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AN INTERVIEW WITH STEVE H. HANKE ON HIS LIFE AND WORK IN ECONOMICS

Mitchell List and Kurt Schuler
with Caleb Hofmann

Johns Hopkins Institute for Applied Economics,
Global Health, and the Study of Business Enterprise

An Interview with Steve H. Hanke on His Life and Work in Economics

By Mitchell List and Kurt Schuler with Caleb Hofmann

About the Series

The *Studies in Applied Economics* series is under the general direction of Prof. Steve H. Hanke, Founder and Co-Director of the Johns Hopkins Institute for Applied Economics, Global Health and the Study of Business Enterprise (hanke@jhu.edu). The authors are mainly students at The Johns Hopkins University in Baltimore.

About the Authors

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Caleb Hofmann is a 2025 graduate of The Johns Hopkins University in Baltimore, where he majored in economics and classics and minored in mathematics. He was also a Research Scholar at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise, a student assistant coach and former player on the Johns Hopkins varsity football team, and a member of the Marshal L. Salant Investment Team.

Abstract

Steve H. Hanke is Professor of Applied Economics at The Johns Hopkins University in Baltimore. As an academic, he is known for his work on the economics of water, natural resources, privatization, currency boards, dollarization, finance, and other subjects. He has also been active as a trader, market commenter, and economic adviser to presidents and prime ministers. Mitchell List and Kurt Schuler ask him about his youth as an Iowa farm boy; his education at the University of Colorado; his academic career at Johns Hopkins; his contributions to economic thinking and economic policy; his experience as a trader, which began when he was a youngster; his thoughts on advising top policy markers; and his reflections on economics over the years. Caleb Hofmann also contributed to the interview, eliciting further material from Hanke.
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(This interview has been edited for length and clarity.)

I'm Kurt Schuler, a former postdoctoral fellow of Professor Steve H. Hanke, here with Prof. Hanke's current undergraduate student Mitchell List. We are interviewing him on April 29, 2024 in his office at the Homewood campus of Johns Hopkins University in Baltimore.

1. Early Life

Can you tell us a little bit about your childhood and teenage years in Iowa?

Yes. I grew up in Atlantic, Iowa, the "hub of Southwest Iowa," as it used to be called. I think it's still probably called that. Atlantic is located on the East Nishnabotna River, a tributary of the mighty Missouri River, which is located 50 miles west of Atlantic. I used to fish, hunt, swim, and ice skate on the Nishnabotna. Among other things, I knew every great swimming hole in Cass County. Atlantic is the county seat of Cass County. In that part of the world, being the county seat is important. It's the center of what's going on in the county.

I enjoyed school very much. I went from kindergarten through 12th grade, and I'm proud to say I never missed one class. I never had one absence the whole time. And the main reason for that was my friends. I wanted to go to school because that's where my friends were. It was very social. School was where the action was. The other activities that I spent a lot of time doing were hunting, fishing, and sports. I also held down all kinds of jobs from a very young age. Especially in the summer, I was always working on the farm. I spent a lot of time carefully observing what the bosses were doing and how things worked. So, I enjoyed my childhood very much. My family first lived in town, and then we moved outside of town to a small property of about 25 acres. The great thing about that was, in those days, when you were 14, if you lived outside of town, you could get a driver's permit to drive to school. So, when I was 14, I had a '47 Plymouth and was a big man on campus. Needless to say, I was driving a little around the edges and not just going from home to school.

Some of your classmates rode horses to school.

Yes, in the county there were still one-room schoolhouses. I knew a lot of the farm kids pretty well. Occasionally, when we had a holiday or school day off in town, I would visit them in their one-room country school. They were riding horses to school. They'd ride their horses in and take the saddles off and let the horses graze around the school grounds, which were all fenced in. And the heating was, of course, the proverbial potbelly stove. In those one-room schoolhouses, all the grades were consolidated. They only went up to the 8th grade. So, it was kindergarten through the 8th grade. All the students were together, and there was only one teacher. There was always one teacher, and typically she was very competent.

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Professor Hanke's Short Bio

Steve H. Hanke is a Professor of Applied Economics and Founder and Co-director of the Institute for Applied Economics, Global Health, and the Study of Business Enterprise at the Johns Hopkins University in Baltimore.

Hanke is a Distinguished Senior Scholar at the Mises Institute in Auburn, Alabama, a Senior Fellow at the Independent Institute in Oakland, California, a Senior Adviser at the Renmin University of China's International Monetary Research Institute in Beijing, and a Special Counselor at the Center for Financial Stability in New York. Hanke is also a Contributing Editor at the International Economy, a Contributing Editor at Central Banking in London, a Contributor at National Review, and a Contributor at Fortune magazine. In addition, Hanke is a Member of the Charter Council of the Society for Economic Measurement. Currently, he is ranked as the world's 3rd most influential economist by Focus Economics in Barcelona, Spain.

In the past, Hanke taught economics at the Colorado School of Mines and at the University of California, Berkeley. He served as a Member of the Governor's Council of Economic Advisers in Maryland in 1976– 77, as a Senior Economist on President Reagan's Council of Economic Advisers in 1981–82, and as a Senior Adviser to the Joint Economic Committee of the U.S. Congress in 1984–88. Hanke served as a State Counselor to both the Republic of Lithuania in 1994–96 and the Republic of Montenegro in 1999–2003. He was also an adviser to the presidents of Bulgaria in 1997–2002, Venezuela in 1995–96, and Indonesia in 1998. He played an important role in establishing new currency regimes in Argentina, Estonia, Bulgaria, Bosnia-Herzegovina, Ecuador, Lithuania, and Montenegro. Hanke has also held senior appointments in the governments of many other countries, including Albania, Kazakhstan, the United Arab Emirates, and Yugoslavia.

Hanke has been awarded honorary doctorate degrees by the Universidad San Francisco de Quito (2003), the Free University of Tbilisi (2010), Istanbul Kültür University (2012), the Bulgarian Academy of Sciences (2013), Varna Free University (2015), the Universität Liechtenstein (2017), the D.A. Tsenov Academy of Economics (2018), and the Universidad Nacional del Este (2024) in recognition of his scholarship on exchange-rate regimes. He is a Distinguished Associate of the International Atlantic Economic Society, a Distinguished Professor at the Universitas Pelita Harapan in Jakarta, Indonesia, a Professor Asociado at the Universidad del Azuay in Cuenca, Ecuador, a Profesor Visitante at the Universidad Peruana de Ciencias Aplicadas, the Gottfried von Haberler Professor at the European Center of Austrian Economics Foundation in Liechtenstein, and Professor Honoris Causa at Kolegji AAB in Pristina, Kosovo. In 1998, he was named one of the 25 most influential people in the world by World Trade Magazine. In 2020, Hanke was named a Knight of the Order of the Flag.

Hanke is a well-known currency and commodity trader. Currently, he serves as a Senior Advisor at AMG Critical Materials NV in Amsterdam. He also serves as chairman emeritus of the Friedberg Mercantile Group Inc. in Toronto. During the 1990s, he served as President of Toronto Trust Argentina in Buenos Aires, the world's best-performing emerging market mutual fund in 1995.

Hanke's most recent books are *Public Debt Sustainability: International Perspectives* (Lexington,

2022) with Barry Poulson and John Merrifield; *Did lockdowns work? The verdict on Covid Restrictions* (IEA, 2023) with Jonas Herby and Lars Jonung; *Capital, Interest, and Waiting: Controversies, Puzzles, and New Additions to Capital Theory* (Palgrave Macmillan, 2024) with Leland Yeager; and *Making Money Work: How to Rewrite the Rules of our Financial System* (Wiley, 2025) with Matt Sekerke.

Hanke received his B.S. in Business Administration (1964) and his Ph.D. in Economics (1969), both from
the University of Colorado Boulder.

Hanke and his wife, Liliane, reside in Baltimore and Paris.

You mentioned working on a farm. Can you tell us a little bit more how that influenced you?

It was really a tremendous amount of fun. It started on my uncles' farms. It was just a joy to engage in farm life. I started when I was really small. They had a hen house, and it was a big deal to gather the eggs. That's the way they used to do things in the old days. Gathering eggs, milking cattle, herding cattle. That was before I was old enough to drive a tractor or a Jeep or anything like that. It was an experience. For example, what would you do on a Saturday night? Well, everyone in these little villages would get together, put a big sheet up, and run a movie. We'd sit out in the grass and watch a movie on the sheet with somebody projecting whatever old movie they could get ahold of. It was fun because I was with all my cousins, as well as my uncles, aunts, and grandparents. We were quite spoiled because, of course, my grandparents did what grandparents normally do, spoil you.

What were your parents' occupations?

My father went to Bradley University,[1] where he received a professional degree as a gemologist and a watchmaker. He grew up in northwest Iowa, as did my mother. They settled in Atlantic because they had been given information that it was a good market and there was room for another jewelry store. So, they opened a jewelry store.

My mother went to the University of South Dakota and was a teacher for a few years before she was married. She was working at the store taking care of all the [account] books and purchasing a lot of merchandise. I started learning that if you're running a business and want to make money, you've got to serve customers. You've got to have a good finger on the pulse of the potential customers and what they might be interested in buying. My mother happened to be very clever with detecting what the trends were and what merchandise people would be interested in.

Every year, my parents and I would go to the Merchandise Mart[2] in Chicago. That's where you would buy the merchandise. Also, there were traveling salesmen back then. A lot of travelling salesmen, who were selling watches and diamonds and things like that, would make their rounds and stop in Atlantic. They'd sell the merchandise to my parents. That's all gone now, of course, but the traveling salesman was a pretty big deal. Among other things, if you had good relationships with some of the salesmen that were representing watch companies or diamond companies, they would extend you credit. So, you didn't have to have such a heavy weight of inventory cost. You could basically buy it on credit. You had the inventory to sell retail, but you didn't pay for it until you sold it. It was kind of a consignment type of arrangement that they would work out. Anyway, I learned about that kind of thing quite young. It's pretty straightforward, but my parents just explained to me what was going on. It wasn't like being tutored by somebody. It was just a normal course of events.

What were your particular intellectual interests by the time you were a high school student?

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[1] In Peoria, Illinois; at the time it was called Bradley Polytechnic Institute.

[2] A building that was a national center for wholesale trade in many industries.

As far as schoolbooks were concerned, virtually nothing. But I was reading a lot of Mark Twain and Ernest Hemingway. For my money, they are two of the greatest American authors. Indeed, I try to get my Hopkins students to read Hemingway, so they can learn how to write in a crisp, coherent way. Another thing that comes to mind is that there was basically a lot of "tacit knowledge," as Michael Polanyi calls it in his 1968 book *Personal Knowledge*.[3]

If you were paying attention, there was a lot to learn, because all the older people were always in the mode of mentoring. There was a lot of teaching young people how to do things. I had a job at a print shop for a long time after school. Basically, it was just cleaning, cleaning, cleaning the shop up and gathering lead filings. They were doing everything with lead and the Linotype [machine]. And so, you basically wanted to learn the business. Well, if you were interested in it. I was definitely interested in it.

On the farm, you learn many things because the farm is like a little industry. You learn what the inputs are, where they bought the fertilizer, where they bought the seed, how they bought it, how they financed it, how they harvested the crops, and who they sold it to. You also learn a bit of financial engineering, given that farmers have to hedge against price risk. Everyone was always listening to the weather report. The main thing was the weather report, and the main reason you were listening to the weather report was [it told you] what was going to be the effect of the weather on crops, the yields, and what the prices were. And I went with relatives to Omaha, Chicago, the stockyards. So, you learned what an auction was pretty young because you took your livestock in, they were sold, you brought the money back and paid off the local bank where you'd received credit for the animal in the first place.

The print shop was one thing, but I was also cleaning at the jewelry store. So, I had two [little] in-town jobs, as well as some bigger jobs. One summer I worked for a construction company. We were putting up steel grain storages. That was junior and senior years in high school. The pay was very good and there was a lot of overtime. I remember we would usually get up at about 4:30 in the morning and go off to whatever the location was where we were putting up grain storages.

Working on an asphalt paving crew was another job that was also good pay. I also worked on a on a research farm for a feed company. The task I had was cleaning out farrowing pens for pigs, which wasn't the greatest fun in the world.

At any rate, life in Atlantic was very, very active, and very social. You knew everybody in town. And of course, you knew everybody at school because, with the exception of the farm kids, you'd been in class with everyone from kindergarten through 12th grade. Usually at either junior high or high school level, the farm kids would start to get bussed in.

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[3] Michael Polanyi, *Personal Knowledge: Towards a Post-Critical Philosophy,* Chicago: University of Chicago Press, 1958. Michael Polanyi (1891-1976) was a Hungarian-British thinker who made contributions to physical chemistry, economics, and philosophy.

I think the main thing is that I gained a tremendous amount of tacit knowledge, which I still think is basically the ace up my sleeve. It all came from where I grew up. The start of it was learning how to do things by observing what people were doing. That's an important thing that now influences the way I teach my courses. They've evolved a long way and they've gone from formal lectures to more of a seminar format. And now I would say I run Hanke's *atelier*, a workshop form of teaching.[4] Basically, teaching people how to do economics.

Upon reflection, I took away three big things from my youth in Atlantic. I learned the value of hard work, how to eat humble pie, and the fear of failure. Without having read the great Stoics, we were (and I am) Stoic. The weather dominates agricultural life, and there's not much you can do about the weather. Complaining about it (or most things) won't change it.

Do you want to touch at all on how you got your start trading when you were in Atlantic?

The trading part was with my grandfather on mother's side of the family. He ran a big egg operation. In those days, all the farms had hen houses producing eggs. Usually, the lady of the house ran a little sideline business with a chicken coop and a hen house. They'd collect the eggs and sell them to my grandfather's operation. My grandfather would have trucks going around in the countryside picking up the eggs, bringing them in, candling them,[5] and storing them. Once they put the eggs in cold storage, my grandfather would keep them there until he had at least a semi-trailer full of eggs. Then, the semi would deliver the eggs, usually to New York, but occasionally it would go to Boston. There is a time gap between gathering the eggs and storing them until you actually ship them, so there's price risk involved.

In those days, there was an egg futures contract on the Chicago Mercantile Exchange (CME). If my grandfather felt like it was too risky [to wait until delivery to see what price he would get] and he didn't want to take the risk, he would sell his eggs forward on the CME. I was operating, according to him, as his assistant. I was watching what was going on. I understood what he was doing. He explained it to me. Pretty straightforward. That started at about the age of 10. By the way, the CME doesn't even have an egg contract anymore. By the time I was 14, I opened an account at [the brokerage firm] R.G. Dickerson and started trading soybeans myself, which would probably be illegal [for a minor] in this day and age. But it wasn't then, and I was doing it.

So, in agricultural country, something was always for sale or there was something being produced. Hogs, cattle, grain — you name it, and somebody was trying to sell it. People were also buying all kinds of inputs. The prices of the inputs and prices of the outputs are very important. And everyone was talking about it all the time: the price of corn was and the price of hogs were always topics of conversation. There were also land sales. So, everything was potentially on the market. Everyone was pretty much attuned to what was happening in those agricultural markets that

[4] Alexis Dawson Gaillard, "Professor Hanke's *Atelier:* Reflections on the 'Bullpen' and Raphael's Workshop," Studies in Applied Economics (this working paper series), no. 35, May 2015.

[5] Egg candling shines a light (originally the technique involved candles) into an egg to determine if a rapidly developing embryo or other qualities making it unsuitable for human consumption.

affected their lives and generally affected the lives and prosperity of the community. If we had a big drought and a bad year, Dad would come in saying, “This is going to be an unhappy Christmas. We're not going to have many sales.”

2. The University of Colorado[6]

Why did you attend the University of Colorado?

I attended because my mother enrolled me. She was a very intelligent and clever person, and she concluded that I didn’t particularly have much interest in going to any school in Iowa, or necessarily any university at all. But we had traditionally gone to Colorado for summer vacations and she knew I really liked Colorado. She knew I liked to fish. And she thought I probably would also enjoy things like skiing, because I liked outdoor sports. So, she literally enrolled me. It wasn't like today at all. The application was sent in, my parents packed my trunk, took me to Boulder, Colorado, dropped me off in Fleming Hall, where I roomed in 352, and that was it.

The only thing I can recall that I did was take a national entrance exam for out-of-state students. It was given in Omaha, Nebraska, which is about 50 miles from Atlantic. I drove over there to take the test. The problem was that I didn't have GPS or that kind of thing, and I couldn't find the school where the exam was being administered. So, the exam had already started when I arrived. I basically conned the proctor to let me take it even though I was starting late. I guess whatever it was, I passed okay. I was able to enter the university.

Speaking of out-of-state students, that reminds me of my intense fear of failure during my freshman year at the University of Colorado. The freshman class was far too big, because there was open enrollment for in-state students. As a result of that, there were two required freshman weed-out courses in those days that everybody had to take. One was freshman math, and the other was freshman English. The failure rate was enormous. The Professors were mandated to fail 50% of the class with the letter grade F. Those were tough courses. I got a C in math, which was okay. I wasn't really sweating that. I was sweating English a lot, and I ended up getting a C in that. It was probably the happiest I ever was with any grade I ever received in my life. I didn't flunk out. Can you imagine if Hanke had to retreat to Atlantic, Iowa with his tail between his legs after flunking out of college. By the way, grade inflation hadn't hit yet. This was 1960, and you flunked out. This was happening all the time. Going [ahead] to 1964, the year I graduated, one of my good friends was a Phi Beta Kappa,[7] and I think she had a very high C or low B average.

So, at any rate, that's how I ended up at the University of Colorado, which was a brilliant choice on the part of my mother. I loved the University of Colorado, and the whole scene in Boulder, which was at that time renowned for, among other things, being the nation’s number one party school. Speaking of parties, during my Freshman fall, I pledged the Phi Delta Theta fraternity, survived “Hell Week,” and became one of the boys in the Spring. Today I’m a “famous Phi,” along

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[6] See also Steve H. Hanke, “Remembrances of CU,” Studies in Applied Economics no. 107, June 2018.

[7] The national collegiate honor society.

with other notables such as former Secretary of States James A. Baker III.

When did you become interested in economics?

Well, as I've indicated before, I was always kind of in the middle of it. Growing up in Atlantic, it was all economics in a way. I mentioned the episode with my grandfather hedging eggs. So, it was something that sort of came naturally and it was something I could do with less effort than in other courses. I got more and more interested over time in economics. It came naturally and was relatively easy. I say "easy" in quotes, of course, but it kind of grew over time. That's like what [Jim] Gwartney said.[8] He said he started out in physics. He was taking economics, too. He did a lot better in economics. It was definitely more interesting than the other subjects.

Why did you turn slightly away from business administration, your undergraduate major?

That's kind of interesting. I did business administration because of the assumption that business, whether it was agricultural business or retail business, was the only thing I ever knew anything about. So that's why I headed into the business school. It was a natural fit. I actually majored in marketing, and in those days, Colorado had a first-rate marketing faculty. All the marketing professors were actually quite famous. All of them had written the big textbooks in the various segments of marketing that they were involved in. But looking back on it, what they really were teaching was what we call now behavioral economics. It was actually all economics, and it was fairly quantitative and empirical.

So, that was one aspect. The other aspect was real estate. I took every course in real estate that was offered. The main professor was Maurice Unger,[9] who wrote several books on real estate. One's called *Principles of Real Estate*. Unger had a big influence on me and kept pushing me in the direction of going into economics. He encouraged me to go to graduate school and encouraged me to go into economics. I did a lot of work for him — practical work, because he had a fairly big reputation and a rather significant appraisal business. I ended up being the go-fer that he used for appraising residential real estate. That was one of my jobs at the university.

You've mentioned Unger; were there other professors that particularly had an influence on you as an undergraduate?

Unger was the most significant, although there were others. And it wasn't the subject matter; it was the fact that by the time I had become a senior at the university, I decided that I wanted to be a professor. I thought of that lifestyle "these guys really have it made," especially in Boulder, Colorado. A lot of the professors, on the days they weren't teaching, would be up at Winter Park [resort] skiing in the winter and things like that. So I thought, "this is really the life." In addition, in those days there were actually colorful professors around.

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[8] Mitchell List and Kurt Schuler, "An Interview with James D. Gwartney on His Life and Work in Economics," Studies in Applied Economics no. 238, August 2023.

[9] Maurice Albert Unger (1917-1996), professor of real estate and business law at the University of Colorado.

One in particular was the very famous physicist George Gamow.[10] I wasn't a physics major, but there was a little library in the physics building that was very quiet and the only people in there were graduate students in physics. Almost no one even knew this physics library existed. Whenever I wanted to study and was on the campus, I'd go down to the physics library. I got to know Gamow because one of my good friends was a graduate student in physics and introduced me to Gamow because he was one of Gamow's teaching assistants. And so I got to know him. He was an extremely colorful Russian with tremendous flair. Among other things, he was teaching courses in Russian poetry as well as physics. But most notably, he's the Big Bang guy. He was also writing popular books — extremely popular. Remember his Mr. Tompkins series?

Gamow once said, "You're down here all the time, Hanke. I've got an extra office. If you want to use that, you can." So, my senior year I was actually hanging out in Gamow's extra office in the physics building even though I had never even taken a physics course.

That was the "I want to be a professor" kind of thing. It happened to be that the subject matter was economics, but it was the profession that somehow attracted me because of the role models of lots of professors at the University of Colorado who were interesting.

One thing you have mentioned about Gamow to me [Schuler] that should be on the record was that he used to drive around in a convertible with the top down in the winter, even when it was snowing.

To give a little color on Gamow, he was very Russian. And he had a Mercedes convertible, a tan convertible with red leather interior. He left the top down year-round. He would always park in the physics parking lot and there'd be a blizzard and the snow would be piling up in Gamow's car. That was typical Gamow, and typical Russian.

Why did you choose to remain at Colorado for graduate school?

It was mainly Boulder. It was just a place that I liked. I graduated and didn't exactly know what I wanted to do. In those days the top students in the business school wanted a job at IBM. I didn't want a job at IBM, and so I decided I would just hang around Boulder, try to figure out what I was doing, and I kept doing appraisals for Unger. I was seeing Unger quite often. It was a very social and collegial thing. Unger really took me under his wing, and I saw him many times a week at lunch. Also in that period, I worked on some applied economics. The first of the early regional input-output studies was done by William Miernyk,[11] and I was one of Miernyk's assistants. He did a big regional input-output study for the Green River Basin. I was out in the field, especially in Arizona, getting the data to develop the technical coefficients that went in the input-output table. Miernyk was quite a known figure in input-output analysis and a professor at the University of

[10] George Gamow (pronounced "GAM-ov," 1904-1968), Soviet-American physicist, known for his contributions to developing the Big Bang theory of cosmology and for popular books on science, some of which are still in print.
[11] William Miernyk (1918-2009), also taught at Northeastern University and West Virginia University.

Colorado. He eventually went to the University of West Virginia, where he kept conducting cutting-edge input-output work.

