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Stable dollar, lower taxes

**BYLINE:** Anna Bahney

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Steve Forbes, the executive, editor-in-chief and former Republican presidential candidate, called the nation's economic downturn a crisis created by a series of policy mistakes that can be fixed only by policy actions.

"You don't do it by punishing people or by punishing entrepreneurs," he said during a speech before 1,700 people at the convention center as part of the 103rd annual meeting of the Sioux Falls Area Chamber of Commerce.

"You do it by liberating people to show what free and vibrant people can truly do."

One policy action the Obama administration could take to reduce the burden on Americans is to bring back a strong and stable dollar, Forbes said Tuesday during a conference in advance of his speech.

"The biggest mistake of the Bush administration was a weak dollar policy," said Forbes, who now is the president and chief executive of Forbes Media as well as the editor-in-chief of its flagship magazine Forbes.

If tonight, he said, the Federal Reserve announced that it no longer would monetize the nation's debt, immediately, "the dollar would soar and the price of gold would go down a couple hundred dollars an ounce."

This would be a more responsible process for financing government spending and go a long way toward getting the nation out of its economic doldrums, he said, adding that presidents of both parties - Kennedy, Reagan and Clinton - did the same thing.

In a speech that was at turns a professorial discussion of finance topics such as commodity pricing and a stump speech rattling through familiar campaign topics - the economy, taxes, jobs, health care, Social Security - Forbes returned to themes of innovation and free enterprise.

"The government does not create wealth, free people create wealth," he said, with his image projected on six projection screens behind him, as the crowd erupted in applause.

"You get it," he said to the audience. "I wish this was Washington."

Forbes and his magazine long have been fans of South Dakota, particularly Sioux Falls.

Sioux Falls was named the best small metro for business and careers, out of 200 cities, for seven consecutive years.

"To be number one for seven years in a row is pretty impressive for our community," said Dave Rozenboom, regional president of U.S. Bank and chairman of the Chamber of Commerce's board of directors.

During the news conference, Forbes said he was delighted to be back in South Dakota, a place he had visited for business, as a campaigner and as a tourist.

"South Dakota is in prime position" in spite of the national economic downturn, he said.

A place such as Sioux Falls has the high quality of life that can attract and retain young people who can live and work anywhere they like, he said.

"In the future you will see inflows of population, rather than outflows of people," he said. "These trends are changing."

In his talk, Forbes self-deprecatingly introduced topics not known for elevating the excitement level in a banquet room: monetary policy and mark-to-market accounting.

But these two policies most directly led to the current economic situation, he said.

Too much money

Starting in 2003, the United States let the printing presses spitting out money go wild, he said.

"If the Fed hadn't printed so much money, this couldn't have happened," he said. Sure, Wall Street conducted itself in an egregious manner, "but without the printed money, they wouldn't have had the juice to do it."

An accounting practice known as "mark to market" that went into effect in 2007 was responsible for making the value of banks and life insurance companies almost impossible to determine, he said.

"Mark to market was destroying the banking system," Forbes said, explaining that it acted as an accelerant - if the value was going up, it would make it seem even bigger, if the value was going down, it would restrict the system.

Health care reform

Forbes also discussed health care, questioning the rationale for a third party to be involved in the transaction between a patient and the provider of health services.

He suggested a free enterprise system for health services, citing several examples such as Lasik eye surgery, cosmetic surgery and medical tourism, in which the provider has an incentive to maintain quality and price according to the market to keep patients.

Forbes ran for the Republican presidential nomination in 1996 and 2000. He campaigned with a platform that included a flat tax, medical savings accounts, a new Social Security system, parental choice of schools, term limits and a strong national defense.

Power of innovation

He also is the author of "Flat Tax Revolution: Using a Postcard to Abolish the IRS" and "A New Birth of Freedom."

His latest book, "How Capitalism Will Save Us: Why Free People and Free Markets Are the Best Answer in Today's Economy" will be published in two weeks. In it, he continues to champion his belief that capitalism is the most effective way to provide for the needs of people and the world's greatest economic success story.

He touched on similar themes during his speech, focusing on innovation wrought from difficult times.

In commerce, we must preserve innovation, he said. "Some great things are coming along, if we allow it to happen."

Reach reporter Anna Bahney at 331-2326.

Forbes file

Who: Steve Forbes

Age: 62

Position: President and chief executive officer of Forbes and editor-in-chief of Forbes magazine.

Notable: Two-time Republican presidential candidate.

Advocates: A flat tax has been a signature idea espoused by Forbes.

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