

The Austrian

A PUBLICATION OF THE MISES INSTITUTE

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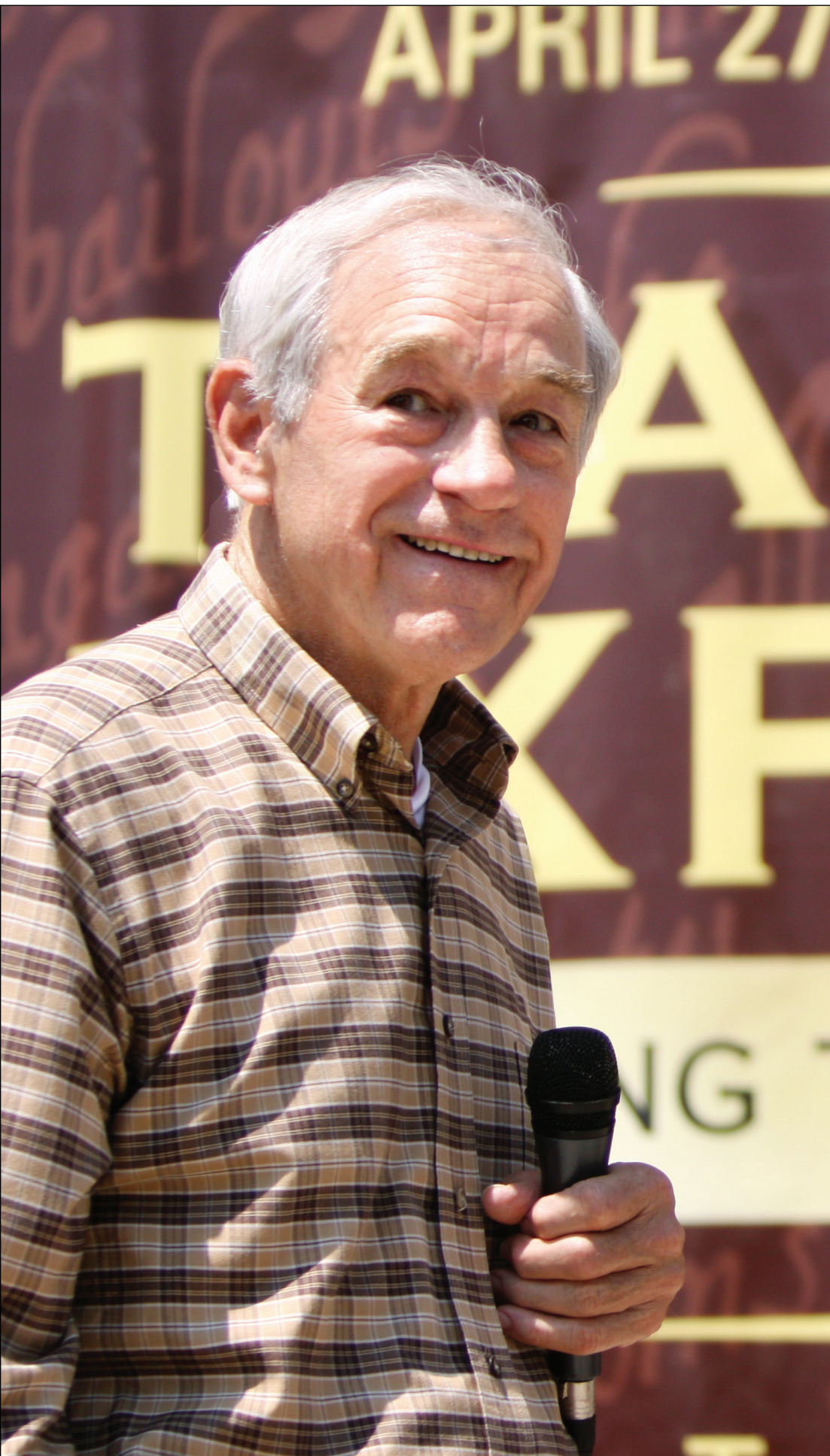
May – June 2018

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RON PAUL

ON WAR, GOLD, AND
HIS YEARS IN CONGRESS





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From the publisher

Jeff Deist

In 1972 our friend Dr. Michael Keller was a young undergraduate at the University of Houston. His ambition was to study medicine, but his keen interest in economics led him to discover the Austrian school and Ludwig von Mises. Against all odds he approached the student council with a plan to invite the aging but still active Mises to campus. Not surprisingly some of the other students objected, but Michael held them to a procedural rule requiring a unanimous vote to adjourn their meeting. As the night grew late Michael dug in his heels, and the exasperated students threw in the towel. The audacious young man prevailed.

When Mises delivered that talk on socialism to a packed lecture hall at the University later that year, a young doctor named Ron Paul was in attendance. Like Michael Keller, he had discovered the writings of Mises and Hazlitt and Hayek. He took a full day off from his busy medical practice to attend, and on the drive home committed himself to action. The gnawing realization that Mises was right, and the economic orthodoxy of the time was wrong, suddenly flipped a switch: despite his family and professional obligations, he would do something.

That something took the form of a congressional career and several presidential campaigns that made Dr. Paul a household name across America. Forty-five years after that day in Houston, Ron still works tirelessly to promote proper economics and peace. And along the way he also helped make Mises's name far better known. In fact tens of thousands of people around the world first heard the term "Austrian economics" from one of Dr. Paul's campaign speeches or media appearances.

I first met Dr. Paul in 1988. I was a college undergraduate, and he was the Libertarian Party presidential nominee campaigning across the US on a shoestring budget. We've been connected in one way or another ever since. So I hope you'll forgive my partisan bias in our cover interview, coming from the perspective of a fan and friend.

But I've seen some of the sacrifices Dr. Paul made over the years, from late flights to early morning radio appearances to missed weekends with family. I know he gave up a financially lucrative medical practice — twice — to have a platform in Congress, despite his deep misgivings about political action accomplishing much good.

And I've witnessed his shabby treatment at the hands of the GOP establishment, mainstream media outlets, neoconservative think tanks, and political pundits. Newt Gingrich and company did everything they could to deny his return to Congress in 1996, even convincing a hack Democrat who held the seat to switch parties and run against him. House Republican leaders then denied his prior seniority for committee assignments, despite always crediting other returning members with their previous years. They even resorted to merging two subcommittees to delay Dr. Paul from his rightful chairmanship over monetary policy matters — which included the delicious opportunity to question the Fed Chair Ben Bernanke twice every year.


