



WOODS: We are talking today about an article — I'll link to it at TomWoods.com/1587 — called "Economic Nationalism as Political Realism," written by Dan McCarthy, who has had a bit of an evolution I would say over the years in his thinking, and he seems to be quite in sympathy with the Trump program of economic nationalism. And that's not to say that he has no sympathy for market economies and for markets, but he is arguing that we purists are looking at things through the lens of abstractions rather than cold reality. That's kind of the underlying gist of his column. I do want to start off — I don't want to prejudice my listeners against the great Gene Epstein.

EPSTEIN: Yeah.

WOODS: My listeners know how great Gene Epstein is, but I can't help pointing out that, on a related topic, you did recently have a debate with Stephen Moore at your own Soho Forum, in which by the Oxford rules, you were declared the loser.

EPSTEIN: The loser, yeah.

WOODS: And before you respond to that, let me point out that if you feel bad about that, I want to console you by reminding you that on the Contra Cruise, I lost to Bob Murphy, which is the worst indignity a human being can suffer. So it could have been worse, Gene.

EPSTEIN: Come on. That's ridiculous.

WOODS: [laughing]

EPSTEIN: As you well know, also, of course, having been the slayer of the great Michael Malice in a previous debate that I hosted. You did that. And it's honorable to lose to Robert Murphy. It's a little bit, I have to say — I hope Steve Moore, who's a nice guy, is not listening to this. It's a little less honorable to have to lose to Steve Moore. I will say that in terms of the strict Oxford-style voting, it isn't usual that both sides get double-digit gains. I did gain 14 points. And in terms of the absolute vote, I pushed the vote against Steve from 41% to 55%. So it wasn't a complete trouncing. I forget how you did against Bob. It's not relevant. Bob is a great and formidable thinker, and losing to Bob is honorable.

WOODS: Oh, you're taking all my fun away by pointing out Bob's merits.

EPSTEIN: [laughing] Okay. But by the way, look, you're getting me back into the inside baseball. Do you know that a person on that cruise who shall be unnamed, because I guess he doesn't want to come forward, who might have been speaking for a few people, told me that, look, Tom Woods was sounding like such a cruel and vindictive person going into that debate, because you kept doing this crazy joke, Tom, about how Bob is going to be laid out on a stretcher and die. I even added to it, and I said, "Look, we're going to be at sea. Bob is going to walk the plank and have to swim ashore in shark-infested waters." And I said to this guy, "Don't you realize that Tom will stop at nothing in making crazy and dumb jokes about anything when it comes to the cruise?" He didn't mean it. He was just kind of revving up a little bit of fun.

WOODS: Of course. How can people not know that — well, look, I mean, we need to wrap up this part of the conversation.

EPSTEIN: But the guy voted against you for that reason.

WOODS: No, that's just awful. Then that's just awful. I didn't want that person's vote.

EPSTEIN: Yeah, that's right. Yeah.

WOODS: Look, it was fun, but let me just point out a couple of things. First of all, Bob and I were debating pacifism, and the video of that debate is available exclusively to upper-tier members of my Supporting Listeners program. So if you want to see the rare occasion of Woods losing a debate, go over to SupportingListeners.com and join up.

EPSTEIN: You definitely don't want to miss it, because I was there and I was enthralled at every moment. But getting back to me and my humiliation —

WOODS: No, I don't want to get back to you just yet. I want to stick with me [laughing].

EPSTEIN: Okay.

WOODS: Because I want to point out that I was mild by comparison with how Michael Malice treated me in the months leading up to our debate. Because I'm half Armenian, as you may know, and at one point, Michael tweeted out a video of an orchestra performing a remembrance ceremony for the Armenian genocide. And that was meant to indicate what was going to happen to me in our debate. I mean, that's way worse than anything I did with Bob.

EPSTEIN: Okay, Malice was even worse than you. He really showed his malice, absolutely.

WOODS: Yeah.

EPSTEIN: And by the way, okay, as long as you point it out, what happened, though, after that victory of Tom's was that I then started my Soho Forum, and I wrote Tom and I said, "Tom, are there any number of things you might want to debate?" and then Tom actually wrote me, guys, that he was thinking I'll retire from debating for a while. So I started to call Tom the Bobby Fischer of debating. And of course, Bobby Fischer, for those of you don't know, beat Boris Spassky, became chess champion of the world, and then never played champion chess again until decades later when he played Spassky again. So, indeed, I guess I humiliated Tom enough to say, look, you had this one victory against Malice, and then Tom did indeed decide to do this rather confined debate on the Contra Cruise that isn't revealed for the world. But then happily, by the way — I don't know what happened to you, Tom, a little soul searching — the big news for everybody is that Tom has now told me that he might consider returning to do a Soho Forum debate, and these things are in negotiation at the moment. So I just wanted to tell listeners that exciting news.

WOODS: And it seems like there would be a certain bias in my direction, though, if people get a free drink by saying my name, you know? So we may suspend that rule for just that one session.

