Guest: John Tamny

WOODS: You know, this book with a title like *They're Both Wrong*, that's the kind of thing my listeners think all the time [laughing]. That's the position we're in all the darn time. And you've got a whole book basically elaborating on this and giving us example, after example, after example of where people like you and me are a little different from the mainstream. I can't stand platitudes from either of the two so-called major sides. So we've got a whole bunch of examples in here of areas where there's the conventional wisdom that's held by one side or the other, and you're just bashing it to smithereens. And it's deeply and profoundly satisfying, so I was very glad to be able to have you on to talk about it.

So I don't know if there's a particular reason that at this moment in time you did this particular book, because with me, there's always some flash of inspiration for any particular book. Maybe I read something, and I say that is the last straw. I have got to write something against this. I don't know, was there such an epiphany in your case, where you said, doggone it, the time is right for me to do this?

TAMNY: Well, I'll first say that you told me not to write this book.

WOODS: [laughing] Yeah, I know.

TAMNY: So I'm going to blame you for this one. But it was just a buildup of frustration over time, in that more than I wanted to admit, I expect more from our side — or when I say "our side," the right in general, conservatives, libertarians, however you want to put it, that big blob of people who claim they're for limited government. And I thought, so often I find myself rebutting their views in my head and writing op-eds. And so I thought I can't be unique out there. There's got to be a view that both parties have let us down so much, both ideologies are so alarmist about everything, that there's a market for someone to say, guess what: both sides are routinely fallible and wrong on policy, and that's precisely why we should be skeptical of policy in general, particularly national policy.

WOODS: Well, what I'm going to do, given that you've got — let's see, how many topics in here. Leaving out the introduction and the conclusion, you've got 26. And I've got a 30-minute program, so what we're going to do is pick ones that jump out at me as being particularly interesting, or areas where I'd like to hear more, or I'm a particularly interested in your take on things.

So for example, let's start with one that I have talked about before, but not in a while, and that has to do with falling prices in the economy. For some reason, a lot of people, in fact I would say it's the mainstream view, that if prices fall, not just isolated prices, but as an overall phenomenon, this is a bad thing. This leads to economic hard times and difficulties for business. And you seem not to believe that, so I'd like to know, first of all, why do you think people fear falling prices? What's the plausible or what they consider to be the plausible case for why that's something to be feared? And then why do you think it's not something to be feared?

TAMNY: Well, why do they fear it? They fear it because there is this belief among economists — and I include all too many free-market types who can't quite shed themselves of their worship of consumption — there's this fear that if prices are falling, people will stop consuming. And in ceasing consumption, the economy will stop growing. Well, you and I know that investment powers economic growth. You never need to encourage consumption. That's why we produce. And so their fears are misguided.

But they're also misguided because they labor under the assumption that economic growth leads to rising prices. How many times have you read about booming economic growth and some reporter in *The New York Times, Wall Street Journal*, doesn't matter, says, *Well, this can lead to inflationary pressures*? In fact, the surest sign of economic growth is that prices are falling. And why do we know that? We know that because the mildly reasonable among us understand that economic growth is a consequence of investment. And investment is all about the production of more and more, in more efficient ways, such that the price drops.

The easy example, and it's in the book, that you and I were talking about before the taping began was, we're complaining about some of the difficulties with Skype, but consider the first cross-continent, US-to-Europe communications in the 1860s. If you wanted to communicate ten words, and that was the ten-word minimum, it was going to be $10 a word by telegraph, I guess you'd say. Well, nowadays we communicate with anyone for essentially next to nothing. Our cost is an internet connection, a monthly internet connection, that allows us to communicate voluminous amounts of information, books information for essentially next to nothing.

This is true across the economy. The original laser printer cost $17,000 in 1981; now you can get them for under $100. The original window unit air conditioner that only the richest of the rich had in the 1930s cost anywhere from $10,000 to $50,000. Now you see those for under $100 on Amazon, and you generally see them in poor neighborhoods. And so there's a fear of falling prices, but falling prices are a sign of progress. Everything in a growing economy becomes cheaper and cheaper.

