorable event” in financial history. The *Los Angeles Times* named Laffer among “A Dozen who Shaped the '80s,” while *The Wall Street Journal* placed him in its “Gallery of the Greatest People Who Influenced Our Daily Business.”

As a member of President Reagan's Economic Policy Advisory Board for both terms, Laffer put his theory into practice as the Supply-Side Economics that became a defining feature of the Reagan administration.

Laffer calls for low taxes, free trade, eased immigration *Continued from page 1*

The Fed crisis and credit crunch

"I'm very disappointed with the Fed, but we're coming out of the crisis in the next three to four months and we're just about through the credit crunch," Laffer said. The very low level of asset values—including stock prices—should then return to normal. "I'm very optimistic about the next year or



Caldwell president R. G. "Kelly" Caldwell, Jr., poses with Dr. Arthur B. Laffer, one of CTC's key consultants.

so, but we have to be very careful to keep our assets safe in the long run. It can happen here," he said, citing the 20 percent decline between February 1966 (DJIA at 1000) and July '82 (DJIA at 800), with an average annual rate of return at minus eight percent.

Inflation and the weak dollar

"We don't have an inflation problem. The Consumer Price Index is pretty flat. Spot commodity prices are going through the ceiling and the dollar is going through the floor but our very low interest rates do not correspond with inflation. What we're seeing is people moving their assets out of the United States." Laffer was involved with tax cuts in Ireland, where corporate tax rates were cut from 55 to 12.5 percent and tax receipts went up. He cited similar measures in other countries, calling it "a revolution."

"Until the balance of trade reverses, the dollar will remain weak. Once the trade deficit starts moving, you'll see the dollar come back—but the U.S. has become less attractive. That bothers me the most," he said.

Oil prices

"Oil prices will not remain at the current high level forever. When the dollar comes up, you'll see a lot of these markets adjust," Laffer predicted.

Free trade and immigration

"This may be unpleasant to some of you: We have benefited more from free trade than anybody else. Outsourcing is a win-win. Outsourcing is not new and immigration is not new. Immigration is the lifeblood of America and I'm not just talking legal immigrants. If you give them benefits, you'll ruin them. These guys are here hustling. They are hard-working, high-quality labor."

The coming election

Laffer is deeply concerned about the coming presidential election. "We are at a very, very serious crossroad in the U.S.," he says. "Politics is on the cusp...It's hard to imagine the Democrats won't get enough votes to override any piece of legislation, and these are not the Democrats of Jack Kennedy or even Bill Clinton."

He fears the prevailing sentiment to redistribute wealth because such action will remove incentives to achieve. In 1981, the top 1 percent of tax filers paid 17.5 percent of all taxes collected; in 2005, they paid 38.5 percent—the only group to have a tax increase—while the bottom quintile actually got paid, according to Laffer. "If you really try to tax the rich and give that money to the poor, you will be thwarted. You will make less rich people and more poor people, and everyone will be worse off."

"We'll have time to react to the elections"

Despite candidate proposals to raise taxes, there's no way to tell what they'll do once elected, Laffer said. Moreover, it takes a long time to pass legislation and the Bush tax cuts don't sunset until 2010. He does not expect major changes until then. Nevertheless, he advised, "If you know they're going to raise taxes next year, you accelerate all the income you possibly can now."

Put Congress on commission

While listing John F. Kennedy and Bill Clinton among our best presidents, he called the economic proposals of candidates Barack Obama and Hillary Clinton "the silliest things I've ever heard." He also worries that his choice, John McCain, though a close friend and "most honorable man," lacks an economic background. "He's been on a fixed salary, never commission."

Lamenting the lack of incentives overall, Laffer recommended merit pay for good teachers, rewards for good students and putting congressional representatives on commission. "They need to have a dog in the fight, some skin in the game. Altruism only lasts an hour," he said. "If you want to achieve A, you don't reward B."

The key to ultimate prosperity

"Free trade, sound money, low flat-rate taxes, control of government spending, minimal regulation and open borders are the keys to ultimate prosperity," Laffer concluded.