EPSTEIN: That just shows Tom's incredible humility as a human being. And we might consider that, actually [laughing]. Anyway, go ahead, Tom. Do you want to talk some more about your debate? Where do we go from here?

WOODS: All right, look, Gene, you and I could joke and talk about stuff like this all day, but let's get into the meat of the article that we have determined to discuss today, and that's the Dan McCarthy article I mentioned before. Maybe we might start off with you describing what economic nationalism is, I mean, at least in the way Dan explains it. And also, he views us as being kind of head-in-the-clouds, abstract theorists, whereas he's the — and by the way, I like Dan. You like Dan. I'm not saying this to put him down, but I don't think he would dispute this characterization. He looks at us as being sort of well-meaning but head-in-the-clouds, abstract theorists, whereas he's the hardheaded realist.

EPSTEIN: Well, that's fair enough. And you offered a sort of thumbnail summary earlier, Tom, when you said that he's moving closer to Trump. And there's truth in that, but actually, Dan is moving a little bit beyond Trump, because there is rather alarming endorsement of industrial policy in this article, which I think goes a little bit beyond what even Trump has ever said.

WOODS: Right, now describe what industrial policy is.

EPSTEIN: Well, okay, industrial policy is essentially the government steps in and starts to run the show in different ways. I mean, it's not quite socialism, you might say. Maybe it's a little bit more Mussolini-type —

WOODS: Well, specifically it would be something like there's some emerging technology that all the gurus say is the wave of the future, so the government gives it a boost. Something like that.

EPSTEIN: Oh, all right, Tom. All right, you might say — but the darling of industrial policy — you're not old enough to remember, Tom, perhaps, but in the '80s and early '90s, it was MITI, the Japanese planning board, that was the darling of industrial policy, and it was supposed to be sort of making decisions at the high level for who should be favored. And it didn't necessarily emphasize what you said. I mean, it couldn't. Now, data research on MITI showed that they just about got everything wrong and got everything wrong often for crony-capitalist reasons. So bear that in mind, it is kind of a general thing, and we'll get to it, but Dan jumps in with both feet and endorses Japanese industrial policy. So indeed, you're right that it's picking winners and losers, but not necessarily of a technological kind. MITI famously —

WOODS: I just wanted people to have an example of what industrial policy specifically could amount to.

EPSTEIN: Okay, fair enough. Fair enough. All right, sure. All right, but indeed, I guess we've sort of defined it. I just wrote down here a working definition of Dan's economic nationalism. It is that you are prepared to support tariffs in certain instances and industrial policy in other instances. And indeed, you're right that it has to do with supporting technology. Is that what you — because bear in mind that Dan goes on to say, some of his most stunning remarks are that it's a pretty bad idea to him to be endorsing high tech. I don't know if you noticed that he said, that we should be just favoring garden variety manufacturing. So he goes into rather odd ways. So Tom, have we more or less defined what industrial policy is?

WOODS: Yes, yes, yes. Good, good, good. Because not everybody knows the term. As you say, it was popular in the '80s, and then you didn't hear so much about it.

EPSTEIN: Tom, absolutely right in terms of proceeding, because so often, in any kind of podcast interview by anybody, it gets to be a little bit inside baseball. And you and I assume that since we understand it, that everybody else must, and indeed, it's good to clarify these things, even to the point of maybe boring our most sophisticated listeners. So I endorse that completely.

But I would like to start with kind of an overview in this sense, because when you talk about that Dan thinks that economists like us have our head in the clouds, I want to say that there is a certain element of truth in that, at least truth in that for Dan and truth in that even generally, because of this, because too often, even Austrian economists make the mistake of talking about the conformism of the economy, the way in which people mostly sort of vote with their feet, the fact that consumers are generally sovereign — and as you note, Tom, I mentioned this I think on the Contra Cruise, I endorse Murray Rothbard's point that even though consumers tend to be sovereign, even though there's a tendency to serve consumers, really, fundamentally, free markets are all about individual sovereignty.

And why is that important to stress in Dan's case? Because Dan is a conservative who clearly, viscerally sort of does not like the radical tendencies of entrepreneurial capitalism. And more specifically, there seems clearly something in him that does not like having to buy and sell with the Chinese, maybe with China's government. He clearly thinks they're corrupt. There's something grubby about it and all of that. And that he thinks of free market economists, such as you and me, as being sort of amoral. You know, whatever the market will bear. And every once in a while, we sound that way.

And yet, the truth is that because there is individual sovereignty, there are enormous options for Dan to do it differently. And I like to cite, as probably those familiar with listening to me are familiar with my citing the Amish, citing the Mennonites, citing the Hasidic Jews. There are people who do go their own way. There are people like the Amish, who refuse to use electricity and cars and refuse to use tractors. There are Jews like the Hasids, who refuse to go into the two professions that Jewish boys are supposed to go into, law or medicine. And the reason they don't is because they think that it means that they hobnob too much with Gentiles, so only a handful of them can go into those professions.

