



Episode 1,299: Reagan Admin's David Stockman on George H.W. Bush, Trump's Prospects, and the Fed

Guest: David Stockman

WOODS: Of course, there are things I want to talk about. I forwarded you the email that I sent out to my subscribers, in which I shared with them some responses on Facebook to one of your columns by really, really – I don't want to say low-IQ people, but I don't know what else to say [laughing]. I mean, people who looked at your remarks about the budget and monetary policy and thought you must be a liberal because you were against Donald Trump. It just shocks me. I've been fighting the left for so long that I forgotten that the so-called right can be maddening in its own way. And so I do want to talk about what your basic thesis was, but in the interim between that time and your appearance here, George H.W. Bush passed away. So I thought, as somebody in the Reagan White House, you might have some perspective to offer on the man and his time in Washington.

STOCKMAN: Well, he's being treated as some kind of conquering hero by the mainstream press today, including CNN and MSNBC and all the liberals who constantly fought him when was in office. I would say that his legacy is not that great, because despite the modus operandi that he had politically – he was a gentleman. He did respect everyone in the political system that he had to deal with, friend and foe alike. You know, all of that sort of behavior was an honorable thing. But the big mistake he made was to blow the end of the Cold War in 1991, when the Soviet Union finally disappeared. That was the opportunity to do the real Bush "mission accomplished." They should have said: The Cold War is over. The \$600 billion defense budget we have is no longer needed, because it was designed to contain the Soviet military machine. That NATO was now obsolete. There was no reason for NATO, other than it was set up in 1948 to contain what looked to be Soviet expansionism. So there was a wonderful opportunity to end what I've called and what I've written elsewhere, the 77 Years War. And by that, I mean from this summer of 1914, when World War I broke out, through 1991, there was a continuous string of war and confrontation, cold and hot, that finally ended, and there was a chance to return to the *status quo ante*, so to speak, pre-1914, and get the world back to the business of peaceful commerce.

But he didn't do that. He allowed the military industrial complex to fabricate fake enemies, like the Iranians, an ever-Iranian threat to American security. Eventually Russia, which we can get into, but, you know, it's a pint sized economy, 7% of the US, doesn't have any military capacity to threaten us at all. All of that that we're dealing with today could have been changed in 1991, if he would have taken the baton, so to speak, and led the world to an era of disarmament and peace among the nations. And he didn't do it. And he got us into this stupid war in Kuwait because of a fight that was irrelevant to American security between the Emir of Kuwait and Saddam Hussein over directional-drilling oil wells on their common border.

That was the basis for our intervention, putting 500,000 troops into the Middle East, on holy soil in Saudi Arabia and all the rest of it. It was a gigantic mistake. But that was the beginning as the whole war on terrorism, and it had a lot of consequences, including the tragedy of 9/11 a decade later.

So you can focus right there. He had the chance to be the greatest peacemaker of the century, and he just blew it. And so therefore, you can't rate him highly as a president, and I can't join in all of this craze that's going on from all sides of the political spectrum today. I think he was a very flawed president who made a gigantic mistake that's going to end up bankrupting the country, because we're in a fight with everybody now, and we've got this massive national security budget, the warfare state, as I call it, that we really can't afford, and yet we can't seem to get loose of it.

WOODS: I noticed that your congressional years do not overlap with him, but yet, you did serve in the Reagan White House, so presumably, you had some personal interaction with him. Anything about that you can share with us?

STOCKMAN: Yeah, I do have one anecdote. There are a lot of them, but one time, we were in an economic briefing in the Oval Office, and I was there, and the Secretary of the Treasury, and President Reagan, and the usual White House aides, and Jim Baker, Ed Meese, and rest of them. And at the time, one of the key assistants at the Treasury Department was Beryl Sprinkel, who was a hardcore monetarist economist, who is a disciple Milton Friedman and believed that everything turned on the precise growth rate of the money supply. And he went into one of his usual tirades about how the Fed was really out of control, making a huge mistake, running the printing press way too fast, and it was going to underline the policies of President Reagan. So on the way back to the executive office — that's where my office was, and it was a couple of floors from where the Vice President's office is — I was walking back with him, and he said, "You know, I'm wondering about what Beryl Sprinkel was saying. Is there really a printing press in the basement of Federal Reserve?" [laughing] And you know, I had to explain that that was more of a metaphor than a reality..

