THE
AUSTRIAN

a publication of the Mises Institute

THE PRI¢E OF TIME

Jeff Deist Interviews Edward Chancellor

THE END OF MONETARY HEDONISM

by Jeff Deist

Vol. 9, No. 1 | January–February 2023

CONTENTS

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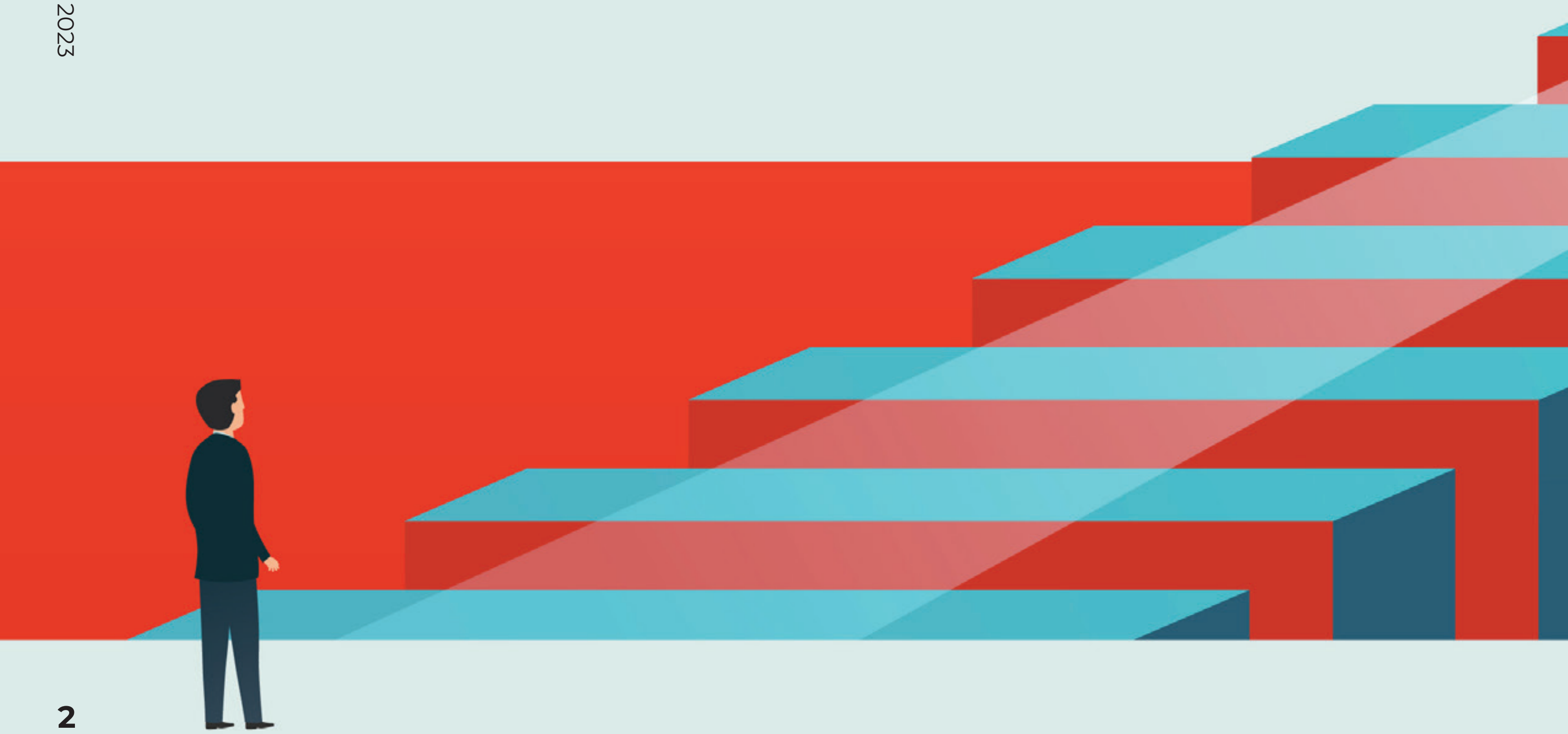

