

At Dakotas Centennial, Malcolm Forbes Says:

Lower Interest Rate Is Key to Long-Term Stability

LOWER interest rates will bring stability to the American and international business communities and are achievable now, according to Malcolm "Steve" Forbes, Jr., chief executive officer of Forbes, Inc., and senior editor of *Forbes Magazine*, New York.



M. FORBES, JR.

Speaking before the joint Centennial Convention of the North Dakota and South Dakota Bankers Associations at The Broadmoor in Colorado Springs, Colo., Mr. Forbes stated:

"You never have low interest rates and a stable economy without gold backup. That is attested to by our own economic history—post Civil War, '20s and post '60s. It sounds crazy to say we can have interest rates of 5, 6 or 7 percent; if we do, we'll save \$50 to \$70 billion a year on interest on the public debt and we wouldn't need to cut Social Security and other programs."

He takes issue with Fed Chairman Paul Volcker's method of controlling the economy, stating, "Mr. Volcker takes his laudatory press clippings seriously." He said "Economists fear inflation is returning, but are overlooking the fact

that we can cause deflation." Later, he said "the Federal Reserve has no reliable gauge, no compass to tell them when we have too little or too much money. That's the same as a carpenter using an elastic yardstick. Until they get it, interest rates will remain unnecessarily high. The ultimate solution will be to go back to the monetary procedures and policy we had from the end of World War II until the late 1960s. Before 1968 we had a ratio of \$2 of debt to \$1 of real growth. Now it is \$10 to \$1. The tinkering of the late 1960s led to our economic downfall and President Nixon gave it the coup de grace with his wage-price control measure."

Continuing, Mr. Forbes said, "Those who messed it up thought the government should stimulate the economy. Under the Bretton Woods agreement we had 20 years of unprecedented boom. The four pillars of our prosperity were:

"1. The Bretton Woods agreement.

"2. Fewer trade barriers—more free trade.

"3. A tax system that encouraged success rather than punishing it.

"4. Military stability. As a result of the Viet Nam War we lapsed, and now are trying to catch up.

"The true source of prosperity is people and economists lose sight of that."

Mr. Forbes gave these predictions for the future:

"1. Interest rates one year from now far lower. Mr. Volcker thinks the economy is oblivious to the poison of high interest rates. I think the prime will be three points lower, but still high by historic standards. We'll see a surge in the stock market—maybe 300 points. The time to buy is when others sell, and that break will come.

"2. Inflation will stay around 3% or 4%, but the real threat is deflation.

"3. The dollar value needs to go down, but won't go down in the magnitude of former drops.

"4. The election. President Reagan will win, but the key is the kind of campaign he runs. President Eisenhower smiled, patted Nixon on the back and won, but the Republicans did not. But if President Reagan campaigns like Roosevelt and keys people to the future, then he will be stronger and the Republicans will do better and the nation will do better.

"Despite the next 18 months of turmoil, the United States economy has an underlying strength and resilience. Despite our recession, we created 20 million new jobs—and the

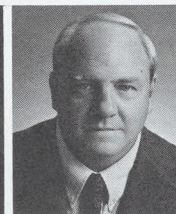
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1980-82 and had been a member of the board since 1947.

DES MOINES: Gary Frandson has resigned as vice president in the correspondent banking department at Norwest Bank Des Moines, N.A., to join First Interstate Bank of Arizona, N.A. Mr. Frandson will be an assistant vice president in the Midtown Commercial Loan Center in downtown Phoenix.

SIOUX CITY: Max J. Larson has been appointed president and chief executive officer of First National Bank. Mr. Larson was most recently senior vice president of Brenton National Bank of Des Moines. In that position he was responsible for all lending and commercial banking functions. He began his banking career at the Brenton Bank in 1971. Prior to that time he served as vice president and director of Federal Discount Corporation.

Two Major Missouri Bank Chains Plan Merger

An agreement in principle has been reached for acquisition of CharterCorp, Kansas City, to be acquired by Boatmen's Bancshares, Inc., St. Louis, according to Donald N. Brandin, chairman and CEO of Boatmen's, and Gordon E. Wells, chairman and CEO of CharterCorp. Basic terms of the proposed merger provide for payment by Boatmen's for each share of CharterCorp of \$5 in cash and nine-tenths (.9) of one share of Boatmen's common stock. At June 30, CharterCorp had approximately 7.8 million shares outstanding. CharterCorp's lead bank is First National Bank of Kansas City. Boatmen's lead bank is Boatmen's

National Bank in St. Louis. Both holding companies have a statewide presence.