WOODS: Right, now, we would see that more clearly — I mean, right now, we don't see it that clearly, because maybe it's getting cheaper in terms of our wages or something, but it's not overall cheaper because prices for the most part do rise. And that's because of monetary policy. If you had a money that stayed stable, let's say in terms of supply, then that money stays roughly stable, grows a little bit, but the explosion in the output of all other goods means you're going to get a falling prices that will be evident even in nominal terms. Well, we don't have that part, but the phenomenon that you're describing, of course, is what characterized the American economy all through its most extraordinary periods. When the United States was becoming the great global power, prices were falling and the world didn't end.

Now, here's what they say. They say that if prices are falling, the trouble is, let's say I spend $X on the inputs to produce my good, and then the good gets produced, but by the time it gets produced, the general price level has fallen to the point where I can't sell that good at the price that I was expecting to be able to sell it. And therefore, I'm going to make a loss. And if businesses are collectively experiencing this, we're going to have mass bankruptcies and a lot of dislocation. So what's wrong with that? Is there anything wrong with that?

TAMNY: Well, I think what's wrong with it is that would be happening no matter what. In a dynamic economy, businesses are always dying. I don't think that's a bad thing. That too is a sign of progress. If you told me I have two choices, a bigger breakout of the coronavirus — what would scare me more, that or Apple Computer dying in 10 years, I would probably prefer Apple Computer dying. In a dynamic economy, today's companies are rarely the big successes of tomorrow. So I don't so much worry about that.

You look at anything, though, and even with monetary policy imperfect, prices of everything fall. The original fear in the 1980s was: why would we have wireless or mobile communications? No one's going to pay $4,000 for one phone. But gradually investment flowed toward that space, innovators like Craig McCall figured out ways to make mobile communications with people roaming around quite a bit cheaper. And so now we quite literally get on mobile phones that are supercomputers that cost next to nothing, and we call around the world for next to nothing.

And so I think this is real. What people should consider is the unseen. Imagine if the dollar was stable. If so, global currencies would be stable. We'd see prices falling even more. Now, would that lead to a general fall in the price level? No. No, because with a stable currency, there's no general fall in any price level, because as prices for certain goods fall, that just introduces demands for new goods formerly out of reach, and so we're constantly reaching for new things. Remember, just four years ago, a 4K UHD TV cost $25,000. I just bought one the other day, 43 inches for $350. And so in a free, growing economy, falling prices are everywhere.

WOODS: Can you just give me the one-sentence explanation, just to make sure everybody's understanding, of why they think that if prices are falling, people won't consume? Because I think off the bat, people are thinking, oh, if prices are falling, of course I'm going to go out and buy all these bargains. Why do they think that's not true?

TAMNY: Well, economists, not you, but economists broadly think that's the case, because if people think prices are continuing to fall, they'll wait, wait, wait —

WOODS: To get an even bigger bargain the next day.

TAMNY: Yeah.

WOODS: But the problem with that — and that is the answer. Of course, that is the answer. I just want to make sure that normal people listening understand at least the reasoning behind that way of thinking. And part of the answer to that is that we can look at a sector where we clearly see substantial declines in price over the years, namely, in consumer electronics — like I know that next year, there'll be an even better phone with more features that's even cheaper than the one I have now. There'll be a better laptop, more powerful than the one I have now. So according to this model, I should never ever buy a laptop, right? Because I should be sitting around waiting for the next one. But the reason I don't do that is that I'm not an idiot. It's that I realize I do need the laptop now, at some level. And the other thing is —

TAMNY: What you get now is amazing, and if it were true what economists say, then Apple would be hurtling towards zero right now, because Apple keeps improving, yet people keep buying their things.

WOODS: Right.

TAMNY: Whether the price goes up or down, the reality is compared to the original iPhone, what you can get today is way above what was there. But people keep buying and they will continue to. Markets would work this out. If people were really fearful falling prices, you'd see it in the technology companies the most. But look in the economy. What's the sector of the economy that's most rewarded? It's Silicon Valley. Silicon Valley is all about relentlessly pushing prices down the fastest.