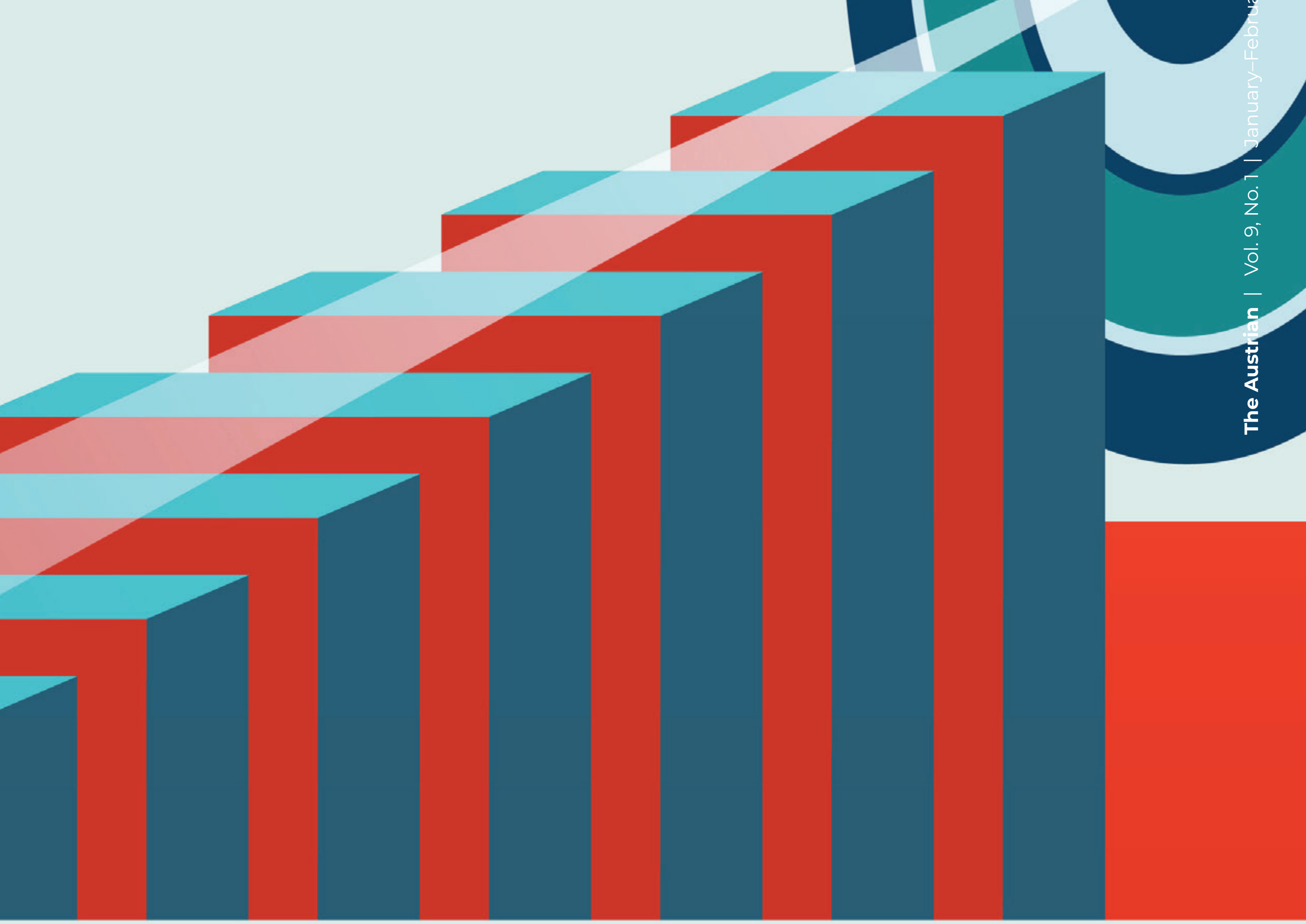

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From the Publisher

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The value of time, i.e., time preference or the higher valuation of want-satisfaction in nearer periods of the future as against that in remoter periods, is an essential element in human action. It determines every choice and every action. There is no man for whom the difference between sooner and later does not count. The time element is instrumental in the formation of all prices of all commodities and services.

Ludwig von Mises, *Human Action*

Mises's great quote about time underscores one of the great axioms in economics: all things equal, we prefer present to future consumption.

Time is short, or at least it feels like it. Time is relentless and unyielding, and so we yield to it. We want stuff now, we want happiness now, we want that vacation or car or trinket now. This is simple human nature.

But we also have the capacity to plan and prepare for the future. This innate human desire to improve our material circumstances in the future is the driver of all economic growth, it drives capital accumulation and greater productivity.

Time explains so much. We know, for example, that people prefer buying their dream homes at age forty rather than ninety. We know "natural" interest rates must be positive because nobody would lend money for a period of years—with the attendant forbearance and risk of loss—only to be paid back *less* nominally.

And yet time is the missing ingredient in what we hesitate to call mainstream economics. Only Austrian economists truly stress the temporal element in human action. Time manifests inexorably: in our personal economic decisions, in interest rates, and in the very structure of production which brings us goods and services unimaginable to our grandparents.

At the heart of the structure of production is interest rates, which can only be understood relative to time. Our cover interview features Edward Chancellor, a writer and journalist who dedicated a long career both to understanding the various economic theories of interest and documenting how interest rates have worked across millennia.

The result is his marvelous new book, *The Price of Time*, praised by no less than our friend James Grant. I loved every page of it and learned quite a bit.

From the outset, the author frames the phenomenon of interest as rooted in Turgot's proto-Austrian understanding of time preference. And like with all economic activity, there is always an insatiable political drive to control and shape interest rates.