Iowa News

The Iowa Bankers Association is sponsoring a Financial Planning Institute to be presented in six parts through the months of August to January at the Scheman Center in Ames.

The six areas to be covered at the institute include: Introduction to Financial Planning; Risk Management; Investments; Tax Planning and Management; Retirement and Estate Planning, and Counseling Skills, Computer Analysis and Case Studies.

The institute will run from 8:00 a.m. to 4:30 p.m. on August 28-30; September 25-27; October 23-25; November 27-29; January 2-4, and January 29-31. Registration, which includes lunches, and textbooks materials, is \$1,398 for members and \$1,750 for subscribers. Deadline for accepting registrations is August 1.

For more information contact Lee Schenk at the Iowa Bankers Association in Des Moines.

CLARION: Mark S. Johnston has resigned as cashier at Security State Bank in Hubbard to take a similar position with Brenton Bank & Trust Company at Clarion. He will replace David M. Olson, who resigned as vice president and cashier at Clarion to move to United Central Bank of Cresco, N.A.

CLEAR LAKE: Roger Walston has joined Clear Lake Bank and Trust Co. as a vice president to fill the vacancy created by the recent retirement of Robert Grabinski, a long-time employee of the bank. Mr. Walston formerly was assistant vice president and ag rep at United Central Bank of Greenfield.

CLEGHORN: Paul Egger, 79, passed away on June 23. He served as president of Cleghorn State Bank from

Nebraska News

The Nebraska Bankers Association is one of the co-sponsors for an "International Trade Documentary Credit Workshop" for Handling Documentary Credit Effectively to be held at three different locations through July and August. The workshop will run from 8:00 - 5:00 on July 19-20 at Lincoln-NBC Center, 3rd floor, 13th & "O"; July 26-27 at Omaha-First National Bank Center, 9th floor, 16th & Dodge, and August 2-3 at Grand Island-Holiday Inn, I-80 & Hwy 281.

One of the two leaders for the course is Brad Korell, vice president, National Bank of Commerce, Lincoln. Registration can be made through Susan R. Rouch, Nebraska Department of Economic Development, P.O. Box 94666, Lincoln, Neb. 68509 or call (402) 471-4668.

LINCOLN: The state's largest industrial bank, State Security Savings Co. of Lincoln, filed July 10 under Chapter 11 of the Bankruptcy Code. Nebraska Banking Director Roger Beverage said his first knowledge of the action was when a State Security representative called him late July 10 to inform him of the filing. He said the firm is "pending reorganization in the courts and has not been declared insolvent. We are working with potential purchasers." The most serious of the latter group is a Nebraska financial institution. Mr. Beverage said, "My only concern is that depositors are protected



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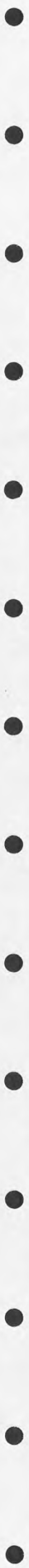
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in all possible manners." To that end, Mr. Beverage's department has been working to assist State Security to obtain FSLIC coverage, for which the company applied last December 19. "We're ready to issue an emergency charter as a savings and loan," Mr. Beverage stated, if requirements can be met.

Minnesota News

Nearly 200 bankers from five states will be attending the 18th annual Midwest Banking Institute July 22-27 at the University of Minnesota, Morris. The Institute is designed for management level agricultural bankers and is sponsored by the state bankers associations of Minnesota, Montana, North Dakota, South Dakota and Wisconsin.

MINNEAPOLIS: Norwest Bank Central has named Michael G. Schrantz as president, effective July 1. He succeeds William S. Solberg, who has resigned his position to take retirement. Mr. Schrantz previously served as executive vice president and a member of the board at the bank. He began his career in 1958 at Norwest Bank of Slayton.

Illinois News

CHICAGO: Fred W. Hawk has joined Lakeside Bank as vice president in marketing. Mr. Hawk has been associated with Harris Trust and Savings Bank the past 26 years, most recently as vice president in the commercial loan department.