And more particularly for Dan — it may sound whimsical of me to say this, but I really mean it seriously — if he doesn't like people to buy from China, if he doesn't like high tech, or if he doesn't like any number of things, then let him set up a sort of shopping website so that people can be advised about what goods to buy, what goods not to buy, if he doesn't like what other people do. And so that's the libertarian solution. It's been pointed out, for example, that some of the craziest and most retrograde and repressive rules prevail in co-op buildings where they outlaw smoking. And it's their building. People live there. They've decided on majority rule, and that if that's the way they want to live, so be it.

And so again, I only want to tell Dan, if you've got a lot of complaints and worries, then take it to the people. There are a lot of conservatives out there who might agree with you who will be willing to conform to your wishes. I could cite the Montgomery Bus Boycott that brought the bus company down in Montgomery to its knees, led by Martin Luther King. I could cite my father and so many other Jews who would not buy German cars 20 years after World War II, even though maybe those German cars are good for them. We don't make decisions based strictly on economics. Not even Tom and I make those decisions. I could have made much more money in my life if I'd become a lawyer and got into litigation, even though I did lose my last case, as I just told Tom, my last debate. But I chose not to. I've been much happier earning the chump change of a journalist rather than the megabucks of a lawyer. So people make their individual choices all the time, and if you don't like the fact that we buy from China, so be it.

The other night, when I was debating the issue of China, somebody asked me, "Can you buy from a country that that employs slave labor?" I said, well, you make an interesting point. You call it a country, but I don't buy from countries. I buy from people. And if I knew that I was buying a good from a company that employed slave labor, I really would refuse to buy from them. It just would stick in my craw. I don't even know if my refusing to buy would have a whole lot of effect, but it simply would not wash with me.

So again, I want to tell Dan, no, true free-market people simply say that the market is a series of choices, and if you want to make a conservative choice and persuade others to do so, so be it. Go for it. We support you completely. So that's the framework I want to start with. But now let's get into the nitty-gritty of the economics of what Dan wants to say. Do you have anything to add to that? Because as usual, Tom, I end up sort of hosting, becoming my own interviewer.

WOODS: Yeah, well, I want to make sure we've got exactly right what his precise complaints about China is, because it's not just that it's selling us cheap goods. Although he thinks that is part of it, and that we libertarians are so short-sighted, we think, *Oh, cheap goods. That's good*, and we don't see that it's a poison pill.

EPSTEIN: I'm going to get into that. Sure. But look, again, I guess I'm going to be reading between the lines, having had the experience of debating Steve Moore about China. Somebody asked me about the slave labor. I think there's a sort of undertone that we're dealing with grubby people. And if you're dealing with people you don't like, okay — but let's cut to the chase.

All right, now, the first thing he said — I'm going to try to take it in sequence, which might as well, just as an easy structure. Bear in mind that he does begin by making the outrageous

comment that market liberals do not think in terms of the crony-capitalist market, that all they do is think in terms of tariffs and industrial policies weighed against a pristine market. And Dan condescendingly reminds us all that the market has never been pristine. Now, Don Boudreaux, who likes to write a lot of missives almost entirely about international trade, got inflamed by this and challenged Dan to cite one case from Milton Friedman to Bastiat to Mises of people who talked about tariffs and industrial policies who don't realize quite specifically that we don't exist in a pristine market. So again, Dan sort of offends those of us who have read these people on free market by implying that they are blind to the fact that there is no pristine market. But that in a way is the debater's point with Dan.

Now let's get to the next part about the cheaper goods. We'll get to the other part, Tom, but I'll quote him. He asks sarcastically, "Why worry if China just wants to sell us cheaper goods? That's great for consumers. According to theory, if China is cheating, the market itself will sooner or later wreak vengeance. No one can sustain a diseconomical policy indefinitely." And by the way, Tom, I will say that, as you know, he will then go on to compare China to the market mafia, to the "MafiaMart," and so clearly, the cheating and all the rest of it clearly sort of offends Dan in a way that it doesn't necessarily offend me, because by the way, I think by and large the cheap goods come from the fact that they're cheap labor, and their cheap labor, of course, comes from the legacy of communism. And I think that it's great that we're buying from that cheap labor, bidding it up and lifting them out of \$2-a-day poverty.

But now let's address what Dan says. He's asking the question, why is it okay to buy cheaper goods? Doesn't that enrich consumers? Well, first of all, of course, it also enriches producers, because more than half of what the US buys from China consists of intermediate goods that go to producers, and so it helps businesses. Actually, even more than consumers, it directly helps businesses, because they buy the intermediate goods from China that become inputs into the final goods that our domestic businesses sell. I just wanted to correct him on that.

And also, by the way, when he talks about the market itself will sooner or later wreak vengeance, we don't say that the market will wreak vengeance and it isn't sustainable. China's mercantilism, if mercantilism really exists, or China's cheap labor can't persist for years to come.