WOODS: [laughing] Oh, my.

STOCKMAN: But, you know, let's just say this: economics wasn't his strong suit. And this is controversial I'm sure among many conservatives, but I think he did the right thing when he moved his lips in the early '90s, and did allow a small increase in taxes in order to try to get the budget deficit reduced as part of a compromise with Congress. You know, he's faulted for that by a lot of people, but my view is an Eisenhower view of fiscal policy, and that is: yes, taxes are too high; taxes are bad; at the end of the day, we'd be more prosperous if we had lower taxes, of course. But on the other hand, deficits are terrible as well, and when you build the national debt to the level we're talking about today, 21 trillion, and as I've shown in lot of other places, we've got baked in another 20 trillion if we don't drastically and fundamentally change policy over the next decade. So, you know, the number looks like 21 trillion, but the real objective fact of life is that it's 40 trillion by the end of the next decade, and that's 140% of GDP. It's a disaster waiting to happen.

So my point is that fiscal policy requires that, if you're going to have a low-tax regime, you've got to earn it by having the guts to stand up and reform entitlements, throw people off the benefit roles if they don't deserve it, cut subsidies to corporations and regions and cities and all the rest of it, mass transit subsidies — I could go on and on — and take on the real swamp

in Washington that's on the Pentagon side of the Potomac. And if you're not willing to take on that monster and the current \$720 billion budget — there's enormous waste on the DOD side. If you're not willing to do all those things — entitlements, Social Security, domestic spending and waste in every shape and form — then you don't have the right to cut taxes either, like the Trump administration and the Republicans did earlier this year.

So I think Eisenhower balanced the budget three times. He inaugurated an era of low inflation and 4% growth, and it was a kind of halcyon period of American prosperity. And he, all the way through, said firstly cut the spending, and he did cut defense spending by about 30% before he was done, in real terms. He cut the spending, so he earned the right to lower taxes and provide relief to both American households and business that they need and deserve.

Now, we've lost all that, what I call the Eisenhower fiscal stance. And in some ways, Bush was the last representative of that point of view. And the one good thing he did that kind of offsets, but I think is so negative on the foreign policy and national security side, was that he did move his lips and try to make a deal with Congress that did produce what was otherwise a gigantic, permanent deficit that was left from the Reagan era. So I want to be a little bit balanced, but basically, at the end of the day, I think he's a very bad president, because he gave an unnecessary lease on life to the warfare state that's killing us and that's not protecting national security. Again, that is a mess, around the entire world, in terms of all the interventions and occupations that we have undertaken in the last two decades that have been totally unwarranted, and it's created all kinds of negative blowback and counterproductive effects.

WOODS: Well, now, you and I have — in a previous episode, we went back and forth on the taxes and budget issues, so we'll just agree to disagree. I mean, I understand where you're coming from. I have a different perspective of my own. But what I want to ask you about is, other than — if it hadn't been for the death of George H.W. Bush, the main reason I wanted to talk to you today was because of the thesis that you were advancing in that column that I'm sure none of those commenters read. I think it's behind a paywall, anyway, so I'm sure none of them even saw it. But there was enough in the preview for them to know what you were saying and that there was no hammer and sickle on the flag that you were raising. And your point is that it's not bad trade deals that are causing problems for the middle class, but rather, you said, it's bad money. And I've heard you lay out with this thesis, but I wonder if you can try to lay it out for — I'm not saying that my audience is all beginners, but there are some beginners. Can you explain this at the most elementary level you can? How is Federal Reserve policy — if that's your thesis, how specifically is that actually hurting the middle class?