South Dakota News

Members of the South Dakota Bankers Association met at The Broadmoor in Colorado Springs early this month and elected the following new officers for 1984-85: Pres.—John A. Haerter, chairman and president, Farmers State Bank, Hosmer; Pres.-Elect—Burdette C. Solum, president, Norwest Bank Watertown, N.A.; Vice Pres.—B. Michael Broderick, Jr., president, First American Bank, Canton; Immed. Past Pres.—Charles W. Ekstrum, president, First National Bank in Philip. J.I. Milton Schwartz continues as executive vice president in Pierre.

LAKE ANDES: The Andes State Bank has announced the addition of Sally R. Winckler to the bank's staff as assistant vice president. Ms. Winckler has eight years of banking experience, most recently with American State Bank of Yankton.

North Dakota News

New officers of the North Dakota Bankers Association for 1984-85, elected at the 100th Anniversary Convention July 7 at The Broadmoor in Colorado Springs, are: Pres.—Les Nesvig, chairman and president, The First State Bank of La Moure; Pres.-Elect—William M. Sanger, chairman and president, First Bank of North Dakota, N.A.; Vice Pres.-Treas.—Harvey H. Huber, president, Union State Bank, Hazen. Mr. Nesvig succeeds Darold Petersen, chairman and president, Lakeside State Bank, New Town. Harry J. Argue continues as executive director, headquartering in Bismarck.

FARGO: Thomas G. Schmallen has been named executive vice president of Dakota Bank & Trust Co. of Fargo. He joined the bank in 1975 as vice president and commercial loan officer, most recently serving as senior vice president.

MINOT: Jerry Hahn has joined First American Bank & Trust as vice president of commercial credit-real estate. Mr. Hahn was employed by First American of Minot for over 17 years before resigning to accept a position in Montana.

Montana News

BILLINGS: Norwest Bank Billings, N.A. has promoted Wade L. Pehl to assistant vice president. He joined the bank in 1980 after graduating from the Montana State University with a BS degree in agriculture.

MALCOLM FORBES, JR. . . .
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Japanese didn't do that! This was unprecedented in human history.

"So, our real problem is making government leaders realize they should stay out of the way and not try to tell people what to do. President Reagan's tax cuts of '81 were a

carbon of Kennedy's in the early '60s, and the Democrats criticism of Reagan is the same made by Republicans of Kennedy. The same with our military defense. It amuses me that Teddy Kennedy doesn't see the resemblance. Even if someone on his staff of 400 told him, he wouldn't understand it.

"The American economy will again take it's rightful position as the leader in the civilized world."

When asked later what he would substitute for the Fed's "lack of a compass," Mr. Forbes said, "There is no way to measure accurately the money supply." He mentioned, as an example, the complications involved in that process in connection with the rapid influx and outgo of OPEC money. "I would ignore the money supply. I would measure by the gold price. We don't need a classical gold standard, but just measure it against the world price. If it hangs between \$400 and \$500, there's no worry. If it goes below \$400 the Fed should buy bonds; if above \$500, it should sell bonds. Likewise, the Fed could increase reserves below the \$400 price and decrease reserves if the gold price goes above \$500. The problem with the money supply is that everyone has a liquidity crisis—cash flow is the problem."

Earlier in his talk, Mr. Forbes said the most serious problem is that "people in policy making power positions are traditionally hypochondriacs—they can't believe the economy is so good or good enough and they want to tinker with it. We all read about the deficits but no one talks about the fact that the deficit will fall 20-25% this year, as it should in this type of economic recovery. Our state governments alone are building a \$40 to \$60 billion surplus. Our recovery will lead other nations to recovery. What we don't read is that our exports get better each quarter. Thanks to our economy and low level of inflation we have a nation that attracts investment. We read a lot about our nation being a debtor nation because of foreign investment, instead of realizing we're so healthy as to attract this investment."

He warned again that we should

4 "look for politicians to want to perform malpractice on our economy." Mr. Forbes listed these four cautions to watch:

"1. A dramatic fall in commodities (such as metals) prices—this happened in the '20s, '30s and '80s and recession followed.

"2. The same for real interest rates.

"3. The fall of strong currencies—Japan, Germany, etc., against the American dollar.

"4. Finally, the stock market has taken a tumble.

"This is a recipe for turbulent times ahead and if it is not heeded in the next 12 to 18 months, then they could cause another recession."

But Mr. Forbes concluded that if interest rates can be brought down to reduce federal deficits by a greatly reduced interest rate load, and to alleviate interest rate pressure on all segments of business, then the long-range economy of the nation will lead the world in a sustained recovery. □

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