



Talking to C-SPAN
Tom Woods Interviewed
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C-SPAN: We are on location in Las Vegas at FreedomFest, and we are joined now by author Tom Woods, who is the author—his most recent book is [Rollback: Repealing Big Government before the Coming Fiscal Collapse](#). Mr. Woods, how would you describe the premise behind your book, and what are your main points that you're trying to get across?

WOODS: Well, only about 5% of the book deals with fiscal issues and the budget. I would rather jump out a window than read or write a book on this, but to set the stage I am explaining that really we're on a trajectory that left or right, or Democrat or Republican, or whatever, we all have to admit just can't be sustained. Obviously, some very wrenching changes are coming. The rest of the book is geared toward revisiting some of the arguments by which we were sold big government: that, well, good heavens, if it weren't for this program, we'd have this problem. If it weren't for that one, we'd have that problem. What I am trying to suggest is that when we in fact do have to cut back, it's not going to be the terrible catastrophe, the nightmare scenario. To the contrary, the silver lining of the crisis is that it will cut back on some of these things and give a lot more scope for entrepreneurship and freedom.

C-SPAN: Well, what are one of those budget items that you could see being cut back that could be advantageous?

WOODS: Well, with a book like this and with a publisher like mine it's sort of assumed that I am a right-winger, and so I want to take the food stamps away from all the poor people and so on. Now, I am a libertarian. I do want to pretty much abolish everything, but to me you take the low-hanging fruit first, and for me the low-hanging fruit is the Pentagon. There was a time when I was a conservative, and I thought if you want to cut the Pentagon budget, you must be some kind of commie who hates America and all that. But when you look closely at this, you've got to understand the Pentagon, the Department of Defense, is the only department that is not subject to audit. Now, that doesn't mean that they failed the audit, or good heavens, look at all the things we found. They are not even subject to audit. So what we've been finding—figuring out just piece by piece is that, for example, since 9/11, in the nine years after 9/11, the Pentagon budget went up. The increase in the Pentagon budget was about \$2 trillion during

those years. Now, \$1 trillion went to the wars, but the other trillion—nobody quite knows where it went to because the Air Force has been scaled back. The Navy has been scaled back. The Army increased marginally, but its budget was vastly increased. Where did the money go?

And I think this is a crisis that we're enduring that is going to have to require both liberals and conservatives to reexamine some of their sacred cows and say, we can't afford to say this is off the table for cuts, that's off the table for cuts. Nothing is off the table.

Also, it's not just that they've thrown a lot of money out the window. It's the way they do it. There are two techniques that they use to get the taxpayer spigot going. So we've got political engineering whereby once a program gets going, a missile program, a weapons program, it doesn't matter if the enemy that it was made for no longer exists. It doesn't matter that the thing can't really work as promised. What you try to do is get the project spread out among as many congressional districts as you can, particularly with congressmen who happen to sit on appropriations committees, and so the profits and the jobs get spread around everywhere. You can't ever stop it. And also, the other technique, front-loading, is to vastly overpromise what it can do and under-promise what the cost will be. So you combine all these techniques, and you get an extremely unresponsive system. Meanwhile you get conservatives who say, "I don't believe anything that government says, and we've got to cut things back. But when it comes to the Pentagon, everything they say is like holy scripture." Well, this is just a recipe for bankruptcy.

C-SPAN: What is the myth of good government? The title of one of your chapters.

WOODS: This is going to strike right at the heart of our civics textbook platitudes, which is that government is there to provide indispensable services that we couldn't do without, we couldn't provide for ourselves. And government is composed of by and large public-minded servants who are just looking out for the common good. I'm suggesting that this is really more or less a fairy tale, that what more accurately describes what we have is a series of fiefdoms where people are seeking to increase, or at the very least maintain, their own power bases and their budgets and their authority. And maybe they are thinking in a way that's public-spirited. Maybe they have so come to associate their department with the public good they can't think any other way. But anything that increases the scope of my department is an improvement. They are all thinking at the end of the year we've got to spend every last dollar that was appropriated or otherwise next year they'll say, well, I guess you didn't need all that money. So you've got to blow that money on whatever you can. This mentality is everywhere. It is systemic.