WOODS: Now, I want to move on to some other topics, but just to close this out, even if that fear that businesses will all go bankrupt because with a falling price level, they can't sell their product at a level where they can recoup their costs — even if that were true, then the worst thing that happens there is that you get bankruptcies that just change the ownership of the assets, and then the economy continues. There's no aggregate problem there. The same amount of stuff, the same amount of productive capacity, it's just that the ownership changes hands.

But even there, we have to remember it's the job of the entrepreneur to anticipate the future. That includes price changes. That's part of his job, is to anticipate that. And entrepreneurs are able to do that. If they anticipate price changes, then bids for the factors of production go lower, because they know that the price they can fetch for the finished product is going to be lower. So in other words, there are ways of factoring this into entrepreneurial calculation. This is not the end of the world. As you say, it is a sign of a progressing economy.

I've got another one I want to pick on, and you may think that's a strange one, because it's not earth shattering. But to me, it's important, because it just gets raised over and over again. And that has to do with federal job training programs, because that sounds so inoffensive, right? Who would be against that? We have this dynamic economy. People have to be ready to change their skills and abilities on a moment's notice to stay up with it. What's the harm in helping people along?

And I will say that I have a friend, Mark Thornton at the Mises Institute, who years and years ago told me that he studied the job training programs just in the state of Alabama — so I don't know about the federal level — and the question that he wanted to answer was: in a given year, how many people went through these job training programs, and then actually went out and got a job for which they were trained? And the answer was 2. I don't' mean, 2000. I mean literally one guy plus another guy. So I don't know that the federal level is quite like that, but what is your critique of these programs?

TAMNY: Well, my critique is that if you could predict, if you knew what the federal training should be for jobs programs, you certainly wouldn't work for the federal government. You'd be a billionaire. Because if you can tell me or if I can tell you what the jobs of tomorrow are going to be, let's go out and raise a multibillion-dollar hedge fund because people would be racing to us with money.

WOODS: [laughing] Yes, right.

TAMNY: The simple truth is you're almost by definition training for yesterday's work. And what's also left out with this is that people adapt. I think I speak for the both of us that when we were in college, computers weren't really necessary. I didn't have email until, realistically, I was about 28 years old. But everything I do today is internet-based. And why is that? Well, market signals kind of pushed me in that direction. I realized that's where compensation was.

You saw it also — and there's so much stuff behind soaring oil prices in modern times. We were talking about debased money earlier. But the US energy industry didn't exist in the '80s and '90s. Oil was so cheap then, the dollar was very strong, and whatever, even if you disagree with that, but the US energy industry didn't exist. In the 2000s, suddenly there was a big surge of investment in the US into it. People with no skills very rapidly migrated from most parts of the world to the US and trained themselves for the jobs very rapidly. If there's money, there's always going to be people learning it. This presumption that you need federal job training is a presumption that you can see the future. Certainly no one in the federal government can do that.

WOODS: Well, that actually brings to mind another chapter where maybe there's a somewhat related issue, and this is one where you're going after so-called conservatives. There was apparently a piece in *The Wall Street Journal* where they were calling for — and I guess Trump himself may actually have proposed it — some kind of federal intervention that would help bring about, let's say — because there was a claim that there are worker shortages in the trades, and kids are going off to college who shouldn't be going, and as a result, we have a shortage of workers in desperately needed areas, so therefore, we need some federal intervention. So this was coming from the so-called right wing. Now, I would guess it's a similar problem there.

TAMNY: Yeah, it's this fatal conceit, again — conservatives are just as bad on this. And they the *Journal* editorial said, well, there's just not enough STEM employees out there. There's not enough technical workers out there for businesses. They claim they can't find them. I said, well, wait a second. The same *Wall Street Journal* that raved with excitement for years about the flow of workers up to Williston, North Dakota with no oil experience, but were hired rapidly there, suddenly, there's a shortage of workers in certain areas, and the *Journal* thinks the government needs to create internships and apprentice programs to fix the shortfall? Be serious. Implicit there is that market signals don't work. No, the problem is if you can't find workers, it means that you're not offering a high-enough wage. Because if you are offering a higher kind of wage, guaranteed, people will learn whatever it is they need to learn to get into that job.