Thus readers enjoy an opening vignette about an 1849 debate in the French assembly between Pierre-Joseph Proudhon and Frédéric Bastiat. Proudhon, echoing Marx, argued that charging interest on borrowed capital was nothing short of usury and theft. Bastiat countered that "time is the stuff of which life is made" and thus interest is "natural, just, and legitimate, but also useful and profitable, even to those who pay it."

Proudhon's arguments for a tax on capital (i.e., negative interest rates), a vast expansion of paper money to replace gold, and reduction of rates to near zero—all implemented by a nationalized "people's bank"—certainly sound like modern central bankers today!

If you want to understand why natural, market-set interest rates are so important to a healthy society, and why manipulating them is so harmful, Mr. Chancellor's book is indispensable. And as a bonus, you will find favorable treatment of Böhm-Bawerk, Mises, Hayek, and Rothbard!

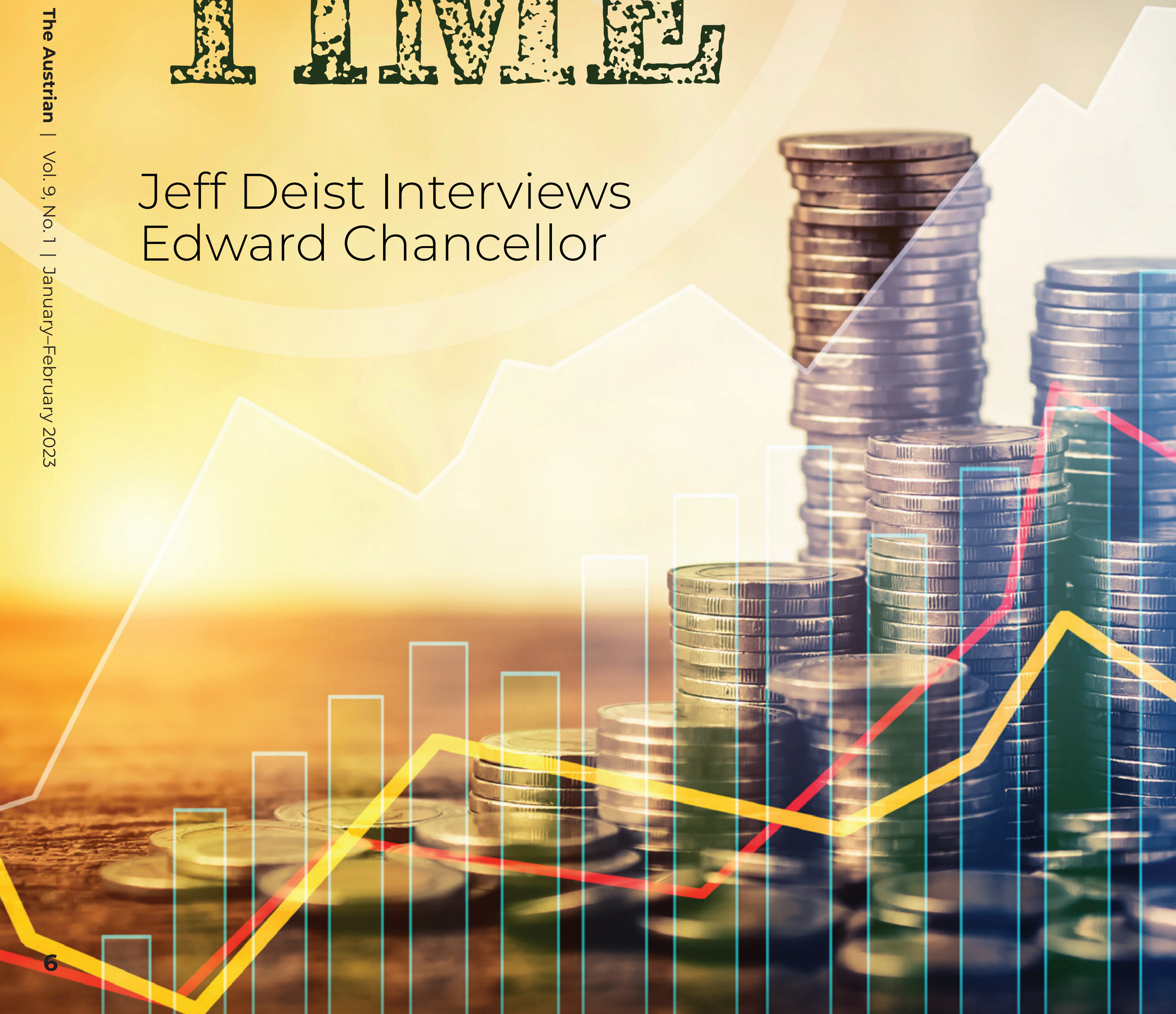
Our Senior Fellow David Gordon is back with a review of *Taxes Have Consequences: An Income Tax History of the United States*, by Arthur Laffer. You may remember Laffer from his infamous "Laffer curve," which demonstrated how tax collections increase when marginal rates are lowered to an optimal level. Laffer (and his two coauthors) is a supply-sider and disagrees with the Austrian monetary interpretation of the Great Depression. He identifies taxes, in particular the Smoot-Hawley Tariff passed by Herbert Hoover in 1930, as the real cause of that terrible economic downturn. Just as tax cuts in the early '20s created roaring prosperity, Laffer argues, "huge, pangovernmental tax impositions" were the cause of the 1930s crisis.

