



Episode 799: Trump's Carrier Policy: How Should Libertarians React?

Guest: Bob Murphy

WOODS: Good that we're talking on this show and not only on *Contra Krugman*. In fact, we haven't even discussed what we're going to do for *Contra Krugman* this week. I've read the Krugman column, and I think we could go with either of his columns. But anyway, we'll talk about that on our own time.

For now I want you to talk about a topic that is still causing controversy among libertarians, and there are still social media arguments going on about it, and that is this whole deal that was apparently worked about by Donald Trump and this air conditioning company, this Carrier company, where apparently they're going to keep some jobs in the U.S. that might otherwise have been exported to Mexico in exchange for some kind of special tax break deal. Do you know the details — ? I don't think we know all the details, but what is the rough understanding of what's been offered to them?

MURPHY: Sure, so the story has evolved. So you're right; originally people were reporting it, I think the issue is that Carrier is an HVAC company as you're saying, and so originally people were reporting it that it was making air conditioning units, but I believe the specific factory in question now and the jobs they're "saving" have more to do with furnaces. But that's like the actual reporting has evolved over time for that.

So the way I'm seeing it reported is that they're claiming there were \$7 million in "performance-based tax breaks" that were administered, and so I believe this is technically having to come from the state of Indiana. If you think about it, Trump's not the president yet, so he can't do anything directly in that respect. And also, the president's not a dictator; he can't just do that. So I believe that that was the deal that they had gotten.

I've also seen reports that this deal was offered to them previously, and it was only because now the fact that it was in the news and whatever, so that the big picture story is that this company Carrier was going to close its Indiana plant and move some 1,000 jobs to Mexico, and then now because Trump intervened, famously tweeting on Thanksgiving Day that, Hey, I'm working on this deal to keep these jobs here; this is a new administration; these are my priorities. And then he gets to announce to much fanfare that, Yep, we worked out a deal with them, and they're going to stay. And so I've seen the number keep getting reduced. The latest figure I've seen is that they're going to keep 700 jobs in this Indiana plant.

WOODS: I suppose at one point we'll talk about the economics behind the idea of it's better to keep jobs in the U.S. and stuff like that. Let's leave that aside for now, because the —

MURPHY: But first do you want to talk about HVAC units?

WOODS: Yeah, that's right. That's my first — (laughing). No, but what I want to talk about of course is the argument that libertarians are having about whether this is a good thing or not, because on the one hand you could say it's a good thing when fewer taxes are paid, and now this company will be paying less money in taxes, and that has to be a net benefit. And on the other hand, you have libertarians who say, But given that this is a selectively granted benefit and the competitive of that company aren't enjoying that benefit, this artificially privileges the one company at the expense of all the competitors, so we can't cheer this. This is a bad thing.

And you've taken a pretty strong stance on this, and I have people who are even supporters of the show who have exactly the opposite position from yours, so I'm going to play devil's advocate with you. First lay out what your view is, because you argue that this is a good thing. How do you figure?

MURPHY: I'm going to be a little bit more even nuanced than that, Tom. My position was more: I don't understand why libertarians are freaking out as if this is a horrendous thing.

WOODS: Got it.

MURPHY: I mean, because there were reactions, certain people acting as if this was the end, and they couldn't believe it, and there was something qualitatively new here. Just to give you an example — So not that Larry Summers by any stretch is a libertarian, but he had a piece where he was saying that this is possibly signaling the demise of American capitalism, and he starts out his piece talking about:

" I always thought of American capitalism as dominantly rule and law-based. Courts enforce contracts and property rights..." And he goes on.

And then of course his point is to say, And now Donald Trump has changed all of that, and what does this mean for the future?, when Larry Summers was involved with the auto bailout when Obama first came in. We don't know how much he was involved with the minutiae, but there they clearly threw the secured creditors out of the way to be able to pay off the unions and so on. So this idea, a lot of people who are, you know, they need to go hit their swooning couch because of what has happened here, I think there's a lot of hypocrisy involved.