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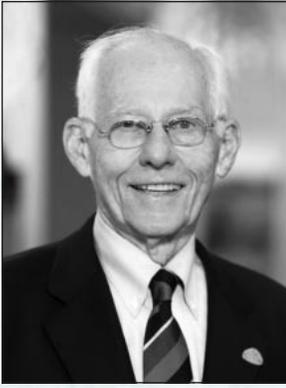
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H. Lee Thacker came as a client, became a director



When H. Lee Thacker, Jr., moved to Venice from Atlanta in the mid-'90s, he looked for a solid, reputable company to handle his investment needs. "I visited Caldwell Trust Company as a potential client and was so pleased that I signed on," he says. He could not have known that he had also found a new career as both a staff member—he is vice president, secretary and trust officer—and a

director. His wife Suzanne has also become part of the Caldwell family as trust compliance coordinator.

"I had been on the commercial side of banking for over 30 years," Lee says. "I went through several acquisitions. So many banks were getting sold that I decided to start my own company, which originated loans to banks. It was good timing and I was able to sell out to my partners." He had decided to become a Certified Financial Planner. "I became very interested in estate planning," he says.

After Lee's move to Venice and his establishment of a client relationship with Caldwell Trust Company, he happily discovered that Caldwell valued his banking experience enough to request his help with special projects. "One thing led to another and soon I was working pretty much fulltime," Lee says. "I've been a Caldwell employee since 1996."

As a trust officer, Lee has a book of clients and works to meet their many financial needs in a highly individualized way. "It's been a very rewarding experience, especially because I know Caldwell is going to remain independent. I appreciate being able to promise my clients that Caldwell Trust Company's family will be here to take care of them and their families," Lee says.

Besides giving personal attention to clients, he has freely shared his time and talents with the community, beginning with his service as president and campaign chair for United Way in Columbia, South Carolina, in the mid-'80s. Chief among his ongoing charities is the Boys & Girls Clubs movement: He has served as director of B&G Clubs in Columbia, Orlando, Atlanta and Sarasota. "It's unusual for one person to have been on the boards in four different communities," he says. The Boys & Girls Clubs of America have recognized his many contributions with several national awards.

Another of his loves is Venice Little Theatre, where he began a two-year term as board president in 2007. Lee says he is gratified to watch the Boys & Girls Clubs and VLT change the lives of children. In addition, he views VLT as "a major part of the community's identity. More than 90,000 people each year—audience members, students, families, seniors, young adults—experience the special power of the arts: the power to uplift, to create joy and to heal. Those are bold claims but I've seen examples of them all."

To learn more about Lee Thacker and the services he provides, contact him at 941.493.3600, 800.338.9476 or thacker@ctrust.com.

Caldwell in the Community

Caldwell co-produces 'My Fair Lady' at Venice Little Theatre

As part of its ongoing dedication to the community, Caldwell Trust Company co-produced *My Fair Lady* at Venice Little Theatre in February and March. The Lerner and Loewe musical has been a perennial audience favorite since its debut in 1956 and the Venice production was no exception.

In his dual role as a member of Caldwell's board and president of VLT's board, H. Lee Thacker, Jr., was doubly pleased. "*My Fair Lady* was the highest-grossing show in history of Venice Little Theatre. It brought \$149,000 in cash sales in addition to our subscribers," he says.

Duwin Hunt, VLT's director of advancement, says, "Lee Thacker and Caldwell Trust Company have been just amazing supporters. If we didn't have sponsors like Caldwell, we would have to almost double the cost of our tickets. They are essential to bringing the lively arts to the area. Their assistance allows us to keep our prices affordable so that seniors and families can come and experience live theatre. We know the heart of their support is based on their commitment to the quality of life in Venice."

Besides providing an entertaining evening for audiences, the production also gave area actors the opportunity to perform in a sure-fire hit. Heading the well-received cast and company were Sarasota resident Kathryn Ohrenstein as Eliza and Joseph Giglia as her mentor, Professor Henry Higgins.



Professor Henry Higgins (Joseph Giglia) and Eliza Doolittle (Kathryn Ohrenstein) pose with Caldwell directors before a performance of My Fair Lady at Venice Little Theatre. Pictured from left are Molly Caldwell Kraut, Caldwell president R.G. "Kelly" Caldwell, Jr., James R. Woods and H. Lee Thacker, Jr.