Laffer does not address business cycle theory, but he does correctly debunk the Keynesian claim that radical increases in government spending during World War II ended the Great Depression—when in fact the vast majority of Americans suffered a diminished standard of living during the war. But the book overall is a mixed bag, so David did the work of reading it for you!

As always, we thank you for your commitment to the Mises Institute and its mission. We wish you all the best for a happy and prosperous 2023.

THE PRICE OF TIME

Jeff Deist Interviews Edward Chancellor



Edward Chancellor

Edward Chancellor is a financial historian, journalist, and investment strategist. He has a master of philosophy in enlightenment history from Oxford University. Mr. Chancellor has worked in the banking sector and as an editor for the financial commentary site, Breakingviews. In 2008, he received the George Polk Award for financial reporting for his article, "Ponzi Nation," in Institutional Investor *magazine.*

Edward Chancellor is the author of Devil Take the Hindmost: A History of Financial Speculation, *a* New York Times Notable Book of the Year. *His most recent book is* The Price of Time.

Jeff Deist: First of all, congratulations on your new book *The Price of Time*. It was fantastic.

Edward Chancellor (EC): I'm glad you enjoyed it.

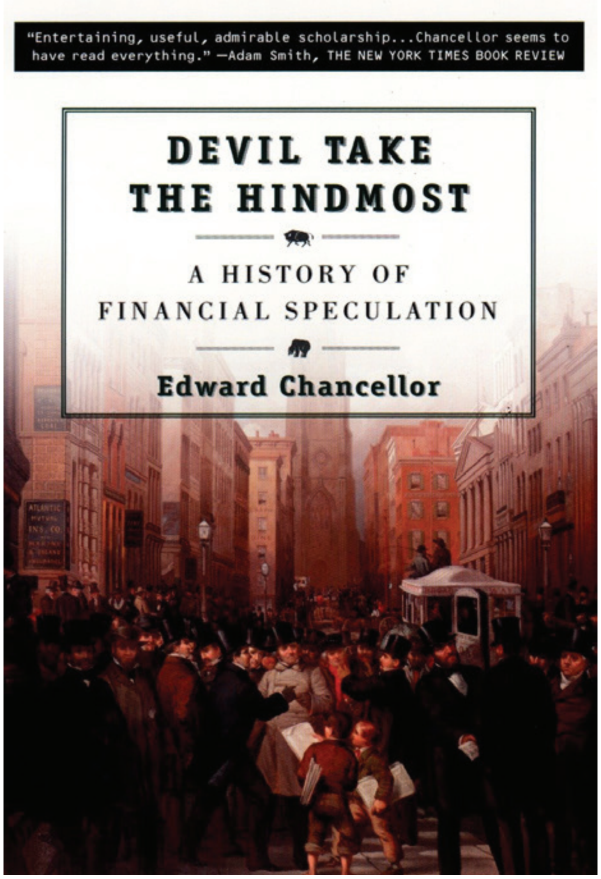
JD: I ask all authors this question, especially authors of weighty books. Was it worth it, in terms of the opportunity cost in your own life?

EC: Not financially [laughs]. I bet most of them say that. Heaven knows why people write books, really. The best you can say is that, you're building up your own human capital and you're making some contribution to civilization. And I work in the world of finance and investment, and on the whole, it pays for me to spend time building up my human capital. You never quite know when the payoffs come. Now that I'm toward the end of my career, it doesn't really matter that much, anyhow. So, I wrote this earlier book called *Devil Take the Hindmost: A History of Financial Speculation*. That paid off, and it created career opportunities for me. I don't think this book will, but perhaps it will have some influence on policy. I think of it like this: it's a sort of testament to what's gone on. It's harder now to shovel these things under the carpet because people will be able to come back to this book and say, Can you answer these questions? So, we'll see. I don't regret writing it. One thing you'll find about people who write books is that they're tremendously relieved when they're done.

JD: You received a nice review in the *Wall Street Journal*. How about reviews in the UK and Europe?