That was the year after graduation. Then graduate school started and I knew all the professors and I didn't want to leave Boulder. So, it was a little bit the attraction of going to Boulder in the first place and then everything in Boulder was just complementing the positive locational aspect of the place. I really liked it. And I took the Graduate Record Exam and got in.

Just to clarify, you took a gap year?

Yeah, I had a gap year. I graduated from the university in 1964 but I didn't start graduate studies until 1965. But I was actually doing real economics then because I was doing two things: I was appraising residential real estate and I was working on the regional input-output table getting the data together for Miernyk. He had a big team, by the way, a big research operation doing this. I wasn't the only one.

Who among the professors and students at the graduate school influenced your thinking?

I mentioned Professor Unger, who was the professor of real estate. I didn't take any courses with him after I started graduate school, but I stayed in very close contact with Unger. Another professor who had quite a bit of influence was Morris Garnsey,[12] who actually was one of my dissertation advisors. Garnsey was a very interesting and innovative guy. He was one of the founders of the Regional Science Association with Walter Isard.[13] That was his niche, regional economics. He also was the author of a book called *America's New Frontier: The Mountain West* [1950], which was a big deal at the time. It was one of the *New York Times* top 10 bestsellers, which in those days was big. He also was very far-sighted and he was one of the big advocates for the development of shale [oil]. You've got to remember, we're talking about the late 1950s and early 1960s. He was advocating big-time and wrote extensively about the potential for shale. And as I say, he influenced me because he was very far-sighted and innovative, and he had this Rocky Mountain West vibe. Again, it's the location thing.

Another professor who was an influence was Fred Glahe.[14] Fred taught me macro[economic] theory and econometrics. He became a very close friend of mine and I spent almost every weekend with Fred. On Saturdays, we would be rummaging around buying old cars or antiques. Fred was a collector of antiques. Mrs. Hanke and I even still have one clock that I bought on one of those Saturday ventures with Fred. Also, although he didn't really teach it in the macro course, he got me interested in Austrian economics. I received my first real introduction to Austrian economics from Fred. He ultimately wrote a book on Austrian economics. The book is called *The*

[12] Morris Garnsey (1906-1992) spent most of his academic career at the University of Colorado; he also served on various national, regional, and state boards related to defense and environmental issues.
[13] Walter Isard (1919-2010); longest affiliation was with the University of Pennsylvania.
[14] Fred Glahe (1934-2022), founded the Economic Institute for Research and Education (EIRE).

Hayek-Keynes Debate: *Lessons for Current Business Cycle Research*.[15] So, Fred became very much interested in the Austrian line. After I finished my graduate work, he really got into it.

So, you had Garnsey, you had Fred Glahe. You also had Ken Boulding,[16] the famous professor. Although I didn't formally take any courses with Boulding, I did audit his history of economic thought course every semester. The interesting part of that was, of course, that it was a history of economic thought course, but he never got beyond Adam Smith and *The Wealth of Nations*. He never got beyond that. But he, like Garnsey, was just full of ideas — actually, even more so than Garnsey. He had a big influence.

There were lots of others kind of sprinkled in along the way. One thing that that did spark a lot of interest in economics and really got me going happened the first summer I was a graduate student. Boulder had something they called the Economics Institute, where they would bring in foreign students who'd been accepted to graduate schools in economics in the United States and prep them. It was founded and run by Wyn Owen,[17] and famous visiting professors were teaching the courses. The reason the professors were there is that it's Boulder. It's a [great] location. They wanted to be in Boulder in the summer. One was a professor from the University of Virginia, Bill Breit.[18] I became quite good friends with Breit because I was his TA [teaching assistant] at the Economics Institute.

Jumping ahead a little bit, after I landed the faculty position at the Colorado School of Mines, there was a summer program that focused on free-market economics for assistant professors. A short little course that was offered at the University of Virginia. Breit said, "You have to apply for this." I was an assistant professor at the Colorado School of Mines, I applied, and I got in. Breit was one of the professors. Another one of the professors who really impressed me tremendously was Warren Nutter. Leland Yeager and Armen Alchian were also professors.[19] All of those people in that group impressed and motivated me enormously. So, that group was quite important in terms of my economics orientation.

How did you choose a dissertation topic and what was it?

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[15] John P. Cochran and Fred R. Glahe, *The Hayek-Keynes Debate*: *Lessons for Current Business Cycle Research,* Lewiston, New York: Edwin Mellen Press, 1999. John Cochran (1949-2015) was a professor at Metropolitan State University, Denver.

[16] Kenneth Boulding (1910-1993), English-American, known for contributions to general systems theory and peace studies.

[17] Wyn Owen (1923-2012), Australian, specialized in agricultural economics and economic development.

[18] William Breit (1933-2011), known for contributions to history of economic thought and antitrust; also a mystery novelist.

[19] G. Warren Nutter (1923-1979), professor at the University of Virginia, known for contrarian views that the Soviet economy was smaller than others thought; served as assistant secretary of defense for international security affairs from 1969-1973. Leland B. Yeager (1924-2018), professor at the University of Virginia and later Auburn University; made contributions to monetary theory, international economics, and trade theory; see Armaan Bahl, "Leland B. Yeager: An Annotated Bibliography of His Work," Studies in Applied Economics no. 278, September. Armen Alchian (1914-2013), professor at the University of California, Los Angeles, known for contributions to microeconomics, the theory of the firm, property rights, and the new institutional economics.

In those days, to receive a Ph.D., you had to take exams in five fields. The only required field was macroeconomic theory, microeconomic theory, and the history of economic thought, all tested in one exam. Then you had to choose the other four. One of my fields was agricultural economics. That was natural, coming from Iowa. Another one was regional economics, and that was [because of] Garnsey. The regional economics had a lot of natural resources tied into it, like shale and especially water resources. I chose industrial organization and public finance as my fourth and fifth fields.

As part of regional economics, I had taken an interdisciplinary seminar on water in civil engineering and economics with Garnsey and Ernie Flack,[20] a professor of civil engineering. Garnsey, being Garnsey, had a great idea. He said, "You know, they've installed water meters in Boulder and nobody's ever studied the effect of water meters, even though all the data exists in meter books stored in the basement of Boulder's Municipal Hall." So, studying the effects of water meters, moving from a zero marginal price of water per gallon to a positive marginal price, became my dissertation topic. It was basically an event study, if you will: what was the consumption on the various meter routes before and after the installation of water meters? It got a lot into the engineering because I had to do things like normalize for the soil conditions in the various parts of town. Depending on soil conditions, you use a lot less or a lot more water for irrigation. So, I did this study, and it turned out that it was the first time a time-series study looking at the demand for water and calculating price elasticities had been conducted. There had been cross-section studies that had been done, and the most famous one happened to be at Johns Hopkins University.[21] That had been done just a few years before my study.

My study was a real lesson in how to collect primary data. In those days, all the consumption for each one of the houses that eventually was hooked up to a meter was written down in meter books. Before meters, the only thing you had was the aggregate flow of water that had been delivered into the various areas that became meter areas. I spent more or less one summer just digitizing things, putting it on IBM punch cards. It was a lot of work collecting the data. Then, for the econometrics, Glahe was looking over my shoulder. My dissertation was actually published in the civil engineering department.[22] I got my Ph.D. in economics, but I was in this water resources segment of the civil engineering department, which Flack was running. So, that was my dissertation. It leads into my affiliation with Hopkins.

How did you become an instructor at the Colorado School of Mines while still a graduate student?

That was a real stroke of luck. There was no economics department at the Colorado School of Mines, but as the number one mining school in the world, they offered economics. It was actually

[20] (John) Ernest Flack (born 1929).
[21] "The Impact of Price on Residential Water Demand and Its Relation to System Design and Price Structure," with F.P. Linaweaver, Jr., *Water Resources Research*, Vol. 3, No. 1, 1967.
[22] Steve H. Hanke, *The Demand for Water Under Dynamic Conditions: A Case Study of Boulder, Colorado,* Boulder, Colorado: Center for Urban Engineering Studies of the University of Colorado, 1969.

required, and Jack Gore, a Ph.D. from the University of Colorado, was the professor. Unfortunately, he had a massive heart attack about a week or ten days before classes started and didn't survive it. Colorado School of Mines called the Boulder economics department and basically said, “We're desperate. We've got to have somebody teaching Principles of Economics. It's a required course.” So, Garnsey called me in. I listened and I said, “It sounds great, but I haven't taken my second-year courses yet, and it would require commuting from Boulder to Golden, Colorado, three days a week to teach three courses.” How far? Well, it's about 50 miles. Golden is a suburb of Denver. Garnsey listened to what I said and then responded, “Well, I think you should take the job. I think you can do it.” And then there was a pregnant pause and he said, “Plus, you're gonna learn a lot of economics.” I remember that.

So, I did take the job. Taking that job was extremely rewarding because I used Alchian and Allen's *University Economics,*[23] which I still think is probably the most sophisticated principles book. It contains a lot of capital theory, and you have to understand capital theory if you're working with natural resources. I was interested in capital theory and applied capital theory because of my natural resources background. Mines really gave me a free hand. I developed courses in mineral economics and petroleum economics, which I think were the first ones ever taught at Mines. I was there three years, from my second year in graduate school until I finished my Ph.D. at the University of Colorado. I had the opportunity to meet a lot of great people — in particular, Morry Adelman[24] from MIT. I edited two books on petroleum economics while I was on the Mines faculty.[25] A number of other heavyweights contributed to both of them, but Adelman helped me quite a bit with editing and putting the books together. So, [that’s how I] started.

So, you were teaching three sections of Principles?

Yes, I taught three different sections of my Principles class. [Jim] Gwartney also taught Principles at the University of Washington, and he found that the material [from Alchian and Allen’s textbook] was a bit over the heads of many of his students.[26] I didn't find that at Mines; they're all engineers. In those days, Mines had five degrees. They were all engineering degrees. So, my class was fine for them. At the University of Colorado, it would have been over the students’ heads. A lot of the students would have found it difficult. It's a pretty sophisticated book, actually. I still have one of my copies at home and subsequently there's another edition that was just put out. I have that at home, too. It's just principles, but at any rate, the reason that I liked it, and started using it was because it contained capital theory. I didn't use it in the first year because the students already had a different book.

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[23] Armen Alchian, mentioned above, and William R. Allen (1924-2021), likewise professor of economics at the University of California, Los Angeles. *University Economics* was first published in 1964. A revised version is still in print: Armen A. Alchian and William R. Allen, *Universal Economics,* Carmel, Indiana: Liberty Fund, 2018.

[24]Morris Adelman (1917-2014), professor of economics, Massachusetts Institute of Technology, known for contributions to energy economics, especially his view that the supply of oil was nowhere near its peak.

[25] Steve H. Hanke, editor, *Essays in Petroleum Economics,* Golden, Colorado: Colorado School of Mines, 1967; *The Political Economy of Energy and National Security:* A Quarterly of the Colorado School of Mines, Vol. 64, No. 4, 1969.

[26] Mitchell List and Kurt Schuler, “An Interview with James D. Gwartney on His Life and Work in Economics,” Studies in Applied Economics no. 238, August 2023.

How did you juggle your graduate studies with teaching three courses per term at Mines?

I could be a wise guy and say with difficulty, but it was. One thing you learn when you grow up in farm country, and this gets into the tacit knowledge but also just kind of ABC's, is how to work. There are workhorses, there are war horses, there are show horses, and farm country teaches you how to be a workhorse. I was working seven days a week. It was a lot. On the weekend, I basically had to do all my graduate work. Three days a week, I was teaching those three sections. I'd come home and just be dead. I had to commute and then, the next day, go to the University of Colorado for my graduate courses. That was during the first year. The second year, of course, I was done with my courses, but then you're starting to worry about Ph.D. [exams].

3. Early Years at Johns Hopkins University

Let's move on to how you got to Johns Hopkins. With the exception of a few roles working in Washington or visiting professorships, you've spent the whole of your career as an economist at Hopkins. How did you get here? Why did they choose you and why did you choose them?

It really goes back to my dissertation. It's kind of an interesting story, the way things used to work. There was a Department of Sanitary Engineering at Hopkins in those days. That department evolved into the Department of Geography and Environmental Engineering and now it's the Department of Environmental Health and Engineering as we sit here today. But let's go back to 1969. Hopkins had a very renowned sanitary engineering department — with several very famous professors — and while I was working on my dissertation the Hopkins sanitary engineering department was just finishing up a very large water demand study, a national thing where they were measuring water demand on very sophisticated meters that they had built themselves. They were collecting very high-frequency data every 15 minutes. They were measuring all over the United States.

Pierce Linaweaver[27] was a post-doc [postdoctoral fellow] running the study. He'd received his Ph.D. at Hopkins in sanitary engineering. He was collecting all this data. There was also an economist, Charles Howe of Resources for the Future.[28] Chuck said, "Oh, this Hopkins data is just a gold mine!" So, they did the first sophisticated cross-sectional study in which they estimated price elasticities and income elasticities for urban water. It turned out that when Garnsey had the idea for me to do my meter study with time series data in Boulder, he had been in touch with Howe. He knew Resources for the Future very well because of all the work he was doing on shale and water and other natural resources in the Rocky Mountain West. And Garnsey being Garnsey, he contacted Howe and he said, "I've got one of my students working on this water demand thing in Boulder," and as a result of their contact I received a research grant from Resources for the Future. So, at the time I was a graduate student, I was an assistant professor at the Colorado

[27] F. Pierce Linaweaver (born 1934), later Baltimore's director of public works.

[28] Charles W. Howe (born 1931), now professor emeritus of economics, University of Colorado. Resources for the Future is a nonprofit organization focusing on environmental, energy, and natural resource matters.

School of Mines. I had a higher salary than the assistant professors at the University of Colorado and I had a very good research grant to do this water metering thing. I was just in heaven, almost.

When I finished the study, I had intended to stay at the Colorado School of Mines. I liked Mines very much. They liked me very much. And of course, I loved the area, so everything was fine. Then, Garnsey did what he often did: called me in. He said, "Well, I've just heard from one of my old Harvard classmates who is a professor at Johns Hopkins, John C. Geyer."[29] He was the chairman of the sanitary engineering department. It happened to be the number one such department in the United States, and it was very famous. Garnsey said they were looking for someone to continue their research on water demand, and I said, "Well, how did that happen? What's going on?" The way they used to do things in the old days, Hopkins would call the Ivy League and see if they had anybody, or MIT, or Chicago, or Berkeley, or Stanford, or Caltech. That was it. It was basically a closed job [market]. They would just get on the phone. They didn't have an advertisement or anything like that. The chairman would just call around to his pals to see if they had anybody that was any good.

Hopkins interviewed everybody from all the usual suspects. They couldn't find a fit. And all of a sudden at Hopkins, Geyer remembered his old friend Morris Garnsey. They both were from Missouri, and they both had gone to a little college called Drury College in Missouri. And then they both went to Harvard at the same time. Garnsey did economics and Geyer did sanitary engineering. So, in desperation, Geyer called Garnsey, and Garnsey says, "I've got the guy. He says he's basically doing the second generation of what you did at Hopkins with this big national cross-section study." I did the time-series study, and that's what they wanted to continue at Hopkins.

That's how I got the job. I gave a seminar in Ames Hall on the third floor, and then as Geyer and I were walking down the steps, Geyer says, basically, "You nailed it. We're gonna offer you a job." He says I can't say anything. I remember he said, "I can't tell you anything official because the dean has to sign off. You'll get a letter from a dean." So I did, and my thinking was that Colorado School of Mines might be the world's number one mining school, but Hopkins is a big deal. I thought it would be a good idea to come to Hopkins for a few years because of the brand. I'm very sensitive about brands. You notice I've never gone to any second-rate place. It's either been Mines, Hopkins, or Berkeley. Beyond that, of course, I was a student at the University of Colorado. You have all that story. At any rate, I viewed it as a big plus. I would stay for a few years, do my research, and go back to Mines; that was the idea.

How long was the time series in your dissertation?

I can't remember off the top of my head. I think I had about 15 years after the event. But it was very dramatic and sharp. After metering, the consumption just fell like a stone. This was a big deal because there was a big debate about the efficacy of putting in water meters. The engineers tended to adopt the position that the price elasticity for the demand for urban water was about

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[29] John C. Geyer (1906-1995), coauthor of *Water Supply and Waste-Water Disposal,* the first modern textbook on its subject.

zero. That was the engineering view, and if it's zero, you don't put a meter in because it's not going to affect the consumption. That was happening internationally, and the center of that thinking was England. By the way, in the Anglosphere, the British had a huge influence over what was going on, and they were adamant that meters had no effect on consumption. Well, I showed that they had an enormous effect. Then if you did a benefit-cost analysis of metering, the metering looked pretty good. So, it turned out to be a big deal. This wasn't an academic exercise. There was a big policy thing going on with it.

The metering work had a huge influence. Of course, when I started, I didn't exactly know what influence it would have. The topic was just given to me, and I just ground in and did it. You're in it to finish it. But in thinking about it, it's very important in terms of the way I think about things now, as well as the things that I emphasize with students, such as primary data. My research was purely primary. I collected all the raw data myself. And also [I emphasize] replication. Everything was kept on the computer tape. In those days, you didn't have personal computers. You'd have to go to the computing center. It had a big IBM mainframe, and you'd put the cards in and run the regressions and stuff like that. I kept the tapes with the data. I finally got rid of it maybe 10 years ago. I kept them in case somebody wanted to rerun the thing. No one ever did, but I kept the tapes and data.

So, that's how I got to Hopkins and chose Hopkins. It wasn't that I was thinking I would be here for 55 years. I was going to go back to Colorado, mainly because I just love Colorado.

Why did you stay at Hopkins?

Hopkins turned out to be more or less a perfect fit because I had a tremendous amount of support. In those days, the department was tiny. There were maybe six people in the faculty [of the department]. It was the number one department for sanitary engineering in the United States. All six guys were heavyweights, and then you had another young guy doing the second generation of research. I remember when I first came, I asked Geyer what courses he had in mind for me to teach. He says, "I think for the first year, I wouldn't bother yourself with teaching any courses. You've got all this research. You should write this up and get it in refereed journals and so forth." And then he explained the rules of the game for promotion. In those days, the only way you could get tenure at Hopkins was to be a full professor. It was a German-type university, a research university. I liked that. The full professors were really like kings. I liked that environment and I liked the support I got and it turned out that I was the fastest person to ever make full professor at Johns Hopkins. That's why I knew it was a perfect fit. I just zoomed along. This is all about the water resources, the sanitary engineering portion of my work. It started with this water metering, water demand thing. I basically proved that the demand for urban water has a negative slope. The demand curve slopes downward. I mean, this is basic economics.

So, if that's the case, then you have a question about, if you have a water system, and the demand curve is negatively sloped, how do you allocate the water that you're producing? That gets you got into the next question that I dealt with, which was marginal cost pricing and peak load pricing. Then, the next thing is the system design. How big do you build the system? And that gets into project evaluation, benefit-cost analysis, and applied capital theory and that kind of thing. I even worked on purely engineering design criteria for things like sewer interceptors. In short, what's the optimal diameter of the pipe?

What's an interceptor?

When you flush your toilet, the waste eventually goes into a big interceptor [pipe]. It takes the waste to the sewage treatment plant. So the question is, and this is a classic thing in principles of economics, how big do you build the pipe? Some textbooks even contain these kinds of little exercises. One of the articles that I wrote with Roland Wentworth, one of my Ph.D. students, was on this optimal size for interceptors.[30] In Europe, they still use the design criteria that we developed. So that's my background in water, water demand, water pricing, project evaluation for all kinds of water projects, and even some design criteria. By the way, the original Hopkins study, the cross-sectional study I mentioned: why were they doing this? It was system design. They weren't worried about price and that kind of thing. They just wanted to know what quantities people were going through in various kinds of urban areas so they could design how big the plant was going to be. It was all design stuff.

As I mentioned earlier, my dissertation was actually published in the civil engineering department.[31] As I said, as an undergraduate, at least during my senior year, I was in Gamow's extra office down in the physics building. But as I worked on my dissertation, Ernie Flack became a visiting professor at Georgia Tech, so he gave me his office in [the department of] civil engineering. So, I was always around engineers. I probably ended up with more graduate student civil engineering friends than economics. The reason Hopkins was such a perfect fit was because I was doing economics *and* civil engineering. I went to graduate school at Colorado. Then I became an assistant professor at an engineering school, the Colorado School of Mines, where they only offered five degrees, all engineering degrees. And then I came to Hopkins in the sanitary engineering department. Hopkins had the type of stuff I was used to; let's put it that way.

Here's the chance to give us a bit of Hopkins lore about people or events in your time here, either in the department or with the university more generally.

Well, I'll just stick with the more colorful things. When I first arrived, my office wasn't in Ames Hall. The sanitary engineering people were in Ames, but there wasn't room, so they put me over in Latrobe Hall. The mechanics department was also over at Latrobe Hall. One of the professors I became quite friendly with, who was actually a very famous professor of mechanics, was Cliff Truesdell.[32] The reason I was attracted to him was the same reason I liked Gamow. He was like Gamow. He was only writing with a quill, for example. I asked Cliff, "So, where do you get the

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[30] Steve H. Hanke and Roland W. Wentworth, "Statistical Cost Function Developed for Sewer Lines," *Water and Sewage Works,* Vol. 127, No. 12, December 1980. See also Steve H. Hanke, "A Synopsis of Prof. Hanke's Activities in the Water Resource Field: Selected Publications and Brief Comments," Studies in Applied Economics No. 251, January 2024.

[31] See above.

[32] Clifford Truesdell III (1919-2000), professor of rational mechanics and historian of science.

quills?" He says, "Oh, I get them in Williamsburg."[33] He was always writing with quill pens.

I remember in the Faculty Club, there was an economics professor, Hugh Rose, and he and Truesdell would sit next to each other and send notes in Latin back and forth. One would write a joke and there'd be a great outburst of laughter. Truesdell was a professor of rational mechanics. Once, when thinking about his title, I said, "Cliff, can you explain what *ir*rational mechanics is?" We had a good time. The little anecdote that I really appreciated was when he won the highest scientific medal in Italy. Cliff blew them away when he delivered his acceptance speech in Latin. Truesdell was a big fan of Italy. Close to campus, in the Guilford area, he had a house that's not quite a palazzo, but it's pretty close. He actually brought a carpenter from Italy who lived in the house with him and Mrs. Truesdell redoing all the cabinets and everything like that. You'd go over for dinner parties at Cliff's and everything would be in candlelight. There'd be no electricity on whatsoever.

Alan Walters,[34] of course, was a good friend of mine in the economics department, and became a close collaborator. Indeed, we edited two books together, wrote a number of articles together, and wrote a Forbes column called *Point of View* together for a number of years. After he was knighted, he was commuting all the time to London as Prime Minister Maggie Thatcher's economics guru. Whenever he was back in Baltimore, he would always call me. His office was in Mergenthaler Hall. I would come over and have a cup of coffee. In addition to the books and articles, we wrote the entry on currency boards in the Palgrave Dictionary together.[35]

We were pretty close friends. Once, he called me when he had just come back from London for the usual coffee thing. He asks if I'm going to have coffee. I say yes, so he went into the kitchen and came back with a tray and says, "Steve, have you ever been served coffee by a knight before?"