*"Truth uncompromisingly told will
always have its ragged edges."*

Herman Melville

But Dr. Paul persevered, and got his subcommittee. And like Mises before him, he accepted the slings and arrows of critics over his long and ongoing career with quiet good humor, equanimity, and determination.

In doing so he earned himself fans around the world, who know him as the 2008 and 2012 presidential candidate speaking to huge crowds at Berkeley and Brigham Young, reminding a Republican presidential debate audience to apply the Golden Rule to foreign policy, jousting with Bernanke, or explaining the concept of blowback to an incredulous Rudy Giuliani.

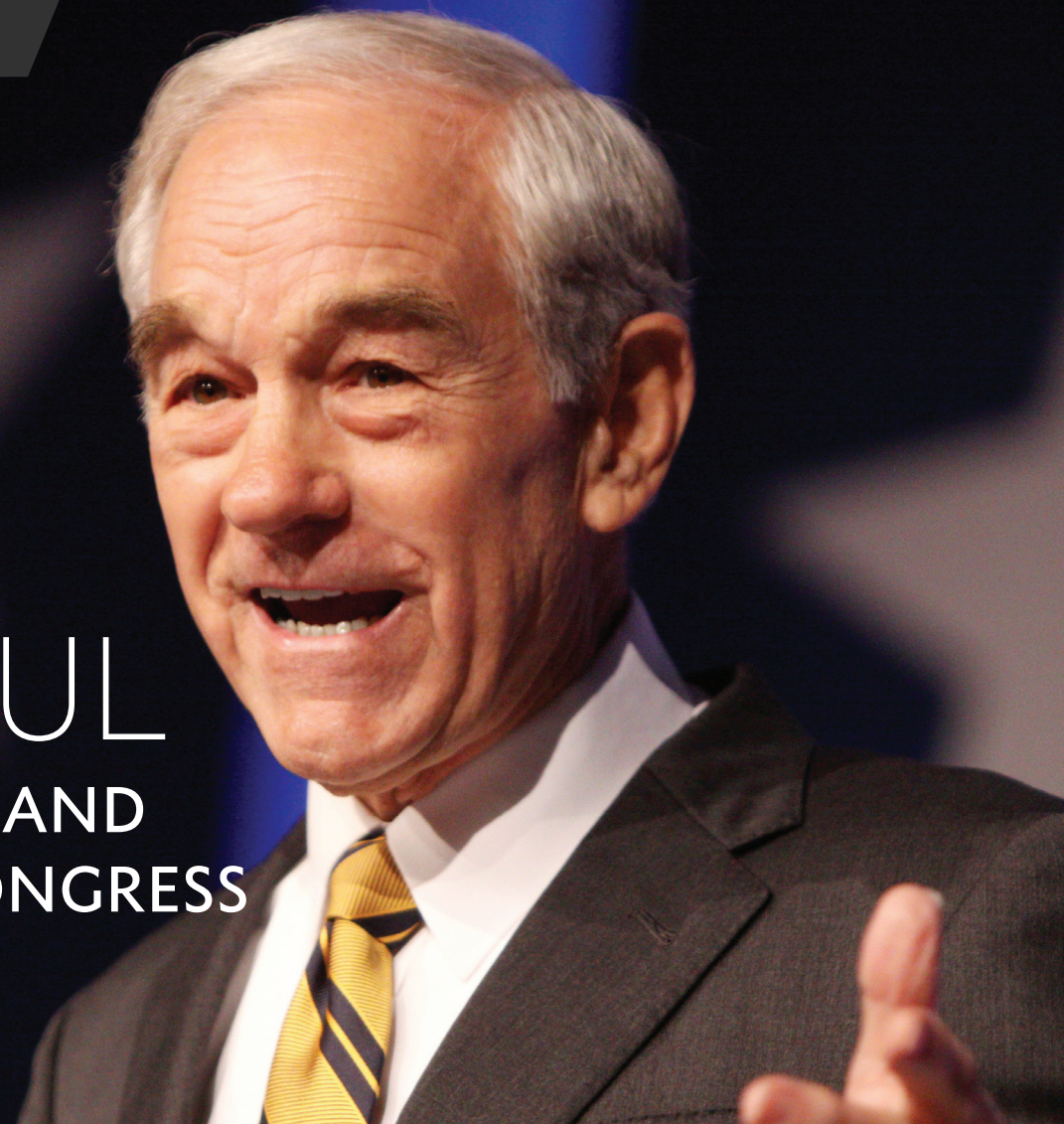
Now if only I had a dollar for every progressive who told me they "like Ron Paul on foreign policy," and for every conservative who told me they "like Ron Paul except on foreign policy! ..."

We hope you enjoy our interview, along with David Gordon's review of Nassim Taleb's fantastic new book *Skin in the Game*. 

Jeff Deist is president of the Mises Institute.

RON PAUL

ON WAR, GOLD, AND HIS YEARS IN CONGRESS



Ron Paul, Distinguished Counselor and Board Member of the Mises Institute, is a physician and retired U.S. Representative from Texas.

He is founder of the Ron Paul Institute for Peace and Prosperity, and the author of several books, including *A Foreign Policy of Freedom*, *Pillars of Prosperity*, and *The Revolution: A Manifesto*.

JEFF DEIST: What makes you optimistic, what makes you pessimistic about what you see in the US?

RON PAUL: Well, if I look at the big picture including a long span of time, I would say conditions aren't that bad, even though I often talk about all the bad things I anticipate and how it could get worse in terms of the economy and foreign policy.

When you think about it, I was born in 1935, in the middle of the Depression. I remember my early life. I remember when I was 3 years old and 5 years old and the Depression lasted through World War II and the conditions were such as I remember very clearly, but it wasn't a big deal for me even though we lived in close quarters and we didn't have a lot of shoes and were just skimping by.

So, we went through a Depression and World War II. Those were pretty tough times and since that time — since the war issue's always been a big issue with me — I remember the tragedies of World War II. We had relatives in Germany, so it always caught my attention. Then we had the Korean War. I could remember my mother saying, "another war this soon?" We just got over one, so she was negative on that and then we had the Vietnam War and I knew that I probably would be

drafted and that was one of the reasons that helped me move toward medicine.