STOCKMAN: Well, the first point is that the 2% inflation target is absolutely irrational in the world that we're in today, where there is so much low-cost labor available to compete in global trade. In other words, hundreds of millions of peasants have come out of the rice paddies in China since the early '90s when they decided to try to open up their economy and join the world trading system and become a great exporter. And you can add to that Vietnam and all the rest of East Asia. And so it was the dumbest thing that the Federal Reserve could have been doing since the late 1980s, was trying to achieve and accommodate 2% inflation, because it compounds, and over a period of time, average wage levels in the US went from about \$8 an hour to 25. But during the same period, the cost of living rose so much that real wages didn't grow by a dime.

Now, here's the point: 30 years, no growth in real wages, nominal wages almost triple during that period, and it's the nominal wages, the \$25 an hour that has to compete with the \$4 an hour in Mexico and the \$4 an hour in China, or the \$2.50 an hour or whatever it is in Vietnam. It was a horrible mistake. And if you were under an honest monetary system, let's say a gold standard, that never would have happened. We wouldn't have inflated at our economy as these new competitive threats arose and as low-cost labor joined the world trading system. We would have actually had a deflationary trend, and we can go into all the mechanics of that. But the point is, deflation isn't bad. It doesn't hurt people if it's based on honest money, because obviously, purchasing power goes up, and that's really what counts at the end of the day, what your paycheck will buy and not the nominal dollar amount that's printed on a per-hour basis.

So that's the first thing. We inflated — you know, their goal is — it's hard really to emphasize this enough. If you've been in this game for a long time — which I have. I started on Capitol Hill in 1970, and I've been a member of all the economic and monetary debates for decades and decades. But the idea that today we have central banks who are straining to get more inflation into the world is really in itself a preposterous, crazy notion. No one would have thought in the 1960s and '70s or '80s and even the 1990s that it was the job of central banks to make more inflation. Everybody understood inflation wasn't a good thing, that at the end of the day, it actually undermined growth, because dishonest money is less productive economically than honest money. So that's the first thing.

The second thing the Fed did over that long period of time was keep interest rates so low that the US economy could live beyond its means by borrowing from the rest of the world. And when we borrow from the rest of the world, essentially, it equates economically to running large trade deficits. And you can't do that indefinitely. So what we have is really kind of a freakish outcome in world economic history. We have had a large and growing current account and trade deficit every year since 1974, more than 43 years. It accumulates to 15 trillion of trade deficit over that period, and if we adjust it to current dollars, you know, 2018 dollars in purchasing power, we've had something like 20 trillion of current account deficits with the rest of the world. And that's the reason that we have these huge trade deficits, and that's the reason why we're in all these battles today.

But it all stems from, again, bad money, suppressing interest rates, driving the federal funds rate to zero, the massive quantitative easing, which basically bought a half trillion of government debt in place of government debt since 2008. And that drove interest rates below market query levels, below honest economic levels, and created the outcome that I described. And it was inevitable that when you borrow those kinds of massive rates, in order to support your living standards that's not being produced out of current income production, you end up with the mess that we have today. So we inflate our domestic economy, and that drives work offshore, and then we inflate our balance sheet, which allows us to buy goods from abroad far beyond what we're producing and selling.

And at the end of the day, you get into a non-sustainable condition that will eventually end up as a great crisis, which Trump won the election on the consequence of that in flyover America and in a lot of those burned-out industrial counties and precincts in Wisconsin, Iowa, Michigan, western Pennsylvania, Ohio, and so forth, where he won the election. But the point is, he has identified and attacked the symptom, but he's such an incorrigible mercantilist throwback to the 18th century, that he has no idea how to solve the problem and that everything he's doing is going to make it worse. As I said, the USTR — that's the trade

representative — didn't cause the problem, the Commerce Department didn't. It wasn't even WTO or NAFTA or any other trade deals. The problem is caused a few blocks from the White House at something called the Eccles Building, the Federal Reserve. And the problem, of course, with Trump is that he thinks that they ought to double down and do even more to distort the whole system in terms of key debt, and you know, all of this liquidity that they pumped into the market, rather than get back to something that begins to vaguely look like honest money.