Probably the biggest character that I ever had as a colleague was somebody I was commissioned to invite for a visiting slot for a year in environmental economics. This was in the very early 1970s and the hottest guy in the world [in that subject] was E. J. Mishan at the London School of Economics.[36] So, I invited him and he came. He was a very strange guy, to put it mildly. Upon his arrival, I remember asking how his trip was. He said, "Well, it was not so great coming from Canada to United States." I asked what happened that wasn't so great, and it turns out that he had taken a canoe and entered the country illegally. I don't know exactly why, or where exactly he canoed across the border. So that was it, and I won't go into further detail on him.

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[33] Colonial Williamsburg, Virginia.

[34] Sir Alan Walters (1926-2009), English, knighted ("Sir Alan") 1983, made contributions to microeconomics, econometrics, monetary economics, and transportation economics, but was most noted for stints as personal economic adviser to British prime minister Margaret Thatcher and for his prescient opposition to Britain's 1990 entry into the Exchange Rate Mechanism of the European Monetary System.

[35] Peter Newman, Murray Milgate, and John Eatwell, editors, *The New Palgrave Dictionary of Money & Finance,* London: Macmillan, 1992. Newman was a professor of economics at Johns Hopkins.

[36] Ezra J. Mishan (1917-2014), known for his book *The Costs of Economic Growth* (1967) and for contributions to welfare economics and cost-benefit analysis. On another side of him, see *The Independent Florida Alligator,* May 20, 1978, p. 4.

The 1990s were particularly interesting because there were a steady stream of visitors coming to see me after the Soviet Union collapsed.

One [interesting American visitor] was Forrest Mars of Mars Candy.[37] Forrest called me when I was sitting in this very office and said he'd love to have lunch with me. I said that was fine and asked if he had anything in particular in mind. He says, "No, I just want to have lunch with you," so Mrs. Hanke and I had lunch with him. He'd come from Las Vegas in a private jet. We lunched at the Johns Hopkins Faculty Club and had a very interesting conversation, primarily about Quakers, since Mars had descended from a long line of Quakers. Finally, I asked, "Was there something that you had in mind? You know, why did you come?" He says, "Oh, Jimmy Goldsmith[38] and I are thinking about buying a gold mine in Mongolia and we'd heard a rumor you were the hottest trader in gold in the world and we wanted to know what you thought the price of gold was going to do." I said, "Well, I really don't know what the price of gold is going to do over the long term, but I would be more worried about property rights in Mongolia than the price of gold."

Another piece of lore goes back to the summer of 1994. In the summer of 1994, I received a call from someone with a German accent and a long Germanic name, which I failed to catch. Like many in the early 1990s, my correspondent said that he would like to meet me, but failed to announce an agenda. I agreed, and suggested that he meet me in my office at 12 noon and that we would have lunch at the Faculty Club – where else?

On the appointed day, and at precisely 12 noon sharp, there was a knock on my door. Entered a gentleman wearing a well-tailored suit and carrying a thin black briefcase. He appeared very comfortable in his own skin and relaxed. But, as we began with a little small talk, we used the formal form. My guest addressed me as "Professor" and I addressed him as "Sir."

After five or ten minutes, our conversation swung from small talk into what would become the purpose of our meeting and its agenda. My visitor said that he knew of my interest and expertise in derivatives. I responded by confirming that I was trading, teaching, and conducting research in derivatives.

Then, my guest dropped a bomb. He asked if I knew anything about Metallgesellschaft (MG).[39] I snapped to attention, and said that, as a matter of fact, I knew quite a bit about MG; that I anticipated receipt momentarily of galley proofs for an article, "Derivative Dingbats," that I had co-authored on MG's famous hedge; and that the article would appear in the next issue of *The International Economy* (IE). I explained that the MG oil hedge that had blown up was the result of the fact that Deutsche Bank had incorrectly pulled MG's credit line. I stressed that the MG hedge was an innovative, brilliant hedge – a hedge that Deutsche Bank simply did not understand.

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[37] Forrest Mars, Jr. (1931-2016), co-president of Mars Inc. with his brother John.
[38] Sir James Goldsmith (1933-1997), Franco-British tycoon and politician.
[39] A German industrial conglomerate.

My guest politely listened to my sermon, and then slowly reached into his little black briefcase and pulled out some papers. He then said, “Professor, I know all about your IE article. These are the galley proofs you’ve been waiting for.” At that point, I was thinking to myself, “Who in the hell is this gentleman?” But, I said nothing. Then, my guest broke the ice by saying, “Professor, I don’t think you know who I am.” I said, “You are right; when you called for an appointment, I didn’t catch your name. All I can recall is that it was long and Germanic.” My guest then said, “Professor, allow me to introduce myself, I am Heinz Schimmelbusch.”[40] With that, we both started to laugh, switched to the informal form, and made our way to my favorite watering hole, the Johns Hopkins faculty club. We had a most memorable lunch. Indeed, I received a great deal of color on MG and its famous hedge.

Among other things, I learned that Curtis Hoxler, an editorial consultant at *The International Economy,* was the source of the galley proofs Schimmelbusch had pulled from his briefcase. And who was Hoxler? He was none other than an Austrian intelligence operative stationed in New York City. It was then that I first learned of Schimmelbusch’s Book of Rules and one of the book’s rules: always have a reliable mole in important institutions.

Following our lunch at the Club, I immediately called one of my friends at the *New York Times*, and indicated that I was onto a hot story that the *Times* should break. The hot potato was the MG hedge, and the fact that Deutsche Bank’s incompetence had caused what was, at the time, the biggest derivative blowup in history. I indicated that Nobelist Merton Miller, Chris Culp,[41] and I were the authors, and that the topic was tricky and technical, so that a top-flight reporter, like Sylvia Nasar, should be put on the story. Well, Sylvia, the author of *A Beautiful Mind* and other notable books, was assigned the MG hedge story. On October 16, 1994, Sylvia’s long reportage appeared: “Oil Futures Bloodbath: Is the Bank the Culprit? Academic Analysis: the Hedge was Smart, Deutsche Bank’s Goof Cost $1.3 Bil.” Interestingly, Nasar was born in Rosenheim, Bavaria to a German mother and Uzbek father who eventually became a CIA operative in Turkey.

After our introduction in 1994, Heinz and I kept in loose, irregular contact. Then, after almost a 20-year gap, AMG rose like a phoenix, and I was appointed to the Supervisory Board. It’s been 12 years of productive, pleasurable collaboration with great colleagues – under the leadership of Dr. Heinz Schimmelbusch, perhaps my greatest professor. And the list of my great professors includes a number of Nobel Laureates who I have collaborated with over the years: Milton Friedman, Bob Mundell, Vernon Smith, Merton Miller, Leonid Kantorovich, and Friedrich Hayek (who was also a family friend).

In the time you've been at the university, what changes strike you in terms of students or faculty

[40] Heinz Schimmelbusch (born 1944), chief executive officer of Metallgesellschaft, 1989-1993; founder of AMG Critical Materials and involved with it in top management capacities with it since 2006. For more, see Steve H. Hanke, “A Charmed Life: From Rural Iowa to AMG,” Studies in Applied Economics No. 326, June 2025.

[41] Merton Miller (1923-2000), professor at the University of Chicago, Ph.D. from Johns Hopkins, received the Nobel Memorial Prize in Economic Sciences in 1990 for work in finance. Christopher Culp (1969-2020), undergraduate student of Hanke, Ph.D. student of Miller, made theoretical and practical contributions to hedging.

or teaching methods?

When I first arrived, Hopkins was de facto a graduate school. There were about 1,500 undergraduates and about 1,500 graduate students, but it was really a graduate school. There were no undergraduate courses in sanitary engineering. I didn't teach an undergraduate course for about ten years or so. Hopkins was very graduate-heavy and very, very research-oriented. Everything was research. And it was a lot smaller than it is today. Now, there are 5,500 undergraduates and 25,000 graduate students. So, the graduate students still dominate the university, but it is becoming more like an undergraduate college. Of course, the graduate students are scattered around. You have the medical school [in East Baltimore] and the School for Advanced International Studies [in Washington, D.C. and elsewhere]. Right here [on the Homewood campus], to me it now has a heavily undergraduate feel. It's that part that has changed completely. So, the atmosphere has changed in that sense. Also, when I first came, Hopkins undergraduate was not co-ed. There were no undergraduate girls. That is another big change.

There was also a certain collegiality that's completely disappeared. I knew faculty from all kinds of departments. It was mainly a club of the full professors. To be a full professor at Hopkins was a big deal: they were the only ones who had tenure. No one else really counted. That collegiality is gone and the administrative apparatus is just massive compared to what it used to be. When I arrived, there was essentially no administration. Nobody was really administering over anything a full professor did. Even undergraduates didn't have advisors or things like that. The undergraduates would just figure out what to do themselves, and, in fact, become kind of graduate students pretty fast. At that time, 300-level[42] upper-division courses were a mix of graduate students and undergraduates. The class size in an upper-division economics course would be around 20 or so, and it'd be very mixed with undergraduates and graduate students. So, those are the changes. The administrative part is negative. Getting rid of the collegial part is negative. Having girls is positive. And I think having so many undergraduates is just a lot different.

[What else]?

In 1995, Lou Galambos[43] and I established the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise. By the way, Lou should be considered as a close economist friend because he is a professor of economic and business history. The reason Lou and I did that is really is the old tradition of Hopkins as a German[-style] research university. Given the flexibility of the university, we were allowed to establish the Institute. It's a wonderful research umbrella for both Galambos and myself. So that's a big positive change. It operates very well. Among other things, it produces many working papers in the Studies in Applied Economics working paper series. Many of those papers are actually written by Hopkins students, and a lot

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[42] In the university's course numbering system.

[43] Louis Galambos (born 1931), professor emeritus of history at Johns Hopkins University, noted for contributions to business history and as an editor of *The Papers of Dwight David Eisenhower,* 21 volumes, Baltimore: Johns Hopkins University Press, 1970-2001.

of the working papers are republished in journals or as chapters in books. The Institute is more in the old Hopkins tradition that was so attractive to me when I first came, and fortunately we were able to essentially keep it going after 1995.

The other thing I'd like to mention that has changed a lot is that, although the overall rating of Hopkins has stayed relatively high, there are really not as many big guns as there used to be here. If you just look at the Economics Department, the economist who interviewed me for my first job here was Carl Christ.[44] Throughout his career, he was one of the most renowned pioneers in econometrics in the world. Carl falls under the friend category, too. We were good friends. Thanks to Carl, I was invited to be a member of Governor Marvin Mandel's[45] Council of Economic Advisers in the State of Maryland. With Christ, Hanke, and Clopper Almon,[46] we had probably the most powerful state-level Council of Economic Advisers that has ever existed any place in the country, at least as far as I know.

Another big gun happened be Jürg Niehans,[47] who was a professor back then and the chairman of my promotion committee when I was promoted to full professor with tenure in record time. Bela Balassa[48] was another big gun who was also a good friend and a big Francophile. He happened to be the advisor of my eldest daughter when she wrote her senior thesis. In those days, a senior thesis was required to graduate from the university. These days, these are optional and I think they're kind of Mickey Mouse. They're basically a term paper. Peter Newman[49] was on the faculty. He was one of the editors of *The New Palgrave Dictionary*. I've already mentioned that Alan Walters was on the faculty. So, there were a lot of heavies. The Department of Economics was very small at the time, as was the Department of Sanitary Engineering, where you had just a half dozen people who were all big stars: Abel Wolman, John Geyer, Cornelius Kruse, and Charlie Renn,[50] who was a good friend of mine. They were all in the Department of Sanitary Engineering and very well known internationally.

[Jumping for a moment to your personal life], how did you meet Mrs. Hanke?

I met Mrs. Hanke in the late 1970s at the Johns Hopkins Faculty Club. It turns out Mrs. Hanke was having lunch with Mrs. Shaffer, Professor Shaffer's wife. Professor Shaffer as in Shaffer Hall, on the lower quadrangle at Johns Hopkins University.[51] Let's just say that Mrs. Hanke appeared to be the apple of my eye, so I called Dean Shaffer and inquired as to who Mrs. Shaffer is having

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[44] Carl Christ (1923-2017), junior physicist on the Manhattan Project, 1943-1945, faculty member at Johns Hopkins for most of his life from 1950, noted for contributions to econometrics.
[45] Marvin Mandell (1920-2015), governor of Maryland, 1969-1979.
[46] Clopper Almon (1934-2024), American professor of economics at the University of Maryland.
[47] Jürg Niehans (1919-2007), Swiss monetary theorist, later professor at the University of Bern, Switzerland.
[48] Bela Balassa (1928-1991), Hungarian-American trade theorist.
[49] Peter Newman (1928-2001), English economist and historian of economic thought.
[50] Abel Wolman (1892-1989), known for pioneering work in sanitary engineering; John Geyer, mentioned previously; Cornelius Kruse (1914-1982), co-founder of the Johns Hopkins Department of Environmental Health; Charles Renn (1905-1999), biologist and expert on water pollution and waste management.
[51] (George) Wilson Shaffer (1901-1992), prominent psychologist and longtime dean of Johns Hopkins's Homewood campus. Mrs. Shaffer's first name was Peggy.

lunch with and he says, “Oh, you've got to meet Lilliane. Why don’t you come over tonight and have a drink with us?”

So that's how we met. Shortly thereafter, we tied the knot and, as I like to say, probably ended up on the longest honeymoon in the history of man. It lasted a full year. We stayed in Baden bei Wien, a big spa town about 25 kilometers south of Vienna, at the Schloss Weikersdorf Hotel. What a fabulous place it was. It was just great. That was the year I spent at the International Institute for Applied Systems Analysis.[52]

What role has Mrs. Hanke played in your thinking about economics, politics and culture?

Mrs. Hanke has played quite a significant role. Mrs. Hanke was visiting Hopkins at that time because, in the 1960s, she had been on the faculty at Johns Hopkins teaching literary criticism. She had returned to Paris, but had just come back on a little visit when I met her.

So that you have the background, there was a very famous colloquium that was given in 1966 at Johns Hopkins called “The Language of Criticism and the Sciences of Man.” It was probably the most famous colloquium that's ever been given at Johns Hopkins. It was called the “French invasion.” Mrs. Hanke was very much behind the scenes organizing things. I know the whole story and I know none of this has really been made public, but she was very involved with the intellectual crowd in Paris in the Sixties. Even before she was involved with this colloquium, she knew René Girard, who was actually on the faculty.[53] He was a full professor here.

But the big star of the colloquium was Jacques Derrida.[54] And no one knew who Jacques Derrida was, even the French. But Mrs. Hanke knew him very well, knew his wife and children, and was the main reason Derrida was invited to the colloquium.

Roland Barthes[55] wasn't at the colloquium, but, for example, Mrs. Hanke would have coffee almost every day in Paris with him or his mother. She was very involved in what became structuralism. Then, after the Hopkins seminar, they called it post-structuralism. It had a huge impact in intellectual circles in the United States.

Mrs. Hanke was very involved in that, so she was coming at things from a different perspective than I was. She mentored me a bit on her side of things and I mentored her a bit on my side. One of the first things she did related to economics was to read all of Bastiat’s[56] works. She has lots of influence on what I do. Because of her French origins, we spent a lot of time in Paris over the years. She sort of led me into France carefully so I didn't stub my toes in French society. Among

[52] Discussed more below.
[53] René Girard (1923-2015), French historian, literary critic, and philosopher; known among other things for his ideas on the social role of scapegoats.
[54] Jacques Derrida (1930-2004), French philosopher, founder of “deconstruction.” Derrida’s lecture at the conference was titled “Structure, Sign, and Play in the Discourse of the Human Sciences."
[55] Roland Barthes (1915-1980), French philosopher and literary critic, known for contributions to semiotics.
[56] Frédéric Bastiat (1801-1850), French economist and writer.

other things, her godparents are Maggie and Louis Vaudable, who owned Maxim's restaurant,[57] so you meet a lot of interesting people in that circle, which isn't necessarily the [purely] intellectual circle.

Thanks to Mrs. Hanke, I became associated with the École Nationale des Ponts et Chaussées.[58] That's the top engineering school in France that deals with water resources. I spent the summer there and wrote quite a few articles that were translated and published in French.[59] I also was advising the two big water companies in Paris, Lyonnaise des Eaux and Compagnie Générale des Eaux. So, I became ensconced in the system and how it works in France, which is quite different than the United States.

Since then, my Paris affiliations have just been social with our friends. I don't have any interest [currently] in doing anything professionally in France. When Mrs. Hanke and I go to France, we enjoy the country and our friends and so forth. So, my initial contact was very professional. Because water resources is something I knew, Mrs. Hanke basically wanted to get me introduced at the highest possible level. I was working with the top water people in France, and by the way, the French water companies are the world's top. It was actually as if I was going up, in a way, from a professional point of view. And as you know, the French were into things like marginal cost pricing and so forth.

My initial contact was very professional, but oriented exclusively towards water resources and systems engineering. As far as economics goes, there is one important figure: Jacques de Larosière,[60] who has become a close family friend and collaborator. Among other things, he wrote the preface to "Démocratie versus liberté: les leçons tirées de la Constitution américaine" [Democracy versus Liberty: Lessons Learned from the American Constitution], which Mrs. Hanke and I co-authored, and he wrote the foreword in my new book with Matt Sekerke, *Making Money Work: How to Rewrite the Rules of our Financial System.* Jacques is also a fellow at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise, where, among other things, at 95 years of age, he writes a regular stream of working papers.

As for family life, ours is very French and very matriarchal. I know that you're going to ask me about incentives for children and so forth. I would say French high bourgeoisie, they have certain standards. So, it's just understood that the children are going to prepare for the Grandes Écoles.[61] So that's what our daughters did. They both went to Hopkins for undergrad. One continued at

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[57] Maxim's, in the 8th arrondissement of Paris, was in the mid 20th century perhaps the most famous restaurant in the world.

[58] One of the French Grandes Écoles; an engineering and scientific school.

[59] See Steve H. Hanke, "A Synopsis of Prof. Hanke's Activities in the Water Resource Field: Selected Publications and Brief Comments," Studies in Applied Economics No. 251, January 2024. The publications were in the 1980s.

[60] Jacques de Larosière de Champfeu (born 1929), French civil servant, managing director of the International Monetary Fund, 1978-1987; governor of the Bank of France, 1987-1993; president of the European Bank for Reconstruction and Development, 1993-1998.

[61] The French elite specialized educational institutions providing what corresponds to U.S. advanced undergraduate study and graduate study.

Hopkins Medical School, obtained three specialties, and became a professor at the Hopkins med school. The other completed law school at Washington and Lee, and became a partner at Venable LLP. Both daughters had terrific, very successful careers. Both of them are retired. So, I'm the only one in the family still working, but as the old line goes, I've never really worked a day in my life. That's why I'm still "working."

4. Away from Hopkins: Nairobi, Berkeley, and Austria

You were invited to go to Kenya to do a study about elephant ivory in 1972. Can you explain how that came about and what happened?

That's another great thing about being a part of the Hopkins brand, because many interesting people roll through here. If you're out in the sticks, it doesn't happen that way.

There was an anthropologist at Hopkins, Neville Dyson-Hudson, one of the world's experts on pastoral people in East Africa. It turned out that he was a good friend to the famous Richard Leakey, son of Louis and Mary Leakey, both anthropologists.[62] Richard Leakey was visiting Hopkins mainly because he wanted to go over and see some of the physical anthropologists at the medical school. Neville Dyson-Hudson called me and he asked if I wanted to have lunch with Richard Leakey at the faculty club. I said sure. I went to lunch, but I didn't know what was going to happen. I certainly didn't anticipate what did happen.

At the time, Leakey was the head of the National Museum [of Kenya], and he was very interested in conservation. He knew that I'd done work and contributed to the economics of conservation. His idea was that the only way to preserve and conserve wildlife was to make it commercial either for tourism or for game meat and trophy hunting. He went through his ideas and asked me what I thought about them. His idea was somehow to get property rights in these wild animals that are moving around all the time. Essentially, Leakey wanted to privatize the animals. He asked me what I thought about all that. I said, "I think it's a great idea, but you know, you really have to get some empirical evidence. I'd have to know a lot more about it before I say much about it." He said, "Why don't you come to the National Museum and spend some time working in Kenya?"

So, I spent the better part of one summer in 1972 in Kenya on safari. It was fantastic. Among other things, I ran into Joy Adamson of *Born Free* fame out in the bush. It was in the middle of the afternoon when Adamson had her tracker and scout lay a fire, and we had tea. We spent an hour or so chatting about the economics of wildlife and conservation. She gave my research project a thumbs up, which was very encouraging.

One practical thing that I discovered at the chief game warden's office was that they kept very good records because it had been a British colony. They had great records of the hunting licenses

[62] Neville Dyson-Hudson (1929-2021), English anthropologist, later professor at the State University of New York-Binghamton. Richard Leakey (1944-2022), Kenyan paleoanthropologist, conservationist, and politician, including cabinet secretary and head of the civil service 1999-2001.

and the export permits. And it turned out, well, the hunting licenses were very hot commodities. I remember adding all these things up and, in effect, doing what we call digitizing. It turned out that there were a pretty small number of hunting licenses, but the export permits were massive for ivory.

I was a little naive. I told the chief game warden what I was finding. I said, look, there's a huge discrepancy, there's something going on here. In turn, I was encouraged to leave Kenya. Leakey told me this, tipped me off, which I did right away. It turns out that the export permits were all for the president's wife. There was a lot of illegal ivory trade going on and poaching was big. Actually, I did catch a couple of poachers when I was out on safari and reported them because I had the license number of the government truck they were in, but nothing ever happened. Anyway, Bob Davis and Frank Mitchell and I wrote up my research findings.[63]

You were at the University of California Berkeley from 1974-1975.

At Berkeley, I was at the Graduate School for Public Policy and the Department of Agricultural Economics, getting back to agriculture. That was mainly at the instigation of Bill Niskanen,[64] who I'd worked with a lot.

I first met Bill in 1971, when he was the assistant director for evaluation at the Office of Management and Budget. OMB was [then] a new organization. It had a mandate to reform government and make it more "efficient."

Bill tapped me as an OMB adviser. My narrow charge was to rewrite the benefit-cost procedures that the federal government used to evaluate water projects and to develop marginal-cost pricing standards for rationing the output from those projects. Bill was very knowledgeable and interested in this project.

Bill and I hit it off immediately. As it turned out, our common interests and experiences made for a very rapid and effortless introduction. Among other things, Bill's PhD dissertation was titled "The Demand for Alcoholic Beverages"; mine carried the title "The Demand for Water Under Dynamic Conditions." Apparently, we were both attracted to liquids. Also, Carl Christ entered our common frame of reference: Carl served on Bill's dissertation committee at the University of Chicago and on my hiring committee at Johns Hopkins.