EC: Yes. So, it probably won't particularly surprise you, given the polarization of the press today and in particular the polarization of economic questions, that the so-called right-wing press—the *Wall Street Journal*, *Telegraph* over here, *Spectator* over here, *Times* over here—they all liked the book, almost uncritically. The Left has completely ignored it. As I said, my previous book, *Devil Take the Hindmost*, actually sold hundreds of thousands of copies, established me reasonably well. Admittedly, it's been a while, but I find it a bit strange that the *New York Times*, *Washington Post*, *Guardian* deigned to look at *The Price of Time*. And then you've got the policy-making media, the technocratic media, the *Financial Times* and columnists—they didn't like it. Martin Wolf at the *FT* said that I obviously wished for a state of permanently high unemployment. You can imagine that argument. And both royal family economists reviewed my book alongside the latest offering by Ben Bernanke, coming down decisively in favor of Bernanke, which is fair enough, but what both of those reviews failed to do, needless to say, is to address my argument. It's easier to disparage persons you disagree with than to address their arguments.

In a way, the definition of usury is an interest rate. It's actually rather subjective. It's what an individual feels is an unfair rate of interest.



JD: I did not find the book ideological per se.

EC: You know, subjects on interest have always been fraught with political disagreements. And I suppose in the end, interest is always going to be a question of the distribution of income and wealth, and therefore people with different ideological positions have always had different views about the subject of interest and very strong views. If you've ever read Eugen von Böhm-Bawerk's *Capital and Interest*, it's a very splenetic work. It's quite comic, in a way, how fiercely he denounces people whose views he disagrees with. My position, as I say at the outset of *The Price of Time*, drawing on a comment that Irving Fisher makes in his *Theory of Interest*, is that a lot of these different theories of interest are not actually as contradictory as they might appear.

JD: I liked that quote. Fisher said competing theories of interest are not in fact "mutually annihilatory."

EC: I didn't want to have a very clear ideological axe to grind. My own training is as a historian, not as an economist. That was my training at the university. But then later I worked as a banker and an investor and as a financial journalist. You can also say I'm an empiricist. Having said all that, yes, as you know, the book inclines quite strongly toward the Austrian interpretations, and many Austrian economists have slightly different takes on the subject. I suppose that Schumpeter's view was perhaps sitting to the side of everyone else, but as you know, I'm a big fan of Hayek, and a big fan of Schumpeter.

Some of the ideas of this book were hatched years ago, when I was asked by the Institute of Economic Affairs, which, as you know, I contributed to. They were putting together a book on monetary policy in 2004–5 and asked me to write something, and I wrote a piece comparing Hayek's arguments that price stability was not a sufficient goal or sound goal for monetary policy against the free monetarist view that price stability was the be-all and end-all of monetary policy. This was written in 2004. I said, We're running a great experiment because they said, We've got this tremendous credit boom going on, real estate bubble. Hayek would have screamed blue murder, and Friedman was quite onboard with the policy, if you remember . . . Run a great experiment and we'll see what the outcome is, and perhaps one of these different schools of thought will be validated by the experiment. An anonymous peer reviewer wrote back saying, If members of the Austrian church wish to be heard, it behooves them to relate more to the mainstream. I withdrew the piece. It didn't make me lose faith, so to speak. It actually rather hardened my view.

JD: You left Cambridge and Oxford with an advanced degree in history but ended up working for the investment bank Lazard. Did your time in mergers and acquisitions plant the seed of a "financialized"

Inflation interest rates on average are more negative than they were in the 1970s. In other words, the depositor lost more money in the 2010s than in the 1970s.

economy in your mind, that investment bankers move money around but don't produce much?

EC: To put it like that, yes. The reason I left corporate finance was that it didn't seem, on the whole, a particularly useful function. I'm not saying that there shouldn't be a market for corporate control, but if you see it from the side of the investment bankers, it's largely . . . it's solely about generating fees, regardless of whether the deals are necessary or not. And there was one French partner at Lazard's in my time who when asked by one of his junior people what price he should advise the clients to bid, turned and said, "The price is right which hurts our clients." You have to be pretty cynical to stay in an environment like that your entire career.

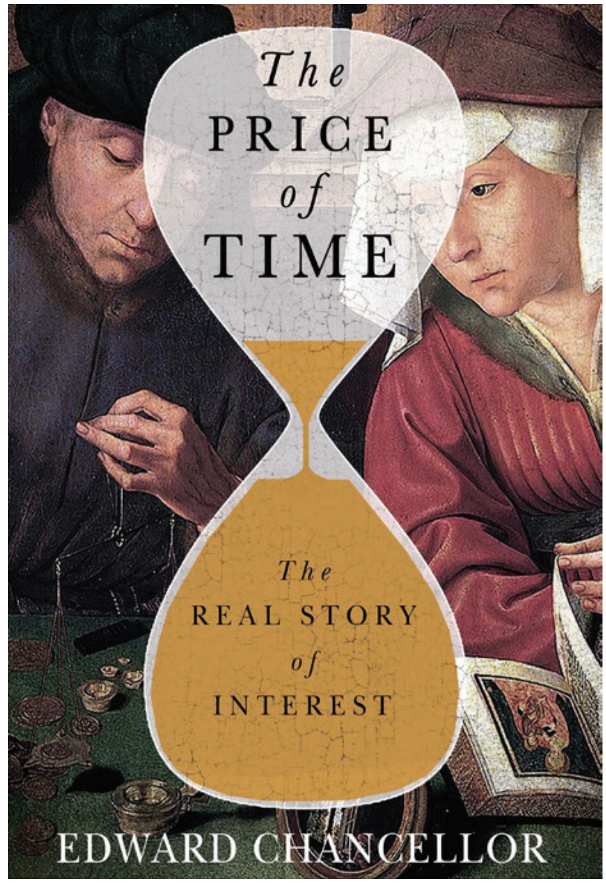
JD: Capital markets are supposed to be noble. They're supposed to allocate capital to its best and highest uses, and make us wealthier and happier as a result.