So, those were pretty bad times. Think of the people that were dying over those first 30 or 40 years. Things weren't great economically either. In America, we were not even allowed to own gold.

Those were conditions that existed that changed for the better to some degree. Philosophically, I think, we're still on the wrong track overall, although some things have improved. Once again, we're able to own gold. The United States government and I pushed it along when I was in Congress to mint gold coins again and talk about monetary policy.

Philosophically, we are making progress in some areas, though, and I give a lot of credit to the institutions that do this, like the Mises Institute and FEE. And of course, I want to participate in changing foreign policy and we keep working on that through the Ron Paul Institute.

But, on the downside of all this, I see we're on a disastrous course even though the official economic indicators look great and wonderful. Everybody's practically euphoric and Trump is a good cheerleader. But, there is a lot of weakness behind the numbers, and we're engaging in self-deception and unsupported hopefulness that things will be all good, there will be no inflation or high unemployment, and there'll be no major war.

I think when I look at the seeds that have been sown, the future looks rather bleak in many ways, even compared to what it was like as we finished World War II and Vietnam.

We're in a mess partly because our major universities are still very Marxist-oriented and they're very anti-liberty and therefore, I think for people who care about liberty, we have a big job ahead of us.

JD: You talk about this in your book, *Swords into Ploughshares*. Is there a particular moment or recollection from your childhood during the Great Depression, or World War II, that started you on the path to being liberty-minded?

RP: Not at that young age. I think I had a natural instinct — and I claim everybody has a natural instinct — to be an individual. I think we express that when we are 2 years old and when we are 4 years old, when we're teenagers and it's always a struggle of being independent-minded and minding our own business and taking care of ourselves. And then, we have that beaten out of us. Of course, discipline is very necessary and good. But it depends on where it's coming from. If it's coming from some wise parenting, I think this is very, very good.

But, there was never one moment I started down that path of being liberty-minded. I think, more or less, it was an evolution. Back then I'd read newspapers and listened to the radio, listened to my dad talking about the war issues and going to school and it was a mixed bag. And then, I guess the serious introduction came

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probably in the early 1960s. I got interested in reading Austrian economics. I read almost everything that Ayn Rand ever wrote and that's when I found Leonard Read and got to know him. It seems like when Goldwater was running — that would have been '64 — I had already been thinking about it. If you read everything Goldwater was talking about back then, he would throw out some names. So, somewhere along the way, I came across the name Hayek because he was known because of *The Road to Serfdom*. So, I was inquisitive enough to look into it.

By the way, when I talk to college students today, I say the most important thing

CONTINUED ON NEXT PAGE

you can leave this place with is being inquisitive, checking out, finding out, and ask the question and seek the truth and do your best to be truthful to yourself and then come up with these answers. I am fascinated, that on the campaign trail in the last 10–15 years, where people would listen and come up to me and they would say, “I get it. It’s just common sense.” They’d put the whole picture together and they seemed to have sort of a moment where a light bulb goes on.

JD: Part of this evolution affected your decision to be a doctor, didn’t it? Deciding you wanted to help people. You saw a world full of hurt.

RP: I had an exceptionally good male teacher that taught biology and I got fascinated with that and got an A. So, when I went to college, I sort of leaned in the direction of science. I already felt comfortable with biology and the chemistry teachers and physics teachers weren’t as good. So I majored in biology, so that sort of set the stage, but even up until my third year in college, I was uncertain. But by the time I was finished in college, I had made a decision that’s what I wanted to do and fortunately, I was able to do that. I considered myself very fortunate that I was able, over my lifetime, to be able to do medicine, to a large degree and stuck with that a lot more than people realize as well as getting involved in the issues. People say, “when did you get involved in politics?” I say I never did. “When did you decide to go into politics?” I never did. But, I wanted to talk about the issues that were important to me and the vehicle was politics because I wasn’t an economics professor. I wasn’t writing great books and things like that, I was more inspired to try to convince other people of a different way of doing things. And I think I picked up some of the wisdom on how to do that from Leonard Read because he had some special ideas on how you converted people. Yet, I ended up talking, and being impressed and amazed that I could get 5,000 or 10,000 people out on a college campus, but being a member of Congress was what I used that one thing to do and that is to change people’s minds.

JD: I know you’ve written about it, but talk briefly about your involuntary time, of a sort, in the Air Force during the 1960s.

RP: Right. I always assumed I would be drafted. I thought being a doctor was a better way to go, because I just dreaded the thought of people just shooting at each other and killing each other. In October of ’62, I was almost finished with my second year of residency, and during the crisis, I got a draft notice. Fortunately I was able to finish out the year, but I went into the Air Force in January of ’63 and was stationed at Kelly in San Antonio and that’s how we originally got to Texas.

But, back then, there were a few people resisting the draft. There was a doctor that was in the news and I sort of looked at that and I paid attention, but I didn’t say, “that’s what I ought to be doing.” But resistance to the

On the campaign trail people would listen and come up to me and say, “I get it. It’s just common sense.” They’d put the whole picture together and they seemed to have sort of a moment where a light bulb goes on.

war grew, and as time went on I sort of admired what boxer Mohammad Ali did, to give up his career in a way for three years, because he was arrested and prosecuted for resisting the draft. That, to me, was very impressive. I was disturbed by that, but I expected it. That’s what governments do to you.

I was disturbed that my medical training was going to be messed up. But, I was pretty stoic about it and I liked the idea of flying. I remember going through flight medical school. It was not a big education, it was 3 months schooling, but I remember it was in the early 60s, they were just talking about the space program. I said, in my mind, I wonder if I ever could be the first doctor that could go into space. That technology fascinated me and of course, that wasn’t to be, but I just made a decision

that I would make the best of it. During the Air Force period, I had a lot more time to read and that's when the Randians were very active and it was at that time, I subscribed to *The Objectivist Newsletter* and remember specifically reading "Gold and Economic Freedom" by Alan Greenspan, which I kept a copy of all those years. That's the activity I was involved with. I'm not a Randian, and I'm not an Objectivist. I have my critique of that, but it was sort of inspiring reading.