But you're right in terms of narrow libertarians, who we can say, yes, they've always been opposed to this stuff, my point was to say, Look, what exactly is happening on this particular thing? I think, Tom, too we should before the show ends come back to the whole 35% tariff thing, because that's a completely separate analysis. But on this Carrier deal per se, what was the deal? They're saying, okay, we're going to give tax breaks to this particular company, and there was also people speculating that maybe

it was the parent company United Technologies that Trump had threatened, Hey, when I take over we're going to hit your military contracts — because they apparently have a lot of business that's defense contracts.

So I'd say, well, look, libertarians, they've been running around, particularly in 2016, saying taxation is theft. Those are the funny memes they're promoting. So okay, so if it's theft and the big thief is stealing less from one particular victim, how are we outraged by that, you know?

So I used an analogy, and I said suppose the mafia's shaking down businesses — you know, the standard thing they go is, Hey, it'd be a shame if something were to happen to your business. Maybe you need some protection, you know? And so they're shaking down all of these businesses on the street for protection money. And then for some reason the don, maybe he talks to one particular store owner who gives him a sob story about his kids in the hospital, and for some reason the don says, All right, you know what, guys? Don't collect from this one store owner. And would a bunch of libertarians be outraged and say that's not fair and we should keep stealing from this guy too, we should have broad based reduction and mob thievery? No, I think you would say, Okay, that's good for him, and now I'll try to do what the other ones —

And what's really ironic, Tom, is partly — One strain, I should say, of the outrage over this Carrier deal when it was first announced, it was epitomized by Justin Wolfers, had a tweet about it, and I saw plenty of free market libertarians repeating the sentiment, was to say, Oh, great, look at the horrible incentives now. Every business is going to pretend that they're thinking about offshoring or outsourcing in order to get these tax breaks. And so I'm like, Why would that be a bad thing? That's exactly what you say would have been good, if they gave these tax cuts across the board.

So I'll stop there and let you hit me on that, Tom, but that's my analysis, that I couldn't really understand why libertarians were acting so outraged. And let me just say before we lose the train of thought: clearly if Trump were to ask for my advice or if I'm giving advice on how to reduce taxes, obviously picking particular companies that are friendly with the incoming administration and giving them targeted tax breaks, that's silly. For a given amount of tax reduction you're willing to do, obviously cutting tax rates across the board is the way to do it, so I'm not questioning that. All I'm saying is libertarians are freaking out about this one deal when strictly speaking that should be a reduction in the amount of injustice in the world according to many of their own professed value systems.

WOODS: Well, here's how I would respond. Maybe I could see your mafia example and say, Yeah, obviously the just outcome there would be for nobody to be harassed by the mafia, but at the same time it doesn't mean that if one person winds up freeing himself from it that it would be better for him to be under the thumb of the mafia, because again that would be more equal with everybody else. I get that there's a problem with that.

What I guess people are concerned about is: is there a general rule that can be generalized from this particular case? Because if we're going to say this particular case is acceptable because fewer taxes are being paid, fewer people are being victimized — one fewer, one fewer company is being victimized — the general rule would be

companies — now, I know you're not saying you favor this. But the general rule you could extrapolate from this by extrapolating for them would be companies favored by the government get special tax breaks, and over time what that would mean is that only the ones getting the tax breaks would be able to stay in business. That's where this leads, and I think that's why libertarians are against it, because they don't like that principle.

MURPHY: Well, sure, but even — Again, I feel silly; it's not so much that I want to go to the barricades on this, but I do want to make sure libertarians are thinking this through. I guess part of what's motivating this is I think there were a lot of libertarians who really disliked Donald Trump, and they were just waiting for him to do something once they won the election, besides his crazy tweets and whatever and the outlandish things that he says off the cuff. They wanted some tangible policy. And then when it was this thing where he was announcing, Hey, we're reducing taxes on a company, they say, Ah ha! We told you he was a monster. Look at this dictator. So it was more, I was just saying, Wait a minute, we're freaking out because he's cutting someone's taxes? Are you sure that's what you want to be outraged over? So that's more where I'm coming from emotionally, if you will, Tom, on this.