C-SPAN: Without government science funding, everyone would be an idiot?

WOODS: Okay, that's one of my lines, right? And I believed this for a long time because for a long time I was a free-market guy, but I would say there are exceptions, right? Let's not be extremists here. It's okay to have a free market in shoes, but there are some things that the

market can't provide, and I would have thought obviously science is one of those because you can't necessarily earn a profit on basic science. It doesn't turn an immediate profit. You can't always capture the profits from science because your competitor will just grab your discovery and earn all the profits, so therefore, there will be less science undertaken. This is sort of the typical, neoclassical model of how science is going to work in the free market. It's just not going to work. So I believed that, but it turns out that this is not the case at all.

Secondly, the old model that we imbibed from Francis Bacon centuries ago was the way science operates is you gather some data, you examine it, you draw some hypotheses, and then you come up with some experiment. The experiment either provisionally confirms or does not confirm your hypothesis, and that's the way science operates. You start with basic examination, and again, that sounds very plausible. But it turns out none of this describes how science actually works. In practice the way it has worked is not that our discoveries are coming from people arbitrarily working in a laboratory and, oh, my goodness, I discovered the steam engine. The steam engine develops out of people looking at current technology, practical people, and thinking, I need to adapt this to my needs, and then they solve their problem on the spot.

When the Department of Defense did a study not too long ago, and they said how many of our great research breakthroughs came as a result of basic science, just starting from scratch in the laboratory? They looked at 700 projects. Two of them came from basic science. What science comes from is applied science. It turns out there has been far more funding of science as a percentage of GDP by the private sector, by research foundations, by bequests, by amateur science in the age before we had income and estate taxes. Governments have actually been far less generous toward the sciences than the voluntary sector of society was. Now, this is exactly the opposite of what we would think, but so often we just casually assume that things have to be the way they've always been, and what I am trying to do is what Bertrand Russell recommended: once in a while you've got to hang a question mark on things that you've come to believe for a long time.

C-SPAN: Thomas Woods, what's the difference in your mind between the conservative and libertarian?

WOODS: Well, this is a tricky one, and really my heart is very much on the table here because I feel like I have sympathies in both camps, but I identify myself as a libertarian. The libertarian has one basic principle, which is non-aggression. You cannot initiate force against anybody else. Now, I think a lot of people would agree with that instinctively, that of course we know it's wrong to just go and clock your neighbor over the head. But libertarians will take that to the logical consequence, which is that you look at the things government does, and they typically involve the initiation of violence against people who themselves have not initiated violence. So we would consider it to be illegitimate.

A conservative is less, I guess, ideological. A conservative, at least in the classical sense, like Edmund Burke, an Edmund Burke conservative, is deliberately non-systematic. I say that not as

an insult because they have good reasons for being non-systematic. Their view would be that life is too complex to be reducible to the one libertarian principle or to be reducible to left-liberal nostrums that we then impose on the whole world. Life is much too variegated for this. We have to use experience, and we have to use our knowledge of the past and then move cautiously. So you see I speak with some sympathy of this point of view. So they would view the libertarian as just a hopeless ideologue who wants to force the whole world to conform to his one principle. But I guess my sympathy for the libertarian position is that at least I can pin it down to that one principle. Whereas, sometimes trying to identify who is a real conservative, what's the real conservative position, is like nailing jelly to a wall.

C-SPAN: You write that federal bankruptcy in short may turn out to be one of the best things that ever happened to America.