Even today, I don't read hardly any novels, but I read hers because they were sort of inspirational and yet, she forced me to sort things out because she was so negative on Christianity and generosity, at least she came across that way with her attack on altruism and compared it to communism and that didn't make sense to me. I had to figure that out, that there was a difference, that they weren't identical.

But, so I had more time off while in the Air Force and enjoyed it. I learned how to fly an airplane and got my pilot's license, but had to travel around the world frequently as part of my duty. I went to the Far East on a couple trips and I went to the Middle East and every

place from Spain, Italy, Turkey, Ethiopia, Pakistan, the whole works. Iran, I was in, I don't think I was in Iraq. In Iran, I had been there in Tehran, but that was back when we owned it, with the Shah.

I referenced those trips over the years because they became so significant in my activity in foreign policy. I especially remember how we weren't allowed to go into Afghanistan. We were in Pakistan and we went up to Peshawar, which was not too far from the Khyber Pass, which was historic and remains historic. It was right on the border and it turned out that was the area where that whole Bin Laden episode happened. And I can visualize that place very, very well as I was driving with the military people up in a truck, to visit the border. I can remember the captain that was with us in the truck, who had been there before and he said, "Ron, do you see that place up there?" It was a place of totally bare and rocky mountains. He said, "there are thousands of people that live up there. They are tribal and they've been there for a long, long time and they've never been conquered." And he gave me a little history lesson and so, once we started thinking about this, in the foreign policy, I was able to visualize.



So, my military experience turned out to have some value.

JD: After the Air Force you were back in South Texas. You now have several kids. You're reading Austrian economics, getting more and more involved in your thinking. In the early 70s, you go to the University of Houston and see Ludwig von Mises, only a year or two before he died.

RP: I think it was his last lecture tour. We saw a little clip in the paper — very, very small — in the *Houston Chronicle* and it said he would be a speaker at the University of Houston. There was only one other person I knew in the whole town that knew who Mises was and that was Dr. Henry May and so, I called him, I said, “Henry, Mises is coming to town. Why don’t we go up and hear him?” And it was a major decision for us because we had to drive about 50 or 60 miles and find where he was giving this lecture. At the same time, we both had office hours, so we had to get coverage, for somebody to come in and take care of our patients because it would take us the afternoon to do this. So, we went up and his lecture was on socialism. I sort of read the book and knew a little

bit about it. It was just the experience of hearing him lecture. He had a German accent with a lot of lisping, whistling. He spoke English, of course, but there was a strong accent, but it still was an experience. The venue, it was a room, probably a classroom that might have held 40 to 50 students, maybe more and they had to bring extra chairs in and that room was packed. We got there a little late and we stood at the door so we could at least see him for the experience. I don’t know whether you ever heard the other part of the story.

JD: Dr. Michael Keller.

RP: Do you know the story?

JD: Our friend, Dr. Keller, was responsible for having the event there as a young member of UH student council.

RP: One time we were talking many, many years later, to Keller and I told him this story. He said, “Guess what? I was the one that got Mises to come.” It was probably decades later that we crossed paths and that’s how one person, doing something — like bringing Mises in — can make changes and I found that fascinating.

JD: So, when you ultimately decided to run for Congress, the first time around in the Houston area, I wonder if people understand how beneficial it was that you were known as a medical doctor and an OB — it was a political asset for you in running for Congress.

RP: Yes, it was, as a matter of fact. We used it in our advertisements and our media person did an ad which was just, the lights coming on at my house. It was dark and I go out and get in the car and drive off and they show me going off and then me coming back home in the middle of the night. I got up and went and delivered a baby. Matter of fact, [Congressman and medical doctor] Michael Burgess was a medical student back then and after we got to know each other he said, “I saw your ads. That’s when I went into OBGYN. The ads were so impressive.” It had nothing to do with anything foreign policy or gold standard or anything else. It was just that I was an OB doctor and it was image making. When he told me that story, I said, “It’s too bad you just went into OB. I thought you’d become a libertarian.” But, he probably wouldn’t mind me saying that.



JD: Carol was a little astonished when you won? It changed your life, not always in great ways, in terms of family.

RP: Well, she wasn't astonished. I was probably more astonished. It's when I told her I was going to run. She said, it was risky, dangerous because you might win. I said no, I can't possibly because I wasn't involved in that. I was trying to get rid of Santa Claus and you don't win doing that. She said, yeah, but you're going to tell them the truth and they're going to like that and they're going to vote you in. So, yes, we had some adjustments to do. And that was one reason why after I had four terms, I came back to medicine for 12 years.

JD: One of the great things that came out of your first stint in Congress was your minority report, with Lewis Lehrman on *The Case for Gold*. You were part of the Minority Commission appointed by Ronald Reagan. Reagan is someone you saw through maybe more than a lot of conservatives did.

RP: Oh, yeah. Reagan was a nice guy and I think he believed in some good things, but he also was able to rationalize a lot of things. Deficit spending, big government, militarism. I didn't like what he did in Libya, bombing Libya.

Also, he really had less to do with the gold commission than it sounds because it was passed under Carter the year before Reagan was in. So when Reagan was elected and it came up, it looked like they were just going to ignore it. We had to make sure that they did it and my involvement came about, interestingly, because I had talked about gold.

The most important outcome of that whole thing was that we legalized private ownership of gold again for the first time since the 1930s. The legislation was brought up under the IMF bill in 1983 and Jesse Helms and I sort of worked it together. But he was ahead of me on having it done. I think he was getting ready to do it in the Senate and they came to me and I was able to introduce it in the House.



The bill's passage was a significant event, but that was a reflection of what was going on in '79 and '80. I mean, we went from gold not being owned by Americans and fixed at \$35 an ounce at Bretton Woods, which was a disaster. It collapsed and then we had a decade of massive inflation and 15 percent interest rates then 21 percent and people were very, very concerned about the dollar and so, the purpose was to study the role of gold in the monetary system, domestic and international.

We had our first meeting and it was held in secret and [Donald] Regan was the chairman. He was Treasurer and he said, "we have to keep this secret because we don't want to mess up the gold markets and all." And guess who came to our rescue? Several people did, but [syndicated columnist and journalist] Bob Novak did. Novak was a gold guy and he started writing about it and he got enough people to pester them and then they turned the commission's documents over. Few people in Washington wanted an open discussion.