But to your narrow point there, I think the principle — Let me put it this way: it's not correct to say, as some are claiming, that, Oh, wait a minute, by him lowering taxes on this one company, therefore everyone else's taxes go up — That's strictly speaking not true. Really what's happening directly is that means the deficit would be higher than it otherwise would be. It's not that they're building it into the tax code, oh, everyone else's rates have to get bumped up a little bit in order for this thing to be revenue neutral. No, the way they're explaining it is they're just lowering how much they're taking from this one person.

So if that makes the debt higher, you say, okay, down the road we're going to take more from future taxpayers because now the debt's going to be higher in the year 2050 than it would otherwise — Okay, well, when that time comes to pass and they go to raise taxes, then libertarians can quite correctly say, No, you're not supposed to that. It'd be better to default on the debt. Shame on you for lending money to an organization based on systematic theft.

So again, I'm not saying as an economic policy this is great and sensible. Obviously there's much better things to do — there's much better ways to implement this, and certainly I would much rather any tax cut be tied to a dollar reduction in spending so that you're not having the debt go up higher than you otherwise would have, but I'm saying a lot of libertarians when they're talking about this are just matter-of-factly asserting that everyone else's taxes will go up, and I want to say, technically, no, that's not true, and where you want to draw the line if you want to be a purist about it I would is not the part where, Oh, wait a minute, you're cutting this guy's taxes, and then just assuming matter-of-factly that you're going to have to jack up everyone else's — well, no. When you go to actually do that, that's where you can have the outrage and say, Whoa, whoa, you're taking money from people at gunpoint? That's not correct.

WOODS: Well, how about placing you — Let's place Bob Murphy in the shoes of a competitor of Carrier, and I want to know would you have such pure intentions and

such disinterested analysis if your money were on the line and if Carrier were getting this tax break? Would you give a press conference saying, "We are delighted that our competitor is getting this tax break because it means there is less injustice in the world. Sure, we're still at the same amount of injustice as before, but at least they saw their burden lifted?" And if you wouldn't say that, then isn't there something hypocritical or not quite right in the analysis?

MURPHY: Well, for sure I wouldn't have a press conference and say, This is an outrage; I demand that you raise their taxes again, because then I would be calling for the government to take more money from someone than they were planning on taking. So again, it's not that I'm expecting libertarians to run around and dance a jig and high five and say, "Go Trump"; I just think it's odd that they were freaking out — many of them. Some of them were just being more sober analysts about it, but many were acting like this was just the beginning of the end. Here we go; now Donald Trump's going to — Again, what was really ironic was some people were worried that, look at the incentives this sets up; now every company is going to do this. And so it's like, oh, so the problem's not so much cutting one company's taxes; it's that you're worried he might just start cutting lots and lots of companies taxes and that's really what we're terrified of?

So that's more what I'm talking about. Obviously any particular competitor — Yeah, I guess what you would say is, Yes, Mr. Trump, you're right; it is hard for us to compete against cheaper foreign labor with all of these onerous taxes and regulations, so we just hope you follow through on your rhetoric and once you take office you push through and get Congress to pass broad-based reductions like you promised. So I mean, that would be the consistent thing to say and also probably would be better in terms of what customer could possibly get mad about that kind of statement. I should say, though, I know absolutely nothing about HVAC units, so probably my board would fire me immediately if they realize somehow in this thought experiment I was running their company.

WOODS: And by the way — let me point it out, because you wouldn't point it out — I'll point it out to listeners: Bob really does live his life according to his principles. A guy as brilliant as Bob — and if you listen to *Contra Krugman* you know Bob carries the whole weight of that show —

MURPHY: Krugman has a lot to do with it.

WOODS: Yeah, Krugman — we'll give him that. But Bob's a really smart guy, very intellectually creative, extremely sharp, and he could have a great academic career at a lot of institutions, but he is completely against the idea of receiving taxpayer money, even indirectly. So there are only a couple of institutions in the country he could possibly work for and stay true to those principles. So over at Texas Tech at the Free Market Institute where he is now, well, that's funded by private money, so that's okay for Bob, so Bob's over there as a research assistant professor. So when Bob says, "I wouldn't hold that press conference," he wouldn't. I mean, that's who Bob is. So Bob, I'm just vouching — In the same way that Bill Weld was there to vouch for Hillary Clinton, I'm here to vouch for you.