But now let's get to Dan's response, where he talks about a lawful market, a LawMart versus a MafiaMart, and what he specifically says is that this MafiaMart is going to maintain cheap prices for quite a while. It's going to drive the LawMart into bankruptcy, and then it's got a hike its prices. That's sort of like the old story about why we should always fear buying something cheap, because it's really a plot to bilk us in the end by driving out of business any company that can't sell cheap or doesn't sell cheap.

And here, by the way, I like the little turn of phrase from Don Boudreaux, who addresses this specifically as well. He says, "Almost anything is possible, but only a tiny fraction of possibilities are plausible, and an even smaller number are probable." And of course, he makes the point, Don does, that in the international marketplace, if the Chinese are really up to that, they are out of their minds, because the vast majority of products that China sells are also sold in other countries. There are hundreds of steel producers, as he points out, in dozens of different countries. So the idea that the Chinese really realistically think that this is what they want to do would make them fools if they really want to. So therefore, again, Boudreaux, putting it well, is conceding that anything is possible, but the idea that we are not going to buy these cheap goods because of this fantasy that someday those mercantilist Chinese are going to hike the prices when we know that's really not in their minds and they're not really adept and we know that they're probably not that stupid, then it's a bit ridiculous.

And here I want to play the card I played with Steve Moore, which is to say, bear in mind that Dan is asking us to suffer the assault on our rights as buyers and sellers and suffer Trump's tariffs, suffer tariffs that impede capitalist acts between consenting adults. So the burden of proof is on him in a value sense, but it doesn't even make good economics. So that's what I

had to say about the cheap good plot, Tom. And here again, I'll pause for any comments from you. Go ahead.

WOODS: Gene, we were talking about industrial policy just a few minutes ago, and we were saying that Japan pursued it with some vigor apparently. But Dan wants to point out that, look, even though Japan, obviously its economy has cooled down in the past couple of decades, the fact is it's still the number three economy in the world. It still has an amazing postwar achievement it can point to, and doesn't this go to show that it became an industrial superpower not by being purist free market, but by intervening in strategic places? What's wrong with that?

EPSTEIN: Yeah, okay. Well, by the way, I had to laugh a little bit at this idea that, and I'm quoting from Dan, "Japan's economy has cooled off in the last 20 years." So the last 20 years goes back to the year 2000, and it's just a little bit funny that the market crash of the Nikkei occurred in the early '90s, and the '90s have been called by everybody —

WOODS: The lost decade, yeah.

EPSTEIN: — the lost decade [laughing]. So I don't know. I mean, he can't even get his empirical data straight. I mean, Japan began to sort of muddle out of this growth recession by the aughts, but really, truly it's been 30 pretty bad years for Japan. The US rate of growth has been pretty dismal since the year 2000, and by any reckoning, even if you make it on a per-capita basis, Japan isn't even doing as well as our US.

But of course, now I'm bringing in the US and maybe complicating matters, but I want to add some other points that Dan adds by endorsing industrial policy, quote: "China has surpassed Japan only recently and only by using much the same strategy that Japan had used to become an industrial superpower." The data that we have at hand or any way that you look at it basically says that in the case of China — because China really is the easiest case to cite. I'll get to Japan in a moment. But here he is saying that China did it with industrial policy.

Now, most of us know, who've been sort of following the history of the Japanese economy or read much about it, it was in 1978 that massive market liberalism was installed in China, that suddenly the farmers were permitted to sell their produce in a free market, that businesses were encouraged. There was a book published by Orville Schell called *To Be Rich Is Glorious*, and that was the declaration of Deng Xiaoping. So we know that from all kinds of just any account of what happened in China, it turned toward markets. And we know that from the economic freedom index from China, that the economic freedom index in China began to rise in the '80s and '90s and into the aughts. And recently, it's wavered because China has become to respond a little bit to the entrepreneurship and become more of a managed economy.

So the economic freedom index has taught us that there really are gradations of market economies and that you can indeed install market mechanisms even with the background of government domination. And when that happens, you see real results. China opened its markets up to the world. There's enormous investment by the US in China. The US, by the way, sells in terms of product — US companies sell to the Chinese domestically — the US companies that are in China, invest in China, sell to them almost as much as the US economy technically buys and imports from China. So in every which way you show it, China was mired in poverty when they had a managed, top-down economy. When they installed market liberalization and when they turned toward markets, that's when matters improved.

The case of the Japanese is a little bit more complicated, but certainly any investigation of the world of industrial planning in Japan has shown that it caused more harm than good, that typically the top-down planners didn't want — for example, they discouraged the automobile industry, because logically, Japan's a small country and doesn't it get along better with high-speed railroads? So that was their idea, so they were discouraging it. But they couldn't stop it. And obviously, there was always private property and a reasonable degree of capitalism in Japan. It's always had a high economic freedom index. And on top of that, obviously, the

Japanese are very entrepreneurial people. So really, all the evidence that we have for Japan and China indicates that central planning, industrial planning was always a drag, and that markets were what made the difference empirically. Now, is there anything you want to add to that, Tom?