JD: A lot of people may not know the story about President Reagan calling you to vote for funding for a bomber program. Tough call for a young congressman.

RP: Yeah, I was in the House restaurant and I think Carol was with me because usually when we had someone come from home, a guest, we'd go there. So, they came over and said, the president's on the phone. I went to take the call and matter of fact, over the years, he did that I think twice, but this was the one on the B-1 bomber, that was

controversial and he asked me — I was very, very polite and he was very polite — and I said, well I'm sorry, Mr. President because you know, I campaigned against that and I said I don't think I can break my word. He said, okay, I understand. There wasn't any badgering or anything like that, but then I went back and I told Carol.

JD: That's a great story. He was a little more gentlemanly than Tom DeLay.

RP: DeLay was something else. He's being rehabilitated.

JD: Yes. Do you have any thoughts on running against Phil Gramm in 1984 for US Senate in Texas?

RP: I was looking for a graceful way out of Congress and the Senate run was it because I did have a lot of supporters then and I didn't want to insult them by just quitting. It was very, very clear that the establishment Republicans didn't want me and they ganged up real fast to support Gramm. I don't know of any other way that I could have done it, but it was sort of my desire to get home because in spite of all the stories you hear about Congressmen, back then I was probably making \$40,000 or \$50,000 a year and I had kids in school and it was not financially easy to go back and forth and have a couple homes and get kids through college. I decided that if I was going to go back to Congress, I had certain rules that I had. I was not going to have any kids still in school and I wouldn't owe any money. I'd have my house and all my properties paid off and then I could be more relaxed in going back and not have to worry about the finances.

JD: So, when you decide to run again in 1996, people might not know how arrayed against you the GOP was. Then Governor George W. Bush of Texas and his man, Karl Rove, were not fans, and actually Newt Gingrich as speaker had the Democrats switch parties to run against you. So they didn't want you back.

RP: They worked very, very hard. Matter of fact, that race is probably the most fascinating that I was involved in. It's been written up in detail because when I decided I was going to run, I went and talked to the Republican delegation and I said, "I want to run." I want to get another Republican seat for Texas because Greg Laughlan was the sitting Democrat in the 14th district where I lived.



I said I could get the seat. But, what shocked me is I didn't know how quickly I could change it to a Republican seat a month later. With the backing of the Republican establishment, Laughlan became a Republican. He was on the Ways and Means Committee and the GOP promised him a million dollars and Newt Gingrich came on and he supported him. He got 56 — maybe, a large number, I think it was around 56 — other members of Congress to cough up and donate to his campaign and both Bushes, Senior and Junior, supported him. They didn't want me in Congress.

But, it all backfired. We were tipped off at times when they were trying to bring somebody in to tell local voters to vote for Laughlan. I think it was somebody from the Reagan administration that they sent in. I can't think of his name right now but he had been in the cabinet. We would know that he was coming in and then we had our press release ready the day before he arrived. The thing that we could use on this was, "why are they sending people from Washington to tell people in Texas how to vote?" And that was a powerful message.

And also, I knew for sure that the reason that race was so interesting was that they would use the drug issue. I was very clear about the War on Drugs and how could anybody be against the War on Drugs in a Bible Belt conservative Republican district in Texas? You can't be elected like that.

So lo and behold, the Republican Party spent a million dollars or more, which was a lot of money then, and they did the most vicious ugly ads against me claiming that I'm giving drugs to kids and children, drug dealers and all this trash. And it didn't work. I think most people didn't believe it could possibly be true because they knew me more as a doctor taking care of and delivering babies. In fact, we answered it with an ad showing me delivering a baby. So, we had to combat this image. I ended up winning the primary.

But then the Democrats did the same thing, used the drug issue and I finally concluded that I thought I was absolutely alone, but I think the people are way ahead of Congress because there probably were a lot of families that had been touched by somebody because they smoked a marijuana cigarette and got thrown in prison. It was horrible. It still is bad and we're seeing this today. I think the people either didn't believe it or they weren't going to hold it against me or they think the drug war was bad and I think time has proven that that was a good assessment, even though now we have an administration that's trying to go backward.

JD: Well, when you come back to Congress, your second stint from 1997 until 2012, was marked by really two things that stick out. One is that you were strongly against the Iraq and Afghanistan wars and you were involved in promoting noninterventionism. The other thing is that you were involved in monetary policy

UPCOMING Events

June 2	Mises Institute in Ft. Worth, TX
June 10–15	Rothbard Graduate Seminar; Mises Institute
July 11–14	Mises Institute at Freedomfest, Las Vegas, NV
July 15–21	Mises University; Mises Institute
September 27–29	Supporters Summit; Mises Institute
October 20	Libertarian Scholars Conference; New York, NY
November 3	Symposium with Ron Paul, Lake Jackson, TX
December 1	Mises Institute in Orlando, FL

Student scholarships available for all events. See mises.org/events for details.

going back and forth with first Alan Greenspan and later Ben Bernanke. Give us your overriding thoughts about your second go in Congress.

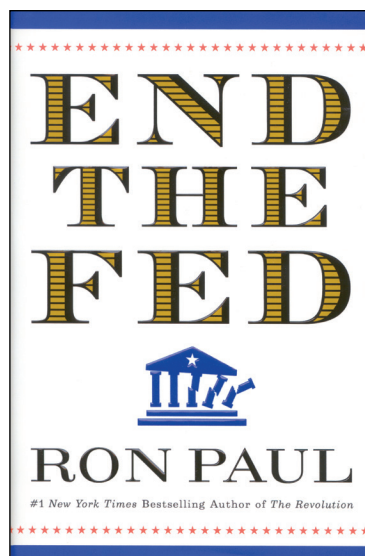
RP: It was quite a bit different than the first time I ran. There was more attention and especially from 2008 on, from the presidential election in '08 and '12. It was just astounding and it was the issues that I liked to talk about, such as civil liberty issues.

I remember that I was totally shocked when I arrived at the University of Michigan, it was after a debate we had in Detroit, and there was a group of young people who had waited because I was late. But, we came over and that's where they started shouting "end the Fed" and that's where I remembered them doing that. I didn't tell people. I didn't have cards, hold cards up or say let's end the Fed. It was spontaneous, so I knew something was going on, where people wanted to hear this message.