MURPHY: (laughing) And people should take him with as much of a grain of salt, I'm sure.

WOODS: (laughing) Indeed, all right. Let's talk about that 35% tariff thing, because there was I think a misunderstanding about what the 35% tariff thing was, and then you wound up trying to adjudicate a dispute between *Dilbert's* Scott Adams and Representative Justin Amash. First tell me what's the 35% thing, and then let's — because I think — I don't know if you want to get into this, but I think Congressman Amash was not really understanding the — Even after you explained it, he then doubled down on his misunderstanding.

MURPHY: Yeah, I think that's what happened. And again, we're in the twilight zone at this point. Not only is Donald Trump the president-elect, but now I was on Twitter refereeing a dispute over tariff's between Congressman Amash and Scott Adams, the guy who does the *Dilbert* comics. This is not a setup for a joke, folks; this really happened.

So yes, the specific thing is — And what always happens is you when you try to, as you well know, Tom, defend Trump on some specific thing when you think the critics are being unfair and, Well, no, wait a minute, let's look at what he actually said, and then he'll go two seconds later and say something that's completely absurd and violates the thing, you know —

WOODS: (laughing) Right, right.

MURPHY: So fair enough, for people who are more just saying, Oh, come on, we knew Trump was going to say something nutty. When he came out then shortly after this Carrier deal went down and then had a more general principle saying any U.S. company that outsources, you're going to get hit hard, we're going to impose a 35% tariff on you when you try to sell your goods back in the United States — So for the record, that is an absolutely crazy policy.

For one thing, how would you enforce that? Let me just say this before I forget, Tom. Suppose some company does that, and then the Trump administration is targeting that, watching it, saying, Yeah, you try to sell goods back in here — Well, the company could still produce that stuff and then sell it to some other company in the other country that could then ship it into the United States. You see what I'm saying? There's no way — How would they possibly enforce that? This is kind of a silly thing when you think it through.

But what happened was on Twitter, Justin Amash, who's been very anti-Trump and sort of standing up and saying, Hey, I don't care if he's got an R after his name; principles are principles. And so he like retweeted one of Trump's things when he went off on that Twitter spree, the part about the 35% tariff. And Justin Amash said, No, this would be a 35% tax on American consumers — you know, so doing a standard analysis of why is a tariff bad — which is correct. I would endorse that.

And so then Scott Adams, the guy who does the *Dilbert* thing — and for people who don't know, on his blog over the last, let's say, 18 months or so, Scott Adams was

predicting that Trump was going to win and was saying that Trump's persuasion skills are amazing. So Scott Adams was saying, I don't know anything about the policies, I don't know if he'd be a good or bad president; I'm just saying I've never seen someone so masterful at persuasion. And he was on the record for a while, thinking Trump was going to win, so that's kind of why he's now in this realm.

And so anyway, Scott Adams jumps in responding to Amash and says, No, you're misunderstanding; that 35% threat of a punitive tariff for companies that outsource is so high no U.S. company will outsource, so therefore the tariff won't kick in. So he was just trying to say it's wrong for you to argue there's going to be a 35% tax on Americans, because he's saying this will actually never get triggered; Trump's just holding it out there to keep these companies domestic.

And so then Amash responded and said, No, there's still going to be a tax, Americans are still going to pay more even if no companies move. And it wasn't clear to me, Tom, that Amash fully got that point, and so I kind of just jumped in and said, Hey, I'm totally against Trump's proposal, but Representative Amash, I think you're missing what this guy Scott Adams was saying, and — I was just trying to clarify. And just even with the back and forth, he still kept saying how, like, no, it's still a tax, and I just wasn't sure that he was fully getting it.

But again, all this was on Twitter, so take that for what it's worth. Possibly he did get it, and just for the brevity of the tweets it came off like he didn't know. But yeah, I thought he had it, and then two tweets later one reading it would have thought he believed that no, this was still going to be a tariff applied on goods, and hey, tariffs are bad. They raise prices for consumers.