WOODS: Well, let's stay on not quite this topic, but on the tack of going after the so-called defenders of free markets, because chapter six has to do with budget deficits and balanced budgets. Now, these sorts of topics I think bore people to death. But to me, what's interesting about them is that you genuinely do hear the Dick Cheneys of the world saying, *Well, it goes that Reagan proved it. Deficits don't matter*. You do get so-called conservative saying that. So what's wrong with that? I mean, we've had big budget deficits and we seem to be hanging on all right.

TAMNY: Well, I'll answer the question with a question for listeners. What would they prefer more: an annual balanced budget, no borrowing of $4 trillion, or an annual deficit of $1 trillion on $1.5 trillion in federal spending? The obvious answer, to me at least, is that you go for the annual deficit, because to me, the focus on borrowing is to make a distinction without a difference. In each instance, the money is extracted from the private sector.

WOODS: I see. Yeah, so it's not borrowing per se that's the problem. It's the size of the state.

TAMNY: Yes, it's the spending. That's the only thing that matters, because every dollar that they spend is an extra dollar of control that Nancy Pelosi and Barack Obama and Donald Trump and Mitch McConnell have over the economy. So to focus on that is, first of all, to pretend that there's a revenue problem. Yeah, there's a revenue problem, and it's one of too high of federal revenues. Think about it. Do people in general lend to people who don't have the means to pay it back? No, and governments are no different. The federal government can borrow in copious amounts at ever-lower rates and has been for decades, precisely because investors, market signals say that the US is a good credit risk. It's backed by the most productive people on earth. And so I think the focus on deficits is to miss the bigger problem. It's government spending. I don't care how it gets the money. I just care that it has the money.

WOODS: Yeah. Yeah, yeah, okay, I see where you're coming from on that. And from that point of view, I do agree with you on that, because one way or another, whether it is through borrowing or whatever, the key thing is that the state has control over resources. And one way or another, it's getting that control. And what I want to do is minimize that control, minimize the amount. And focusing so much on balancing the budget like a schoolmarm is kind of missing the point Because as you say, yeah, if we had a balanced budget and it was $9 trillion dollars. I mean, that wouldn't be all that satisfying to me.

TAMNY: No, wouldn't it. And getting to your point, because let's just to continue briefly, Americans are the most productive people on earth. And so it's not unreasonable to suggest at some point that we could have a balanced budget of $9 trillion dollars. Now, is that a laudable scenario? No, but as productive as Americans are, it's not unreasonable to suggest we get to that point. So the focus should always be on the total dollars, not how they get that, because once you're focused in on balanced budget in a country like the US, you are basically endorsing massive government and massive growth of government and massive growth in where government is doing things. And so we should always focus on dollars, not on how they get them.

WOODS: All right, I want to now jump into one of your longer chapters and one that I think would be most likely to attract the vitriol of the side you're attacking or criticizing. And that's the one about the corporate exploitation of employees, which is taken for granted, of course, obviously by Bernie Sanders people, but we read these anecdotal stories about people at these big companies, and they seem to have a daily existence that I could not conceive of having, and it does seem like they are worked to the bone. As I say, you get this anecdotal impression, certainly, that it would be naive not to admit that on some level, corporations are taking advantage of these people. That's the impression people get. What's wrong with that impression?

TAMNY: What's wrong with it is that corporations are doing everything they can to pay workers more, because corporations know that low-paid workers are the most expensive of all. Why are they? Because they quit. So you put all this effort into them, they don't value it., and then they leave. Or while they're in the job, they don't value it, they don't learn the names of their customers. There's just no incentive to stay.

And so you look at Walmart, a company that's viewed as a mass exploiter of workers. Walmart between 2017 and 2019 invested $2.7 billion in worker retraining programs. Specifically, it's trying to get its line workers, those on the floor, into supervisory and managerial roles. And interestingly enough, those roles pay on average — managers at Walmart get an average pay package of $170,000 a year. That, supervisory or managerial, accounts for one quarter of all Walmart workers. That's the goal of the company to get people there, because they have better odds of keeping them, and they have better odds of keeping them invested in the company.