EC: I've been thinking more about this that perhaps I didn't spell it out clearly enough. You know how in modern finance theory—Modigliani, Miller—leverage doesn't add value, it just increases volatility and therefore you shouldn't really have financialization? You shouldn't really have an incentive to leverage buyouts. Whatever advantage you get from leverage in a buyout case is offset by liquidity concerns and volatility around solvency. You shouldn't have financial engineering if the interest rate is at the correct level. And in a way, I think that the financial engineering of the last thirty years or more has been pushed, and that's pushed further and further by the very low interest. And that's why you find people of the market-oriented persuasion like me coming to quite similar conclusions to the typical Marxist critics of Wall Street.

JD: The critique is that Western monetary systems create an unjust class of wealthy elites.

EC: I think they do. As I argue in the book, the finance sector is too large. Obviously it serves a function, but traditionally in the US, I think it ran 3 percent of GDP or below, probably the same in the UK, and in both of those countries, the financial sector is now more than three times that level. And as the finance sector rises, I think it becomes a bit of an incubus on the rest of society. It ceases to provide a benign function. Or better, it *does* continue to provide a benign function, but there are malignant effects from a bloated financial system. These become, I think, stronger as the system, as the finance section, grows larger. And then, as I point out in the book, the periods of very strong financial growth, whether the Gilded Age, the 1920s, or more recently, are also those associated with a very strong rise in inequality.

JD: Absolutely. I love the framing at the outset of your book, the Proudhon versus Bastiat debate in the French National Assembly. It's still relevant today. The essential question remains whether interest rates should be set by fiat or by the market. Proudhon sounds an awful lot like central bankers since '08.



EC: I think so. It was a gift to me when I came across the Proudhon-Bastiat debate because it did spell things out so clearly, and what's interesting is that Proudhon very clearly comes from the long-running tradition of criticizing interest, but then sort of brings that critique of interest forward by going to the idea of a national bank providing more or less free credit. And then, Bastiat—being a brilliant and insightful economic thinker, considering unintended consequences and the claim of who would benefit and who would lose—Bastiat says that is absolute nonsense, that the poor man is not going to benefit. The poor man would lose income on his savings, but it's the rich man who will be able to go to the bank and borrow very cheap because his credit's good. I have a friend who's a hedge-fund—ex-hedge-fund—guy, and he told me seven or eight years ago that his mates were getting ready to buy him out. I can't remember what they were, but high-yielding businesses, assets with regular income streams on extremely low cost of funding. And they were guys who were, I suppose, billionaires or near

billionaires who were just minting it and it's fair enough that they weren't breaking the law, but the system had been tilted very much in their favor and as you know, the likes of Bernanke were sort of obtuse. They simply refused to recognize it. They claimed that what they were doing was helping the man on the street and that it would benefit him. I think it probably is true that unemployment was somewhat curtailed by central bank interventions in the immediate aftermath (2008, 2009) of the global financial crisis, but a whole load of other problems came to pass, to fester. . . I suppose that sort of goes back to the 1930s experience and the birth of Keynesianism, which is a period of unemployment and is seen as the highest and only evil and everything else is ignored.

JD: I know you're friends with Jim Grant and you have a section in your book devoted to Walter Bagehot. Bagehot is sort of a lost figure these days. Jim Grant is one of his biographers.

EC: Bagehot's a good financial journalist, quite intuitive, has a brilliant turn of phrase. Bagehot's comment is that the financial world tends to fall to pieces when interest rates fall below 2 percent; as he puts it, John Bull can stand many things, but he can't stand 2 percent. He says that when interest rates fall below 2 percent, people must either be less well off or they must be less

secure, and what Bagehot understood was that people were choosing to be less secure. They probably wouldn't realize it at the time, the security that they were sacrificing. So that's the plus side of Bagehot. The negative side is Bagehot being associated with the so-called Bagehot rule and lender of last resort. I'm not necessarily against a lender-of-last-resort system. I'm against a financial system that requires a lender of last resort. And it's amusing. I cite a contemporary of Bagehot's, a former governor of the Bank of England, criticizing Bagehot's arguments for a central bank action lender law, saying that it would create all sorts of moral hazard. If you then fast-forward 150-odd years, you can see that the principles of the original Bagehot rule of lending at high rates of interest against high-quality collateral for a short period of time have been more or less completely thrown out of the window. And we now have a system which is much more riven with moral hazard than in nineteenth-century England and which must therefore necessarily be more fragile.