WOODS: Well, let's talk now about the general principle of let's try and keep these air conditioning jobs or whatever it is in the U.S. as opposed to in Mexico, because that on the surface of it sounds pretty good for Americans, because Americans will have those jobs, and that'll be great. And the only thing we have to worry about is that maybe, maybe air conditioners will be marginally more expensive than before, but what's a small-minded consideration like that when compared with people's livelihoods?

But there are many, many things you could say in response to this. One would be if it is less expensive to produce the air conditioners in Mexico, somebody else is going to do that, out-compete Carrier, and that's going to hurt Carrier unless we put a big tariff on air conditioners. Secondly, if other foreign countries are allowed to use production chains that involve labor in Mexico, they're going to undercut the American company. It doesn't seem like a sustainable model in the long run. What else would you say as a way of responding to the "but Americans keep their jobs" argument?

MURPHY: Sure, and so here I think it is important to distinguish between the two approaches. And this is part of the irony, the first approach being, Let's keep them in through carrots, you know, by giving them tax breaks and possibly regulatory relief, things like that, that for years, what were libertarians saying. When critics were worried about free trade, how can we possibly compete with the cheap labor in China or India or whatever the latest boogeyman is, the standard libertarian response was to say Americans are more productive, they have more tools and equipment, and so they should get paid more and maybe these jobs do deserve to go overseas.

But they would also say the thing to do is cut U.S. taxes and regulations. That's really what's making U.S. business so uncompetitive. And so again, I just thought it was kind of ironic that Trump's solution to a company that wanted to outsource was, okay, let's lower your taxes and possibly your regulations, and then libertarians were freaking out when for decades that's what they've been saying the problem is, that it's not free trade per se.

So on that issue I think that would deal with the problem, Tom, where if you're worried, hey, couldn't some — In other words, if Carrier wanted to move jobs to Mexico and now they don't because of some deal that Trump did with Pence, doesn't that mean they're just going to go out of business? Well, no, not if the reason they're staying is now they've got their taxes lowered. Now maybe they can compete with the Mexican firm, even taking into account cheaper Mexican labor —

WOODS: That's a good argument, okay.

MURPHY: — now because they don't have that tax burden. So that's one issue, so that argument about, This is just silly; they're still going to go under — not if they're staying because of tax relief.

WOODS: Right, and by the way, that point very point you just made goes to show that obviously to some extent it is government involvement that is pushing these jobs out of the U.S., because otherwise there'd be nothing you could offer them that could keep them here. There'd be no relief of government burdens you could offer them to keep them here if that wasn't at least part of the problem.

MURPHY: Right.

WOODS: But apparently they are being kept here, because they've been given relief.

MURPHY: Right. So now on the other side, though, if now, are they staying not because of the carrots but because of the stick, either because United Technologies is worried that their defense contracts are going to be jeopardized or because of this 35% punitive tariff threat — so yeah, there the critics are correct, that if that somehow keeps companies from leaving — if the reason they wanted to leave was because it was uncompetitive, it made more sense to ship the operations overseas, well then presumably either some Mexican firm would do it itself or some other capitalists around the world would see that opportunity now that wasn't being grabbed by American capitalists and they would go ahead and set up a factory and then sell air conditioners or furnaces into the U.S. at rates that the domestic firms couldn't compete with. So that element is true.

I should say more generally Mises talks about this, that when you have a regulatory state and it starts intervening more and more, it had to go hand in hand with high tariff barriers. Like, that was the only way to prevent the immediate effects of these interventions from being so obvious that even the average citizen would realize, Oh, wait a minute; if you all of a sudden impose all of these crazy workplace safety regulations or these crazy taxes or whatever you and don't apply those to foreign companies, then of course they're going to undersell our domestic plants and

they're not going to be able to compete. And so Mises thought it's no coincidence that these highly interventionist states also would embrace protectionism, because he said they needed to do that just for PR reasons. But having said all that, it's not that it undoes the problem; it kind of rearranges where the harm falls, if you think of it that way.