Profile

Director Jack Meyerhoff: here at the start, here as we grow



Board member Jack Meyerhoff embodies everything that Caldwell Trust Company represents, including a long relationship. As do other board members, he provides intelligent, experienced leadership in an ongoing, continuing manner. One of Caldwell's organizers, he has served as vice-chair, innovator and trusted adviser. Such personal, traditional services contribute significantly to Caldwell's stability

and independence, says R. G. "Kelly" Caldwell, Jr., president of Caldwell Trust Company.

"Jack has been with the Caldwell family from the start. For decades, he has generously shared his extraordinary business knowledge, financial acumen and strong moral ethic. These became guiding principles when we established our board," Kelly says.

Jack brings the longest possible history of service: his relationship with Caldwell Trust Company actually predates its existence. Back in the early eighties, he met Roland Caldwell, then the investment consultant to several area banks and also author of a respected investment newsletter. In late 1992 they began working together to secure the charter that made Caldwell Trust Company Florida's first—and for many years, only—independent trust company in the state.

"We got our charter on November 1, 1993 and had our first customer on November 2," Jack says. "It's a safe bet that we still have that customer or his descendents. Very few clients ever leave."

Caldwell provides traditional trust services, updated with current—and proprietary—technology, Jack says. "We are ahead of the industry, with the best system for maintaining good records. We provide hands-on service and local representation, making sure that our customers and their heirs are all treated appropriately and with good results." The results are obvious," Jack says. "Basically we've grown by referrals, when our satisfied people talk to unsatisfied people."

Retiring to the Gulf Coast

Jack and his wife Margie had been coming to this area since 1965, visiting her parents, sister and brother-in-law. In 1970 they bought some condos on the beach. "Our four kids spent their college vacations there," he says. "I decided to leave the corporate world early and we moved here fulltime in late 1981. I met Roland Caldwell in 1982 and we've been buddies ever since."

Recognized by *Who's Who In America* for his corporate financial leadership, Joliet native Jack Fulton Meyerhoff pursued undergraduate and graduate studies at Miami University of Ohio and Ohio Wesleyan, respectively. The young Certified Public Accountant began his career in 1947 with Arthur Andersen & Co. in the Midwest. A dozen years later, he became treasurer for MacGregor Sports.

In 1963, Jack began a 25-year stint with Brunswick Corporation that took him around the world many times. "My experience at Brunswick was not exclusively financial," Jack says. He served initially as vice-

president/controller, became vice president of corporate affairs in 1977 and retired as vice president of human resources. "They sent me to Harvard for the Advanced Management Certification Program," Jack says. "I've had a great career."

Jack's retirement years

"I retired in 1981," Jack says—but he never really stopped working. His so-called retirement meant mainly a change of scenery, a new portfolio of purposes and a shift from corporate to community leadership and service.

Before he had time to put on a pair of flip-flops in 1981, he had signed on as chair and CEO of MarJac Associates. In 1984—already an organizer and vice-chair of Caldwell—he added positions as president and director of Nokomis-based Charles Oxford Corporation.

"If anything happens in Venice, Jack is involved," Kelly says. An organizer of the Venice Chamber of Commerce, Jack has volunteered his services to so many area organizations that the City of Venice named him an official "Pillar of the Community."

"I've always been interested in education and medical areas," Jack says. His lengthy *Who's Who* entry bears witness to this commitment, listing board positions with Manatee Community College Foundation and the Robert and Joan Lee Boys & Girls Club, among others.

One of Jack's major accomplishments resulted from his 25 years of service on the Venice Hospital board, which he chaired at one point, and his chairmanship of the Venice Hospital Foundation: He assisted in negotiating the hospital's sale to Bon Secours. The proceeds enabled the establishment in 1995 of what is now the Gulf Coast Community Foundation of Venice. Underwritten with \$100 million, this organization has made grants of over \$76 million to the community to date. This perpetual legacy, among others, makes Jack Meyerhoff justifiably proud.

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