So if you put together massive deficits ten years into a recovery cycle, which no one ever heard of or even imagined was logical or appropriate even five years ago — if you then add to that a covert, sweeping, protectionist tariff-based program, what he's doing today — you know, they came back from Argentina and said it was a great success, we still have \$250 billion worth of Chinese goods and loans that are being taxed — that is, the American consumer is being taxed at an average of 13%. So you've got that component, the massive tariffs and protectionism, which is going to really batter our economy, and we can talk about that. And then on top of that, you have outright attacks on the Fed, because after ten years of sitting on the interest rate at zero, which is negative in real terms, and they're finally trying to normalize a little bit, and they get attacked by the president. I can't think of a more deadly combination of economic policies than easy money, massive fiscal deficits, and a turn to a primitive, crude, tariff-based protectionism. And those are the three things he's doing, and it's exactly the wrong recipe to address the problem that put him in the Oval Office in the first place.

Now, what does that add up to? I say, well, the problem with Trump is he has no economic philosophy, no North Star, so to speak. He slides around by the seat of his pants. But he's a massive ego, and he basically is a statist. In other words, he thinks he was elected to run the US economy, which is the opposite of what most of us think, which is, if you want prosperity, get the government to get the state out of the way. His view is: let the state take over, And that he is the state. I quoted Louis XIV, who famously said that, "I am the state," right before he bankrupted France in the early 19th century, late 19th century. And this is the dilemma where we are today. A lot of people like Trump because he is attacking the right institutions. Yeah, he's attacking Islam; he's attacking the status quo; he's attacking the bipartisan consensus. And that's all good, but the problem is, he has no agenda or policy to make anything better. And so therefore, you can support him for attacking the bad guys, but you shouldn't be deluded into thinking that he has a solution to the problem. I say his job is to be the great disruptor. I don't think he'll last more than four years, if that, to undermine the status quo, to discredit what the bipartisan consensus has produced in both foreign policy and domestic policy, and then hopefully pave the way for a return to more constructive and sounder monetary and fiscal and free market and noninterventionist foreign policy directions in the future.

WOODS: Let me ask how you would handle a typical man-on-the-street objection, which is: it's true that if we have, let's say, unfettered free trade, I can get a lot of inexpensive consumer goods. But they think that's very shortsighted, because they think, at the same time, I won't have a job, so I won't have an income to buy the inexpensive consumer goods. So they think we're being shortsighted. What are they missing? What are they not seeing?

STOCKMAN: Well, I think they're actually making a good point, and it's where I part company with what I would call purist free-traders who seem to think an \$800 billion trade deficit is a non-issue or an imbalance with a country like China — we buy 526 billion from them; they sell

\$130 billion. That's crazy. That is a sign of a serious imbalance and unsustainable condition. So the point I would make to the man on the street, though, is that the problem they're identifying is not caused by free trade, per se; it's caused by free money or what plays like free money, and that we can't solve the problem by leaving the Fed and the central bank policy in place and simply throwing up tariffs and trade barriers and think you're going to solve anything. You're not. And we can get into all the different unintended consequences of that, but you have to realize that the solution is free trade, but it can only work, it's only productive, and it only helps capitalism work in prosperity, in true prosperity to be recovered if it's coupled with sound monetary policy. And that's what we don't have, by any means. And then Trump blew that too. He put four or five people on the Fed, and they're all, in one way or another, Keynesians, thinking they can run the US economy by getting the money market rate at the correct point within 25 basis points, and they're going to run the whole economy based on manipulating the interest rate. That's wrong. I mean, it's a destructive policy assumption that is what's making all the problems that we have in our economy today far worse.

WOODS: Would you describe yourself as an "end the Fed" guy or a "reform the Fed" guy?

STOCKMAN: Well, there's a subtle difference. You could truly end the Fed, but you don't even have to go that far. You only need to go back to the original mandate remit, let's call it, mandate of the Fed that the great Carter Glass, who was chairman of the House Banking Committee who wrote the legislation and was one of the best financial minds that we've had in an elected office and at high levels of our government in the modern period, the whole 20th century. But anyway, the Carter Glass Fed, one, could not own any government debt. None. That was not what they were about, unlike today, where you've got 21 trillion. Secondly, it did not have any mandate to manage the macroeconomy, to target the inflation rate of 2, 1, 5 or 0, or the unemployment rate or housing starts or growth rate of GDP. That was not its business, because it really amounts to monetary central planning, and we know that central planning doesn't work.

