



Episode 826: What to Watch Out for in a Trump Presidency

Guest: Murray Sabrin

WOODS: All right, let's get talking about – I'll hand you the mic. It's very low tech when I've got an extra person. I'm not used to having an extra person. I have one mic, and I just hand it to the person. Anyway, we've got Donald Trump being inaugurated. He is a wildcard in a lot of ways. My friend Scott Horton has this rule – he calls it Horton's law – that when a politician makes promises, you can be sure he'll keep all the bad one and abandon all the good ones. But leaving aside Horton's law, let's think about the rosier possible scenario. What would be a Trump presidency that you would look back on and say, All right, he wasn't a libertarian, but I'm glad he did A, B, and C. What would A, B, and C be?

SABRIN: Well, Tom, looking at Trump – who would have thought a year from now we'd be talking about a Trump presidency in just a few days? That's just an amazing phenomenon, given the fact that everyone wrote him off. But having said that, he's going to be in the White House in a few days.

So what we can expect, I hope, is that he diffuses international tensions. Now, that's going to be hard, given the foreign policy team he's assembled. He's assembled people who have made some pretty aggressive statements in their testimony to the committees that they're testifying before regarding their nomination to be Secretary of State and Secretary of Defense.

So if he can diffuse tensions with Russia, diffuse tensions with China, not engage in a trade war with China – which would be very important, because if we have a trade war with China, some people think this can be a repeat of the 1930s where the trade wars, some people think, helped trigger World War II. Now, if we do have a trade war with China, hopefully it will be very short and be over with when people realize that trade wars will not do anything but create conflict and tension and lower the standard of living of the American people. And so what we can hope for in those areas is that Trump realizes that you've got to have freedom, free enterprise, international trade, international cooperation, and try to do something about the Mideast as well.

He's talked about defeating ISIS. Well, we've tried that, and it so far hasn't worked too well. But we've got to make sure that the Mideast does not draw us in any further. We've spent trillions of dollars, all of which have been borrowed from savers from around the world, to fight what has been a quagmire in the Middle East. Nothing's been resolved. How many American troops have been killed and maimed? How many people from Iraq, Afghanistan, innocent people have been killed? The Mideast has

been a place that people have warned about for centuries. Don't get involved in the Mideast, because it's been the graveyard of countries like Britain and the Soviet Union. So we could hope in that area that Trump does something pretty remarkable: namely, say that this interventionist foreign policy has been a failure, and we should try cooperation rather than conflict and intervention.

WOODS: It was hard to know – and of course it's still hard to know – whether Trump would continue with his very confrontational style, even after he was elected. And yet he has basically maintained that style. I was thinking that maybe after he was elected he'd tone it down, and then part of toning it down would be walking away from some of his earlier positions. Now, there's maybe been a little bit of that, but not nearly as much as people might expect.

For instance, just recently he had his first press conference, and we all know the confrontation with Jim Acosta. He looked right at him and said – Acosta wanted to ask a question. He's a CNN reporter. And Trump looks at him and says he's not getting a question. He says, "Your organization is terrible." And then protests, and Trump says, "You are fake news," to CNN – which of course is true, and you can look on down the line: is there a war they haven't misled us about? I don't know if there is. Is there, let's say, a high-profile crime or interracial crime that they haven't misled us about? I don't know what it is. I mean, on down the line they have given us propaganda over and over. So I cheered that. I was happy when he called CNN fake news.

But another thing beyond that – maybe I can get your comment on that in a minute – I recently spoke to a couple of people who know Betsy Devos, they know the Devos family. She's the nominee for Secretary of Education. And I thought the left was totally overreacting when they said she's an opponent of public education; she'll be the worst possible person. I thought, look, these people get hysterical about anything. They'd be hysterical if he appointed Bob Dole, you know? So I didn't think it was a big deal. But these people assured me, yeah, okay, she likes school choice in a way that I don't really like it, but they say actually she is kind of an opponent of public schools. So it kind of makes me feel like maybe we somehow managed to sneak in a decent one. Is that possible?