At the time, we were both technocrats who had the same type of nuts and bolts experience: Bill had spent several years developing linear programming models of the military air transport system and was an expert on cost-effectiveness analysis and program budgeting; I was engaged

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[63] Steve H. Hanke, Robert K. Davis, and Frank Mitchell, "Conventional and Unconventional Approaches to Wildlife Exploitation," *Transactions, Thirty Eighth North American Wildlife and Natural Resources Conference,* Washington, D. C.: Wildlife Management Institute, 1973.

[64] William Niskanen (1933-2011), academic, business, government, and nonprofit organization economist who operated at high levels in all those spheres. At Ford Motor Company, his opposition to tariffs and quotas on imported automobiles that would compete with those made by Ford domestically led to his dismissal from the firm.

in designing and evaluating water and waste water systems, including developing design criteria (that are still used) to determine optimum pipe sizes. Our mindsets were technocratic: optimism about the possibilities for making the government "efficient" — an optimism covered with thick layers of naïveté.

Bill left OMB one week before Watergate. His OMB experience left a sour taste in his mouth: "As a group, we made an awful botch of things as a party to a rapid growth of domestic spending and regulation and the implementation of comprehensive wage and price controls."[65] And to top it off, Bill was particularly annoyed by the fact that most of those anti-economic, wrongheaded policies had been designed and implemented by economists who had been either professors or students at the University of Chicago.

Bill's OMB experience wasn't the first time he was mugged by Washington, D.C. During the Kennedy-Johnson years, Bill served as Director of Special Studies for Secretary Robert McNamara at the Department of Defense. At 29 years of age, Bill was a "whiz kid" with the civilian rank equivalent to that of a brigadier-general. He had access to highly classified information, and as Bill put it: "I came to recognize that our government sometimes lies to us about important events… Over the 1960s, I became so skeptical about government pronouncements that I suspected that the television images of the first moon landing were staged in some warehouse." Bill's former professor Frank Knight[66] must have been lurking in the background when Bill penned those words.

But, I am getting ahead of myself. To understand Bill and his work, we must take a deeper look to see what Bill's foundations, habits of work, and style were. The foundations were Chicago of the late 1950s. Milton Friedman was riding high, and his two-quarter, price-theory course left an indelible mark on Bill. That course focused solely on the fundamentals of supply, demand and markets. Milton eschewed the fads, the frilly and esoteric techniques. He stuck to what was fundamental, basic, simple, robust and applicable. All that — plus Milton's monetarism — stuck to Bill.

Beyond the confines of price theory and monetary economics, Friedman's general methodology marked Bill's approach to economics. In contrast to Ludwig von Mises' praxeology — an approach that employs a priori reasoning to develop universal laws of economic behavior, laws that are not open to verification or falsification — Bill embraced a methodology espoused by Karl Popper and Milton Friedman.

This methodological perspective allowed Bill to avoid the futile task of trying to inculcate other people with his normative values. He sought to convince others that his arguments and material evidence demonstrated that others' values — like economic growth and increased employment

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[65] Steve H. Hanke, "William A. Niskanen: In Memoriam," Cato.org, January 4, 2012. Quotes by Niskanen in later paragraphs are from the same source.

[66] Frank Knight (1885-1982), University of Chicago professor known for his skepticism of many conventional views in and out of economics.

— could best be met through the implementation of the policies he recommended. Bill always projected an air of tolerating opposing views and an openness to new ideas.

Beyond the narrow confines of economics, Niskanen, Mrs. Hanke and I had other important interests. For example, during one dinner at our place many moons ago Bill and Mrs. Hanke engaged in an extended conversation about French literature. Bill was smitten by Madame de Staël. But, towards the end of the conversation, Bill surprised us when he proclaimed that he thought the most insightful piece of contemporary French literature was Jean Raspail's *The Camp of the Saints.* Niskanen's lesson: always be ready to surprise. Interestingly, I wrote an R.I.P. on the Cato Institute blog for Niskanen.[67] In that R.I.P., I noted how insightful and important Niskanen thought Jean Raspail's *The Camp of the Saints* was. The editor at Cato curiously removed that fact.

Beyond Friedman, there was Al Harberger,[68] Bill's dissertation adviser at Chicago. A great deal of Bill's work, including his pioneering book *Bureaucracy and Representative Government* (1971), contained Harberger-type models that explain much with little. These models allowed Bill to contribute to virtually all fields in applied economics and to pioneer new ones — like public choice.

In addition to Chicago, Bill's work habits were important. The master craftsman went to his workshop at the same time each day — to work. After Bill left OMB, he moved to the University of California at Berkeley, where he became a professor at the Graduate School of Public Policy. Bill persuaded me to move from Johns Hopkins to Berkeley, an experiment that lasted one year. During that time, my office was directly above Bill's. Bill smoked a pipe then, and had a metal ash tray about the size of a small hub cap. I knew, with precision, when he would arrive each morning. I could set my watch when I heard the first bang of his pipe in the ash tray. Those gong-like sounds would continue until he departed at exactly the same time each evening. Bill was a man of habit. He liked to work in the same place, at the same time each day. It was one of the secrets behind his enormous output.

Bill began each day reading newspapers. He could *read* newspapers — a rare talent. He was always in the watchtower, whether in the middle of a newspaper or attending to his other daily chores — staff meetings, lectures and so forth. Yes, he was persistent, and always reminded me of James Madison's spirit of industry. Recall that Madison was the only Founding Father who was in attendance for every hour of every day during the Constitutional Convention. Bill's work style was that of a duck serenely gliding across a pond; below the surface, two feet were churning away at a ferocious pace.

"Roll up your sleeves and do it yourself" was one of Bill's mantras. I found this out explicitly when we were colleagues at President Reagan's Council of Economic Advisers (CEA). It was then that he

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[67] Ibid. Madame de Staël (1766-1817), pioneering French woman of letters. Jean Rapail (1925-2020), French writer, best known for his controversial novel *The Camp of the Saints* (1973), in which France and other Western countries succumb to invasion via mass immigration from poor countries because of lack of will to resist.

[68] Arnold (Al) Harberger (born 1924), professor at Johns Hopkins, University of Chicago, and the University of California, Los Angeles, known for contributions to welfare economics and Latin American economic development.

gave me the only professional advice he ever offered: during my first day on the job, he indicated that we would face an avalanche of material that required rapid analysis and recommendations. For this, Bill counseled to just do it myself, because most of the problems that would enter the "in" box would not have been dealt with by others, and, if they had been, the analyses would probably be dated.

Another one of Bill's important characteristics became very evident at the CEA: he was very knowledgeable about the machinery of government. Indeed, he was usually as (or more) informed about the plumbing and problems of a given governmental bureau as was the person responsible for the bureau in question.

Style usually reveals a great deal about a man, and that was the case with Bill. He identified his management style in the mid-1960s, when he was director of economic and political studies at the Institute for Defense Analyses (after his stints at the Rand Corporation and the Department of Defense): "I quickly discovered that the secret of being a good research manager is to hire bright people and give them only the most general guidance."

In the mid-1970s, Ford thought that its salvation would be the imposition of government restrictions on Japanese auto imports. Bill [who was Ford's chief economist at the time] thought otherwise, and said so publicly. He also wrote that "A common commitment to refrain from special favors serves the same economic function as a common commitment to refrain from stealing." For this — perhaps the clearest statement on the immortality of corporate welfare ever written — Bill was sacked. This, of course, didn't surprise Bill, and he mentioned that it was the source of untold nonpecuniary benefits. Yes, Bill loved adhering to principles.

So, Bill eventually ended up going to the University of California at Berkeley, and they invited me out to join the faculty. I said, "I'll come out as a visitor and test the water," which I did. We wrote an article and a comment that were fundamentally about environmental economics in the *Review of Economics and Statistics.*[69] They were very good articles because we were able to show [how correctly] to value environmental benefits using land values as proxies. So, if things would get cleaned up [— say, by removing waste —] the value of land goes up, and that would be an environmental plus. We basically showed that the technique that economists were using at the time was wrong. They had the theory and all the estimates wrong. The way they were doing it, they were undervaluing the environmental benefits.

The other man that I spent a lot of time with there was the dean of the Graduate School of Public Policy. He was a big research guy named Aaron Wildavsky. Wildavsky wrote a great book called *Craftways*.[71] One thing that interests me a lot is how people go about doing things. Well, Widavsky was a very productive, very innovative guy. He was very cutting edge and a big name in

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[69] Steve H. Hanke and William A. Niskanen, "Land Prices Substantially Underestimate the Value of Environmental Quality," *Review of Economics and Statistics,* Vol. 59, No. 3, August 1977; "Land Prices Substantially Underestimate the Value of Environmental Quality - A Rejoinder," *Review of Economics and Statistics,* Vol. 62, February 1980.

[71] Aaron Wildavasky (1930-1993), prolific and influential political scientist. The book is *Craftways: On the Organization of Scholarly Work,* 2nd edition, New York: Routledge, 1993.

political science. *Craftways* is a great book because it gets into the detail of how he was running his workshop, how he was running his *atelier*.

That was the University of California at Berkeley. It just wasn't my cup of tea. I really missed Hopkins. It might have been a size thing, but Berkeley was kind of remote at the time. It was different than it is now. I mean, you had trouble getting the *New York Times* in the morning. It felt provincial somehow, and I wanted to be closer to Washington and the public policy scene that was going on there, so I came back to Hopkins. After all, I am a practitioner of applied economics.

How did you get connected with the International Institute for Applied Systems Analysis[72] in Austria, and what did you do there from 1979-1980?

That was a water thing. It was kind of the climax of my work on water resources and systems analysis. The Institute had a big unit working in water. I actually did one more water demand study while I was in residence there. It was a pooled cross-section time series study that estimated the price elasticities and income elasticities for water in Malmö, Sweden. I also wrote one little monograph on water resource economics while I was there.[73] In terms of color, at least once a week, Mrs. Hanke and I would have lunch with the only Nobel laureate in economics from the Soviet Union, Leonid Kantorovich.[74] So, that happened to be an interesting aspect of it.

It also turned out that [the institute] was quite a nest of spies. Ultimately, this came to light in the Reagan administration. But prior to Reagan's election, Mrs. Hanke had pretty much analyzed and scoped the thing out. So, when the rumor circulated within the White House about the potential spying activity at the institute, I indicated that I knew all about it, thanks to Mrs. Hanke.[75]

This is in Vienna, right?

No — well, it's close by. It's in Laxenburg. The institute was housed in the summer palace of the Habsburgs. It's kind of a suburb, but not exactly, about 20 kilometers or so from Vienna. At any rate, this thing came to head with the Reagan administration. Somebody got wind that probably it was a spy center. Since I had been there, I did indicate that I thought this made a lot of sense. I mean, every time I would move around, there would always be some babushka following me around to the Xerox machine to see what I was doing and opening the mail that came in and all kinds of other stuff.

So, at any rate, my work at the institute was all water resource economics and systems analysis.

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[72] The International Institute for Applied Systems Analysis was founded in 1972 as a scientific cooperation initiative between the Soviet Union, the United States, and countries allied with each of them.
[73] Steve H. Hanke, (1981). "Studies in Water and Wastewater Economics." Lund University, Division of Water Resources Engineering: Lund.
[74] Leonid Kantorovich (1912-1986), co-winner of the Nobel Memorial Prize in Economic Sciences in 1975 for his work on linear programming.
[75] The United States later pulled its funding from the International Institute of Applied Systems Analysis over this incident. See William J. Broad, "Computer Security Worries Military Experts," *New York Times*, September 25, 1983.

What got you interested in privatization [of water and other resources]?

The practical application of privatization turned out to be intuitive for me because I spent a lot of time working on the private water systems in France. Indeed, to this day, most water in France is provided by private companies. On top of that, by 1980, and after working for a few years with Mrs. Hanke on this stuff, I really started leaning heavily into Austrian economics. So, privatization was just a natural step, but the background was looking at Austrian economics and, in general, classical liberal economics where the precept *is laissez faire.* That's really the precept. In addition to water privatization, I became interested in the problem of public lands in the United States, which is one of the largest socialist enterprises in the world.[76] I mean, just look at the land area. Public lands in the United States cover an area about six times larger than the surface area of France. So, it's huge. And that's just the surface area. There are also mineral rights, oil rights, and all the rest of it. A lot of it is publicly owned, and that's a big problem.

5. Working in Washington

Can you tell us about how you met President Reagan and came to be in his Council of Economic Advisers?

When Reagan was governor of the state of California and I was on the faculty at Berkeley, Bill Niskanen was very tight with Reagan. There was a tax limitation movement, which later included Proposition 13, and it was through that that I first met Reagan. Niskanen and I had [also] been together at the Office of Management and Budget, where I was a consultant in 1971. Bill was the one who invited me to join the Council as a senior economist. He was a member. Jerry Jordan was also a member. And Murray Weidenbaum was chairman at that time.[77] This was during the first term of Reagan and it turned out that (and this comes back to the Garnsey connection and the Rocky Mountain West), given how steeped I was in [knowledge of] public lands, and because Reagan had indicated some interest in selling some U.S. public lands, I became deeply involved in privatizing U.S. public lands. Reagan basically just gave me the portfolio. I was operating way above my pay grade. The first public announcement, or initiative, shall we say, for the privatization of public lands was the speech I gave in Reno, Nevada, at the Public Lands Council meeting in 1981. With that, and given my expertise and interest, I became Reagan's privatization guru.

Can you tell us about that speech, [called] "Privatize those Lands!,"[78] and the treatment of your

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[76] Steve H. Hanke, *Privatization and Development,* San Francisco: ICS Press, 1987.

[77] Jerry Jordan (born 1941), academic, business, and government economist, member of the Council of Economic Advisers (1981-1982), best known as president of the Federal Reserve Bank of Cleveland (1992-2003). Murray Weidenbaum (1972-2014), spent most of his career as a professor at Washington University in St. Louis, but served as assistant secretary of the U.S. Treasury, 1969-1971, and chairman of the Council of Economic Advisers, 1981-1982. The Council of Economic Advisers consists of a chairman appointed by the President and confirmed by the U.S. Senate and two members appointed by the President, plus senior economists, junior economists, and other staff.

[78] Steve H. Hanke, "Privatize Those Lands!," *Reason*, March 1982. See also Hanke, "Public Lands: America's Great Anomaly," *inFOCUS Quarterly,* Vol. 16 No. 4, Fall 2022.

proposals?

The big footnote on that is that there was an Assistant Secretary of [the Department of the] Interior at that meeting and he literally got up in the middle of the speech, clearly went to the telephone and called Secretary Watt.[79] The shit really hit the fan. It started out as, "This guy's a staff member of the Council, so he's not even authorized to do this. Who authorized this?" It was a big brouhaha. It ended up that Reagan really had a fundamental war on his hands between the Council of Economic Advisers and the Department of Interior. It was very political because the "sagebrush rebels"[80] were big Reaganites. Why? Because Watt had promised all these state legislators and governors that he was going to transfer federal land back to the states, you see. He'd already basically cut a deal with all the state politicos and ranchers and so forth, and all of a sudden, my speech, which was backed by Reagan, was really upsetting the apple cart. Now you're going to sell this stuff at auction, right?

It should be added that the reason they were upset, besides the politicians being upset about not having as much to control on the state level, is that privatization makes you pay up for the full value of the resource, whereas federal lands are often used as a kind of sweetheart deal. That's what the state politicians were expecting to have. This is a very important aspect because, knowing how the system works, to get access to federal lands, you'd have to have adjacent private land. So, if Hanke has a ranch, you know, 20,000 acres or something, and then he's on another 20,000 [acres] leasing federal land, the value of my private land capitalizes the value of the low-cost lease that I have on the federal land. So, I've already paid for the subsidy associated with the access to the public land because of the premium I had to pay to buy my private land. I had a formula, which is actually published in a journal article, for compensating the ranchers basically for their rights.[81] And they would have the right of first refusal on buying the newly privatized land and would get the capitalized premium value discounted into whatever the price for the public land is. That's why [U.S. senator from Nevada Paul] Laxalt[82] just jumped on this thing immediately. As far as I know, it's highly unusual to have a big senator like him put out a press release endorsing my plan with my name and everything else in it. The reason was that I'd actually figured out this thing. The ranchers would have to pay for it, but they would get it at a discount because they'd already paid part of it in the premium they paid for the private land that was letting them get on the public land in the first place. It was applied economics at work. It was also one of those cases where I knew a hell of a lot more about it than anyone else in the room.

At this time, David Stockman was the head of the Office of Management and Budget and Larry Kudlow was its chief economist.[83] I had gotten in a little bit of crossways with James Watt, the

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[79] James G. Watt (1938-2023), lawyer, lobbyist, and Secretary of the Interior 1981-1983.

[80] The "Sagebrush Rebellion" was an effort in the 1970s and 1980s, centered in the western United States, to reduce the extensive federal ownership of land there.

[81] Steve H. Hanke, "The Privatization Debate: An Insider's View," *Cato Journal,* Vol. 2, No. 3., Winter 1982.

[82] Paul Laxalt (1922-2018), governor of Nevada (1967-1971), U.S. senator from Nevada 1974-1987.

[83] David Stockman (born 1946), U.S. representative from Michigan, 1977-1981; director, Office of Management and Budget, 1981-1985. Lawrence Kudlow (born 1947), economist and media personality; director, National Economic Council, 2018-2021.

Secretary of the Interior. Watt was the leader of the Sagebrush Rebellion that wanted state ownership of the federal public lands so states could get more local control. I was very much against that. I was for privatizing, and it turned out so was Reagan. So, a big conflict developed between me and the Secretary of the Interior. He actually tried to get me fired. Reagan defended me.

Then, in the budget message that Reagan had for the 1983 budget, he had a whole paragraph in there that I drafted on privatization.[84] [Thereafter, other members of the administration] called it "disposal of excess property" or some jargon like that. They didn't call it privatization. One reason for that is, prior to my speech in Reno, I had used some jargon like "disposal of excess property." I can't remember what it was, but I gave my speech to Mrs. Hanke to look over. She said, "You know, that's privatization." She wrote it out, and I used "privatization." It turned out that there was a reaction, mainly among the advocates of privatization, that privatization was an uncommon word. It wasn't in the dictionary. Proponents of the public land sales warned that we were really going to be creating a firestorm by using that word. It turns out that it's a French word. Mrs. Hanke being French, of course, knew the word. We actually spent, Mrs. Hanke and I, quite a bit of time lobbying Webster's to put "privatization" in their dictionary, mainly because the conservatives kept complaining about it. So, we said, "Well, okay, we'll get it in the dictionary." We did. The 1983 *Webster's Collegiate Dictionary* was the first time privatization was in an American English dictionary. So that was kind of fun.

[A related issue was water in the West.]

Reagan ended up being very good at this.

Among other things, all these water projects were with the Bureau of Reclamation, which is part of the Department of the Interior. Stockman came to me and said, "They're all turkeys, but we don't have any heavyweights who can go against the Department of Interior and Bureau of Reclamation. So, Hanke, you're going to be the guy and you're going to evaluate all these projects."

So, there was no water project of any kind that went through the Reagan administration unless I saw it and re-evaluated it and so forth. I can remember the first one of these projects I evaluated. I did a real bang-up job with a five-page memo critiquing one of these Bureau of Reclamation projects and deep-sixing it. Stockman brought me down to his office. He said, "Well, this is just great. But you've spent a lot of time on this and you've only saved about $600 million" or something like that. He says, "For me, Steve, that's just a rounding error and you're spending all this time drafting what in effect would pass muster as a peer-reviewed journal article. Make them

[84] Ronald Reagan, "Message to the Congress Transmitting the Fiscal Year 1983 Budget," February 8, 1982. ("Likewise, we will move systematically to reduce the vast Federal holdings of surplus land and real property. It is estimated that the Federal Government owns approximately 775 million acres, and 405,000 buildings, covering about 2.6 billion square feet. Some of this real property is not in use and would be of greater value to society if transferred to the private sector. During the next 3 years we will save $9 billion by shedding these unnecessary properties while fully protecting and preserving our national parks, forests, wildernesses and scenic areas.")

closer to a back-of-the-envelope operation — that will do."

My other White House activities in the water field revolved around benefit-cost analysis. President Reagan knew my research showed that the so-called "Federal Principles and Standards," which are used to evaluate water projects, were flawed and biased towards overinvestment. In consequence, I represented the White House in its effort to revise the "Federal Principles and Standards."

That was my involvement with water resources during the Reagan administration. At the end, I was the water guy. In fact, that was the end of my really big water research phase. I continue to keep my hand in it. You get to know how to do something, so if you have a little time and something looks interesting, you do it. I also had a lot of research that I cleaned up that was in the inventory that I had built up. For example, I spent several months in Australia on a huge water resource project and generated a lot of primary data. I wrote that up eventually as a very large series of research reports and several peer-reviewed journal articles.[85] Most of it was published in *Water Resources Research* or *Land Economics*.

How much face-to-face contact did you have with Reagan?

If you put it all together, it would probably be an hour and a half or less. The way it was organized, there were lots of little things where you would have five minutes or something like that. There was one really big one. The way it was organized with Reagan, there were Cabinet Councils and Cabinet Council meetings, right? I was the guy in charge of the Cabinet Council on privatization. Reagan was operating way above all these people. The heads of Cabinet Councils usually were at least assistant secretaries of whatever they happened to be running. In his book *Revolution*, Martin Anderson describes how it worked.[86] At any rate, usually the interaction at a Cabinet Council meeting was with somebody like Marty. You wouldn't see Reagan there. So that's why I say, a grand total of about an hour.

There was one fairly long stretch of time I was face-to-face with Reagan, however. That was because the Cabinet wanted a full report on privatization, and I was the guy presenting it. So, I went to one full Cabinet meeting. I was there for the duration of the meeting, and Reagan was

[85] Steve H. Hanke, "A Cost-Benefit Analysis of Water Use Restrictions," *Water Supply and Management,* Vol. 4, No. 4, 1980. See also Steve H. Hanke, "On Turvey's Benefit-Cost "Short-Cut": A Study of Water Meters," *Land Economics,* Vol. 8, No. 1, February 1982. See also Steve H. Hanke, "On the Marginal Cost of Wastewater Services," *Land Economics,* Vol. 57, No. 4, November 1981. See also Steve H. Hanke, "On the Marginal Cost of Water Supply," *Water Engineering and Management,* Vol. 128, No. 2, February 1981. See also Steve H. Hanke and Roland Wentworth, "Project Evaluation During Inflation, Revisited: A Solution to Turvey's Relative Price Change Problem," *Water Resources Research*, Vol. 17, No. 6, December 1981.

[86] Martin Anderson, *Revolution: The Reagan Legacy,* Stanford, California: Hoover Institution Press, 1990. Martin Anderson (1936-2015) was an academic and a policy economist in the Nixon and Reagan administrations. Assistant secretaries are politically appointed, Senate-confirmed officials with responsibility over broad areas of government policy.

there. James Baker, of course, was the chief of staff at the time.[87]

The notable thing with Reagan, even in short [interactions], was always, "Oh, Steve, great to see you!" It was as if I had been in kindergarten with the guy. He was just kind of electric, you know. If you were in a room with a lot of people and he came in, maybe it just goes with the territory of being President of the United States, but he was a very charming personality. It was like old pals. You didn't feel like there's much distance between you and him. You could interact with him without much anxiousness or anything like that. That was my take on Reagan. He was a pretty laid-back kind of guy.