The job of the Fed was simply to be a bankers' bank, a passive presence in the banking system, whereby banks that needed additional liquidity could come to the Fed with sound collateral based on loans to businesses against receivables or finished inventory that could be discounted and put up as collateral for cash at a penalty rate of interest above whatever the free market is producing. And that way, we had a backstop for liquidity in the banking system, but it didn't distort any price. It was a market rate of interest. There wasn't any idea of wealth effects and propping up the stock market and targeting all these macro variables and so forth. It was simply a bankers' bank, as I described it, as a liquidity backstop that would have minimal impact on the pricing of financial assets and the functioning of the capitalist economy.

Now, we can get back to that very easily, actually, by abolishing the FOMC, the Federal Open Market Committee, by terminating the ability of the Fed to buy government debt and put it under some kind of mandate to run down its current 3.9 or 4 trillion balance over a period of time, and get that to the passive bankers' bankroll. I always say — I have it in some of my books — that the bankers that Carter Glass wanted on the Fed were basically green eyeshades, people that would examine the collateral that was brought to them by their local banks to determine if it was sound and then discount cash against that at the going rate, instead of PhDs from MIT and Princeton and Harvard attempting to run the world. There's a huge difference between the green eyeshade who can examine collateral and this PhD

standard who wants to run the entire economy based on their alleged insight on how to make capitalism function better in the free market, which we know isn't possible.

WOODS: All right, well then let me just make a strategic point, then, because I agree that that would be much, much better if we could get rid of all the accretions to the Fed over the years, where it's taken over, in some ways, the direction of economic policy in America, the way it's trying to steer the economy in one direction or another. I get that that would be great, and for it not to hold American debt, that would be great. But I think I could probably make a long list of institutions and legislation in American history that started off one way, and then disgruntled conservatives later found themselves saying, "Now wait a minute, that was never intended to do blah, blah, blah, blah." Well, after a while, you know, fool me once, right, fool me 817 times, maybe it's better to just not start these things. And that way, there's no chance for them to go off the rails. I mean, of course, I realize that politically, there's a 3% better chance that we might get rid of the FOMC than we would the Fed altogether, but I'm just saying, as a strategic point, I'm just an "end the Fed" guy, because I just don't want to – it would be like saying I want to go back on the classical gold standard. All right, but obviously, the classical gold standard can be gone off whenever governments want to, so it seems like we need more radical solutions to these things.

STOCKMAN: You know, I agree with you in principle, and in a perfect world and in the abstract, end the Fed. You don't need the Fed in the modern world. Capitalism will grow. You don't need artificial fiat credit that's generated either by the Federal Reserve itself – that's what QE is. It's generating credit directly – or indirectly through the banking system. I mean, in the modern world, I'm a pro-cash man, but you know, there's not much cash left in the system, and so it's all basically done on ledger, digital ledger transactions anyway. Free banking would work fine. And some banks would lose business, and some banks would gain business, and credit would be provided based on real savings, not credit from thin air, the way the Fed does when it expands its balance sheet. So I agree with you completely in theory.

The only reason I made this point about returning to Carter Glass' vision and his notion of a bankers' bank is that it might at least be a halfway house to get directionally where we need to go without the burden politically, because it's shocking to people who don't think about it and don't understand sound economics and sound money. When you say, "Abolish the Fed," they think you're going to cause Armageddon, you're going to cause the economy to collapse into a black hole of endless depression. None of that's true. Why in the world do you really need these guys on 12 guys on the FOMC to decide whether the money market rate ought to be 2.13%, where it is right now, or 2.5%? This is nuts. You don't need them to do that, given the massive financial technology that we have today. It's almost like another case of the naked emperor. Everybody thinks the Fed is a must-have, critical institution when it isn't. You don't need it, really, and mainly they cause harm by distorting and falsifying financial asset prices, by fueling bubbles, too much debt, all the rest of them. But the recency bias in our public discourse and in our political debate is so great, that even the so-called conservative party, the Republican Party doesn't even understand anymore that they don't need the Fed. The Fed is their enemy. And that's the reason why we have all the problems we have today.