SABRIN: It's always possible. You just never know until people get into office and implement policy. And the thing that we have to watch about Trump is he seems to think he's the CEO of the American economy instead of President of the United States, whose job it is to defend the Constitution, the American people's rights. So that's where I think the wildcard is.

If he thinks that he can micromanage the U.S. economy and that his role as president is to "protect American jobs," that's not the role of the president of the United States. Ron Paul didn't say the president is supposed to protect jobs. No libertarian says the role of government is to protect jobs. The role of government is to protect rights. That's what limited government is all about.

Unfortunately, Trump as a CEO of his organization thinks that he can micromanage the U.S. economy, which again is another example of what Hayek would call the fatal conceit, that he can have good outcomes by badgering people to stay in the United

States, even though it may be in their self-interest to build a plant overseas. But we'll see exactly what happens as 2017 unfolds and we go into 2018.

But it's going to be a rocky political environment given the press' hostility to Trump. And I've never seen anything like this, because the press usually treats a president or president-elect with some element of respect that, even though they may not like him, there's a protocol that you have. You don't badger the President of the United States in a press conference. You are called upon, and if you are not called upon, sit down and behave yourself. Show some courtesy. I mean, it's appalling what's happened.

And I don't know if anyone has said this on your show or in the media in general. You know who I blame for the tenor of this campaign and what's happened? Megyn Kelly. If people recall, the first question out of her mouth in the first Republican debate during the primary was about Trump's view of women. And she made a statement that I found so appalling about what Trump allegedly said about women, and that set I think the tone of this campaign.

Instead, the question I would have asked if I were in that position was, "Mr. Trump, everyone on this stage has held political office either as a governor or a senator or as a current senator, and you would be the first president since Dwight Eisenhower, who never held political office. What makes you qualified to be president?" If she had taken the high road and asked that question, I think we would have had a much different Donald Trump. I think so, but we will never know, because I think she really poisoned the atmosphere in American politics by asking that question about some personal remarks that he may or may not have made in the past.

So when I first saw Megyn Kelly on TV — and I only saw her recently — I was appalled by the way she behaved on TV. I was just incredulous that she's worth what the people think she's worth, because she's a good-looking — I wouldn't even call her articulate. I mean, I was just really amazed that she sounded like somebody that just graduated from high school in Southern California. She was just acting like a sorority girl. I just couldn't believe it.

And so Trump has a lot of work to do, especially with the press, because they can tear down a president, as we know in the past. If the press doesn't like you, they will go after you like they did after Nixon, in the later years — I guess with Johnson, but deservedly so, because he was a war criminal. If there was ever a war criminal it was Lyndon Johnson, given what he did in Vietnam. But once Watergate hit, I think the press had a right to probe and to question the president and his key advisors about what happened there. But with Trump I think his persona is so larger than life, I think that the media have a hard time relating to that, and therefore they're going after him in a way that I've never seen before in American politics, on a very personal level.

And this whole thing about this so-called dossier was so over the top. I think as a private citizen he could probably sue everyone that was involved in this, especially John McCain, who had the gall to send this to the FBI. He should know better as someone who's the chairman of the Armed Services Committee whether this was a legitimate dossier on Trump. So John McCain showed his true colors when he took this

dossier and sent it to the FBI. He should have thrown it in the wastebasket instead of making a big deal out of it.

And so it's clear to me that the media are out to get him and, as we know, the deep state is out to get him, because Trump is challenging the CIA. And that, as Senator Schumer said recently on MSNBC, Trump should be careful in challenging the CIA. Now, is he issuing a warning to Trump that he'd better cool it or some bad things could happen?