WOODS: Yeah, I got in trouble for saying that. I think Media Matters pounced on that. How dare this guy say that? Well, when I say that federal bankruptcy may be a good thing, let's think about the sense in which any bankruptcy is a good thing. Now, the owners of a bankrupt firm are not happy about the bankruptcy, but the idea of bankruptcy is that you take a failing firm and you retool it. You sell off the assets, and then you see what good may come of it. So sometimes bankruptcy is the best thing that ever happened to a firm. Well, in this case I am saying it's the best thing that ever happened to American society in the sense that right now we have got interests that are so entrenched that nothing—it doesn't matter which candidate you vote for, establishment candidate A or establishment candidate B, you're still going to get the same programs by and large. You're going to get very, very marginal tinkering around the edges. You'll never get these programs out of there until the checks start bouncing. That's the only way.

I remember I used to be a college professor, and I was talking about the Job Corps, which is this relatively small budget program from the 1960s that persists to this day. The idea is to give people job training, and then they go back into the market and they find jobs. But the fruits of it have been abysmal. About a third of the people don't even show up for the program, and then of the ones who do, most of them never find work in their field, or they wind up at a barely-over-minimum-wage job, and the program costs about as much as it costs to put a guy through Harvard for a year. So you would think that clearly this was a failure, right? If this were a private-sector program, we'd be laughing at it. We'd be laughing at how corrupt the capitalist people are. But if it's a government program we say, well, it must just be that they haven't spent enough money on it, whatever.

So when I would say this to my students, I had one student who said, well, if the program fails, why does it persist? I thought that was a wonderful, beautiful, naïve question. Why does it persist? Well, it persists because congressmen around the country will say this is a feather in their cap. Look, I voted for the Job Corps, and that helped to bring a lot of helpful programs here to our state. But what nobody ever asks is how many people who went through those

programs got employed in that field.

Like in Alabama where I lived for a number of years. I have a friend, an economist, who did a study of all the job training programs, and how many of them actually trained somebody for a job he actually got in that state that year, and the answer was one person. One person came through this program [and got a job for which he was trained]. So obviously there's got to be better ways of doing this. But we're never going to crack through. There's so much entrenched bureaucracy around the Job Corps, you're never going to chisel your way through it. You and I might say, well, it's a shame that \$1 out of my tax dollars every year goes to this. Who is going to waste his breath over that? But if you're in that bureaucracy, it's a whole lot more than \$1; you are getting a lot of concentrated benefits. You are going to fight tooth and nail to keep those programs in. So that's why a clean slate seems to be what we need.

C-SPAN: We are at FreedomFest in Las Vegas. This is BookTV on C-SPAN2. We are talking with author Thomas Woods about his most recent book *Rollback: Repealing Big Government before the Coming Fiscal Collapse*. Where does the Fed fit into rollback?

WOODS: Good question. Well, the Fed is another of one of these topics that, again, we're taught not to really think about, not to subject it to critical scrutiny. Again, it's one of these things that's just there for the common good, and if you have a question about the Federal Reserve, you're probably a crank. You might need some kind of psychological evaluation. But because of the most recent financial crisis it's harder to make that type of argument. People who clearly are sane are asking questions about the Federal Reserve. What is this thing? What does it do? And so what I am suggesting here is the Fed is actually not the institution that when we spontaneously have these business cycles that have no explanation, the Fed comes to the rescue and solves the problem. I am suggesting that the Fed typically intensifies the problem, and that what we need to do is roll back the Fed as well, that the conventional wisdom surrounding the Fed is dead wrong. In fact, and this going to sound—I know I am not supposed to say this—but when you look at how many economists frankly are in one way or another directly or indirectly on the Fed's payroll, it's like a giant cartel where everybody knows you don't speak ill of this institution. You want to get that research grant? You shut your mouth. Now, most economists don't even think consciously this way. They don't have to. Nobody is going to bite the hand that feeds them.