When you worked for the Joint Economic Committee of the U.S. Congress[88] from 1984 to 1986, was that a part-time thing while you were working at Hopkins?

I served one year on the Council [of Economic Advisers]. I went in with the mutual expectation that I would spend one year on the Council, then return to Hopkins. I was on leave for one year. Then I went to the Joint Economic Committee. I didn't take a chunk of time away from Hopkins, since unlike the CEA, the JEC was not a full-time job, but it did take a good [number of hours]. It was a serious thing.

The reason I wanted to join was that I'd gotten to know Senator Steve Symms[89] quite well when I was on the Council doing the public lands thing. There was a big connection with the public lands thing because Paul Laxalt, the senior senator from Nevada, was very tight with Reagan. He became very tight with me because I ended up knowing a lot about the public lands and the whole privatization process. Laxalt actually put out a press release endorsing my specific proposal. So, technically I was a senior economist at the Council, and here I have two U.S. senators (Symms and Laxalt) saying that they were supporting the proposal that had been made by Steve Hanke over at the Council of Economic Advisers. Symms was a member of the Joint Economic Committee, and so my involvement there was the result of both Senators Laxalt and Symms. I became very good friends with Senator Symms. Of course, later, Symms was involved with the currency board stuff. I stayed on with Symms in the Joint Economic Committee for quite some time.

Then, as I added a new chapter to my professional life, which was currencies and currency boards, one big issue came up. As Schuler, Lars Jonung,[90] and I were writing our book *Russian Currency and Finance* and lobbying for a currency board for Russia, the International Monetary Fund (IMF) in particular was pushing back. They were saying, "Well, that's a great idea, but the U.S. Congress is never going to approve it." The U.S. Congress really didn't have anything to do with it. Why the

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[87] James Baker, III (born 1930), lawyer and government official, including White House chief of staff, 1981-1985 and 1992-1993; Secretary of the Treasury, 1985-1988; and Secretary of State, 1989-1992.

[88] The Joint Economic Committee is a non-legislative committee, drawing members both from the House of Representatives and the Senate. It conducts studies and holds hearings on matters of economic interest.

[89] Steven Symms (1938-2024), U.S. representative from Idaho, 1973-1981, then senator, 1981-1993.

[90] Lars Jonung (born 1944), Swedish monetary and public policy economist, chief economic adviser to the prime minister of Sweden, 1992-1994; now professor emeritus at Lund University.

IMF used this kind of excuse, I don't know.

To cut that [excuse] off, we, with Symms, [worked with] Senator [Bob] Dole, the Senate majority leader at the time, Phil Gramm and Jesse Helms; I think those were all [who were involved].[91] They were the ones that backed this amendment that ensured if Russia decided to install a currency board, that the U.S. would back it and support it. Dole offered that amendment to the foreign operations bill from the floor. The way it used to work, you would go into the Capitol, and Symms, who was very tight with Dole, would call Dole and say, "Hanke's here, can we come down and see about something?" You'd be talking to the secretaries, who'd tell you to come on down. We'd go down to see the leader (Dole) and tell him what was going on and what we wanted. There was back and forth. We were meeting with all the principals involved, but ultimately it was Dole who proposed that amendment, and it cut the IMF's argument off. That was its purpose, and we accomplished that.[92]

6. Currency Reform

There's a [1975] paper you wrote called "Project Evaluation during Inflation."[93] As I look back through your CV, that seems like the first thing where you're bringing in monetary theory, which then became a long-term focus of your career.

I think you probably put your finger on the start of my monetary work. It's just a practical thing. A lot of these things are. It's just a problem. You face a problem and you try to solve it. The problem was that people doing benefit-cost analysis were actually mixing up real and nominal values. What the paper you reference shows is that, as you do a benefit-cost analysis, so long as everything is nominal or everything is real, you get the same answer. The paper basically showed that you can't mix apples and oranges. Much to my satisfaction, Jürg Niehans, a colleague of mine at Hopkins and one of the high priests of monetary theory, wrote a book on monetary theory and actually referenced that paper.[94] So you're right. I mean, it did start getting me into monetary theory. I wasn't thinking of it like that. I was thinking more along the lines of "How do you fix this mess that some of these people are getting into by mixing up real and nominal values, and what should you use? Should you use real or nominal?" It turns out it doesn't really make any difference as long as you consistently use one or the other.

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[91] All were influential Republican senators: Robert Dole (1923-2021), Kansas; William Philip "Phil" Gramm (born 1942), Texas; Jesse Helms (1921-2008), North Carolina.

[92] Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1993 (Public Law 102–391), Title I, which states in part, "There is appropriated for an increase in the United States quota in the International Monetary Fund, the dollar equivalent of 8,608.5 million Special Drawing Rights, to remain available until expended and, among other uses, such funds may be used to promote efforts by the International Monetary Fund to support monetary stability in member countries through the instrumentality of currency boards.''

[93] Steve H. Hanke, Philip H. Carver, and Paul Bugg, "Project Evaluation During Inflation," in Richard Zeckhauser and others [including William Niskanen], editors, *Benefit-Cost and Policy Analysis 1974: An Aldine Annual on Forecasting, Decision-Making, and Evaluation,* Chicago: Aldine Atherton, 1975.

[94] The book is *The Theory of Money,* Baltimore: Johns Hopkins University Press, 1978, p. 126.

You've written in some detail about your experiences as a currency reformer,[95] so we'll just cover some of the highlights. How did you get interested in the subject?

I can't exactly remember what the first thing was, but it's basically a Sir Alan Walters and Kurt Schuler show. I think Walters was the first one. He was Margaret Thatcher's economic advisor, and in particular, he was very tight with John Greenwood, the architect of Hong Kong's currency board. [96] At the time [of Hong Kong's currency crisis] in 1983, I didn't know Greenwood, but he had done all this architecture and studied currency boards. Walters was the one who really facilitated the establishment of the thing. Alan Walters told me that it was actually Greenwood, Milton Friedman, and Alan Walters. Those were the big three, with Greenwood doing all the detail work, Friedman definitely involved, and Walters definitely involved.

The final chapter of the story occurred when Walters called Greenwood. He said, "There's going to be a World Bank-IMF meeting, and Thatcher's going to be in Washington. I'm going to be in Washington, too. We can close this deal if I actually have the details." Greenwood put the [Hong Kong currency board] proposal in a packet and sent it on the Concorde [supersonic airplane]. That's how it got to Washington, just in the nick of time for Thatcher to sign off on it.

Around 1989, Alan Walters was telling me how the currency board worked and going on about it. At that time there were probably no more than half a dozen people in the world who really knew it. Walters happened to be one. Kurt Schuler happened to be another. Alan Walters said in an interview once, "I think currency boards are great, but God, Hanke even saw more in it than I did." That was really because of Kurt. So, the whole currency board thing really got legs and started going once Kurt and I started collaborating.

At that time, Kurt was a graduate student at George Mason.

(Schuler) I worked for John Greenwood in the summer of 1989 because George Selgin,[97] who was at the University of Hong Kong at the time, recommended me. [That's where I learned about currency boards.] I wrote a couple of articles in the *Asian Monetary Monitor* [which Greenwood edited], and you saw them and found out that I was at George Mason University.[98] I remember you called me on the phone out of the blue one day in the winter of 1989-90. We talked and found that we both had a big interest in this. Of course, that was at right about the

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[95] Steve H. Hanke, "Remembrances of a Currency Reformer: Some Notes and Sketches from the Field," Studies in Applied Economics No. 55, June 2016, is an overview with references on particular country cases. See also Hanke, "A Money Doctor's Reflections on Currency Reforms and Hard Budget Constraints," in Barry W. Poulson, John Merrifield, and Steve H. Hanke, editors, *Public Debt Sustainability: International Perspectives,* Lanham, Maryland: Lexington Books, 2022, pp. 139-169.

[96] John G. Greenwood (born 1946), financial economist whose ideas on the currency board system ended a currency crisis in Hong Kong in 1983; see his book *Hong Kong's Link to the US Dollar: Origins and Evolution,* Hong Kong: Hong Kong University Press, 2007 and 2022. Greenwood was also the editor of the *Asian Monetary Monitor,* a publication issued in Hong Kong from 1977 to 1996, now available through the Internet Archive.

[97] George Selgin (born 1957), academic and think tank economist, best known for writings on competitive issue of currencies (free banking), monetary deregulation, and criticisms of central banking.

[98] In Fairfax, Virginia, close enough to Baltimore for day trips.

time that communism fell in Eastern Europe. So, the question arose, what should these countries do afterwards in terms of the monetary system? Because of our mutual interest in Hong Kong, we thought that currency boards could be a model.

I had kind of forgotten about that. I have a very good memory, but things were going so fast sometimes that I couldn't even remember what plane I was on or what country I was in. Now you've reminded me. What I remember is you showed up here in my office at Hopkins, but I didn't know why or how.

Then you got into advising governments. Was Yugoslavia the first one?

Yugoslavia was the first. That's an interesting story because things were very dynamic in Eastern Europe at this time in the early 1990s. One person who was very interested in and backing Austrian economics and trying to push for Austrian free market, classical liberal reforms every place in Eastern Europe was Daniel Swarovski of Swarovski Crystal fame.[99] I think maybe Mrs. Hanke and I met him in Davos [Switzerland], but I'm really not certain.

Mrs. Hanke was part of the start of this before the World Economic Forum [got really big in Davos] because she knew Rudolf and Rita Suter. Rudy was the chairman of Migros, which is the largest retailer in Switzerland.[100] The Suters had a place in Davos, and they contacted Mrs. Hanke and said, "Look, we're going to organize a ski weekend. We're going to get Helmut Schmidt, Giscard d'Estaing, the prime minister of Norway, and a few others.[101] Would you like to join us?" Mrs. Hanke said yes, so she went down for this weekend. And they talked politics, because what else are they going to talk about?

They did this first ski weekend, and then they did it again the next year, and Rudy and Rita decided that they should really organize something a little bit bigger here. But to do that, they had to hire somebody to do it. They got Klaus Schwab, who at the time was an assistant professor someplace in Switzerland, and hired him to organize it. So that's how the World Economic Forum got started.

Going back to Swarovski, I think Mrs. Hanke and I met him in Davos because we would go to every World Economic Forum meeting. We used to go to all of them, but eventually it got too big and didn't suit our taste at all, so we just dropped it. I can't even remember when we stopped going. But the World Economic Forum is where Swarovski contacted us and said, "I want to put on a dinner in Vienna and I want you to meet Deputy Prime Minister of Yugoslavia Zivko Pregl, so you and Liliane should come." Swarovski liked Liliane a lot. Every time we went to Austria, he had custom-made jewelry for her, and we even went and stayed with him for a while in Wattens [the town of Swarovski's headquarters], way up in Upper Austria. So, Pregl was there at the dinner in Vienna, and nothing eventful happened at dinner. But Pregl said "By the way, you're going to be free in the morning. I'd like to meet with you." I said that would be fine.

[99] Daniel Swarovski II (1914-1992).
[100] Rudolf Suter (1914-2011), business executive, also member of the Swiss parliament 1962-1979.
[101] Helmut Schmidt (1918-2015), chancellor of Germany 1974-1982.

So we met. Pregl was the head of the Communist League.[102] He and I talked, and then he asked me if I'd like to be his advisor. I said, "It'd be great, but I don't think it's a good idea because you're the head of the Communist Party. I'm a free market economist. I just don't see what's going to happen here." Then he says, "Well, that's exactly why I want you. I want somebody who really knows what they're doing and wants to be advocating for changes in the free-market direction. I said, "Well, I'll do it. But you have to exit the Communist Party." He said, "How am I going to do that?" I told him that it was a very simple thing. I said, "You do what [Boris] Yeltsin did[103] at the next meeting of the League. They'll be in a big fight over a million things, then you should resign and walk out." That's exactly what Pregl did, and the League collapsed. The minute the League collapsed, I joined him as an advisor. I started in January of 1990. The big thing I did was privatization. I wrote all kinds of huge reports on privatization. When I was Pregl's advisor, I developed a [proposal for a] private social security system, but it was never enacted because of the [Yugoslav] civil war.[104]

Also, Kurt and I wrote our second book on currency boards. The first one we wrote (actually the second to be published) was on Argentina, which we wrote right before we wrote our Yugoslav book that was published in 1991. Those were the first two monographs that Schuler and I did, the Argentine book and the and the Yugoslav book that was published in Serbo-Croatian in Belgrade and in English in London. So that was the start of our collaboration.[105]

In Yugoslavia, by the way, there was actually one reform that eventually occurred in Montenegro in 1999. It wasn't a currency board, but we "dollarized" the country.[106]

(Schuler) As you have explained elsewhere, it was thanks to the work that we did [earlier in the 1990s] that the currency board concept was known, and when the time came to establish a monetary system in Bosnia, everybody could agree on it.

I'm glad you reminded me. The Bosnian currency board in 1997 was written into the Dayton Agreement.[107] Dick Holbrooke[108] told me this. Mrs. Hanke and I had lunch with Holbrooke in Hong Kong in May of 1998. Holbrooke was the diplomat in charge of all of the Balkans, and the Dayton Agreement was a Holbrooke thing. His official title at the time [of the Dayton Agreement], was

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[102] The League of Communists of Yugoslavia, the ruling party.

[103] Boris Yeltsin (1931-2007), president of Russia 1991-1999. Yeltsin walked out of a congressional meeting, stirring controversy.

[104] Steve H. Hanke, "Reflections on Yugoslavia's Transition to a Market Economy," Fairfax, Virginia: Atlas Economic Research Foundation, 1990.

[105] Steve H. Hanke and Kurt Schuler, *Banco Central o Caja de Conversión?,* Buenos Aires: Fundacion Republica, 1991; *Monetarna Reforma I Razvoj Jugoslovenske Trzisne Privrede,* Belgrade: Ekonomski Institute Beograd, 1991; *Monetary Reform and the Development of Yugoslav Market Economy*, London: Centre for Research into Communist Economies, 1991.

[106] The foreign currency actually used was the German mark. For the proposal, see Steve H. Hanke and Željko Bogetić, *Cronogorska Marka,* Podgorica, Montenegro: Antena M & Mermont, 1999.

[107] General Framework Agreement for Peace in Bosnia and Herzegovina, 1995, article VII, section 1.

[108] Richard Holbrooke (1941-2010), diplomat, including U.S. ambassador to the United Nations 1999-2001.

Assistant Secretary of State for European and Canadian Affairs. I asked Holbrooke, "How did the Bosnian currency board get in the agreement? Why did [Slobodan] Milošević[109] agree to it?" And he said, "Oh, that's because the Serbs said that they were totally familiar with the currency board idea because they'd read Hanke and Schuler."

Milošević was an ex-banker, so he liked to act like he was familiar with everything in money and banking. Whether he'd ever done anything with the book or not, I don't know. But, he apparently said he was familiar with my work, and he signed off. That was in 1995.

Then I went to Sarajevo as an advisor to the U.S. government just to make certain the currency board, which was mandated for six years, was installed properly. The IMF guy involved was Warren Coats. Warren has written up [Bosnia's path to a currency board] in a very good book.[110] By the way, Warren is a fellow at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business enterprise, and has been the author of items that were published in the Johns Hopkins *Studies in Applied Economics* working paper series.

So that was the start. The Yugoslav thing was very, very intense. And in that year, Mrs. Hanke and I were in residence at the Intercontinental Hotel in Belgrade, but I was teaching full-time, my courses and everything. We were commuting from Belgrade. We made the round trip most weeks. How we were doing it, I really don't know. We did do it, and it was very intense. There was a lot going on, and the wheels were really going fast in Yugoslavia. I was pushing for a currency board. Yugoslavia did stop inflation temporarily. They had a pegged exchange rate, but they wouldn't go for the currency board. I also developed extensive privatization proposals. By the time I developed the private social security proposal, the winds of war were already blowing.[111] This proposal wasn't run of the mill, either. I consider it to be one of the more original things I've ever done. But then [Yugoslav] civil war broke out in 1991, and that was the end of the whole thing. But it was a very productive time.

Why have you been able to connect with many senior politicians around the world, rather than just remaining an op-ed voice that is read, but not heeded?

That's a good question. Let's just stick with the Yugoslav example. And this is part of working with Mrs. Hanke. It was Daniel Swarovski who facilitated the whole thing and got it started. And I think a lot of that is he liked Mrs. Hanke very much. He found her very interesting and liked to talk to her. Everybody does, in fact. So, she's a big part of it. She was significant in many cases. Always interesting conversation, and a lot of geopolitics. People are interested in geopolitics, and she's very knowledgeable and has ideas about it. So, that's one thing.

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[109] Slobodan Milošević (1941–2006) president of Serbia 1989–1997, president of the Federal Republic of Yugoslavia 1997-2000.

[110] Warren Coats, *One Currency for Bosnia: Creating the Central Bank of Bosnia and Herzegovina,* Ottawa, Illinois: Jameson Books, 2007. See also Raina Saini and Kurt Schuler, "An Interview with Warren L. Coats, Jr. on Lessons for Monetary Reformers," Studies in Applied Economics No. 272, August 2024.

[111] This is written up in detail in a forthcoming festschrift for Walter Block, "From Socialism to Free Markets: Remembrances from Yugoslavia" (2025).

The other is, again, tacit knowledge and opportunism. Just being able to sense where there's a place to do something. That's a big part of it. And at a certain point, you build up a certain reputation and they come to you. Why did Forrest Mars come to see me about gold? He'd heard about me someplace. I don't know where it was. It was at that time, of course, that I was working at Friedberg's. But he heard about it.

So, once you have a reputation, they seek you out. It's mainly either accidental coincidences, or them seeking you out. I don't think in any case that I ever sought out any of these things.

What would you say has been your greatest success in the currency reform arena?

Well, I'd say being involved in Argentina, which was convertibility and was very big. Estonia was big, Lithuania was big, and maybe the biggest one is Bulgaria. And then there was Bosnia, and then Montenegro, and then El Salvador. That covers all of the reforms, but I think probably the one that I spent the most time on, and in a way was the most satisfying, and still exists, is Bulgaria. Its inflation had reached 242% a month, a true hyperinflation. Within 30 days, we had cut it down to single digits. Within a year, the money market interest rate was down to 2%, and the foreign exchange reserves were three times higher than they were when we put the currency board in. So, it was a smashing success. They were all successful, with Bulgaria being the most dramatic. In Estonia, there was actually a similar record with the reduction of inflation, but the Estonian case was interesting because in 1992 they were still using the Soviet ruble. They didn't have their own currency. With the currency board, we introduced the kroon.

They were all big, by the way, and in all of those things, the model was always the same. You have a monograph first to get the game plan laid out in a publication. You [Schuler] should know all about that. You co-authored all the monographs with me. Then, you start beating the drum for it in person and hopefully get the idea around.

By the way, we actually had three books in Bulgaria. We did the first one in 1991. And then Mrs. Hanke and I kept going to Bulgaria trying to peddle the idea. It wasn't going anyplace. But then then the hyperinflation broke out in 1996. Ultimately, President Stoyanov called me in as an as an advisor. That was in January of 1997. In December of 1996, a knockoff of the Hanke-Schuler monograph was actually published and became the number one bestselling book in Bulgaria.[112]

This seems like the appropriate time to mention Peter Drucker.

Oh yeah, Drucker guided the way that we've worked on this. So, Schuler and I are cranking these currency board monographs out, adjusting things for whatever country we were writing about.

[112] Petar Stoyanov (born 1952), president of Bulgaria 1997-2002. The publications were Steve H. Hanke and Kurt Schuler, "Teeth for the Bulgarian Lev: A Currency Board Solution," Washington, D.C.: International Freedom Foundation, 1991; *Valutniyat bord nachalo il krai,* Sofia: Bard, 1996 (pirated translation of *Currency Boards for Developing Countries: A Handbook,* San Francisco: ICEG Press, 1994); and Ina Byachvarova and Margareta Chakapska, translators, *Valutniyat bord i finansovata stabilizatsiya,* Sofia: Klub Ekonomuka 2000, 1997 (authorized translation).

We would change things a little, but the template was basically the same.

In 1998, *Forbes* [magazine] had a CEO conference in Los Angeles and I was invited to be one of the speakers. Another speaker was Peter Drucker, the famous management guru. So, Steve Forbes and I had lunch with Drucker.[113] He asked about what I was doing. And I said that somebody's asked me to write yet another book on currency boards. I said sure, but I had already written I don't know how many and was not that excited about writing another one. I asked him what he thought, and he said, "Write it. Successful salesmanship is always repetition enhanced by incremental product improvement." And so we just kept writing. Now we're sitting here today in 2024, and Kurt is going to deliver a [draft to me of our] big treatise on currency boards, which might be our swan song.

But that gets into the question of why it is such a big treatise. We've had Hopkins students working on various aspects of this for probably 20 years. I think Nick Krus[114] probably was the first one. Many Hopkins students have worked on various aspects of the thing. Krus did a lot of work, but there have been other little chunks, bits and pieces, and the idea there has been to digitize all the financials for every currency board that's ever existed and analyze the digitized primary data to see how these currency boards actually [worked]. What were they doing? So far we've found out that generally they were operating like we thought and like the general literature has indicated. But now we've really fine-tuned it. We're writing this book with the [benefit of our personal] experience. The other monographs, in a way, were written based off historical data. They were kind of *ex ante.* We were proposing that somebody do something. Now we're writing from the *ex post facto* position of actually knowing what happened. For example, in Bulgaria we know exactly what happened, how it operates and all the rest of it. Yeah, 25 years of experience.

What would you say is your greatest currency reform failure and why?

I think the most disappointing thing was Indonesia. I was Suharto's[115] chief economic advisor. He agreed to install a currency board and, with that, all hell broke loose. In particular, [U.S. president] Bill Clinton and the U.S. in general didn't want Suharto to stay in the saddle. They wanted the Asian financial crisis to take him out.[116] This was 1998, and he had called me in for a second opinion after getting an opinion from the IMF to float the rupiah, which he did. It crashed almost immediately and Indonesia had a huge outbreak of inflation, food riots, and so forth. So, Suharto called me in for a second opinion. I became his advisor.

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[113] Peter Drucker (1909-2005) Austrian-American management consultant and bestselling author. Steve Forbes (born 1947), publisher of *Forbes* magazine and political figure.

[114] Nicholas Krus, currently president of June Skin, a provider of in-home Botox treatments. See Nicholas Krus and Kurt Schuler, "Currency Board Financial Statements," Studies in Applied Economics No. 22, December 2014.

[115] Suharto (1921-2008), president and dictator of Indonesia, 1967-2008; like many Indonesians he had only one name.

[116] The East Asian financial crisis began in Thailand on July 2, 1997. It spread to other countries in the region. Indonesia's currency, the rupiah, had moved in a band against the U.S. dollar before the crisis. Indonesia's central bank widened the band on July 11, 1997, abandoned it on August 14 in favor of a floating exchange rate.