The other big issue was the NDAA [National Defense Authorization Act]. College kids started talking about that or bringing it up to me even before I was hitting hard about it. The main concern was the authority to arrest Americans and hold Americans without due process which has continued.

Those were the issues I like to talk about and of course, one of my biggest events — might have been the biggest one — was at the Berkeley campus. Things were going along and we got more attention on the Federal Reserve and people, even today, I think have a much healthier attitude about the Federal Reserve. I remember at the time seeing a poll conducted by a television station

asking whose fault the recession was. I think that 66 percent agreed it was the Fed's fault and I thought, "wow." And this wasn't on your website or my website. This was on the CNBC website. And I thought, well, something interesting is going on. They're not going to get away with what they've gotten away with for a long time because



we're going to have another crisis and the media will say it's the Fed's fault.

JD: You knew Alan Greenspan a little bit and he understood gold and he understood Austrian economics. He's a brilliant man.

RP: We had a little bit of fun at times and I had visited with him after some hearings about Murray Rothbard and different things because he knew Murray from the Rand group. I think the most fascinating little incident was because I remember his article in *The Objectivist Newsletter* and he was coming to one of our hearings and we were able to go and have a one-on-one, sit down and get a picture and say a few words. And not everybody did it, but I was interested in it. That's generally not my thing, but for Greenspan, I thought, I might as well take advantage of this. I had the original green pamphlet, which was *The Objectivist Newsletter* and it was in 1966 and it was when Greenspan had his article first published. I said, "do you recognize this?" He knew what it was. "What I'd like you to do is sign this article for me." So, he got his pen out and he signed this. I said, do you want to put a disclaimer on it? And he said, "I just read that recently and I still support all those views." What am I going to make of all that?

I've tried to get him on the *Liberty Report*, can't get him on. I thought I could have some fun.

JD: Maybe if you pay his \$200,000 speaking fee.

RP: Yes, probably.

JD: I recall you also had a breakfast with Ben Bernanke when he was Fed Chair. How did that go? Was that polite or was it frosty?

RP: It was polite and boring, in a way.

JD: He wasn't the ideologue that Greenspan was.

RP: It might have been me not being aggressive enough or something. But, I'd have a much easier conversation with Volcker. Volcker, I got to know a lot better than I knew Bernanke and in the early 80s, there was a thing called the Monetary Control Act and there was a major part of it which was opening up the door for the Fed to monetize anything they want, especially foreign bonds. So, I complained about it and complained about it in my

little way at the conference and Volcker invited me over. He said, "I'd like you to come over and have breakfast and we'll talk about it some more." But, it was sort of an academic thing, the way it was. It wasn't like, "I'm going to straighten you out." That wasn't his attitude. So, this had to have been in '79, most likely or '80.

JD: Mr. Volcker should be on your show. He's got a new biography.

RP: I don't know whether we've reached out to him. He was more sympathetic to gold than some. So, when we went in, it was a one-on-one breakfast and we went over and the aide I had was somebody by the name of Lew Rockwell. We walk in and we got there a couple minutes early and Volcker's staff was in the room where we were supposed to meet. So, we were just chatting away there in friendly conversation and then Volcker walks in, you can't miss him because I think he's about six-and-a-half feet tall. So, he walks in and I thought, "well I have to shake his hand and say hello." He didn't even look at me. He didn't come to me. He went straight to his staff and he said, "what's the price of gold?" So, I thought,

"gold is important to him" and I still think it's every bit as important to Fed people now because it is the ultimate measurement of the dollar. They can rig it and monkey around with it and play games, but ultimately, the market will have its say. That's the way that Bretton Woods broke down the market. But then, of course, we talked and had the meeting and he didn't convert me, but it was very polite. But, what I really remember about that was, he was very interested in what the price of gold was that morning.

JD: The other huge and unfortunate series of events that marked your second time in Congress were 9/11 and then our subsequent invasion of Iraq and Afghanistan. Looking back, talk about that terrible period with Bush and Rumsfeld and Cheney and Wolfowitz. The Republicans in Congress were horrible too.

RP: We started this interview off with talking about how bad the Depression was and World War II, and Korea, and Vietnam. But then when you look at some trends today, some things are almost worse because of our aggressiveness. Back then, it was sort of dumb economic policy and Fed policy that gave us Depression and



FROM LEFT: RON PAUL, HENRY HAZLITT, MURRAY ROTHBARD, LEW ROCKWELL

war. But, we had a declaration of war and it seemed like it was more acceptable, given the circumstances. But in the 21st century, things dramatically changed after 9/11, and the US has become far more aggressive. After all, 9/11 wasn't the reason for the wars that followed. It was the excuse. Washington policymakers already knew what they wanted to do in the Middle East before 9/11 even happened.

My first speech, my first effort at peace, was shortly after I went back into Congress. I think it was 1998. It was the Iraq Freedom Act or I forget what it was called, but it was just intervention and threats and sanctions, that

9/11 wasn't the reason for the wars that followed. It was the excuse. Washington policymakers already knew what they wanted to do in the Middle East before 9/11 even happened.

kind of stuff. I was saying those measures will lead to war. But, nobody was even talking about it in '98, but it kept ratcheting up and getting worse and worse and worse.

It just was sort of unbelievable that's what we were doing, and of course I wasn't able to stop the war. I thought I was supposed to be there to help stop the wars, but they're still going on.

JD: We're going to feel the effects of these for decades and decades with the young people who've been hurt and need VA care.

RP: It's horrible.

JD: And for all of your troubles, if you recall, there was that article in *National Review* from David Frum which called you and some other people, Pat Buchanan, "unpatriotic conservatives." I always thought that you were neither. I think even some libertarians think of you as a conservative, but really you're not in any political sense of that word.

RP: No, it's a tricky word. Because some people could argue that if you technically want to follow the only oath that we take as members of Congress, that's sort of conservative, to obey the oath and follow it. But "conservative" in the sense of being a warmonger, and supporting the war on drugs, and not having an understanding of civil liberties. That's not a good kind of "conservative." Also, conservatives today, they don't admit it, but they're big spenders, they're huge spenders. So no, in that sense, we libertarians are not conservative. Besides, Mises and other libertarians never liked to be called conservatives. They wanted to be called liberals. That's the trickiness of language. I generally steer clear of the labels.