WOODS: Yeah, that is disturbing that we would be in a position where even the president has to beware of an institution that's supposed to be under his authority or the authority of the U.S. government. That is a crazy situation. I think with the press it's going to be interesting to see how Trump, frankly, manages his Twitter account after he's president. Is he going to continue to go after these people and, frankly, make their lives very unpleasant? I mean, Lindsey Graham was made fun of in that press conference, and Trump said Lindsey will "crack that 1% barrier" one of these days. I mean, Lindsey Graham gets slammed to the ground every time he goes after Trump. You would think after a while he would just stop doing it. So it'll be interesting to see how he manages the press for sure.

I'm interested in this trade issue, of course, as a lot of us are. This is something we have to keep an eye on, because Trump, we all know what his views on trade are. I want to get your thoughts about this, because I think in Middle America it plays very well when Trump says, "I basically told this company, 'You'd better not relocate to Mexico,' and all of a sudden they have promised to create 100,000 jobs in America." People are cheering, "Make America great again!" They love it. That plays well. Whereas if you say, Well, yeah, there's that, but there are many other reasons that indirectly you're going to be impoverished by this, people stop listening to you 33% of the way through that sentence. So how would you reach somebody – You've been in politics, and somebody asks you a question. How would you say to them that unfettered international trade is a good thing for you, and it's not a matter of, well, you're going to lose your job to Chinese people earning a buck fifty an hour?

SABRIN: Well, I would turn this around and say, What if companies in Michigan went to Mississippi or Alabama or Florida? They're taking jobs away from people in Michigan and Wisconsin and Ohio and Indiana. Should we stop companies from relocating in the United States? So if we shouldn't do that, then why should we stop companies from relocating outside the United States. In other words, if you take any argument that the left has or the interventionists have and you turn it around on them, then you can see the illogic of their argument. International trade is wonderful.

In fact this whole issue of a trade deficit – the way I teach my students about a trade deficit is: how many of you go shopping at your local supermarket? Your family goes and maybe spends \$200, \$300 a week at your local supermarket. Guess what: the local supermarket doesn't buy anything from your family. You're running a trade deficit with your local supermarket, yet you're happy, they're happy, everyone's happy. Why? Because you're producing something that you're earning money for that you're then using to buy the things that you want, no matter where it's located.

WOODS: But on the other hand, people will say the difference is that in the U.S. all we're producing is treasuries, and in the long run there's no way that that's going to work out for us.

SABRIN: Well, if you look at international trade — again, I haven't done a lot of research in where the money's coming, but look at all the companies that have set up shop in the United States, in the southern part of the United States: Honda, Toyota, Kia, BMW. I mean, they're all over the southern part of the United States. Why? Because they have much more favorable regulations and favorable tax rates compared to the Northeast. So that's one of the reasons that the Northeast is losing jobs to the South and other parts of the world.

So again, it's a matter of what factors determine the location of a business or an industry. It has to do with all of the favorable economic, social, environmental regulations that will prevent companies from having a good rate of return in the Northeast. Back in the 1960s, your neck of the woods where you grew up, the textile industry was moving out of the Northeast because of high costs. They were moving down south. And so this is the evolution of an economy, whether it's a local economy, a regional economy, a national economy, or an international economy.

I mean, the next frontier for investing according to some people is Africa, because you have low costs. If they get their act together and have political social stability, you have populations that will probably gain skills that will allow them to increase their productivity over the next 100, 150, 200 years. So that's where people will be looking for — just as 40 years ago, who would have thought China would be the economic powerhouse that it is today? Or South Korea or other parts of the Asian continent.

So again, this is an evolutionary process, and we shouldn't be afraid of free enterprise. We shouldn't be afraid of free trade. We shouldn't be afraid of working with companies around the world. What we need are the elements that libertarians and Austrian economists have been talking about for a couple of centuries now, 150 years: is you need limited government, you need the rule of law, you need sound money, and you need low taxes. I mean, those are the ingredients that make economies prosper.