WOODS: Well, actually, just in the interest of time because as you and I were saying before, we could almost do a Gene Epstein Month just on this column, but I do want to just stick to points that jumped out at me.

EPSTEIN: Yeah.

WOODS: He takes a minute to talk about comparative advantage, which is something that anybody in economics 101 learns about, that one country focuses on one thing where it has some particular advantage, the other one does likewise, and then they produce more than if they were in isolation, and then they trade and everybody's better off.

EPSTEIN: Well, okay, all right, Tom, but there's one aspect of that you didn't stress to do it totally justice, but if you want to let me talk, I will go ahead. Yes.

WOODS: Well, hold on, hold on. If you're going to say that it also works on an individual level, I'm aware of that.

EPSTEIN: No, no, no, no, no, Tom, I'm saying that it really begins from a single statement, which is that there's nothing in country B that country B can produce more efficiently than what country A can produce. It's disadvantaged absolutely in every possible way.

WOODS: Oh, that's right. That's right. Yeah, yeah, yeah. Let's say you have a country that is more efficient in the production of everything than the other country. You would think there's no possible gains from trade there. But there are.

EPSTEIN: Yeah, exactly.

WOODS: Okay. Yeah, sorry. No, you're right. I accept that. You're right.

EPSTEIN: Yes, and the point is that, I guess I'll say what an economist with some humility is saying, but here, I think it's interesting that Dan identifies this kind of economic insight with hubris, with prescriptionism. In other words – I'll hold that thought and I'll get to in a moment – all that an economist is saying is that when we observe this, and then we will also observe empirically that there actually is trade between these two countries, that trade does occur, and it occurs because of what I actually prefer to call, by the way, Tom, relative advantage, because comparative advantage, that term is often confused with absolute advantage. It's only that. It's only that.

And actually, it does get more easily down to the level of the individual to illustrate the principle. Somebody tweeted to me recently when I was correcting somebody on comparative advantage, that actually he said, just imagine that this country consists of Supermen, you know, from the *Superman* comic book. They are super at everything, and the other country is just mere mortals. Well, obviously, those Supermen should be spending all of their time saving lives and fighting evil. And obviously, the inferior country should be providing everything else. Their comparative advantage is saving lives and fighting evil, and therefore, we inferior people should be doing all those other things they do so much better than we do, like making dinner or whatever else for them, so they can pursue their competitive advantage of fighting evil – even though of course, obviously, they can paint their homes and make dinners and do it all better than we can. And so the point, then, is that the superior economy should concentrate on those things that it does ultra-best, and then buy from the inferior economy those things bad it doesn't do nearly as well as it does for the ultra-best. And that's the reason why trade does occur.

And in the way I introduced it, the word "should," and the word "should" is almost misplaced there. It's just an observation of empirical reality, is the point. It's just that what does happen – and I just noticed, I looked up Mises' description of comparative advantage, because I

remember he said something unique about it. And I liked the point he said. He said that the hostility to the idea of comparative advantage comes from mercantilists who hate free trade. It rankles them. They want tariffs. They want intervention. So that's interesting that Mises said that. I hadn't realized that he did in his book *Human Action*.

But now, again, we're only describing for comparative advantage an empirical reality. And we're not saying when we talk about a comparative advantage that the inferior country shouldn't try to become a group of Supermen too. We need as many people as possible to fight evil in the world. We're not saying that the country that's inferior shouldn't do everything it could and encourage entrepreneurship and become a market economy and have absolute advantages in the world. We're only talking about a moment in time, analyzing a situation during a fixed period of time when all the producers in one country are inferior in productivity to another country. But let's hope that changes. Let's let 100 flowers bloom.

And so that's what gets us to Dan's rather odd objection, where he assumes that economists are maybe industrial planning prescriptionists or maybe hubristic prescriptionists who enjoy watching this situation. So he says that, may I read the passage, "Just consider what comparative advantage would mean at the individual level. If Joe is a computer programmer and Jack is a janitor, comparative advantage would say that Joe should spend all his time programming and Jack should spend all this time taking out Joe's trash. If Jack should start to learn programming, he would initially be much worse at it than Joe, and Joe would be wasting time by taking out his own trash. Oh, the inefficiency."

Well, again, Dan assumes that we're prescribing. If Joe, the guy who takes out the trash, wants to spend his time to become a computer programmer, fine. But in a marketplace, by the way, he's going to give up some income. And if he wants to work nights and weekends studying to be a programmer, then who's to object? That sounds great. The guy has ambitions to get a better job, and that's all terrific. And Dan is making fun of those of us who talk about comparative advantage. He says, "Oh, the inefficiency." Well, again, I guess Dan assumes that if Joe wants training as a computer programmer, he's going to get a subsidy from the state in order to do it. But no, Joe is just going to have to manage it in whatever way he can. I mean, that's Jack.