But the Fed was responsible for this most recent financial crisis. This was a time when Alan Greenspan is pushing interest rates to these super-low levels and then telling people the fundamentals of the housing market are sound. You should go take out adjustable-rate mortgages, interest-only mortgages, everything is going to be fine. Lending standards are robust Ben Bernanke said. Absolutely went right over their heads. Whereas meanwhile, the free market, which is blamed for the financial crisis, was trying to say to people: stop doing this! Don't buy five houses as investments that you're not living in, and you have no job, and you have no documentation. The free economy was trying to put red lights on this in 2001—red

light—stop it, stop, stop! But when you're Alan Greenspan, when you're the Fed chairman, and all you have is a hammer which is lowering interest rates, everything looks like a nail. We need lower interest rates. So we got 11 rate cuts in 2001, and so instead of red lights saying to people stop speculating in real estate, letting interest rates go up to tell people do something else, don't think you're going to get rich just sitting in your house, let interest rates go up, he wouldn't do that. He kept pushing them down, and so instead of the lights being red, everything was green. This is a problem caused by the Fed, so it's about time we talk about it.

C-SPAN: Thomas Woods, what of your other books. What are some of the other topics that you've written about?

WOODS: Well, a few years ago I had *Meltdown*. It was a *New York Times* bestseller. I talked about exactly what had caused the financial crisis because I had pretty much the first book on the financial crisis that included the bailouts. Regnery said if you're going to get a book out on this, you've got to understand the whole world is going to have a book on this. You better hurry up. So I just worked like an insane lunatic on this book just to give the public something other than the Paul Krugman explanation of what happened. I talked about, again, the Federal Reserve. I talked about this topic that's getting a lot of coverage these days—the Austrian School of economics—what is this? Why did their economists know that there was a financial crisis coming? Were they using a Ouija board? Did they have a crystal ball? How did they know? So that's what *Meltdown* was about.

I have written a lot about U.S. history. The first time C-SPAN covered me was *The Politically Incorrect Guide to American History*, which is just one of these books. The title sells it. *The Politically Incorrect Guide to American History*—what is that? My favorite C-SPAN memory was, I was at a Barnes and Noble, and I was there to do a book signing, and my publisher, I won't mention—forgot to tell me C-SPAN was coming. So I thought I am going to go there, sign a few books, and go home. I get there, and the manager of the store says, well, C-SPAN is setting up over there, and I said, I am sorry, what? Yeah, C-SPAN is setting up over there. So I had to spontaneously come up with an hour's talk on the spot, and it went great. I came to the conclusion that from now on I should not script any of my talks. It actually was a turning point in my life thanks to you guys.

C-SPAN: What's your background?

WOODS: Well, educationally, a bachelor's at Harvard, a Ph.D. at Columbia in U.S. history, and I've taught. I have been a senior fellow at the Ludwig von Mises Institute, and now I pretty much run my own little educational thing called LibertyClassroom.com. We're living in an information revolution that makes Gutenberg look like a lazy bum. Everybody can have his own blog. So I teach U.S. history, basically, to anybody who is interested in learning about it through that site. So I keep busy.

C-SPAN: And you live in Kansas.

WOODS: I do live in Kansas, yes. We'd have to have me on for another show for the backdrop to that, but yes indeed.

C-SPAN: And it is advantageous in your view to live outside of some of the major cities of the U.S.?

WOODS: Well, it could be. Obviously there are pros and cons. We miss living near New York City. There are a lot of advantages to that. Obviously if we ever really had a severe crisis, which I hope we don't, and we could avoid, certainly, I am not sure that large population centers are where somebody would want to be, and obviously if the really unthinkable should happen—this is not why we moved—but if there were a really bad attack of one type or another, we don't live in a concentrated area. There are advantages.

C-SPAN: Well, we have been talking with Thomas Woods, Jr. about his most recent book published by Regnery *Rollback: Repealing Big Government before the Coming Fiscal Collapse*. This is BookTV on C-SPAN2 on location in Las Vegas.