WOODS: When you look at the trend in manufacturing employment, it turns out that the so-called job losses are overwhelmingly attributable to increased productivity in manufacturing so that you need fewer people to do the same amount of work, which is what an economy is trying to do. An economy is trying to economize on inputs, so that now — okay, now we have labor that is free to do other things.

And people will say there's nothing for those people to do. Well, just think to yourself: you can't think of something you could hire somebody to do if there were available labor? The more we're able to produce, the lower the prices of those things will be, the more your paycheck will extend, and the more we'll be able to demand many other things and many other services.

But it seems like this whole thing about we've got to bring jobs back from China, you're trying to bring back a very small number of jobs that even, again, given the trend toward automation, even these jobs are going to be very temporary. Much better to try to adjust to the world we live in.

And also, how about the fact that in our government-run schools nobody is taught: why don't you figure out what your niche is or what you should specialize in so that when you get out of here you have some clue of what to do? No kid has any idea what to do when he gets out of high school, other than to go to college for four years and then after that have no idea what to do after that. They do a terrible job of that, and nobody mentions that.

All right, we've got plenty more to talk about. Let's first thank our sponsor.

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All right, let's get back to Trump here. He did say at one point something like he wants to have some rule whereby for every new regulation that's added two will be repealed. That's a great idea, but that sounds to me like the typical Republican Party talking point that makes Murray Sabrin and me happy, but then they never actually do it. But at the same time I do think there is the likelihood of some reasonable regulatory relief, but I don't know what form it's going to take or how much of it there'll be. But if we get that, I would say that's certainly a net plus. Have you heard anything about what might happen in this area?

SABRIN: I haven't followed that too closely, but there's a bigger picture here: namely, speak to the people in business – Trump is the quintessential CEO. He deals with regulation as a real estate developer constantly. He should call in people from various industries, whether it's banking, big pharma, labor relations – just go down the list of all the type of regulations that the federal government imposes on businesses and say, "What can we do to get us toward a free market and deregulation? What are the things that we need to do that sound reasonable but are unnecessary for business to be productive?" And if we did that, within six months to a year we could probably deregulate most of the U.S. economy.

Look what happened to Jimmy Carter, a Democrat. He brought in Alfred Kahn, the economist from Cornell, and they deregulated every major industry in the late '70s. And the Reagan administration, or the Reagan economy in the 1980s, was a beneficiary of that, whether it was telecommunications, trucking, airlines. Everything was deregulated. And guess what: deregulation increases competition. Increased competition lowers prices. That means higher living standards for the people. It's a simple formula. You don't need to go further than that, to say what are the things that are holding back or raising costs in different sectors of the economy, and let's get rid of them, lock, stock, and barrel.

Trump could do that within the first six months of his presidency, and the economy would get a big lift out of that. You'd get more productivity out of workers. You'd get lower prices in different sectors. And the economy would grow faster than it has been under this so-called Obama expansion, which was the most tepid in the postwar period. So there's a lot Trump can do on the regulatory side without the need to "stimulate the economy" with this phony monetary policy and more government spending.

WOODS: Over lunch just now we were talking about what's likely to happen in the economy over the next few years and that there are some possible dangers. You could

have a bubble bursting. And we were saying that of course it would be best if, if this is going to happen – from Trump's point of view, if this is going to happen during his watch, it would be best for it to happen as soon as possible, just like under Reagan in his first term. You get rid of it, you clear it out, and you try and rebuild on a sound foundation by the time the next election comes along. Whereas you were saying you think it's more likely for this to carry on for another year or two, then actually get bad closer to when it comes time for him to run for reelection, and then everything becomes quite complicated.

SABRIN: Yeah, I look at some financial indicators, which currently indicate that we're still in the boom phase of the business cycle. Interest rates are still relatively low. One of the things that's a good predictor of the beginning of a recession is an inverted yield curve, and we still have very low short-term rates. The other thing is a stock market indicator I follow, so when the stock market starts to roll over below a ten-month moving average. You can find it on DShort.com website. It's a great website with a lot of charts and tables about financial and economic indicators. And there's one more that totally escaped me that I don't have in front of me. But those are two that are really important in terms of where the economy is going six months, a year down the road.