Anyway, again, the odd thing is that Dan has such suspicion and sort of like underlying hostility to perhaps the hubris of market people, market analysts, or perhaps thinks of us as prescriptionists, that he thinks that we regard comparative advantage as a prescriptive idea, rather than simply a descriptive analysis in any moment in time.

WOODS: Right, yeah, we're not saying it's a good thing that one country is terrible at everything or that Jack has no idea how to do technically advanced things. This is the situation, and given the situation, it's beneficial for them to trade. But at no time are we saying this is the ideal. One person stinks at everything and the other — it's just so that you understand that the benefits of trade are so great that they apply even when you have absolute superiority of skill of one over another.

EPSTEIN: If some person works for Tom Woods and assists him on his podcast, but then that person trains him or herself to be a better podcaster than Tom Woods, then we comparative advantage theorists say: go for it. Wonderful. And even Tom Woods says that. So again, Tom Woods doesn't want to keep his employees down. They want to moonlight or even learning from him to be better at what he does, then Tom Woods is going to applaud it.

WOODS: Yeah, in fact, the guy who used to be my tech guy has moved on to conquer larger worlds, and I encourage that. Now, by the way, everybody who's working for me now, , I'd appreciate if you stayed put for a while, because I don't feel like hiring [laughing].

EPSTEIN: Okay, Tom Woods is showing his ugly side.

WOODS: [laughing]

EPSTEIN: But what Tom is not sounding like a comparative advantage theorist then; he's just voicing certain self-interested feelings that are private to him. So I want you to know that, Dan, just in case you're listening.

WOODS: Well, it's interesting, by the way, when he gets to intellectual property, he makes what may actually be a valid point.

EPSTEIN: Oh, yes.

WOODS: When he says he was debating with a trade policy expert, and this trade expert said, well, look — because Dan was saying intellectual property is a kind of protectionism, and the trade expert said no, no, it's a government-granted monopoly to spur innovation. But Dan could just as easily come back and say, all right, well, so is protectionism, in a certain way.

EPSTEIN: Yeah. Well, okay. Yeah, no, I'm glad you said "in a certain way," but I won't make an issue out of that. By the way, first of all, I agree with what you just said, which is that in a sense, when it comes to intellectual property, Dan does at least have a talking point. I don't think that, even if he were totally right about intellectual property and that it's inconsistent with other things, I don't think that it carries his other arguments the least bit. I don't think that that he can make a case for industrial policy or that it can make a case for tariffs, because the idea that tariffs spur innovation is a bit of a reach, as I'm sure you'd agree, Tom. It might or might not be doing so.

WOODS: Right, but I guess in other words, he's saying you're willing to engage in some forms of prescriptionist behavior to bring about your goals.

EPSTEIN: Yeah, yeah. But so let's talk about industrial policy. As you know, Tom, the reason why he sort of has us a little bit is because libertarians are divided on this issue of intellectual property. I don't know, maybe you tell me, Tom, because I guess the Misesians basically agree with Stephan Kinsella, who's been the biggest advocate of no protection for patents or innovation. I don't know. I'm just quoting this offhand. There are people who tend to disagree with Kinsella, even pure Misesians.

WOODS: Yeah, there are.

EPSTEIN: Yeah. Yeah, so they disagree with him. And so bear in mind that, by the way, I will say something about this. I was talking with David Friedman, who, he's an ancap and son of Milton Friedman who's gone beyond Milton and advocated for anarchocapitalism, even though according to Rothbard, without enough kishkas in it, enough hate-the-state philosophy. But when I was discussing it briefly with David, David actually said with a certain sort of emotional fervor, he said, look, it's a property right. When you work on something that hard, when you write a book or you invent something, that's your property. That should be protected. And so David really actually was simply making the argument that the protection of patents and copyrights was all about the government's protection or the law's protection — of course, David is an ancap, not necessarily for the government, but the legal protection of property that's justifiably yours. And of course Kinsella says that it can't really be understood as such.

So my only point in response to Dan is that Dan is saying that the defense of IP protection is strictly a consequentialist argument about it spurring innovation. I will only tell him that, what will Dan say to those who believe and would argue with Dan that it's really the same kind of property right as building your own house is. As David Freeman was implying, it's effort to build your own house, but it's also effort to write a book, and it's effort to invent something. So it is a property right. That was the argument.

But then, look, in a way he does have us in terms of consequentialism, because I do believe, as a libertarian, that we start with values. We start with the zero aggression principle, but I think that we rarely can leave it at that. We have to look at the consequences of respecting people's rights. We have to recognize that if you're somehow saving the lives of a million

people by trampling on somebody's right, then sounds like you've got a good argument, just to use an extreme example. And so the consequentialist argument does carry some weight with me, and I feel a little bit unhappy with it.

I keep, by the way, badgering Stephan Kinsella to get into the consequentialist argument more than he has. He sent me a monograph he'd written, which I haven't gotten a chance to read. So again, if you're going to argue against IP, you've got to say, well, it really cannot be defined as a property right. And then, in addition, in so many cases, consequentially, patents and copyrights may even slow innovation more than they speed it up.