I like to divide things into two parts: authoritarianism and volunteerism. On the one side are people who think that your life ought to be done on voluntary terms, as long as you reject aggression. On the other side are the authoritarians and they think they know what's best for others. They really do. People I knew in Washington are convinced that people are idiots and therefore they can't be responsible for themselves.

That's why they don't want ordinary people to own guns — and government should have all the guns. If you wanted to compare the number of people who die from government guns versus private guns — historically, government kills about 95 percent of the people. Maybe it's worse than that, when you think of the 20th century. ■■■



SKIN IN THE GAME

DAVID GORDON

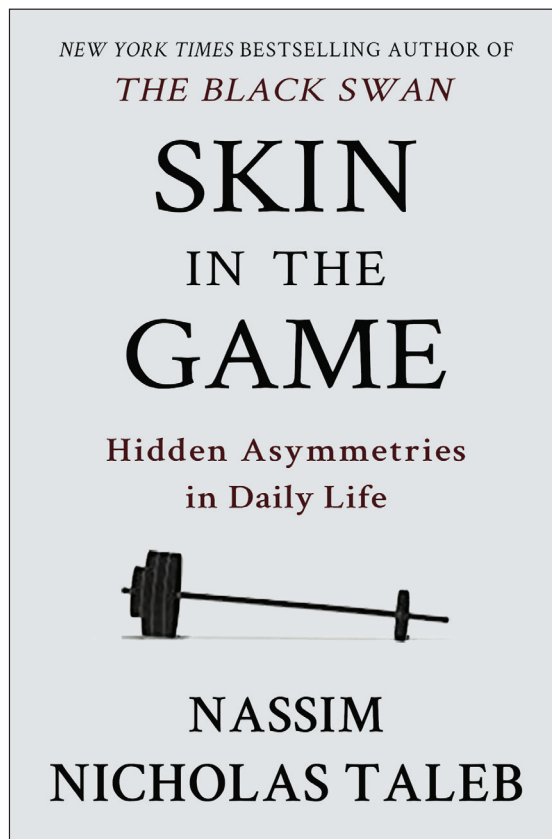
REVIEWS

Skin in the Game: Hidden Asymmetries in
Daily Life

Nassim Nicholas Taleb

Random House, 2018

xv + 279 pages



To review *Skin in the Game* is a risky undertaking. The author has little use for book reviewers who, he tells us, “are bad middlemen. ... Book reviews are judged according to how plausible and well-written they are; never in how they map the book (unless of course the author makes them responsible for misrepresentations).”

The risk is very much worth undertaking, though, because *Skin in the Game* is an excellent book, filled with insights. These insights stress a central antithesis. Irresponsible people, with what C.D. Broad called “clever silly” intellectuals prominent among them, defend reckless policies that impose risks on others but not on themselves. They have no “skin in the game,” and in this to Taleb lies their chief defect.

Interventionist foreign policy suffers from this defect. “A collection of people classified as interventionistas ... who promoted the Iraq invasion of 2003, as well as the removal of the Libyan leader in 2011, are advocating the imposition of additional such regime change on another batch of countries, which includes Syria, because it has a ‘dictator’. So we tried *that thing* called regime change in Iraq, and failed miserably. ... But we satisfied the objective of ‘removing a dictator.’ By the same reasoning, a doctor would inject a patient with ‘moderate’ cancer cells to improve his cholesterol numbers, and proudly claim victory after the patient is dead, particularly if the postmortem showed remarkable cholesterol readings.”

But what has this to do with risk? The fallacy of the interventionists, Taleb tells us, is that they disregard the chance that their schemes will fail to work as planned. A key theme of Taleb’s work is that uncertain outcomes mandate caution. CONTINUED ON NEXT PAGE

“And when a blowup happens, they invoke uncertainty, something called a Black Swan (a high-impact unexpected event), ... not realizing that one should not mess with a system if the results are fraught with uncertainty, or, more generally, should avoid engaging in an action with a big downside if one has no idea of the outcomes.”

The same mistaken conception of risk affects economic policy. “For instance, bank blowups came in 2008

because of the accumulation of hidden and asymmetric risks in the system: bankers, master risk transferors, could make steady money from a certain class of concealed explosive risks, use academic risk models that don’t work except on paper ... then invoke uncertainty after a blowup ... and keep past income — what I have called the Bob Rubin trade.”

Instead of relying on mathematical models, economists should realize that the free market works. Why use misguided theory to interfere with success in practice?

Instead of relying on mathematical models, economists should realize that the free market works. Why use misguided theory to interfere with success in practice? “*Under the right market structure, a collection of idiots produces a well-functioning market.* ... Friedrich Hayek has been, once again, vindicated. Yet one of the most cited ideas in history, that of

the invisible hand, appears to be the least integrated into the modern psyche.”

Upsetting a complex system like the free market, can have disastrous consequences. Given this truth, libertarianism is the indicated course of action. “We libertarians share a minimal set of beliefs, the central one being to substitute the rule of law for the rule of authority. Without necessarily realizing it, libertarians believe in complex systems.”

Taleb greatly admires Ron Paul, the foremost libertarian in politics, and he is one of two people to whom the book is dedicated. (Ralph Nader is the other.) Ron Paul grasps Taleb’s fundamental lesson that misguided

theory should not supplant what has stood the test of time. “The insightful and luckily nonacademic historian Tom Holland ... wrote: ‘The Romans judged their political system by asking not whether it made sense but whether it worked,’ which is why while dedicating this book, I called Ron Paul a Roman among Greeks.”

One common objection to the free market is that it allows powerful corporations to dominate people. Taleb’s response converges with that of Murray Rothbard: “There are two ways to make citizens safe from large predators, say, big powerful corporations. The first one is to enact regulations — but these, aside from restricting individual freedoms, lead to another predation, this time by the state, its agents, and their cronies. ... The other solution is to put skin in the game in transactions, in the form of legal liability, and the possibility of an efficient lawsuit. The Anglo-Saxon world has traditionally had a predilection for the legal approach instead of the regulatory one; if you harm me, I can sue you. This has led to the very sophisticated, adaptive, and balanced common law, built bottom-up, by trial and error.”