But, you know, scratch any Republican on Capitol Hill, and maybe you can find one or two. I think Rand Paul understands a little bit about what's wrong with the Fed, and there might be a couple of guys in the Freedom Caucus. But beyond that, there is not even an understanding that the number-one, the number-two, the number-three enemy of capitalist prosperity and

liberty in America is the Federal Reserve. That's the truth of the matter. And the conservative party that should be the defender of the faith doesn't have a clue that that's the problem.

WOODS: Now, David, before we close, I'm afraid I have to recall, I wouldn't say an uncomfortable moment, but a moment that has to be addressed. Sometime last year, you've probably forgotten this, but, oh, my friend, I have remembered. You and I entered into a gentleman's bet, because you said that by the end of 2018, Trump would be out. Now, we're running out of time, David, so what's your updated assessment?

STOCKMAN: Well, I guess I let wish become the father of the thought or whatever that phrase is.

WOODS: [laughing] Right.

STOCKMAN: And it was premature, because I didn't think that the financial markets are as gullible and irrational and machine-driven as they are. I mean, it's nuts that the markets went off after Trump was elected, because Trump is a destroyer. He's going to wreck the system, okay? And to see the markets go up by 40% — and they're down a little bit now from the 29, 30, 40 peak back in September, but the fact that the market's gone up by that much basically nullified my forecast, because as long as the stock market is high, the Republicans are going to sit there fat, dumb, and happy and not know what hit them when this whole bubble collapses. Whether it collapses before November 2020 or not, I'm not going to forget that the system is so distorted that it's hard to know when the bubble is going to break, but clearly it will. And if it breaks in a big way in the coming year, they could take matters into their own hands.

I have a history of being on the inside, so to speak, since the early '70s. I worked with one of the members in the Republican leadership during 1973 and 1974, and I can tell you, in January of 1973, Nixon was riding at the top of the world. He had won the electoral vote by 530 or something, the popular vote by 42 million to 28 million. He was invincible. And yet, as the whole Watergate thing unfolded, by the summer of 1974, which was only 18 months later, the Republicans in one fell swoop got off the Nixon train and left him to be run out of town on a rail. It happened very fast. It happened behind the scenes. For months and months, I knew of these Republicans in the votes whom I was dealing with — because I was director of a Republican caucus — they were done with Nixon. It was only a matter of what the catalyst was going to be when they all went public, and at that point, we couldn't survive. I think that could happen with Trump. He has no friends in the Republican Party. But as long as the economy is that 3.7% unemployment — and that's a whole illusion in itself — and the stock market is where it is today, they're going to stand on the sidelines and bide their time. So we'll have to see.

WOODS: All right, well, before we wrap up, I want to tell people about of course David Stockman's Contra Corner. You should be reading David's commentary on a regular basis, because he sure is churning it out on a regular basis. And I'm going to maintain the offer I've had before. If you join through TomWoods.com/corner on a quarterly or annual basis, I'll throw in a free year-long membership of the basic plus level to my LibertyClassroom.com. Just send your receipt to me at Bonuses@TomWoods.com, and I'll get you that bonus. I'll have the details of everything I just said up on the show notes page, TomWoods.com/1299.

All right, there are a million things further that I could ask. I — oh, geez. I just — this whole George H.W. Bush and John McCain thing.

STOCKMAN: Yeah.

WOODS: The whole thing makes me so crazy that the way the — I guess it's the response from the establishment left.

STOCKMAN: Yes.