By the way, just one thing on all these advisory roles or involvements in political economy. I always do this pro bono, at the advice of Mrs. Hanke. I don't want to be a consultant bagman that is dependent on whatever they're paying me. This way, it allows me to be free and to say what I want to say and advise what I want to do. So that was the case in Indonesia, which of course, Suharto couldn't believe. I remember the first time I met him, he said "I'd like to appoint you." And I said, "Well, that's okay as long as there's no pay." He looked sort of puzzled. Then, at the end of this meeting, which was at his house, he said, "Professor, I just want to make it clear, what are your terms?" and I said, "As long as I didn't get paid, the appointment will be fine."

So, we went ahead. He announced the currency board during his "state of the nation" speech, which he delivered every five years.[117] He agreed to do it. Ultimately, Clinton literally called him three times while I was in Jakarta and said that if he did Professor Hanke's currency reform, he wasn't getting $43 billion [from the IMF]. Suharto stayed with the currency board idea and ultimately, the U.S. sent part of the Pacific fleet to do exercises off the coast of Jakarta. At that point, Suharto caved and gave up on my proposal.

Why all the fuss over a currency board for Indonesia? Merton Miller understood the great game immediately. As he wrote me when Mrs. Hanke and I were in residence at the Shangri-La Hotel in Jakarta, the Clinton administration's objection to the currency board was "not that it wouldn't work, but that it would, and if it worked, they would be stuck with Suharto." Much the same argument was articulated by Australia's former Prime Minister Paul Keating: "The United States Treasury quite deliberately used the economic collapse as a means of bringing about the ouster of Suharto." Former U.S. Secretary of State Lawrence Eagleburger weighed in with a similar diagnosis: "We were fairly clever in that we supported the IMF as it overthrew (Suharto). Whether that was a wise way to proceed is another question. I'm not saying Mr. Suharto should have stayed, but I kind of wish he had left on terms other than because the IMF pushed him out." Even former Managing Director of the IMF Michel Camdessus could not find fault with these assessments. On the occasion of his retirement, he proudly proclaimed: "We created the conditions that obliged President Suharto to leave his job."[118]

Why did Suharto have to go? President Clinton had his own personal reasons for leading the charge for a regime change. This presented a golden opportunity for the neoconservative regime changers led by Paul Wolfowitz, a former U.S. Ambassador to Indonesia (and subsequently a key figure in the Pentagon — Deputy Secretary of Defense — who pushed for the invasion of Iraq and the overthrow of Saddam Hussein). Their agenda was for the U.S. to control the Greater Middle East, a swath stretching from Indonesia to Morocco.

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[117] The speech, known as the "accountability speech" *(Pidato pertanggungjawaban Presiden)* was delivered on March 1, 1991 at the opening of the People's Consultative Assembly, the rubber-stamp body electing the president.
[118] See Steve H. Hanke, "Remembrances of a Currency Reformer: Some Notes and Sketches from the Field," Studies in Applied Economics, No. 55, June 2016; Hanke, "20th Anniversary, Asian Financial Crisis: Clinton, The IMF and Wall Street Journal Toppled Suharto," Cato.org, July 6, 2017 (originally in Forbes.com). "Remembrances of a Currency Reformer" also has references for other episodes discussed in this section.

To depose Suharto, two deceptions were necessary. The first involved forging an IMF public position of open hostility to currency boards. This deception was required to convince Suharto that he was acting heretically, and that, if he continued, it would be costly. The IMF's hostility required a quick about-face: Less than a year before the Indonesian uproar, Bulgaria (where I was President Stoyanov's advisor) had installed a currency board on July 1, 1997 with the enthusiastic endorsement of the IMF. Shortly thereafter, on August 11, 1997, Bosnia and Herzegovina (where I advised the government on the implementation of its currency board) followed suit under a mandate contained in the Dayton Peace Agreement, and with the IMF's full support.

Shortly after Suharto departed, the IMF's currency board deception became transparent. On August 28, 1998, Michel Camdessus announced that the IMF would give Russia the green light if it chose to adopt a currency board. This was followed on January 16, 1999 with a little-known meeting in Camdessus' office at the IMF headquarters in Washington, D.C. The assembled group included the IMF's top brass, Brazil's Finance Minister Pedro Malan, and the central bank's Director of Monetary Policy Francisco Lopes. It was at that meeting that Camdessus suggested that Brazil adopt a currency board.

The other deception involved the widely-circulated story that I had proposed to set the rupiah's exchange rate at an overvalued level so that Suharto and his cronies could loot the central bank's reserves at a favorable exchange rate. It was intended to "confirm" Suharto's devious intentions and rally international political support against the currency board idea and for Suharto's ouster. This story was a linchpin in the Clinton administration's campaign to dump Suharto.

The overvaluation story was enshrined by the *Wall Street Journal* on February 10, 1998. The *Journal* reported that Peter Gontha[119] had summoned me to Jakarta, and that I had prepared a working paper for the government in which I recommend setting the rupiah-U.S. dollar exchange rate at 5,500. This was news to me. I did not know of Peter Gontha nor the rest of this fictive story.[120]

I immediately attempted to have this fabrication — which had been concocted by Jay Solomon, a Dow Jones/*Wall Street Journal* reporter — corrected. He was eventually fired by the *Journal.* It was a difficult and ultimately unsatisfactory process. Although the *Wall Street Journal* reluctantly published a correction on February 14, the damage had been done.

That was quite disappointing because that would have really been huge, and we were close. I mean, Suharto had already agreed to everything. By the way, we know it would have worked because the day he announced that I was going to be his advisor, the rupiah appreciated 25% against the dollar on not only the spot market, but also the one-year forward market in Singapore. That suggests that the market thought the currency board was going to work, for at least a year.

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[119] Peter Gontha (born 1948), Indonesian businessman influential through his connections to the Suharto family.
[120] Stevens Broening, "QnA/Steve Hanke: Voice of Suharto's Guru." *International Herald Tribune,* March 20, 1998.

Another episode, that wasn't quite as disappointing but dragged on for a while and ended in failure, was Russia. In 1993, I co-authored an important book, *Russian Currency and Finance,* with Prof. Lars Jonung, Sweden's top monetary economist and chief economist for Prime Minister Carl Bildt, and Kurt Schuler.[121] This book became the centerpiece for the debate about how to fix the post-Soviet ruble.

Over an extended period of time, the currency board idea circulated in Russia, moving in cycles from hot to cold. Two of the first Russian politicians I discussed the currency board idea with were Sergei Krasavchenko, the Chairman of the Commmiloittee on Economic Reform and Ownership of the Russian Duma, and Vladimir Shumeyko, the Deputy Chairman of the Committee on Economic Reform and Ownership of the Russian Duma [parliament]. Shumeyko, and a delegation of ten Russian parliamentarians, paid me a visit at The Johns Hopkins University in Baltimore, where I conducted a one-day briefing on currency boards on one hot June day in 1991.

My next meeting with a delegation from Russia took place in Paris at a meeting Mrs. Hanke and I helped arrange in early November 1991. It lasted several days and was eventful. The leader of the Russian delegation, Academician Dmitri S. Lvov, opened the meetings with a press conference. By the time the meetings had concluded, there had been a coup. Dr. Yegor Gaidar, not Academician Lvov, held forth as the Russians' leader at the final press conference. Mrs. Hanke and I immediately knew something significant had happened. Sure enough, shortly after he returned to Moscow, Dr. Gaidar was appointed to his first major post, Minister of Economy and Finance, on November 11, 1991. For me, this was relevant because I was a member of the Scientific Advisory Council of the International Centre for Research into Economic Transformation (ICRET), a think tank that Dr. Gaidar had founded.

In 1992, I spent a considerable amount of time advocating for a Russian currency board. To that end, I met with the Mayor of St. Petersburg, an influential advocate of economic reforms, the late Anatoly Sobchak, during an early May 1992 visit to St. Petersburg. It was at a reception following our meetings that Mrs. Hanke and I met with Vladimir Putin, who was one of Sobchak's advisers at the time.

Following that St. Petersburg trip, the late Jean-Bernard Raimond, former Ambassador from France to the Soviet Union, commissioned a private jet, and in late June 1992, the Ambassador and I, along with Madame Raimond and Mrs. Hanke, departed from the Le Bourget Airport in Paris for a few days in Moscow. I thought things looked very promising when we met the newly installed Acting Prime Minister Yegor Gaidar during that trip. Indeed, the evening in which Gaidar, Mrs. Hanke, and my friends from Paris christened the new brasserie at the Hotel Metropol, things couldn't have looked better.

During 1992, I also spent a great deal of time trying to beat back currency board objections coming from certain elements of the International Monetary Fund's management. Their

[121] *Russian Currency and Finance: A Currency Board Approach to Reform,* London: Routledge, 1993.

argument was, in short, that the IMF couldn't approve a Russian currency board because the U.S. Congress would be opposed to it. To ridicule this absurd anti-currency board argument, I worked with the leader of the U.S. Senate, Bob Dole, and Senators Steve Symms and Phil Gramm to draft U.S. legislation that would allow countries to use part of the U.S.'s quota contribution to the IMF for the establishment of currency boards. This legislation, known as the "Hanke Amendment" (HR-5368, Law no. 102-391), was signed into law on October 6, 1992.

But, by then, the currency board idea had cooled down in Russia. It didn't heat up again until the ruble collapsed in 1998, as I had predicted it would. In the middle of the crisis (August 1998), IMF Managing Director Michel Camdessus rushed off to Crimea, with a box of my *Russian Currency and Finance* in tow, for a meeting with the Prime Minister-designate, the late Viktor Chernomyrdin. It was then that Mr. Camdessus informed the Russian delegation that the IMF would back a Russian currency board. The currency board idea got hot again. But the type of discipline associated with a currency board wasn't agreeable to Moscow's power brokers, and the idea cooled down once again.

I made one last attempt to sell the currency board idea in March 1999, when Mrs. Hanke and I spent a weekend with Chernomyrdin at the Chateau de Divonne in Divonne-les-Bains, France. At that time, Chernomyrdin was no longer part of the government, but was serving as chairman of the Council of Directors of Gazprom.[122] So, he still had plenty of clout. In any case, my arguments clearly did not carry the day, and I reluctantly concluded that, unless the state of affairs dramatically changed, the prospects for a Russian currency board were not worth pursuing any further.

Another story that had a Russia connection was Kazakhstan. In 1994, I served as Chief Advisor to President Nursultan Nazarbayev. In this episode, my adventures in Kazakhstan began and ended in curious ways.

It began on September 13, 1994, when I traveled from Paris to Vilnius, Lithuania for what I thought was going to be a meeting with Prime Minister Šleževičius[123] about Lithuania's economic reforms. But when I arrived, the Prime Minister announced that we would travel the next day to Almaty, which was then the capital of Kazakhstan. Among other things, I would be meeting with President Nursultan Nazarbayev to discuss the possibility of installing a currency board in Kazakhstan.

How did this turn of events occur? Prime Minister Šleževičius explained that President Nazarbayev had recently visited Lithuania, was impressed with its new currency board, and wanted to meet the person who designed it.

My delegation departed from Vilnius in high spirits on the morning of September 14, 1994 in a small jet and arrived in Almaty late in the afternoon. After a colorful ceremony at the airport, we

[122] The huge Russian natural gas company.
[123] Adolfas Šleževičius (1948-2022), prime minister of Lithuania 1993-1996. For readers wondering about the pronunciation of his name, it was Shleh-ZHEV-i-chus.

drove at high speed (all intersections had been blocked by police for miles) in [Soviet-era] Zil limousines across a very sprawling city with low-slung buildings to our destination: the Tomb of the Unknown Soldier. I thought I would stay in the limo, but as a Lithuanian State Counselor, Prime Minister Šleževičius insisted that I join him in laying a wreath at the tomb.

My delegation was treated royally. I was assigned to official residence number two. As it turned out, Prime Minister Šleževičius and other members of the Lithuanian delegation had completed their graduate studies at Moscow State University back in the days of the U.S.S.R. and knew several of their Kazakh counterparts from student days.

On September 15th, I made the rounds, meeting the Vice President and various ministers and central bank officials. President Nazarbayev and I met over tea and Turkish delight on September 16th. It was then that the President appointed me as his adviser and indicated that he wanted a currency board installed.

I was taken aback when the President indicated that he would like it installed during the following week. I informed him that, given the nature of data I had received from the central bank, the Ministry of Finance, and the Ministry of Economy and Budget Planning, I could not conduct my usual due diligence exercise and install a currency board in Kazakhstan in a week. My meetings the day before had convinced me that it was going to be difficult to conduct a due diligence exercise in Kazakhstan. Indeed, I thought it was going to be more akin to a "pulling teeth" exercise.

The President and I agreed that I would stay in Almaty a few extra days to prepare a data request and that I would return in late October for the completion of my currency board feasibility study. The rest of the Lithuanian delegation went to observe a rocket launch at Baikonur Cosmodrome, but I was quite content to proceed with my due diligence exercise in Almaty instead.

After I returned to the U.S., I continued work on the feasibility of a currency board for Kazakhstan and was preparing to depart with Mrs. Hanke for Almaty when I received a letter from the Cabinet of Ministers. It indicated that President Nazarbayev had given the order to the Cabinet of Ministers to prepare the "necessary information for your coming to Kazakhstan." The letter went on to say:

"It's noteworthy to mention that the volume of the required data is quite large and will need a long time for its collection and systemization. Additionally, issues raised by you involve strategically important aspects of this country [sic] actions and naturally that the answers to them cannot be sent to you by fax."

In closing, the letter indicated that after the data I had requested were produced, the Cabinet of Ministers would analyze it and, based on its findings, would notify me concerning my planned trip to Almaty.

It was rather clear to me that there would not be another trip. Indeed, I had concluded during my September trip that the Russians had mounted an anti-Kazakhstan currency board campaign immediately after they had received word that I was in Almaty. Moscow did not want a sound tenge. At that time, the Russians preferred a weak, unstable tenge and a neighbor that was not surefooted.

Do you have any other currency reform stories you wish to share?

I think an overarching and interesting thing that I would say — related to the currency reform story — is having a role in taking down the Communist Party in Yugoslavia. That was a pretty big deal. I don't know if any other economists in the world can say that they've been part of bringing down a Communist party.

And the other anecdote occurred when I was in Indonesia. Suharto told me that I had a target on my back, and there were two intelligence services that wanted me out of the picture. So, Mrs. Hanke and I had very heavy security after he told me that. Mrs. Suharto had passed away, but her contingent of security people was still there. Mrs. Hanke had all of them, and I had about half of Suharto's security corp.

In Bosnia, it was the same story. [Slobodan] Milošević [president of Serbia] wanted me out of the picture. This was known publicly. He was trying to have me knocked off.

Why? Well, in the case of Indonesia, the U.S., and Bill Clinton in particular, were adamant that they didn't want Suharto around, so they didn't want things stabilized.[124] And we had just achieved stabilization in Bosnia with an international treaty a few months before. And a few months before that, I had just installed a currency board in Bulgaria that stabilized everything immediately.

The problem in Yugoslavia and Montenegro was a little bit different. Montenegro was a part of the rump Yugoslavia. Milošević wanted me out of the picture because he didn't want Montenegro to "dollarize." In Montenegro, "dollarization" was seen as the first step towards independence and breaking away. Milošević was very worried that if Montenegro adopted the German mark and [ditched] the Yugoslav dinar, that was going to be a breakaway move. By the way, it *was* a breakaway move. It was geopolitically very important because it was the first step towards the referendum in which Montenegro voted to become independent from the rest of Yugoslavia.

In 1999, Montenegro was still, along with Serbia, part of the Federal Republic of Yugoslavia. Strongman Slobodan Milošević was the president of Yugoslavia and had control of the army. On 2 November 1999, Đukanović, then-President of Montenegro, where I was a state counselor with cabinet rank and Đukanović's chief adviser, made a decisive move that would set Montenegro on a course towards independence: he granted the mark legal tender status.[125] This all but

[124] Steve H. Hanke, "A Money Doctor's Reflections on Currency Reforms and Hard Budget Constraints," in Barry W. Poulson, John Merrifield, and Steve H. Hanke, editors, *Public Debt Sustainability: International Perspectives,* Lanham, Maryland: Lexington Books, 2022, pp. 139-169.
[125] Milo Đukanović (born 1962), president of Montenegro 1998-2002 and 2018-2023. In the 1990s, the German mark

eliminated the dinar from circulation in Montenegro. It also infuriated Milošević. Although he refrained from unleashing the Yugoslav army, he was reported to have given serious consideration to that idea.

Milošević's operatives did, however, engage in a great deal of mischief. For one thing, I became a marked man. Goran Matic, the Yugoslav information minister, produced a steady stream of bizarre stories. These were disseminated through Tanjug, the Yugoslav state news agency. Among other charges, I was accused of being the leader of a smuggling ring that was destabilizing the Serbian economy by flooding it with counterfeit dinars. The most spectacular allegation, however, was that I was a French secret agent who controlled a hit-team code-named *Pauk* ("Spider"), and that this five-man team's mission was to assassinate Milošević.

In addition to this comedy of the absurd, there was a serious side. I knew this was the case because, although we were kept in the dark about the specific nature of the threats, Đukanović's office always assigned my wife and I proper security when we travelled to Montenegro's capital of Podgorica – a difficult destination that often required a flight from Zagreb to Dubrovnik, Croatia and then a long trip through the mountains.

In any case, the adoption of the mark was Montenegro's first secession step – one that the U.S. and its allies eventually supported. On November 4, 1999, I, with the help of Senators Steve Symms and Trent Lott,[126] arranged a meeting at the U.S. Capitol in which Đukanović and I made a case for Montenegro's currency reform. The members of congress in attendance, which included Richard Lugar, warmly received our message. As a result, Washington ended up supporting Montenegro's currency reform.

Even after 20 years the scene remains, in many ways, the same. For one thing, independent Montenegro remains at the center of geopolitical tugs-of-war, as it has for centuries. As I watch today's give-and-take and look back on the country's currency reform, I can confidently say it was momentous.

Here's another anecdote that gets into [the topic of] people calling you, and one that I think is important. I built up a reputation as a currency reformer, knowing something about currencies and currency boards, and also knowing something about Hong Kong. That's why Secretary of State Mike Pompeo[127] was told to call me in July 2020. We had a long conversation about the proposal that the Trump administration had run up the flag pole to levy financial sanctions against Hong Kong. We discussed. I was totally against sanctions, and he was for them. In the end, the U.S. didn't impose any sanctions. My side, the anti-sanctions arguments, won out.[128]

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had wide circulation as an unofficial parallel currency in Montenegro and other Balkan states. The euro began replacing it as a unit account in January 1, 1999, but euro notes and coins did not begin circulation until January 1, 2002. Montenegro then switched from the mark to the euro, which it continues to use today.

[126] Trent Lott (born 1941), senator from Mississippi, 1989-2007; Senate Majority Leader, 1996-2001.

[127] Michael Pompeo (born 1963), U.S. Secretary of State, 2018-2021.

[128] Executive Order 13936 of July 14, 2020 did, however, remove some advantages in U.S. law that Hong Kong had

That's an example of people coming to you. I didn't call Pompeo about that. He was told, “Here's somebody who knows something about Hong Kong's financial system, the currency board system. You better get his opinion before we have this meeting with the President and Treasury Secretary Mnuchin tomorrow.”

7. The Austrian and Other Schools of Economics

You've read and reflected on Austrian economics now for several decades. What do you think the strengths and weaknesses of the Austrian school of thought are?

I think that the main thing about Austrian economics is that it fits into the classical liberal tradition. Again, I think the precepts are private property and *laissez faire*. So that kind of fits. If I have extra time and I just want to relax and get into something, I often go back into Hayek. I just like the Hayek strand of things, and he's written so extensively on almost everything. By the way, coming back to Mrs. Hanke, the paternal part of her family, they're Austrians [by nationality]. And it turns out that, at one point, her aunt was the apple of Hayek’s eye. This was something we found out after we met Hayek.

I'm just comfortable with the precepts of private property and *laissez faire* and how the Austrians approach theory. Among other things, I am the Gottfried von Haberler Professor at the European Center of Austrian Economics Foundation in Lichtenstein and a distinguished senior scholar the Mises Institute in Auburn [Alabama]. But, from the practical side, I think something is left to be desired. The Austrian school is less practical, and I'm more interested in the practical policy analysis part of economics. This is one reason that I think economics has basically gone down the tubes. The classical liberal approach is something like how Adam Smith and John Stuart Mill did it: both the theory and the economic analysis. The scientific part is kind of over here. That’s the craft. The art is another side of economics. If you're doing policy analysis, there has to be a lot more in the picture than just straightforward analytics. There's a lot of normative things and cultural things that have to be considered. That’s the classical liberal methodology, which is essentially gone. I mean, whether you take Samuelson or Friedman, you don't have this classical liberal approach. And that's why I like [the old University of] Chicago. It was classical liberal prior to Friedman’s positivism. P. T. Bauer[130] I like a lot. He’s very classical liberal. They're looking at institutions, and just the broader picture.

What do you think the strengths and weaknesses of the Public Choice school of thought are?

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enjoyed relative to China on the grounds that the recently imposed Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region removed important elements of Hong Kong’s autonomy.

[130] Paul Samuelson (1915-2009), professor at the Massachusetts Institute of Technology; the economist most responsible for the mathematization of economics; winner of the Nobel Memorial Prize in Economics, 1970. Milton Friedman (1912-2006), professor at the University of Chicago; founder of the monetarist school of analysis; winner of the Nobel Memorial Prize in Economics, 1976. Peter T. Bauer, Baron Bauer (1915-2002), Hungarian-British critic of development economics.

Public choice is much more applied [than Austrian economics usually is], and in a way it's much more congenial, although quite frankly, I can't quite keep up with the literature. I like the idea. I think [Bill] Breit is the one who introduced me to the thing during my UVA [University of Virginia] summer. Remember, I was very close to [Bill] Niskanen for longer than anyone was close to Niskanen because our relationship started when he was at OMB [Office of Management and Budget], then he went to Berkeley, then to the Council of Economic Advisors, and then he was chairman of the Cato Institute, where I was a senior fellow. He was probably the most prominent applied practitioner of public choice.

I can't say that I've contributed anything directly to public choice, although I do have a recent article that's been published in [the academic journal] *Public Choice* on my COVID work with Jonas Herby and Lars Jonung.[131]

Before we leave the subject of schools of thought, please say a little bit about your forthcoming [now published] book *Capital, Interest, and Waiting,* which you finished for Leland Yeager.

I've known Yeager for essentially all of my professional life. Yeager started working on a capital theory manuscript around 30 years ago, or maybe even before then. It was a deep dive on capital theory, and he used me as a sounding board. Over the years, Leland always was complaining about his health. He didn't know if he was going to be able to finish the book and he asked me, if he couldn't finish the book, would I finish the book? I kind of brushed it off and said, "Yes, but don't worry about it." Well, about a week before he passed away, he wrote me and said he really couldn't finish. His health had just completely given out and he couldn't function anymore to work on the book. I told him that I would finish it and not to worry about it. So, in his last will and testament, I was the guy, and I received all of his notes and so forth. I finally finished it after a lot of work with good help from former student CJ Arena. Spencer Ryan, another former student, also assisted me with finishing the book manuscript.[132] It loops back to the Austrian school and all of the Austrians who dealt with capital theory.