But your general point, Tom, is you can do it either in terms of a principled approach in terms of property rights, or you can do it in terms of economic analysis of just harms and benefits. As far as property rights, some guy goes into a factory in Indiana making furnaces; he doesn't have some sort of moral claim to be able to do that indefinitely. And so if conditions change and now consumers say, "You know what? I want to spend my money buying a furnace that's made in Mexico," who is Mike Pence or Donald Trump or anybody else to come in and say, no, no, we're going to prevent you from doing that ultimately by people with a bunch of guns changing it, because we don't like that outcome. That's not moral.

And then also as far as the pure economics of it, this is standard stuff, but yeah, if you artificially protect one particular company or industry, you're helping the workers there, but you're harming the consumers. And so you're benefitting some people at the expense of others, and standard economic analysis shows that protectionist measures impose more harms on the country as a whole than the benefits. But the reason that they're politically popular is the benefits are concentrated on a small group of people, whereas if everybody collectively spent a little bit more for a furnace, that doesn't hurt too much. That's not nearly as painful as somebody losing his job.

WOODS: There was at least one union representative who said, Yeah, yeah, yeah, it's good that Trump did this, but the fact is there aren't enough goodies Trump could give away — and of course what he really means is there aren't enough burdens that he could lift to keep a lot of companies in the U.S. because we're dealing with \$3 an hour labor in Mexico, we're competing against that. That's a very standard argument; what's the answer to it?

MURPHY: Well, the answer is, to push further and say why is it that American workers make so much more than workers in Mexico, or going the other way, if ultimately the reason Carrier said, Hey, we're running the numbers here and it makes no sense; why would we stay here and pay American workers whatever — I have no idea what they pay — \$12 an hour when we can go to Mexico and pay whatever, \$5 an hour? And you'd say, Okay, then why don't they just cut the wages of the U.S. workers down to what people in Mexico are earning, and then they could stay, right? And the reason is if they tried to do that, the American workers would quit and say no, I can make more at McDonald's; why would I do that?

And so really what that is showing is that American workers have better alternatives than to be going and getting paid \$3 an hour to make furnaces or whatever, air conditioning units. And so if there are workers around the world that that really is the best use of their time, then it makes sense for them to be doing that. Because by the same token, you'd say, Well, geez, those poor workers over in the Mexican factory making whatever, wages that to us seem unconscionable — or forget Mexico, somewhere else, even poorer countries around the world where they're working in what might be considered sweatshops or what have you — well, that's the best

alternative they have. Ben Powell, my colleague here at the Free Market Institute, has all kinds of work on sweatshops and showing the reason they go to these things is because that's better than the alternatives.

And so it's ultimately the reason U.S. workers get paid more, is because we have more capital. It's not because we have more regulations; it's not because, Thank goodness Franklin Roosevelt or Woodrow Wilson was in office way back when and signed legislation, and that's why American workers get paid five times as much as these workers over here. No, American workers get paid five times as much because they produce five times as much, and that's because they have more training and they work with more capital equipment, and you're not going to get investors to form more capital if now they think there's threats to how they run their business.

So that's in terms of the long-run effect. I mean, the critics of Trump's angry tweets or whatever threats, they're totally correct on that respect, that this is going to have a chilling effect, and if you tell a business, By the way, if you set up and have a bunch of employees and then try to shut down and outsource when the conditions change we're going to hit you hard, well then that's going to reduce your incentive to open a plant in the first place. Just like certain European countries where it's really hard to fire people or lay people off, that doesn't really help workers in the long run; that makes it harder to get hired in the first place. If the employer knows on the back end if things don't work out, there's no way I can get rid of this guy without a lawsuit, then you're not going to hire him in the first place; you're just going to hire subcontractors and things like that.

WOODS: And not to mention that there are cascade effects throughout the economy of one industry seeing prices go up in American firms. So it could be air conditioners; it could be steel; it could be anything. There are all these other industries that are represented in the U.S. that use steel that's now artificially expensive, or air conditioners that are artificially expensive. They use those things in their own production process, and that makes them less competitive.

So it's not as if we can just magically help this one group at no one's expense or that it's just a few extra pennies for some American consumers. It harms this whole invisible network of other industries that now become somewhat less competitive, and they become less competitive still the more the logic of this is applied from industry to industry to industry, then various industries become less competitive, less competitive, because they have artificially inflated prices for their own inputs.