WOODS: Because everything is a reflection on their views of Trump. We already understand they don't like Trump, and George H.W. Bush had a different style from Trump. But for heaven's sake, these people, McCain in particular, did so much damage to the world, particularly to people who didn't have the good fortune to be Americans. And it's like, these are the people who all day long call us racists, and yet, you look at these two people, they caused immense harm to nonwhite peoples all over the world. And suddenly, those nonwhite people's don't even factor into the calculus. It's: these were sweet, nice people who, one of them didn't like broccoli, and that was very funny. I don't know, I mean, it's like I'm living in, as Homer Simpson would say, a cuckoo clock.

STOCKMAN: Tom, you have hit it right on the head. And what we're dealing with here is the Trump derangement syndrome, and it has become so widespread, so severe, so toxic in the mainstream media and in what I would call the establishment narrative, that everything is filtered through it. And what used to be what was in fact historically down is up through the Trump derangement syndrome. There were 100 reasons why the liberals disliked George H.W. Bush, but they forgot all about them, because it's a way of saying: you're bad, Trump. And here's just another case in point.

And I'll tell you, your point about McCain really hits the nail on the head, and it drives me nuts. He was an awful man. He was a warmonger. He got us into every kind of meddling intervention, conflict, and war in the world that we didn't need to be involved in, from the Ukraine to Syria to arming all these jihadists who attempted to overthrow the Syrian regime and ended up wrecking the Syrian economy, driving 13 million people into refugee status, fleeing to Europe, which has created a whole uproar and problem in Europe with this flood of refugees. They have all come from countries we've destroyed: Libya, Syria, Iraq. The whole Middle East is a wasteland because of policies that John McCain personally pushed. And rather than treating him as some kind of hero, we ought to understand that he's a warmonger and war criminal, who should be received in exactly the opposite way. So you're right on this. And it's just, as I say, the Trump derangement syndrome that has caused the establishment media and narrative to lose all contact with reality.

WOODS: Can I ask one more thing? If you don't want to disclose this, that's perfectly okay, but do you at least have a property in New York City? Do you live in New York City?

STOCKMAN: Yes.

WOODS: Do you know Gene Epstein? He used to be with *Barron's*.

STOCKMAN: Yes, I do. Yeah.

WOODS: Do you know he has a debating society in New York City called the Soho Forum?

STOCKMAN: I've heard about it, yeah.

WOODS: And it's fantastic, because believe it or not, it's civil. It's civil, despite — no matter what the subject matter is, the people are civil, and also because it's libertarians in the audience, and we're not rude. We don't boo people. We sit and listen, because that's how our mommies and daddies raised us. I'd love to see you take on somebody.

STOCKMAN: Yeah, I participated in a forum that he had a few years ago when my book *The Great Deformation* came out. It had seemed like a very different name, but it was the same idea.

WOODS: Right.

STOCKMAN: You know, as long as you mentioned New York, let me just venture — I live on the Upper East Side, right on the East River on the 19th floor, top of the building, right next to Gracie Mansion. And the reason I bring all this up is that I love to say that when I get on my balcony and look around in all directions, I can see Russia.

WOODS: [laughing]

STOCKMAN: And what I mean by that is not a Sarah Palin; I can see roughly the New York metro area, because our apartment is high enough and you can see in all directions, back up to Harlem and all the way to Central Park and elsewhere. The point is, the GDP of Metro New York is 1.7 trillion, which is well bigger than the 1.5 trillion of Russia. So we're now supposed to be trembling in our boots over a threat from a pint-sized economy that's smaller than the GDP of New York and 7% of the GDP of the United States. Their defense budget is 60 billion compared to our 700 billion. I mean, the whole thing is nuts, and yet, it's part of this same syndrome that you and I are talking about today.

WOODS: Well, that is an astonishing statistic. I had not realized that.

STOCKMAN: Yeah, it's true. Yeah.

WOODS: And I'm sure a lot of other Americans don't realize it, and that's the way they like it. Well, after I let you go, I'm going to plug the Contra Corner again, because it's given me so much fodder and aided so much in my own understanding that I want to spread the word to others. But thanks so much for your time. I always hate to trespass on it, because I know how much content you're putting out, how busy you are, but we appreciate it very much.

STOCKMAN: Okay, well, great to be with you. We'll do it again.