And so Walmart's, it's retail, but you look at Starbucks. Starbucks, you think, *Oh, baristas*. Except Starbucks is so desperate to have good baristas that it offers free college education. It offers free health care. You look at some of the higher ones, if you go out to Silicon Valley, it's a whole different level. There's fights for chefs out there. Google is building low-cost housing for its employees. They're doing everything they can. But the persistent theme among these companies is they recognize that if they don't retain the best workers, they can't survive. It's the human capital that shows up every day that matters most. And so there's this myth of exploitation that is belied by reality.

WOODS: But don't we read stories, again anecdotally, but I see, for example, on Facebook sometimes people sharing articles about people who live in their cars and they live in a parking lot. I read about a woman who works for Amazon, she lives in a parking lot, and she was upset about this and said that she hopes that Jeff Bezos is enjoying his steak dinner that night. So she was angry at him for that. Now, I don't know her situation. I think most people can probably support themselves without living in a car on an Amazon income. But the idea that I would be sitting there thinking the one person on earth who is employing me, the one person on earth who thinks I'm worth enough to be bothering to hire is the person I'm going to be angriest at, is just something I can't wrap my head around at all.

TAMNY: No, I can't wrap my head around it; plus, I also think — and I don't know, I think I'm probably preaching the choir here — anecdote doesn't read as fact or statistic. You wonder about the other choices this woman has made with her pay package such that she's living in her car. I think if we looked into that, we'd have a better sense of why she's living in her car.

But the simple truth that you find, I'm very happy with that chapter because it begins with the story of Frank DeFord, the legendary *Sports Illustrated* writer. He was following the NBA. He covered the NBA in the 1970s. Fascinating to me is that he's flying in first class, and if he wanted to talk to the NBA players, he had to go back to coach to find them. At night, the players would follow him around, because they knew that he had an unlimited expense account, and they did not. Fast-forward to the present: if you're a sportswriter, if they allow you to travel for a game, it's on a budget times ten, whereas the NBA players are in chartered jet. And so it's a reminder that corporations that are doing the best have a tendency by definition to treat their workers the best. So if you love good treatment of workers, you must love business achievement, because when they're doing well, their workers are pampered.

WOODS: Let's conclude with this, because you have quite a few disparate topics here, and it's *This side gets this wrong, and that side gets that wrong*. Is there a common thread, though, that more or less runs through all these issues that you raise?

TAMNY: Yeah, I think the common thread is basically alarmism. I don't hide from this, that I was trying to channel Hayek in dedicating this book to the alarmists of the dominant ideologies. There's this view on both sides, and boy, you see it on our side a lot: crisis here, crisis there. If I hear one more time about the funding crisis in Illinois or the funding crisis in California or the unfunded liability crisis. I look at markets all the time, and one of the things I do in my work is I keep a Rolodex of people who sell muni bonds, who sell government bonds. And I say, do you notice this in the prices of Illinois bonds? And they say, no, they're trading at par. I don't know what this person is talking about.

So when our side says, *This crisis this, this crisis that*, they're basically saying that markets are stupid. And it strikes me that both sides have done this. They constantly ignore the truth of the market while incorporating their viewpoints, and then they try to make national policy with it. And that's so dangerous. Jeff Bezos is the richest man in the world, but he freely acknowledges just about every experiment he tries fails. Yet liberals and conservatives are convinced they've got the national policy solution for everything. And I think that's horrifying, and it's so opposite of what businesses do.

I'll just give one example that didn't make it in the book because it was already in the process of being published. When Burger King rolled out the Impossible Meat burger, does anyone think that they foisted it on all 7,200 restaurants right away? Oh, be serious. They tried it in St. Louis. *Let's roll out the product here, see what the reaction is; if it makes sense, we go national with it*. Yet liberals and conservatives have national solutions to everything, and I think that's so dangerous.

WOODS: Well, the book is *They're Both Wrong: A Policy Guide for America's Frustrated Independent Thinkers*. I will link to it at TomWoods.com/1610 along with links to other stuff by John, Real Clear Markets, and his previous appearances on *The Tom Woods Show*. Thanks, John.

TAMNY: Thanks so much for having me, Tom. It's very much appreciated.