But again, I guess at the end of the day, if we want to grant the point that it's all about consequences and spurring innovation, I will say that it's not a strong point on Dan's part. It is at least a talking point, but I don't think that even if we were to grant it 100% of the way to analogize it with tariffs, where there is, again, a burden of proof on government intervention, we know that as a practical matter, it isn't even the intention of tariffs to spur innovation. It's mainly other intentions, and of course, the consequences of tariffs are very different. So if the burden of proof is on Dan to defend tariffs, I don't think he can do it by playing that card.

WOODS: With regard to intellectual property, I agree with you about, I mean, I like to be able to argue things on both deontological and consequentialist grounds. I like to win everywhere I can win. I want to win so much, I'm going to get bored with winning. And so I agree with you. I'd like to see more of that. And there have been people who have worked on that specifically or have tried to give examples of how could an author be able to sell a book in a non-IP world. And there are different models, and I'd like to hear that spelled out a little bit more.

EPSTEIN: Sure. And actually, I'm scanning that. It's funny that there's a book called *Against Intellectual Property*, and then there's another book, *Against Intellectual Monopoly*.

WOODS: And that one does focus more on the consequentialist.

EPSTEIN: It's almost entirely consequentialist. And indeed, I really think you can look more at it. I gather that all the patent wars that take place in software and just some stunning facts, the Wright brothers after they invented the airplane, they were really very vigorously through patent law impeding progress in that area. There's so many horror stories about the use of patents. And of course, crazy lawsuits, like in the "Fair and Balanced" lawsuit that Fox brought against what's-his-name? I forget, he made a big joke out of those people, the comic who then became a senator and then lost his job. I forget. Al Franken. Al Franken was sued by Fox for using the term "fair and balanced." We get just this crazy stuff, that was copyright law, that they'd invented that phrase. Or all the cases that could have been brought against Shakespeare for stealing his plots for his plays if they had that kind of law in those days.

Anyway, all true, but my point is that I do think, again getting back to Dan, that even if it is a government-granted monopoly to spur innovation, I think it's a stretch for him to use that simply as the defense of tariffs, because tariffs consequentially really have very many other effects. And they are, just for starters, a violation of rights.

WOODS: All right, I want to start —

EPSTEIN: I've got some other stuff.

WOODS: All right, let's wind down with one more.

EPSTEIN: One more. Just one more. Okay.

WOODS: Just one.

EPSTEIN: Okay, here's the best. Here's the best. Here's the best.

WOODS: Oh, all right, I'll let you choose. Yeah, yeah, if you've got something that's the best, then you choose.

EPSTEIN: All right, thank you, Tom. Okay. By the way, I want to take a personal jab at Dan in this way. I didn't — I guess I did team — I'm trying to remember when I teamed up with Dan as a debater, and then Dan mentions that he was debating trade policy. And now I just wonder, Dan, if you're listening to this, I want to do a shout out and say: you know that Tom and I both admire you for a lot of stuff. We also think you're a great guy personally, and you knew that we were going to criticize you. Were you afraid that Tom and I were going to gang up against you? Well, you know the last time you and I did have a debate, Tom decided to become just the neutral moderator, and he didn't use a two-against-one kind of advantage against you. So I really do think that you were remiss in not appearing on this show to discuss your article.

But with that said, I want to read this thing from Dan, one of his passages, the best part: "IP, intellectual property, can be copied even more easily than manufacturing plants, and know-how can be relocated, and the value of brands is ephemeral. In the long run, the predictable outcome is not the technical IP and brand advantage that the US will erode, and after that the US will neither be a knowledge economy nor manufacturing superpower. It will be as if 18th century Britain had traded its wool industries for winemaking. We will be an economic relic."

That's the part that I regard as sort of the craziest and juiciest. And why do I say that? Because he is actually now telling us that he knows how to do industrial planning. He's got the vision. And what vision does he have? We will no longer be a manufacturing superpower. So if he wants us to prevent IP and brand advantage from occurring, if he wants our industrial planners to have his foresight, that we can lose the march on that because IP and brands are easily stolen or subverted and that we won't be a manufacturing superpower anymore, what's left? Well, Dan thinks that in order for us to avoid being an economic relic, we have to stick to manufacturing.

But of course, then we'd ask Dan, in terms of your crystal ball and your ability to plan for us, in terms of national economic planning, you know how difficult it is to compete in that way, because clearly they've got a lot of cheap labor abroad to compete with us. And you know how easy it is for goods to be shipped across borders these days, and so where are we left, Dan, with your solution?