Rothbard held the same view. In his pathbreaking monograph “Law, Property Rights, and Air Pollution,” he remarks: “There are, of course, innumerable statutes and regulations that create illegality besides the torts dealt with in common-law courts. We have not dealt with laws such as the Clean Air Act of 1970 or regulations for a simple reason: None of them can be permissible under libertarian legal theory. In libertarian theory, it is only permissible to proceed coercively against someone if he is a proven aggressor, and that aggression must be proven in court (or in arbitration) beyond a reasonable doubt. Any statute or administrative regulation necessarily makes actions illegal that are not overt initiations of crimes or torts according to libertarian theory. Every statute or administrative rule is therefore illegitimate and itself invasive and a criminal interference with the property rights of noncriminals.”

Another complaint against the free market stems from “behavioral economics.” Consumers, it is alleged, often act in an irrational way against their own best interests. Hence the benevolent action of bureaucratic experts is required to “nudge” people into rationality. Taleb responds. “We have survived in spite of tail risks;



our survival cannot be that random.” (Tail events are “extreme events of low frequency,” i.e., the Black Swans mentioned earlier.) The supposed “mistakes” that the behavioral economists allege people commit often are good ways to cope with tail risks.

Taleb assails the leading behavioral economists in mordant fashion: “And if you dream of making people use probability in order to make decisions, I have some news: more than ninety percent of psychologists dealing with decision making (which includes such regulators as Cass Sunstein and Richard Thaler) have no clue about probability, and try to disrupt our efficient organic paranoias.” In another place, he calls Thaler a “creepy interventionist.”

Taleb extends his criticism of “pseudo-rationalism” to ethics. Here “universalism” is the enemy: “So we skip Kant’s drastic approach for one main reason: Universal behavior is great on paper, disastrous in practice. Why? As we will belabor *ad nauseam* in this book, we are local and practical animals, sensitive to scale. ... We should focus on our immediate environment: we need simple practical rules. Even worse: the general and the abstract tend to attract self-righteous psychopaths. ... In other words, Kant did not get the notion of scaling — yet many of us are victims of Kant’s universalism.” (In

another place, though, influenced by Derek Parfit, Taleb assigns a positive though not exclusive rule to Kantian ethics.)

In one of the most original passages in the book, Taleb applies “skin in the game” to criticize Pascal’s wager. “This argument (that real life is risk taking) reveals the theological weakness of Pascal’s wager, which stipulates that believing in the creator has a positive payoff in case he truly exists, and no downside in case he doesn’t. Hence the wager would be to believe in God as a free option. If you follow the idea to its logical end, you can see that it proposes religion without skin in the game making it a purely academic and sterile activity.”

For Taleb, this will never do, as it neglects the whole point of religion. “It is therefore my opinion that religion exists to enforce tail risk management across generations, as its binary and unconditional rules are easy to teach and enforce.” Though one disagrees with this author at one’s peril, I wonder whether this account of religion is unduly reductionist. Does not religion involve cognitive claims about the nature of ultimate reality, which must be assessed directly, rather than viewed exclusively as tools for evolutionary survival? When, e.g., Henry Vaughan writes, “There is in God, some say/ A deep but dazzling darkness,” this seems a claim about the world, rather than a rule for our conduct in it.

Readers of *Skin in the Game* will be struck by Taleb’s originality, acuity, and erudition. He is a thinker of outstanding merit, and it would be risky indeed to ignore him. ■■■

Readers will be struck by Taleb’s originality, acuity, and erudition. Taleb is a thinker of outstanding merit, and it would be risky indeed to ignore him.

David Gordon is Senior Fellow at the Mises Institute, and editor of *The Mises Review*.

Austrian Scholars Gather In Auburn

On March 23rd and 24th, faculty members, graduate students, and other scholars gathered at our campus in Auburn to present new research, prepare new articles and books for publishers, and hear talks from some of the best minds working in the Austrian school today. This year's named lectures included:

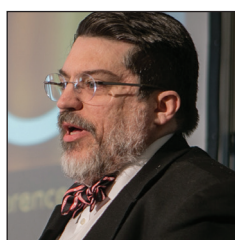
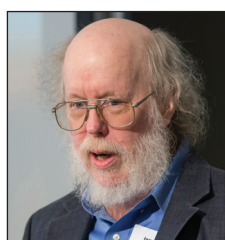
The Henry Hazlitt Memorial Lecture, delivered by **James Bovard** and sponsored by Hunter Lewis.

The Murray N. Rothbard Memorial Lecture, delivered by **Richard Ebeling** and sponsored by Helio Beltrão.

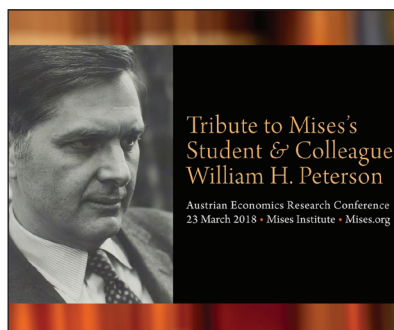
The Lou Church Memorial Lecture, delivered by **Shawn Ritenour** and sponsored by the Lou Church Foundation.

The Ludwig von Mises Memorial Lecture, delivered by **Kevin Dowd** and sponsored by Yousif Almoayyed.

The F.A. Hayek Memorial lecture, delivered by **Roger Garrison** and sponsored by Greg and Joy Morin.



From left: James Bovard, Richard Ebeling, Shawn Ritenour, Kevin Dowd, and Roger Garrison



Attendees were able to choose from 18 different panels featuring working papers and new research on topics ranging from the business cycles to entrepreneurship to pedagogy. The conference allows scholars to discuss their ideas with colleagues and to refine their work for future publication.

One of the highlights of the event was the tribute to Mises's friend and colleague — and longtime Mises Institute supporter — William H. Peterson. Peterson's daughter, Laura Bennett Peterson, was joined by Robert Luddy, Paul Cwik, and Bill Anderson who shared their own experiences working with and learning from Peterson and his scholarship.



From left: Robert Luddy, Laura Bennett Peterson, Paul Cwik, and Bill Anderson

Finalists for the Grant Aldrich Graduate Student Prize who presented papers at AERC were **Henrique Lyra Maia**, University of Fortaleza; **Florent Pirot**, Gate Lyon-St. Etienne University Jean Monnet; and **Tate Fegley**, George Mason University.

The winner of the prize was **Tate Fegley** for his paper, "Policing and Economic Calculation."





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