JD: What about religious influences on the practice of charging interest rates? That could be a book unto itself. But you kept this pretty Western.

EC: I discuss early in the book the religious strictures against lending and interest and usury in the Bible and then in ancient civilization. I didn't really think that getting into the whole Islamic world was going to add very much.

JD: Some would claim we have usury in the US today. We have subprime borrowers, poor people who buy furniture or cars at or have credit cards with interest rates well over 20 percent.

EC: That slightly depends. As you know, from the Austrian view, the interest represents your time preference, and people's time preference varies with individual acceptance times. I make the argument that a person who is getting paid the next day but wants to go out and have a great night before might be willing to pay 20 percent interest on an overnight loan and it's not entirely crazy. Look at what happens to payday lenders—in particular, there was one in England, called Wonga, who was doing quite well. The archbishop of Canterbury, who is a sort of terse and sanctimonious figure, waged what came to be called the War on Wonga. This was an attack against all payday lenders. The archbishop instead proposed the church build up its own lending arm.

JD: Did they?

EC: The Church of England has made some of the worst investment decisions in the history of mankind. So, actually, if it had set itself up as some payday lender, I'm sure it would have failed spectacularly.

But Wonga failed in the end for not charging enough. I suppose if a business fails to generate a sufficient return, it's hard to accuse it of usury. I think there's another line by the English jurist William Blackstone where he says that charging money for a loan is known as interest by those who accept it and usury by those who don't. In a way, the definition of usury is an interest rate. It's actually rather subjective. It's what an individual feels is an unfair rate of interest.

JD: Indeed. As for the poor, I think you make a good case in the middle section of the book that none of this financialization by central bankers has helped them. Average people can't use a simple savings account. They

I'm not necessarily against a lender-of-last-resort system. I'm against a financial system that requires a lender of last resort.

have to go out and chase yield. Most average people are not wired to do that.

EC: I think it's worse than that. The less money you have, the larger your precautionary reserves are going to be as a share of your total financial wealth. And in plain English, that means you're going to have to hold more cash to deal with emergencies. And therefore, you're not going to be going out and investing in some private equity fund. What you saw in the last decade is people sitting on cash that was yielding nothing. I think an estimated $500 billion a year was lost in interest, and we know, as I say in the book, that a lot of that interest was lost by well-off people who were more than making it back elsewhere. But if the poor had had relatively more of their resources in cash, they would have been relatively worse hit. And the other point I make is that the banks at the same time were told to tighten their lending standards, so they turned the screws on the subprime.

JD: In recent years, we've talked a lot about negative interest rates, but as you point out, we've had negative real rates in the US and UK for whole decades in the second half of the twentieth century. I'm not sure most people realize this.

EC: The period from the mid-sixties through to the early eighties, was one of negative real rates, and really, the time since the Fed cut rates after the dot-com bust in 2002 has been a return to negative rates. We haven't had, until the last decade, such high inflation as occurred in the 1970s, even with relatively low interest rates. Real interest rates on average are more negative than they were in the 1970s. In other words, the depositor lost more money in the 2010s than in the 1970s.

JD: As an aside, would you rather live with the European Central Bank or the Bank of England? Are you glad to have the pound?

EC: I'm glad in principle to have the pound. I think the Bank of England is under extraordinarily poor management at the moment, and so, it's not much consolation. I was reading today that the ECB is about to generate some massive losses, and that's going to be huge. It will then come out who's going to bear those losses. Is Germany going to pick them up? The German taxpayer? Are those losses going to be borne in relation to the public balances of all of the EU countries?

JD: How about the Greeks? (laughs)

EC: I know the Greeks will be paying.

JD: Your treatment of the US dollar in the third part of the book is superb. The dollar really has operated as a tool of imperialism. As Nixon's Treasury secretary, John Connolly, said, "The dollar is our currency but your problem." Ouch. America has enjoyed the privilege of essentially exporting inflation.

EC: Yes, and even before Bretton Woods. People have been critical of the gold exchange standard of the 1920s, in which basically US government liabilities were a substitute for gold in foreign exchanges. Bretton Woods—really, it's the beginning of the dollar standard. You have the criticism of that system by Jacques Rueff. The "exorbitant privilege" of the dollar is when America can, in effect, run large balance of payments deficits, and the money comes flowing back, I don't think in the long run it's good for America, and it's not very good for the rest of the world.

I refer somewhat to the Dutch disease. There was a period in the 1970s when the Dutch found some large offshore natural gas resources and the money that flowed into the Dutch economy from the gas resources was deemed to corrupt the economy. That was also true of Spanish gold and silver in the sixteenth century, and I

America has enjoyed the privilege of essentially exporting inflation.

think probably true also of the dollar. Look at the dollar standard, it's nice to enjoy the benefits in the near term, but the question is, What happens in the longer period?