What is the book about?

The book is kind of a mix of history of thought with Yeager and me adding our new twist to the thing. We cover all of the controversies and puzzles and problems in capital theory, which is quite a rich and complicated topic. We resolve, I think, a lot of the controversies to our satisfaction. We also developed the idea that waiting, that is, not consuming today, but waiting and saving to consume at some time in the future, is a factor of production just like land and labor. Interest is the payment for that factor of waiting.

[131] Steve H. Hanke, Jonas Herby, and Lars Jonung, "Were COVID-19 Lockdowns Worth It? A Meta-Analysis," *Public Choice,* November 2024. Jonas Herby is special advisor at Center for Political Studies in Copenhagen.
[132] Leland B. Yeager and Steve H. Hanke (2024). *Capital, Interest, and Waiting: Controversies, Puzzles, and New Additions to Capital Theory,* Cham, Switzerland: Palgrave Macmillan.

So that's broadly the book. It is a history of thought book on capital theory with this additional thrust. The reason we go through the history of thought and all the controversies is to build the foundations from which we can build on this idea of waiting as a factor and develop it. Now, there are a few economists that actually have already identified waiting as a factor of production, one being Gustav Cassell. But he never really developed it. He just identified it, but to him, waiting was a legitimate factor. There are several others. Also on the same page are Walter Eucken and Robert Dorfman,[133] but neither they nor any others who were able to identify waiting as a factor ever really elaborated on and developed the idea. I think Yeager and I have done that. So that's a pretty big deal.

It's a very rewarding thing in two senses. I'm really glad that I could finish it. Early on, when I received Yeager's disorganized notes and so forth from the trustees of Yeager's estate, I was very skeptical that I was ever going to be able to produce any kind of publishable document, but it worked out. There were two boxes of source material. It took CJ Arena and me about six months to just get the files cleaned out. It was just such a mess. It took about six months to get everything in shape so that it could actually be worked on. It wasn't even sorted. And it took a good young assistant to do that.

8. Involvement in Trading and the Business World

We've already talked a little bit about your early life in Iowa and trading, but do you have any other trading anecdotes you'd like to share?

I do have one more anecdote. The first more serious investment I ever made was the purchase of a 24-unit apartment complex in Atlantic, Iowa right after I finished undergraduate [study]. I had some liquidity because I was getting a pretty good salary at Mines. I had also been working ever since I was a kid, and I had quite a bit of savings even when I graduated from high school. That was not currency and commodity [trading], but it was, shall we say, investing. It happened to be in something that I thought I knew quite a bit about because I studied real estate. I had been doing all kinds of appraisals and everything else. It worked out very well. The only problem was that I was living in Boulder and had to manage the property from afar. Doing that from long distance ended up being kind of a pain in the neck because, you know, the dryer would break and somebody's complaining about the dryer. So you'd have to get somebody in there to fix the dryer. It was a good investment. I sold it for a good capital gain. If I would have been in Atlantic in person, it would've been fine. It was just that the management thing at a distance was a real pain in the neck.

You were the president of Toronto Trust Argentina when it was the world's best-performing emerging market mutual fund in 1995. Do you want to talk about how that got started?

[133] Gustav Cassell (1866-1945), Swedish, noted for contributions to monetary theory, value theory, and business cycles. Walter Eucken (1891-1950), German, father of the ordoliberal school of thought. Robert Dorfman (1916-2002), American, noted for contributions to microeconomics and mathematical analysis of economic problems.

Toronto Trust was an offshoot of Friedberg's [Friedberg Mercantile Group], where I am currently chairman emeritus and as you can see from my trading notes,[134] there were a lot of big things happening at Friedberg's. The first thing I ever did, and this is almost a derivative of what I was doing at Colorado School of Mines, was model OPEC [the Organization of Petroleum Exporting Countries], and in 1985 I anticipated that oil was going to collapse and it would go below $10 a barrel.[135] I think I was the first person that ever did that. We had huge short positions in oil. They were bigger than we thought actually at the time. After the fact, we [calculated that we] had about 70 percent of all the short interest in the London market.

How did you get connected with Al Friedberg?[136]

That's purely an Austrian [school of economics] connection. I had written an article about the Austrian business cycle in *Barron's*, and Friedberg had read it. He was on the *Barron's* roundtable at the time. So he called me up and invited me to go to Toronto and have lunch. I went up to Toronto, and we hit it off immediately. I became the chief economist at Friedberg's. There was a lot of analysis going on. This goes back to Atlantic [Iowa]. I had all kinds of jobs simultaneously. I don't think I've ever had just one job in my life. So, I was the chief economist at Friedberg, I was a professor at Hopkins, and I was putting out a monthly market letter, *Friedberg's Commodity and Currency Comments*, which Schuler and I have actually published in.[137] If that wasn't enough, I was also advising heads of state at the same time.

In any case, that was the first oil trade, then there were several other big trades. Then Toronto Trust was set up as a mutual fund in Buenos Aires, and I was made president. Then, in 1995, it was the world's best-performing (emerging market) fund.

It was all very Austrian-oriented with Friedberg. He had great tacit knowledge, a great sense of the markets and so forth. So, 1995 was a year when Argentina initially had a financial crisis, which it then overcame. It was the year of what they called the Tequila Crisis because in December of 1994 the Mexican peso had collapsed. That started the Tequila Crisis. It was like the Asian Financial Crisis and it spread over all of Latin America.

In 1991, Argentina had put in the "convertibility" system, in which the Argentine peso was linked to the U.S. dollar at a one-to-one exchange rate. In 1995, all the speculators were saying that convertibility was going to break, and our calculation at Toronto Trust Argentina was no, it wasn't. Convertibility was going to be solid. It was going to make it through the Tequila Crisis. So the performance of Toronto Trust Argentina was all based on Argentine bonds. Argentine bonds collapsed in expectation of a big devaluation, and we started buying. Well, there wasn't a devaluation, and we were up 79.25% in one year. We happened to be the best-performing fund

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[134] Steve H. Hanke, "Commodity and Foreign Exchange Trading — Some Notes and High Points," Studies in Applied Economics, No. 250, January 2024.
[135] Lee Daniels, "Oil Prices Plunge Again on Worry over Output," *New York Times,* February 4, 1986
[136] Albert Friedberg (born 1946), founder, Friedberg Mercantile Group, Toronto.
[137] Steve H. Hanke and Kurt Schuler, "A Dollarization Blueprint for Argentina," *Friedberg's Commodity and Currency Comments,* February 1, 1999.

in the world that year. I'm proud of that because, well, there aren't that many years. And to say you're number one in the world in anything, but particularly being a professor of economics, I'm sure there's no other professor who can say they've been president at a fund that was number one in the world.

Going back to Heinz Schimmelbusch, who you mentioned before, would you like to highlight your involvement with the AMG Critical Materials?

Without rehashing what I said earlier, it's just been a great experience. As I said, I first met Schimmelbusch in 1994 when he was thrown out of Metallgesellschaft as chairman, mainly because Deutsche Bank didn't understand what his derivatives hedge was. This is a case of a bank not understanding anything. Schimmelbusch and I stayed in contact and irregularly would see each other. Then, he invited me to join the Supervisory Board of AMG Critical Materials, which I was delighted to do because he was a friend, he's a Ph.D. in economics, and he knows how to run a big industrial enterprise in the critical materials and natural resources industry. It all came back to the Colorado School of Mines. In fact, our vanadium operation in Ohio, which is the biggest recycler of vanadium in the world, is run by Colorado School of Mines graduates. So, it's an ideal thing. I still speak to Schimmelbusch more or less every day. Schimmelbusch is literally an Austrian, by the way. In addition, he's very Austrian school in his thinking, and he knows how to run a big industrial enterprise. So I've learned a lot about running a big operation, which I think has actually influenced the way I teach and what I try to do with students at Hopkins.

9. Public Figure

Let's move on to some public sphere items. Would you say there's any speeches or presentations that you've delivered that stand out as being particularly impactful?

Well, we already talked about the one in Reno, "Privatize those Lands." That was a big speech.

Another major speech that I gave occurred in Montevideo, Uruguay, in 1989 in front of a big audience at ORT University, I think. All of a sudden, I was interrupted by the master of ceremonies. He announced that President Pinochet [of Chile][138] wanted to see Mrs. Hanke and me. It wasn't a public announcement. He came up to the podium looking very shaken up and said something like, "He wants to see you." I said, "who wants to see me? What's going on? I'm giving a speech, and we're in Montevideo." He says, "It's Pinochet. He sent the plane." So, Mrs. Hanke and I had a private meeting with Pinochet, which was very interesting. What happened at the meeting? Well, for most of the meeting, Mrs. Hanke and Pinochet got off on a long conversation about Antonio Gramsci. Pinochet knew about Gramsci.[139] He brought it up and he was talking about Allende and the use of the Gramscist approach, and how the left infiltrated the bureaucracy and took it over, and so forth. So they talked about that.

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[138] Augusto Pinochet (1915-2006), president of Chile and head of its military government, 1973-1990.
[139] Antonio Gramsci (1891-1937), Italian Marxist philosopher and Communist Party leader.

This meeting was a little bit like the lunch with Forrest Mars. At the end, I asked Pinochet, "Did you have something in mind?" He almost forgot. He knew that we knew [Argentine president Carlos] Menem,[140] and he was told he could trust us. He had us take a diplomatic message to Menem in Argentina because Argentina had troops lined up on the Chilean border. At that time, there was really a potential for conflict between Chile and Argentina. Pinochet's message was clear: "We have no intention of doing anything. Let's bury the hatchet and move on." So that's all Mrs. Hanke and I did. We just delivered the message. It was pretty eventful.

There was one other incident in Bulgaria that was rather amusing. This occurred after I'd been appointed as President Stoyanov's chief adviser, which of course was a big deal. I was giving my first big public address at the University of National and World Economy, which is the biggest university in Bulgaria. We're in a big auditorium with definitely over a thousand people. I get to the blackboard and there's no chalk. This was in the post-communist collapse zone, and there was no chalk. They finally retrieved some chalk because a professor had a box of chalk in his office, and then I gave my address. And that's the story. The big hold up was not having chalk.

Then there was the first and only John Ise Distinguished Lecture at Kansas University, where I was invited by Bill Barnett, a friend and the high priest of aggregation theory, particularly the application of Divisia indices to monetary aggregates.[141] Barnett introduced me, and gave the most insightful introduction I've ever received. Barnett is a heavyweight who practices the Five P's — prior preparation prevents poor performance. After the introduction, I thought to myself, "God, I've got to deliver for this guy." Upon reflection, I think I did a pretty good job. By the way, while I was being driven from Kansas City to Manhattan [Kansas], I looked at my iPhone and had received an email from Vernon Smith, who was a country boy from Kansas who had received his master's degree from KU, and knew the territory very well.[142] His note read, "Steve, I loved John Ise, went out to see him years later on his deathbed. Have a great visit, and I know you and Barnett will have an engaging interaction."

Another more recent lecture was at Boise State, where I was invited to give the annual Brandt Foundation Lecture on November 7, 2022. I agreed to do this for two reasons. First, there were a number of distinguished people, many of them friends, who delivered the annual Brandt Lecture prior to me. This list included the likes of Matt Ridley, Bob Higgs, Andrew Napolitano, Bill Niskanen, and Jim Buchanan.[146] Second, I have a soft spot for Idaho, because of my close connection with the late Senator Steve Symms. As it turned out, I was rather surprised when I

[140] Carlos Menem (1930-2021), president of Argentina, 1989-1999.

[141] William Barnett, Oswald Distinguished Professor of Macroeconomics, University of Kansas. Divisia aggregates are an alternative to standard monetary aggregates that simply add up components without recognizing that they may provide different degrees of monetary services.

[142]Vernon L. Smith (born 1927), American Professor of Economics at Chapman University and recipient of the 2002 Nobel Memorial Prize in Economic Sciences for work in experimental economics.

[146] Matthew White Ridley (born 1958), former chairman of the British bank Northern Rock and member of the House of Lords. Robert Higgs (born 1944), American economic historian and Senior Fellow at the Independent Institute. Andrew Napolitano (born 1950), former New Jersey Superior Court judge and syndicated columnist. James M. Buchanan (1919-2013), American economist who wrote *The Calculus of Consent* and recipient of the 1986 Nobel Memorial Prize in Economics Sciences for work on public choice.

showed up for the event and there were about 800 people in attendance. It illustrates one of my favorite points, a point that was brought to my attention by Jim Baker when he was Reagan's White House Chief of Staff: the Five P's — Prior Preparation Prevents Poor Performance. Needless to say, the organizers of the Brandt Lecture embraced the 5 P's.

You've had great success with getting press coverage on a lot of your work, more so than almost any professor of economics out there. Can you describe your approach towards the media that you think has led to this type of success?

Number one is producing a lot of material that that can be absorbed and read by the general public. So, that's one thing. The other thing is that I am a big fan of David Ogilvy,[147] the king of Madison Avenue and the king of advertising. If you want to get your work out there, you've got to package it in some way that you know is accessible to people who are going to count, including the press.

That's one reason I'm dialed into Twitter. I knew nothing about it, but my former chief of staff[148] Wyatt Larkin said, "You're always complaining about how you're producing content, but no one's reading the content, no one sees the content." Most of these academic articles, even in the *American Economic Review,* I don't know what the average is now, but I think around 15 people read an article on average. That's a tiny number. Larkin said, "You've got to start using Twitter." I said, "Well, what's that?" He explained and finally talked me into doing it. Now, according to FocusEconomics in Barcelona, I'm the third-most influential economics influencer on Twitter with over 803,000 followers.

That's my main vehicle for really getting at the press. In the old days, it was sending a preprint to somebody in the press you thought might be interested. It was a very inefficient kind of process, and very frustrating because it's very hard to get the timing right. If you write a policy analysis and it gets published in an academic venue, [by then] it's basically out of date. So there's that part. Then, by the time you'd actually send it out to whomever you want to send it to, that's another lag. So the gap between doing an analysis and making the analysis relevant in a publishable way is very difficult unless you do something like Twitter.

How has your Twitter operation evolved over time?

At first, it was Wyatt Larkin alone. I didn't even exactly know what he was doing. He'd ask me about my opinion about this, that, or the other thing. He was a senior. He didn't have any classes. He was just coasting out. He'd already completed his requirements for graduation. And he was over at the desk [across from Hanke's in the office] being chief of staff. He was on Twitter doing tweets all day in addition to whatever work he had to do for me. That was the start. Since then, it's evolved and now it's really a precision drill. I give a lot of content to my Twitter team. They

[147] David Ogilvy (1911-1999), founder of the renowned advertising firm Ogilvy & Mather.
[148] Hanke divides his students into teams focusing on different subjects, such as inflation data or Twitter (X) tweets, with team leaders and a chief of staff coordinating overall activity.

draft the tweets. They send them back to me, and I edit them before they are posted. That's the process. Now, I would say, this is about a two-hour a day job for me. Because it's not only the Twitter team's tweets, but also some that I write from scratch. That's not too many. Usually, I rewrite some tweets when the drafts come back to me.

At any rate, it is in sync with something I'm very interested in aside from economics, which is rhetoric. My courses carry the writing-intensive designation. I believe that you plan to ask me about my thoughts on teaching, or communicating to audiences of non-economists. That's all about rhetoric. Right now, I'm reading a book by Sam Leith called *Words like Loaded Pistols: The Power of Rhetoric from the Iron Age to the Info Age*.[149] I spend a lot of time studying and reading about rhetoric. It's a very, very big part of what I'm trying to teach students, too.

So can you tell us about any particularly impactful developments that have arisen from your Twitter activities?

Just a lot of contact with the press in general. A lot of press people and a lot of embassies follow me on Twitter.

The one very notable interaction I can remember that came from Twitter was Imran Khan.[150] That came from Twitter. I spoke to Khan for an hour and a half about economic policy in Pakistan. I was tweeting about the situation in Pakistan and apparently became a known figure in Pakistan on TV and things like that. They picked up what I've been saying. And then Khan picked it up. So did a very good friend of his, and the friend arranged to get us connected in a Zoom meeting. Khan and I started meeting virtually. I remember specifically the last time was in in April 2023 for about an hour and a half on economic policy, including, obviously, currency reform. That was before Khan was incarcerated.

10. Teaching, Writing, Friendships

How has your teaching style developed over the course of your career?

It's evolved a lot. It's gone from straight lectures to a seminar format, and now it's what we call Hanke's *atelier,* a workshop operation focused on teaching students how to do economics. It's like Rafael's *atelier.* Basically, you start by teaching somebody how to enter data on a spreadsheet. That's how you start. Before you do any analysis, you have to get the spreadsheet constructed. Everything has to be perfect. It's also a precision drill in the sense that I use a lot of this data publicly. Research done by students forms the basis for articles and tweets and things like that. So there can't be any mistakes. I also emphasize primary data and the 5 P's: Prior Preparation Prevents Poor Performance. This all goes back to the *atelier:* how do you behave professionally in

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[149] Sam Leith, *Words like Loaded Pistols: The Power of Rhetoric from the Iron Age to the Info Age,* New York: Basic Books, 2023.

[150] Imran Kahn (born 1952), Hall of Fame cricket player; prime minister of Pakistan, 2018-2022; imprisoned since 2023 on various charges intended to keep him out of politics.

a shop? That's what we're trying to get people to do. These classes are very successful.

My old lecture classes were also very successful. The course I taught in foreign exchange and commodity trading got up to 150 students in it.[151] It was an upper-division course, and, at that time, the average size of an economics upper division class was 18. Well, that that didn't go down very well with some of my colleagues in the economics department who I was taking students away from. The chairman of the department literally canceled my course, without even the courtesy of informing me it was going to be canceled. Of course, I had it reinstated. This was in 1990, when I was commuting each week from Belgrade to teach my class. I came back to start the fall term and the course wasn't listed. So what's going on? It was cancelled unilaterally by the chairman of the department, and everybody else didn't even know anything about it. I asked Alan Walters, who was on the faculty at the time. I said, "What's going on? Did you discuss this at a faculty meeting?" He said, "No, nobody knew anything about it." So that course got reinstated and I taught it, but it didn't count for credit in the economics department. The excuse was, "it was too much like a finance course, not economics." But it was a famous course and not only had a lot of students, but it was written up in magazines like *Barron's,* the *Wall Street Journal, Business Insider,* and various other publications, mainly because everybody going through the course always ended up landing their first picks in the job market. So that's how it's evolved. Lectures, then seminars, then the *atelier.*

Memorable students from the trading class, the Economics of Financial and Foreign Exchange Markets, included, among others, Roger Farley and Frank Warnock. Roger was studying for a master's degree at the Hopkins Writing Seminar. He asked to sit in on the class because he was from Chicago and had worked as a "runner," transmitting messages between the trading floor and the off-floor operations of a firm at the Chicago Mercantile Exchange. (The job no longer exists because trading is done electronically rather than in person in a trading pit.) After earning his degree, Roger went to work as a trader, becoming highly successful. An undergraduate student, Frank Warnock, is now a chaired professor of business administration at the University of Virginia. He worked as my assistant and in his spare moments traded pork belly futures from my office, using the "Relative Strength Index" model I helped him develop. I hired him to work at Friedberg's New York office after he graduated. After success as a commodity trader, he earned a Ph.D. and worked at the Federal Reserve Board of Governors.

Regarding the *atelier,* Hesam Motlagh,[152] a former post-doc of mine, and I taught a course together called "Applied Economics and Finance." We have a book manuscript on our approach to equity valuation, with our original model, which we still haven't gotten around to publishing. That course was an unbelievable course. We had 12 students. I had myself, two post-docs, one Ph.D. candidate, and three TAs [teaching assistants] for 12 students. It was the most intense, fantastic course, I'm sure, that's almost ever been taught at Hopkins. By the way, that course was also written up in various publications. It was a well-known, exceptional course.

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[151] See John Boland, "Back to the Futures," *Warfield's,* December 1986.
[152] Hesam Motlagh, Adjunct Professor at Stanford Medicine, Founder of Drift AI, Fellow of the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise.

Do you have any of your students that you would particularly like to mention? For example, some who have co-authored work with you?

Well, two of my Ph.D. students, John Boland and Bob Barbera, were hired by Hopkins. Boland is Professor Emeritus, and Barbara is a Lecturer in the Economics Department and the Director of the Center for Financial Economics.[153] That's pretty unusual to hire your own. In fact, it's very unusual.

Others include Hesam Motlagh, post-doc, and Kurt Schuler, post-doc. Matt Sekerke[154] was not a post-doc [but an undergraduate student of mine]. Matt and I just finished writing a book on money and banking that was published by Wiley on May 6, 2025. It's called *Making Money Work: How to Rewrite the Rules of Our Financial System.*

Another great one who has unfortunately passed away is Christopher Culp. We ended up doing a lot of work together. The last article Nobel Laureate Merton Miller wrote was with Chris and me. When yours truly proofed the galleys, Merton was also proofing them, while he was literally in a hospital bed dying. The article was on the Indonesian currency board, by the way, published in the *Journal of Applied Corporate Finance.*[155]

More recently, I did mention two young people who helped me a lot with the Yeager-Hanke book. They were CJ Arena and Spencer Ryan. Caleb Hofmann, my former chief of staff, also helped with *Making Money Work.* Wyatt Larkin, who I also mentioned earlier, was my chief of staff and recently graduated from Harvard Law School in the top 10% of his class. Cecilia Taylor is another recent exceptional student; Cecilia is now working in mergers and acquisitions at UBS in New York. The same is true for Ambika Kandasamy, who is now working at New York State Insurance Fund as a credit strategist. Further back in my memory bank, Nick Krus was a great student of mine, who worked with me on my first edition of the world hyperinflation table.[156] That was extended by three more great students, Josh Blustein, Charles Bushnell, and Nicole Saade. Josh is now working as a lawyer at Sidley Austin in Miami, Charlie is working in commercial real estate at Morgan Stanley, and Nicole is working in economic consulting at The Brattle Group in New York. We wrote many articles together on new cases of hyperinflations in world history.[157] Another

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153 John Boland, professor emeritus of geography and environmental engineering, Johns Hopkins University. Robert Barbera, financial economist and Director, Center for Financial Economics, Johns Hopkins University.

154 Matthew Sekerke, President, ndogenous (consulting firm), Fellow at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise, Managing Director at SEDA Experts, and Senior Macro Adviser at Hiddenite Capital Partners.

155 Christopher L. Culp, Steve H. Hanke, and Merton H. Miller, "The Case for an Indonesian Currency Board," *Journal of Applied Corporate Finance,* Vol. 11, No. 4, Winter 1999.

156 Steve H. Hanke and Nicholas Krus, "World Hyperinflations," in Randall E. Parker and Robert Whaples, editors, *The Routledge Handbook of Major Events in Economic History,* pp. 367-377, London: Routledge, 2013.

