

A Stable Currency Means a Vibrant Economy

An Interview with Steve Forbes,
Chairman and Editor-in-Chief, Forbes Media

EDITORS' NOTE Steve Forbes is the only writer to have won the highly prestigious Crystal Owl Award four times. In both 1996 and 2000, Forbes campaigned vigorously for the Republican nomination for the Presidency. He is the co-author of *How Capitalism Will Save Us: Why Free People and Free Markets Are the Best Answer in Today's Economy*, and *Power Ambition Glory: The Stunning Parallels between Great Leaders of the Ancient World and Today*, and the *Lessons You Can Learn*. He also



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wrote *Flat Tax Revolution: Using a Postcard to Abolish the IRS; A New Birth of Freedom*, and his latest, *Money: How the Destruction of the Dollar Threatens the Global Economy – and What We Can Do About It*. In 1985, President Reagan named Forbes Chairman of the bi-partisan Board for International Broadcasting. Forbes was reappointed to his post by President George H. W. Bush and served until 1993. Forbes received a B.A. in history from Princeton in 1970. He is on the boards of The Ronald Reagan Presidential Foundation, the Heritage Foundation, and The Foundation for the Defense of Democracies. He is also on the Board of Overseers of the Memorial Sloan-Kettering Cancer Center and on the Board of Visitors for the School of Public Policy of Pepperdine University.

COMPANY BRIEF Under Steve Forbes' leadership, Forbes Media (forbesmedia.com) has launched a variety of new publications and businesses including ForbesLife; Forbes Asia; and Forbes licensee editions published in Africa, Bulgaria, China, Croatia, India, Indonesia, Israel, Korea, Latvia, Middle East, Poland, Romania, Russia, Slovakia, Turkey, and Ukraine. The company also publishes a number of investment newsletters. Another division of the company is Forbes Investors Advisory Institute. In 1996, Forbes entered the new media arena with the launch of Forbes.com. Other Forbes websites include ForbesWoman.com; RealClearPolitics.com; RealClearMarkets.com; RealClearSports.com; and RealClearWorld.com. The company's flagship publication, Forbes, is a leading business magazine, with a circulation of more than 900,000. Forbes combined with Forbes Asia and the company's licensee editions together reach a worldwide audience of more than six million readers. The circulation of Forbes international editions is 590,500. Forbes.com has over 50 million unique visitors a month.

Has economic recovery occurred and are we looking at true growth?

We have a lingering flu that won't go away. We have never had such a poor recovery from a sharp downturn. Every previous downturn in American history has been followed by a sharp upturn, and the question has always been, can this be sustained? This time, we didn't get the comeback. Even though on paper, we have had five years of growth, the economy never took off. You see it in labor participation rates and in the lull in capital expenditure rates.

The amazing thing is, we're doing better than most of the rest of the developed world.

What do we need to do to achieve real growth?

Most of the time gridlock is good, but what's needed is leadership with a pro-growth agenda.

Part of the problem is that our President is not trusted. You can get an agreement from the majority in Congress on something like immigration reform or pieces of it. But the Republicans don't trust the President to enforce the law.

You see this with tax reform. There's a consensus, certainly on the business side, to reduce the U.S. corporate tax rate – maybe simplify that part of the tax code a bit. You can get a bill through Congress with huge Democratic support in a nanosecond, but the President won't take the lead; therefore, the Republicans don't believe he's sincere about it and think he wants to use it as a disguised tax increase instead of simplification and low rates across the board.

So we'll have to wait until 2016 and the new Congress that will take office in January before we're ready to pass things. The thing is, will the President be of a mind where he's looking toward his legacy with some more achievements, or will he continue jousting in the public square?

Are you concerned about the state of the Republican Party today?

The two major political parties are never happy homes. You have people with very divergent beliefs in how to resolve issues.

The key thing is to have a pro-growth positive agenda, as Reagan did, or as Governor Chris Christie has in my home state of New Jersey. It's a highly blue state and he's pro-life, but Christie won a landslide re-election victory because of his leadership and by setting a positive agenda.

Do you expect the U.S. to remain the global economic leader?

The U.S. should remain the global leader – we still have a lot of entrepreneurship out there. You see it in manufacturing and cheap energy. The ingredients are there; we just need the right environment to move forward.

The 1970s were a terrible decade, with stagnation and stagflation, ultra-high interest rates and malaise, but we made some changes in the early 1980s and were soon leading the world again. Silicon Valley became a byword for innovation.

So the raw material is there, but we need the right environment: a sound dollar, radical simplification of the tax code, and positive reform of healthcare, where the patient is in charge and we have effective safety nets.

What is the concept behind your new book, Money?

It's amazing that our authorities have less understanding of money than their forebears did 100 years ago. It's shrouded in jargon, mystery, and complex equations. Our book strips away the curtain.

Money makes transactions easier; it measures value the way scales measure weight, clocks measure time, and rulers measure length. When you have a stable currency, you get a vibrant economy.

Imagine what life would be like if clocks were as unstable as the dollar? Life would be chaotic. Not having a stable dollar also misdirects activity or creates activity that isn't necessary.

We make the case in the book that we're going to have a gold standard again. There are so many myths that shroud this concept, but it's simple. Just as there are 60 minutes in an hour, the dollar will be tied to gold, which will have a fixed value, say, \$1,300 per ounce. And that's it. It's very easy to maintain if you know what you're doing. Had we maintained the historic growth rates we had until the early 1970s – when we had a gold standard – our economy today would be 50 percent bigger.

How critical is it that entrepreneurship be encouraged?

Because of what the Fed has done, the credit system today is not functioning as it should. We should ask ourselves why, until recent years, we always grew at a far faster pace than other developed economies. What was our secret? One reason is that we always created new, big companies that started out as small companies. We have the capital markets that allow small companies to come into existence and grow – with various stages of financing supporting that growth. Europe doesn't have that, and in Asia, it's largely absent.

The ingredients are here, but we have to remove the barriers. ●