But that's only sort of making fun of Dan as the would-be national economic planner. My real problem is this idea that we will be an economic relic. Now, to begin with, also empirically, as I argued against Steve Moore the other night — and you can get to that part of it later, Tom, my argument with Steve Moore and my debate with him — I said:

Steve, you have said over and over again that China is marching in the wrong direction. They are becoming more of a managed economy than they used to be. They're suppressing entrepreneurship. And you know, Steve, just as well as I, that such economies do not handle intellectual property very well. It's one thing to steal our intellectual property. It's another thing to be able to implement it. You need a Jeff Bezos to know how to implement intellectual property, know how to sell it. When Jeff Bezos marketed the Kindle, it wasn't as though the Kindle had not been developed before. Electronic readers existed. Jeff Bezos understood that in order to market it, you have to have 100,000 titles available on that Kindle from the get-go. And so Jeff Bezos twisted arms and threatened publishers, because he needed 100,000 cheap titles on that Kindle right away. He was the one who was able to market it.

Now look at China. If it's going to be a bunch of bureaucrats, they're not going to get anywhere, so therefore, I'm not even that, so to speak, "afraid" that China's going to steal our IP and brand advantage. And even Steve Moore said the other night, it looks like you need Silicon Valley for that. So this fear that stealing our intellectual property is a little ridiculous.

But then beyond that, about our being an economic relic, that other part which I addressed, that China's an existential threat to us economically, that we want to be the dominant economy and intellectual property, well the Swedes, the Danes, the Canadians, the Finns,

they seem to get along fine without their country being dominant in IP. And if China suddenly goes free market more, if their market liberalization accelerates, and if a galaxy of Chinese entrepreneurs invents things that we've never heard of and the Chinese become the kings of intellectual property, what's to complain about it? If he says the intellectual property is easily stolen, then we'll get it anyway. And of course, obviously if they're a market-oriented economy, they're going to want to sell it to us. So this nationalist fervor for the US, that Team USA is playing a life-and-death game against China, that sort of nationalist, top-down mentality is tragic. It's non-libertarian. It's hardly even conservative.

And now getting back to what I think is Dan's fundamental problem, Dan is a conservative and he's unfortunately turning to government to conserve his values. And that's a Faustian bargain. We all know that. What Dan ought to do is more proactively try to get people and institutions to act conservatively according to his lights. To some degree, the market does act conservatively. Landmarks and monuments and wonderful buildings always have market value, and nonprofits invest in them, and nonprofits conserve nature. So the conservative impulse in markets is already there, and then Dan encourage it through the free market. So I guess I can shut up now, Tom, and ask if you have anything to add.

WOODS: Well, what I have to add is that folks should check out Gene Epstein's Soho Forum.

EPSTEIN: Yeah, okay.

WOODS: Because not only should you attend the events in person, but if by some misfortune you don't live within driving distance of the area of New York City, you can consume the debates through audio or video at your leisure. And they are on such great and interesting topics, and the debates are generally quite civil, and there's a lot of light shed.

EPSTEIN: [laughing] "Generally quite civil."

WOODS: Yeah, I think so. I think so.

EPSTEIN: [laughing] They're always quite civil, Tom. Okay, go ahead. I'm sorry.

WOODS: Well, the website is TheSohoForum.org, so you want to check that out.

EPSTEIN: And we have a dedicated podcast now that was installed by the recent people, *The Soho Forum Debates*, where you can get all our debates on podcast. *The Soho Forum Debates*. And the debate that I lost is supposed to be released today, at least on podcast, and tomorrow or in a few days on video. And so I hope you listen to that debate that I lost. Thank you for the plug, Tom. And the Soho Forum is looking forward to ultimately hosting Tom Woods at our Soho Forum, and —

WOODS: We will see. I would like to do it. As you know, we can't say right now, but it does depend on —

EPSTEIN: We can't say it right now. Absolutely. It depends on certain things. But even if that one doesn't work out, Tom, I'll get you in the end. And Tom, I want you to know, is accepting the chump change of \$2,000 that we offer and also —

WOODS: [laughing] Oh, you shouldn't tell people what the fee is.

EPSTEIN: Tom, look, we're transparent. We do that.

WOODS: [laughing] Not me.

EPSTEIN: I know Tom's mental accounting. Where do I have Tom? Where I have Tom is that I'm based in Manhattan. So Tom quickly calculated 2,000 plus expenses: I can blow it all on a few Broadway shows.

WOODS: Yes, exactly. That was precisely the way I thought of it.

EPSTEIN: So Tom, an all-expense-paid trip to New York and all I have to do is debate at the Soho Forum? Fine. I could see *The Play That Goes Wrong* —

WOODS: Exactly. Whatever Gene God wants me to do, I'll just go do it and then have some fun. All right, well, listen, remember everybody, at the Soho Forum if you do attend in person, just go up to Gene and say the name "Tom Woods," you get a free drink at the bar. I think everybody knows that by now.

EPSTEIN: And you make an interesting point on that. You put that idea in my head, because you're such a fair-minded guy. If Tom Woods is actually a debater up there, isn't it sort of rigging the game that it also gets you a free drink at the bar? I've got to think that one through, Tom.

WOODS: [laughing] Yeah, interesting moral dilemma. All right, thanks a lot, Gene.

EPSTEIN: Okay, thanks again.