And you go back and look at what happened in 2007, 2008, we saw the stock market start rolling over in late 2007 and into 2008. The yield curve started inverting. And this was the perfect storm of signaling, because the Fed was tightening up monetary policy, because it was afraid of the boom getting out of hand. So we've seen this twice in the last 25 years with the dot-com bubble and the housing bubble, and we're not in the third bubble.

The biggest bubble we have, by the way, is the bond bubble. We've seen bond prices go through the roof, interest rates go down for 35 years. Some people think that we've reached the bottom of interest rates, that the long-term bond will start going up, as will short-term rates, and that will begin the countdown to when the next recession hits, which probably will be in 2018 or 2019. No one can predict this in advance, but those are the indicators that I look for as guideposts for how the Fed monetary policy is going to affect the economy. And Robert Wenzel at *Economic Policy Journal*, he shows that the money supply growth has been pretty strong. So you don't get a recession when the money supply growth is strong, so when that starts to decelerate and maybe even goes negative, that's a good sign that we're going to see a recession and the stock market peaking.

WOODS: I want to say something about New Jersey politics, because a lot of people might think that's of interest only to people who live in New Jersey. But New Jersey has an outsized influence, let's say. For example, Chris Christie, even though he didn't poll very well in the presidential race, he was a significant figure in coming out and supporting Donald Trump at a time when the GOP establishment was not endorsing Donald Trump. I was a little surprised that after he stuck his neck out and did that he wound up not getting anything out of Trump. So I'm curious to get your thoughts as to why that might have happened. And then secondly, how would New Jersey politics fit into Trump's overall strategy in the future?

SABRIN: Just the other day a judge in New Jersey said that there's a private lawsuit against Chris Christie for acting irresponsibly in this Bridgegate affair where they had this so-called traffic study that tied up traffic in Fort Lee, which is not far from my co-op. So I saw this first hand, the mess that was created by this so-called traffic study. So there's a lawsuit going ahead, and we'll see what happens there.

But Chris Christie had an opportunity when he was elected in 2009 and reelected in a landslide in 2013 to change the political culture in New Jersey. Unfortunately he didn't do that. Again, he's another example of a politician whose persona overshadows any substantive political ideas he has, because I've spoken to him in 2009. He really doesn't have any core political beliefs or economic beliefs.

In fact, in the State of the State address last week, he talked about how the state of New Jersey has to get more involved in helping drug addicts kick their habit. Well, that's all well and good, but that's not the responsibility of government, to help people kick their habits. That's why we have organizations like Alcoholics Anonymous and other nonprofit organizations that help people cope with their personal problems. And the other thing Christie wants to do is he wants to mandate insurance companies paying for drug addiction programs, again using mandates, coercion of the state to solve a major problem.

However, I think Chris Christie didn't get anything because of the Bridgegate situation in New Jersey. His son-in-law, Jared Kushner's, father was prosecuted by Chris Christie, but he was a U.S. attorney, so that doesn't sit well with Jared Kushner. So I think that was a factor in Christie being pushed aside. And I think Christie wants to have the stage for himself. He's not a team player, from what I can see. He said he wouldn't take the vice presidency because, How would I be able to function as a vice president? He even likes the limelight.

Having said that, there's a governor's race in New Jersey this year, one of only two. New Jersey and Virginia have governor's races in off years. And I emailed Kellyanne Conway saying Donald Trump should get behind one of the first state legislators in the country to endorse Donald Trump. That was Senator Mike Doherty, who, by the way, endorsed Ron Paul for president twice in 2008 and 2012. He's probably the most fiscal conservative in the state of New Jersey. And I said if Donald wants to have a national movement of clearing the swamp, of draining the swamp, he can start in New Jersey at the statewide level in 2017 by getting behind Senator Doherty, and that would help not only the movement; it would help the GOP in the state of New Jersey, because history is against the Republicans keeping the governor's office, because in New Jersey we seem to go back, eight years of Republican, eight years of Democrats.