157 See for example Steve H. Hanke and Charles Bushnell, "On Measuring Hyperinflation: Venezuela's Episode, *World Economics Journal,* Vol. 18, No. 3, 2017; Steve H. Hanke and Nicole Saade, "Hyperinflation in Suriname," *World Economics Journal,* Vol. 24, No. 2, June 2023; and Steve H. Hanke and Joshua Blustein, "A Note on the Lódz Ghetto Hyperinflation," *World Economics Journal,* Vol. 26, No. 1, March 2025.

former chief of staff was Alex Kwok, who spent time at the Hong Kong Monetary Authority and Société Générale, and is now at Bangkok Bank. We actually wrote up my first published application of purchasing power parity to hyperinflation, in which we measured the second-highest hyperinflation in world history in Zimbabwe in 2008.[158] So, I've just had a string of great students. Four other chiefs of staff were Michael Morgenstern, Kenny Blackmon, Nicholas Hanlon, and Ian Kolman. Morgenstern runs DayBlink Consulting, and Kenny and Nick work at H.I.G. Capital, a private equity shop, and Bank of Montreal, respectively. Ian worked as a trader for Roger Farley's firm and now is director at a digital assets platform. I also had Oussama Himani as a doctoral student; he now runs a hedge fund called Parkview out of Cyprus. As a matter of fact, he was both my doctoral student and my teaching assistant for my famous trading course. There was also Chris McCoy, who got hooked on commodity trading when I was teaching courses focused on trading foreign exchange and commodities. We stay in regular touch about the markets.

What do you want students to learn from you?

I think we have kind of covered this, but the *atelier* is all about how to operate in a professional way. I run a precision drill and teach students how to do work where they make absolutely no mistakes.

I want students to remember the five Ps: Prior Preparation Prevents Poor Performance. The use of primary data. Producing documents that can be replicated. Those are really the main things I want students to learn.

What is your view about the strategy economists should follow in publication? In particular, what's a good mix between writing for other economists and writing for a wider audience?

Well, if you want to get tenure at a top university, you have to start out basically doing what I did: writing in economic journals or writing books. And if you make it through that, then you get a license to broaden out a little bit. Unfortunately I think that the system is now like a nightmare. The whole review process has become very bureaucratic. In the old days, Gene Mumy, who by the way was one of my best Ph.D. students, and I wrote an article in the *American Economic Review.*[159] The editor at the time was George Borts.[160] He reviewed our article, made comments and so forth, and it went through. From recent experience, the reviewers [rather than the editor] are number one, and the quality varies tremendously. It takes forever and it's just a big pain in the neck. I almost pity the young people that have to write in peer-reviewed publications because the whole process has become very bureaucratic and, I think, highly unsatisfactory. In the old days, when John Maynard Keynes was the editor of the *Economic Journal,* he read the manuscript

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[158] Steve H. Hanke and Alex K. F. Kwok, "On the Measurement of Zimbabwe's Hyperinflation," *Cato Journal,* Vol. 29, No. 2, June 2009, pp. 353-364.

[159] Gene Mumy (born 1948?), retired associate professor, Ohio State University. The article was Steve H. Hanke and Gene Mumy, "Public Investment Criteria for Under-Priced Projects," *American Economic Review,* Vol. 65, No. 4, September 1975.

[160] George Borts (1987-2014), professor, Brown University; editor of *American Economic Review,* 1969-1980.

and he approved it, or he needed clarification [and would get it quickly]. And if he had the space, he would publish your article in the very next issue. Somebody would write him in October, and his article would be in the December issue of the journal. Now, the time lags are just so messy. The whole system is, I think, completely broken, and I'm glad I don't really have to endure the pain associated with that whole thing. There are some exceptions. I was quite determined to publish our meta-analysis of [COVID-19] lockdowns in a peer-reviewed journal, because although we had published it as a peer-reviewed book, critics were taking potshots at us for not publishing in a journal.[161] So, Jonung, Herby and I went through the publication process, and did so successfully.[162]

Do you have any suggestions about successful writing at any level?

Read Hemingway and follow Hemingway's advice, that is, "revise, revise, revise, revise." Boom! That's it. In fact, Hemingway revised the last paragraph of his blockbuster *Farewell to Arms* 47 times.

Going off that, do you have any standard number of revisions for a paper or book?

It depends. Sometimes, it can be kind of short, maybe two or three revisions, but it can go up to ten or 15. And my approach when it gets time to do it, I like to do it with Mitchell List and other chiefs of staff on the other side reading it out loud to me. I like a verbal final edit. I think that, in general, people should do that. Your ear is usually better than your eye. So for final drafts of any writing, I almost always have it read aloud.

What have been your key friendships with other economists?

Well, you've got Kurt Schuler being the longest. He's a former post-doc, and certainly my longest collaborator. Fred Glahe, Professor Glahe, he was a very good friend. As I say, [at the University of Colorado] we spent almost every Saturday together off-campus doing non-academic things. Alan Walters was a great friend. Bob Mundell was a great friend.[163] Steve Walters, who is close by at Loyola University Maryland, is a good friend, collaborator, and Fellow at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise.[164] Schimmelbusch is an economist, he's a great friend and a collaborator.

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[161] Jonas Herby, Lars Jonung, and Steve H. Hanke, *Did Lockdowns Work? The Verdict on COVID Restrictions,* London:. Institute of Economic Affairs, June 2023.

[162] Jonas Herby, Lars Jonung, and Steve H. Hanke, "Were COVID-19 Lockdowns Worth It? A Meta-Analysis," *Public Choice,* November 28, 2024.

[163] Robert Mundell (1932-2021), Canadian, noted for contributions to monetary theory and supply-side economics, winner of the Nobel Memorial Prize in Economics, 1999.

[164] Stephen J. K. Walters, professor emeritus, Loyola University Maryland, has written on urban economics, government regulation, the economics of sports, and other topics.

Gottfried Haberler[165] was a great friend. When he reached the age of 90, Mrs. Hanke and I used to go down and see him almost every week in Washington. We would spend usually Wednesday or Thursday afternoon at his home having tea and just talking. Haberler was a great guy, a great scholar. He would tell you all kinds of interesting things. For example, when he went to the University of Vienna, Schumpeter[166] was one of his professors. He was a great admirer. He just thought Schumpeter was God, almost. Often, he'd get out old photos and find photos of Schumpeter when we talked. He finished his Ph.D. and the University of Königsberg had written Schumpeter asking for a recommendation. They were looking to hire an assistant professor. Haberler was so proud, he would get Schumpeter's letter out. Schumpeter had written Königsberg and put a line in there that Haberler had liked. It said something like, "The best horse I have in the stable is Gottfried von Haberler." He didn't take that job. He took a job at Harvard. So that's a short list of people that were economists with whom I became quite friendly.

[I will mention again] a great friend and collaborator: Jacques de Larosière in Paris. As I indicated in an earlier part of this interview, my professional introduction to the French scene was guided by Mrs. Hanke's introduction of me to the water resources arena at the great École Nationale des Ponts et Chaussées engineering school in France. There are two individuals that are listed in my water synopsis, Monsieur Tixeront and Monsieur Valiron.[168] Both are famous Ponts et Chaussées graduates who mentored me at that time. There are also a number of great economists who have actually been produced by Ponts et Chaussées. Dupuit is one. Divisia of the Divisia index numbers is another.[169] So that was an introduction involving very intense work in water resources. Subsequently, all of the time Mrs. Hanke and I spent in Paris, where we reside part of the time, has been spent on the social scene, not the professional scene, with the one exception being the great Jacques de Larosière. He happens to be a very close family friend as well as a professional collaborator. Indeed, he wrote the forward to my new book with Matt Sekerke, *Making Money Work.*

Another friend and mentor was Ralph Turvey,[170] a very famous economist who was a professor at the London School of Economics. He was a visiting professor at Hopkins before my time and ended up as a high-level operator and private consultant in the economic sphere, where he wrote many books on virtually all topics in economics, but particularly towards the end of his career on project evaluation and marginal cost pricing in the public utility field, as well as pioneering work on the construction of price indices, like the consumer price index. As it turns out, my favorite

[165] Gottfried Haberler (1900-1995), Austrian-American economist, professor at Harvard University and later resident scholar at the American Enterprise Institute; known for contributions to the analysis of international trade.

[166] Joseph Schumpeter (1883-1950), Austrian-American, professor at Harvard University; known for his emphasis on the dynamic nature of entrepreneurship and capitalism plus contributions to business cycle theory and the history of economic thought.

[168] Jean Tixeront (1901–1984), French hydrologist. François Valiron (1923-2004), worked for Tixeront; later professor at the École Nationale des Ponts et Chaussées.

[169] Jules Dupuit (1804-1866), engineer and economist. François Divisia (1889-1964), engineer and economist. Divisia index numbers incorporate quantity and price changes over time from subcomponents measured in different units. There are, for instance, Divisia monetary aggregates, championed by William Barnett, mentioned above.

[170] Ralph Turvey (1927-2012), faculty member of the London School of Economics and civil servant, known for contributions to macroeconomics and applied welfare economics.

remembrance of Ralph wasn't from economics, per se. Once, after Ralph had abandoned his regular duties at LSE [the London School of Economics] in the 1960s, I asked him why he still embraced the title "Professor." He immediately replied, and with a twinkle in his eye: "Well Steve, in London, the title 'Professor' can still pull the first table in a proper restaurant." He was a great economist, and what they call in rugby an "all-rounder." He could do it all at the top level.

Then there was Morry Adelman, who I mentioned earlier. I first had the pleasure of meeting Morry in June of 1967, shortly after I had joined the faculty at the Colorado School of Mines. The Rocky Mountain Petroleum Economics Institute had convened a meeting at Mines; Morry was one of the speakers on a star-studded program. I had been invited to edit a book, *Essays in Petroleum Economics*, of the conference papers.

As a rookie facing what was, at the time, an array of the most notable petroleum economists in the world (Adelman, Richard Gonzalez, Minor Jameson, John Lichtblau, Milton Lipton, Wallace Lovejoy, Stephen McDonald, James McKie, and Frank Young),[171] I was, to put it mildly, anxious. But, thanks to the likes of Adelman, that problem was quickly put to rest.

Morry knew how to mentor young rookies. He also knew more about the oil industry – even the institutional details – than most of the conference representatives from the industry. He was not only a master of applied economics and detailed, sharp pencil work, but was an economist with a personality – a very sharp wit, very sharp indeed. This wit and his personality come through loud and clear in his writings.

Ever since my first encounter with Morry, I benefited from his generous mentoring and his many writings on petroleum economics. This really came home to roost in 1985, when, while retaining my post as a professor of applied economics at The Johns Hopkins University, I became the chief economist at the Friedberg Mercantile Group in Toronto. By late 1985, we were very short crude, as well as the Saudi riyal and the Kuwaiti dinar. We predicted that OPEC was about ready to collapse and that the price of crude would fall to below $10 per barrel. We ended up being right in a big way, when oil collapsed to below $10 per barrel in April of 1986 and both the Saudi riyal and the Kuwaiti dinar devalued shortly thereafter. My writings supporting those trades – "The Unravelling of OPEC: Crude Calculations" (November 17, 1985) and "A Crude Roller Coaster" (December 15, 1985) – appeared in *Friedberg's Commodity and Currency Comments.* My analyses rested firmly on Adelman's pioneering works.

Before closing my discussion of economists who I developed friendships with and collaborated

[171] Richard J. Gonzalez (1912-1998), longtime economist for Humble Oil and Refining Company. Minor Jameson, Jr., executive of the Independent Petroleum Association of America. John Lichtblau (1921?-2017), longtime research director of the Petroleum Industry Research Foundation, Inc. Milton Lipton (1919-2001), president and director of W. J. Levy Consultants, a prominent energy consulting firm. Wallace Lovejoy (1928-1970), professor of economics at Southern Methodist University. Stephen L. McDonald (1924-2006), professor, University of Texas at Austin. James McKie (1922-2007), professor, University of Texas at Austin. Frank Young, economist, Continental Oil Company.

with, I must mention Alvin Rabushka[172]. Back in 1988, Alvin called me to request that I fill in for him at the opening of the Institute for Advanced Strategic and Political Studies in Jerusalem. It turns out that Alvin was laid up with back problems and couldn't make the trip. I tried to beg off, arguing that I was not Jewish and was not up to speed on developments in Israel. Alvin clinched a deal when he indicated that I was the only one he trusted to pull the mission off.

As things turned out, my trip to Jerusalem went well. Following my trip, Alvin and I began intensive work on how to transform what was a socialist economy into a more free-market economy. We both became Fellows at the Institute for Advanced Strategic and Political Studies. Alvin's work primarily dealt with Israel's tax system and its bizarre web of regulations. I focused on privatization and a proposal for a currency board. We published many popular articles in Israel and one book: *Toward Growth: A Blueprint for Economic Rebirth in Israel (1998).*

Other than what we've already discussed, what organizational affiliations have been valuable to you?

Hopkins is number one. I've been here essentially all my professional life. And it's the brand. [To repeat,] I'm very brand-oriented, and I think I've never been associated with an academic institution since I received my Ph.D. that wasn't basically up at the top. For starters, there's the Colorado School of Mines, the world's number one mining school. And then there's the University of California Berkeley, another top-flight university.

11. Final Thoughts

This is your opportunity to brag a little bit. You've won a number of awards. What are a couple that have especially pleased you?

Well, I think, I think all eight of my honorary doctorates are a pretty big deal.[173] But the one in Bulgaria from the Bulgarian Academy of Sciences was an especially big deal. The way that happened was as follows, which is kind of interesting. Mrs. Hanke and I were visiting Bob Mundell in Tuscany. I got word that they wanted to award me an honorary doctorate at the Bulgarian Academy of Sciences on a date during our holiday period when we were in Tuscany. I asked Mrs. Hanke about it and she said, "I don't want to do it, it's a waste of time, and it's complicated. We're going to have to find a room and then get a plane to Sofia." So I diplomatically conveyed Mrs. Hanke's sentiments to the Academy, and they said, "Oh, that's no problem. We'll send a private jet to pick you up." So, that's what they did. That was a most memorable one in many ways. Number one, the Academy is a pretty prestigious institution, certainly in Bulgaria, but also in general. And that's how it happened.

So what would you say are your most important contributions to economics?

[172] Alvin Rabushka (born 1940) is the David and Joan Traitel Senior Fellow at the Hoover Institution, Stanford University. He is known for the Hall-Rabushka flat tax.
[173] See the biographical sketch on pages 3-4.

Well, all of my work is really applied. So, when you say contributions, it’s hard to put your finger on them because you have an initial problem, you solved the problem, and then you move on. That’s the way it works. Let's take the first time series study that was ever done for water demand. We've already gone over this study. I did it. It was the first, it was high-quality, and it was published in a high-quality journal. And if you look at what's going on today, people don't even read past work. Something five years old is almost too old. So, you don't even see yourself in the references. With applied work, this is basically just what happens. I mean, it basically disappears over time.

And I think, particularly in the academic world, the habits are not like what they were. I think the most important thing in economics is the history of economic thought. By the way, that's a main thing I got from the University of Colorado. All the old school professors I had, no matter what the subject was, would start with a history of how this field came about and who contributed. And then you got into what was happening in the current day. In public finance, Reuben Zubrow[174] was a big professor. He spent all kinds of time going through all the history of thought on public finance before we got into the contemporary stuff.

And then, of course, you had history of thought courses. George Zinke[175] was a professor, and [Kenneth] Boulding was teaching history of thought as well. So history of thought was a huge concentration. Now, it's not taught. History of economic thought is not taught at Johns Hopkins University. It hasn't been taught here for quite some time, actually. There'd be no one on the faculty qualified to teach it, by the way. It's not taught as an undergraduate course, either. If you go through the course catalogues of all the top universities, the offerings in the history of economic thought or history of economic theory are as scarce as hen’s teeth. This is one of the things that I think is faulty in the system. Obviously, history of economic thought is one of my main interests in economics. That's why this Yeager-Hanke book is actually a book on the history of economic thought, so that we can lay a foundation to launch what we think our new addition is to the subject matter of capital theory. That's the way I approach all these current applied problems. I want to see who's done what in the past and where it actually came from. In many cases, by the way, it makes solving the problem a lot easier because somebody who's good has actually done more or less the same thing you’re trying to do.

But, at any rate, you asked, what have my contributions been? Well, you know the areas that I've been in. Oddly enough, when it comes to contributions, my last three books, *Did Lockdowns Work? The Verdict on COVID Restrictions; Capital, Interest, and Waiting;* and *Making Money Work*, probably have evergreen qualities and will be around for quite a while. I anticipate the next book, which you [Schuler] and I are writing, will probably also have those qualities. But, you never know.

(**Schuler) Well, I'll say that you and I have revived currency boards to some extent, which would not have happened otherwise.**

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[174] Reuben Zubrow (1914-1997).

[175] George W. Zinke (1904-1984), professor of labor economics.

Well, that would be one thing. Currency boards are not a brand-new thing. It's an old thing people have forgotten about that we brought up. That gets into the importance of the history of thought. That's one reason that I think Kurt and I operate the way we do. And because we're interested in these things. The currency reform thing qualifies as a big contribution. I know I've killed more hyperinflations than any living economist. That's due to these currency board or dollarization sort of currency reform ideas. All my honorary doctorates are associated with currency reform.

Contributions depend on how you define them. One way is to take it very narrowly, like I did with the water thing. New studies that are done on water don't even refer to the old thing that was done in the first place. So, you'd say, "In that case, the first thing does not count as a contribution because it's not even referenced in the current literature." I think that's a problem with the current literature. It doesn't pay attention to where things have come from. But in currency reform, I definitely contributed not only in the academic sphere, but also in making practical changes in the real world. As Kurt says, where do currency boards come from? It's basically an older institution and an old idea that worked very well. I don't know if either of us would have had much interest in it had it not been for John Greenwood in Hong Kong because, if you think back to the 1980s, what country other than Hong Kong had a currency board? [Just a few very small places.]

By the way, Greenwood is definitely a friend and he's an economist, a close friend, and a collaborator. He's also a fellow at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise. But, the reason why the currency board idea stuck with us, I think, was that Hong Kong did it. They did it and it worked. If it was some academic thing, maybe we would have written about it and moved on. I think the fact that it worked in Hong Kong was the reason why we saw so much potential in it. And with the fall of communism, there was a lot of potential for reforming currencies in the 1990s. Things were really very dynamic. So our timing was perfect. We didn't have anything to do with that. We just saw the door being open, and we tried to get through it.

We've touched on this a bit throughout the interview, but what are the major ideas in economics you've worked on or observed where you see either great progress or retrogression?

I think basically the whole field of economics is in retrogression. I mean, history of thought is completely out now. And certainly, classical liberal economics is out. David Colander and Craig Freedman have written a book on this called *Where Economics Went Wrong*.[176] That book includes many things I agree with. Chicago dropped the classical liberal tradition and got into economics as a "science," and got away from Adam Smith, John Stuart Mill, all the guys I like. So, I don't see anything positive. I think economics is going backwards.

In closing, let me thank you all for prying quite a bit out of my memory bank. At 30,000 feet, I think one will obtain a pretty good view of my professional life. But, as I reflect, it could be just

[176] David Colander and Craig Freedman, *Where Economics Went Wrong: Chicago's Abandonment of Classical Liberalism,* Princeton, Princeton, New Jersey: Princeton University Press, 2018.

the tip of an iceberg.

With your allusion to a "tip of the iceberg," did you have something right below the surface in mind?

Well, there is one big thing that I should have included in the "tip of the iceberg," rather than deep below the surface. Among my good friends and colleagues at Johns Hopkins is Richard "Dick" Conn Henry.[177] We both arrived at Hopkins at about the same time and often took our lunches together with the other Full Professors, what use to be called the "Full Bulls," at the so-called "big table" at the Johns Hopkins Faculty Club. One remembrance of our interactions comes to mind immediately. The Full Bulls always seemed to be interested in what I was trading, where I was trading, and why. At some point in the early 1990's, I was trading Czech sovereign bonds. I had mentioned this in passing at the big table. Then, maybe three or four months later, Dick Henry called to indicate that he had bought Czech bonds, and that they were up big time. So, he wondered whether he should sell. I thought to myself, God, Dick put on a trade after listening to my off-the-cuff remarks. Anyway, I told him to sell and take his profits. After that point, we became even closer friends. Nothing like a big profit to form a bond.

Among other things, we began to collaborate on the development of a permanent calendar designed to eliminate the practical and financial inefficiencies associated with the Gregorian calendar. We eventually developed the Hanke-Henry Permanent Calendar (HHPC). We did some of this work in a class we jointly taught that focused on "time." We not only dealt with many aspects of the HHPC, but also Universal Time, something that Dick and I advocate. Interestingly, a course such as the one that we taught, with an Astrophysicist and an Economist at the head of the table, would probably not be allowed at most Universities. This type of flexibility is one of many reasons why I have always found Hopkins so attractive.[178]

Now, just what is the HHPC? The HHPC offers a comprehensive template for revising the contemporary calendar. It adheres to the most basic tenet of a fixed calendar: Every date falls on the same day of the week every year. New Year's Day, for instance, falls on a Monday. The year is divided into four three-month quarters, with the first two months of each quarter lasting 30 days and the third lasting 31 days. Each quarter contains 91 days, resulting in a 364-day year comprised of 52 seven-day weeks. By preserving the seven-day Sabbath cycle — and by not inserting "extra days" that break up the weekly cycle — the HHPC avoids the major complaints from ecclesiastical quarters that have doomed all other attempts at calendar reform.

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[177] Richard Conn Henry (born 1940) is the Academy Professor of Physics and Astronomy at the Johns Hopkins University. Among other things, he is a guru on the Pythagorean theorem.

[178] Hanke and Henry's work on the HHPC and Universal Time can be found on their website "Hanke-Henry on Time": http://hankehenryontime.com/

As for holidays, with the HHPC, they predictably fall on the same date and day of the week year-after-year. For example, seven existing federal holidays, such as Christmas Day and New Year's Day, fall on Mondays. The HHPC also pins down floating holidays, such as Memorial Day. With the HHPC, it will eternally fall on Monday, May 27, and Labor Day, will fall on Monday, September 4. The calendar places both Christmas Eve and New Year's Eve on Sundays.

There is no disparity between the necessary length of our calendar (364 days) and that of the astronomical calendar (365.24 days), which the HHPC accounts for by tacking an additional week on to every fifth or sixth year. So, an extra seven days are added to the calendar in, for example, 2026, 2032, 2037, and so on. This additional week serves the same purpose as the extra day we count in a leap year in the current system to keep the calendar in line with the seasons.

Julius Caesar, the *dictator perpetuo*, introduced the Julian calendar on January 1, 45 B.C. Today, the President of the United States could do much the same. Indeed, with the stroke of a pen, the President could sign an executive order writing the HHPC into law. With the federal government operating on the HHPC, state governments would follow suit immediately. Businesses and schools would follow shortly thereafter. Teachers would love it. Once they designed their syllabi and teaching schedules, they would be permanent. No more annual and aggravating committee meetings to decide school schedules.

With that last addition to the iceberg, let's call it a day.