So there's a real kind of *Alice in Wonderland* aspect to all of this. That's probably not the best analogy, but do you follow what I'm saying? There is this sense that all we have to do to get the kind of country we want is impose some restrictions, crack some skulls, and then it's prosperity.

MURPHY: Yeah, exactly. So again, I understand where Trump's critics were coming from, even on the narrow Carrier deal, let alone the later stuff about the 35% tariff, where they were saying this is not the way to do good policy; you can't just make one-off deals. I get that. So again, my point was simply: let's just be a little bit more careful with our outrage. We're really going to freak out about him cutting somebody's taxes?

But you're exactly right. I think the way to look at it is — There are a couple of ways; I'll just give two of them. One is just to say U.S. workers are going to go where their labor is rewarded the most, where it's more efficient for them to go. And in the long run, if the government doesn't mess with wages and so on and hiring practices, everybody who wants a job gets a job, and the question of putting in tariffs, it doesn't change the total level of employment; it just changes the sectors of where people are employed.

And ultimately, you don't make the country wealthier on the whole by taking away people's options, and that's what a tariff really does, is it's just, No, we're going to artificially penalize products coming in from this certain area. So yeah, that helps certain domestic producers, but it also hurts other firms like you're saying, Tom, like firms that want to use certain inputs or whatever, then if they have to pay more now because of a tariff, where they could have gotten it cheaper from abroad, well, now their costs of production go up, and they might say, Gee, I can't hire as many workers. So there are jobs "destroyed" in that sector as well.

Another thing too — I think this was Henry George's point, was to say that, Isn't it funny: we think that in peacetime we're going to levy a high protective wall around our country and create jobs and stimulate our own industry and give employment to our own people, and yet if we're at war with some other country, what do we do to hurt them? We send our battleships and surround their country and cut off imports. We impose a blockade. So the logic of protectionism, aren't we doing a favor to other countries? Aren't we creating a massive demand for workers and rising wages in their country when we blockade them? And the answer of course is no, you hurt a country when you cut off their access to foreign markets.

WOODS: Yeah, exactly, so if you were at war with a country, if the logic of protectionism were correct, you would want to immediately take out all the tariff enforcement mechanisms, all the customs houses. You'd want to destroy all those, because those are what's supposedly making the country wealthy. If we could get rid of those and have good flow in freely, we'd impoverish that country, and that would help. And yet no country at war has ever done that to its opponents, so it's worth asking why.

People of course, Bob, should be if they know what's good for them — they should be reading your free advice blog over at ConsultingByRPM.com, so of course as always I'll link to that on our show notes page. It's TomWoods.com/799. Bob, you were this close to being my guest for Episode 800. This close.

MURPHY: Ah, but the timing was — If Trump had just waited a day or two, it would have worked out.

WOODS: It would have worked out, but you know what — ?

MURPHY: I'm thinking, Tom, is it unfair that I give away free advice? Because there's all these firms charging for advice, and I'm throwing people out of work, basically, if you think about it.

WOODS: Yeah, that's right, and plus, aren't you giving the free advice from Mexico?

MURPHY: I do not say where I'm from.

WOODS: (laughing) How am I supposed to compete with Murphy's advice? He's setting his price at zero. I know; I know. It's an injustice. But on the other hand, when you see the quality of the advice, you'll understand.

MURPHY: Hey!

WOODS: Ho! (laughing) All right, ConsultingByRPM.com. I've got also a bunch of Bob's books linked at TomWoods.com/799. You've got to check those out. And of course, if you're not listening to the podcast Bob and I do every week, I think it's time to really ask yourself serious questions about your own life. *Contra Krugman* has been around for over a year, so you've had ample time to find it on your podcatcher. Now may be that glorious magical day when you say, 63 more episodes with Tom and Bob? Amazing! So ContraKrugman.com is where our podcast is. There's a lot of things you can do relating to Bob Murphy, and they're all going to be linked at TomWoods.com/799. Bob, thanks for carving out some time to cover this with us today.

MURPHY: Well, as you know, my opportunity cost is zero, so —

WOODS: (laughing) That's a good point. Thanks again.

MURPHY: Thanks.