And history is against the Republicans keeping the governor's seat this year. The only one that I think can have a real shot at being a Republican governor for a third consecutive term would be Mike Doherty, because he's a strong fiscal conservative, he's strong on the Second Amendment, he's pro-life, he's opposed to crony capitalism — how do you say that term? — lock, stock, and barrel? He is really as close to a libertarian within the Republican Party, someone who deeply believes in individual liberty and person responsibility.

WOODS: I want you to tell us a little something about the project you're working on on your sabbatical, because it would obviously be of interest to people who listen to this.

SABRIN: On my blog starting this week I will be posting sort of the diary of what I'm doing. My sabbatical is going to be looking at the two bubbles that we've had, the dotcom bubble and the housing bubble, and see what the mainstream economists said – the Keynesians, the Austrians, the supply-siders, the monetarists – and see who had the best analysis during the past 20 years. So I'll be doing that project from now until June.

And then I have another project, which I'm really excited about, because I think this can have an impact on policy in the United States. The book is called *The Next Revolution: Personal Social Responsibility and Financial Independence*. That I think is the essence of what America is all about, that people take responsibility for their actions, they become financially independent as adults, and we don't need a welfare state. We have a nonprofit sector, a vibrant nonprofit sector in the United States that helps people cope with problems, and if we have a robust private sector, a nonprofit sector, and a government that protects people's rights, we will achieve what I think the Founders envisioned for the country, a free and prosperous America, instead of this incredible welfare-warfare state that's really draining the lifeblood out of the economy.

But the good news is that there's still enough free enterprise in this economy. As Warren Buffet has pointed out, the economy has grown for 230 years, but with fits and starts and sometimes terrible situations like the Great Recession, the Great Depression, which is very painful. If you have to go through a period of three, four, five years without a job or losing your business and losing your house, that is painful.

So at the federal level, we have to get back to sound money. Ron Paul's movement is all about that. The libertarian movement is all about that. If we have all these things in place over the next five years, the 21st century could be one of the most incredible centuries in the history of the human race when we return to the principles that helped guide the Founders to create this country in the first place.

So I'm excited about getting involved with these projects and having an impact on the public discussion. And you never know. What you do will have a long-lasting impact, because I just had a birthday milestone last month, and you want to leave a certain legacy behind as to what you've accomplished to make the country a little bit better than you saw it in the first place.

WOODS: These are great projects, very worthy. And I'm glad you have the time to do them. Tell us the – is your website – actually, you tell us the website.

SABRIN: The website is MurraySabrin.com. And I'll be posting probably a nightly log of what I've done every single day on this sabbatical, because it's an exciting project, looking backwards and saying, Hey, what did all of these supposedly smart people say about the economy? What were they saying in real time as the economy was unfolding? And what did they get right? What did they get wrong? And just having a discussion about what is the best way to understand how the economy unfolds. And I think

everyone knows where I'm coming from. I think the Austrians were very good in the 1990s talking about the dotcom bubble and the housing bubble. There's vast literature by Austrians. But what did the Keynesians, the monetarists, the supply-siders say also that was consistent with good economic financial analysis as opposed to just pontificating about the economy?

WOODS: Well, we'll look forward to those. In fact, I'll have to have you back on to talk about your findings in the current project that you're working on now. Thanks a lot. It's been fun seeing you today, and I appreciate you doing this.

SABRIN: Thanks, Tom. It's always a pleasure. Congratulations on being one of the great pillars of the liberty movement. I hope that people listen to your show far and wide, because the guests that you bring on have so much insight into what's happening in our country and around the world that if enough people listened I think we would have a major change in this country.