In the last twenty-five years, at the turn of century, America has largely deindustrialized and lost markets to China and, in effect, lost its strategic position relative to China, which looks like an epic mistake. But it all seemed fine when Americans were running these massive deficits and the Chinese were buying dollar securities and were sending the dollars back and buying more dollar securities. I think it was analyzable in real time; in other words, this is not just hindsight by us. It is almost driven by corruption in the body politic. Large businesses were happy to engage in this process because they could cut their costs and boost their profits in the near term. Even at the same time, they were making that long-term future vulnerable to the actions of the Chinese state. If they had read anything about Chinese history, they would have known that that was a foolish thing to do.

JD: Your chapter on Chinese financial repression was quite the cautionary tale. Did you write it before covid and all the draconian lockdowns in China?

EC: Yes, in a way. I was working around the time of the financial crisis and afterward for a Boston investment firm called GMO, and I took it upon myself to become the sort of in-house China expert, and so I've done a lot of work on China. At one stage, I was going to write a book on China, and then I didn't really quite have enough specialist knowledge. And then I thought, Well, actually, many of the problems you see in China could also be explained by the distortion and corruption of interest. It's curious; you read Chinese financial history and economic history, how the manipulation of money and interest have always been part of Chinese history, and that's not surprising because China's always been a powerful centralized state that's disdained the merchants. So, in a way, yes, China has always been a cautionary tale in monetary and financial history.

JD: I particularly enjoyed the way you disabused readers of the vaunted Chinese savings rate. It turns out they juice their currency constantly and that rapid expansion of credit shows up as investment savings on one side of the ledger.

EC: Yes. Or that if you repress consumption, repress the income of depositors in the banking system, and you direct cheap savings to companies that then invest the money, you get an automatic rise in the savings rate, and if at the same time, you boost exports while suppressing imports, that appears to be what Bernanke would call a global savings glut. But I like the term of Claudio Borio, the economist who backed the Bank of International

The nice thing about a CBDC is it would suck up all deposits out of the banks, so you would actually end fractional reserve banking. We need to move to a different monetary system, away from fractional reserve banking.

Settlements—Bernanke's nemesis, really—who says it wasn't a savings glut, it was just a banking glut.

JD: That's an interesting way to put it. Do you worry these outright capital controls will become more common in the West?

EC: Yes, I do. I don't quite know how the system is going to correct that. I think what we've seen in the course of this last year, it's the early fault lines appearing, and they're going to become more severe. And if what we're looking ahead to is imposition of financial repression on a large scale, maintaining interest rates well below the rate of inflation, that's okay if all countries have roughly the same level of inflation. There isn't a particular interest in taking your money from one country to another. But wide disparities between countries, and capital flows will run from one country to another. And if that happens then you can only maintain your financial repression with capital controls. If the government wishes to take over private savings and direct them toward their own preferred uses, it's much harder to do unless you have capital control.

JD: Is digital currency the mechanism for all of this?

EC: It could be. It's conceivable that Switzerland could issue a standard digital currency that wasn't going to track your every move, and we'd all rush into Swiss digital francs. But I think, on the other hand, that would also be grounds for imposing a digital currency. You know, digital currencies will be all right, but only our digital currency.

JD: On the last page of the book, you suggest that a rational monetary system in the future will need to be backed rather than fiat based, which could mean a role for gold in supporting a digital private currency. What would be your ideal?

EC: Well, the argument in the book is that we need to return to a world in which interest rates are set in the market, not by central bankers, because central bankers won't have enough information and they'll have their own preferences and they will make mistakes and we've seen they've made those mistakes. The current system does not work. There is cryptocurrency, but as I point out, a lot of cryptocurrency appears to be nothing more than Ponzi schemes. And a central bank digital currency [CBDC] in which the currency issuance is backed by government debt would come something quite close to the Chicago plan, wouldn't it? Just in the CBDC mode.

I know you can't leave aside privacy concerns, as they're going to be the most important concerns, but if we leave that aside for the moment, if you had a CBDC that could only increase at a fixed rate, were constitutionally designed in that way, it would have, as I say, certain qualities of the gold standard. But the problem with the gold standard is there's no real problem. The Austrians had some early insights into financial structures. The nice thing about a CBDC is it would suck up all deposits out of the banks, so you would actually end fractional reserve banking. We need to move to a different monetary system, away from fractional reserve banking. Fractional reserve banking allows the banker to create loans and earn the money on the spread, and then the system becomes dependent on the private banker's monetary creation. And then the banker makes a whole load of mistakes, and his bank starts collapsing. Then he comes crying to the taxpayer that he needs a bailout and we all pick up the bill.

JD: Your term for commercial bank money creation is "fountain pen money."

EC: We need to move away from fountain pen money. I'm very cognizant of Hayek's comment that the invention of money is one of the greatest inventions for freedom of the individual in history, but having come through two-odd years of lockdowns, I think in this digital age, one's pretty much aware that one's freedom's going to be taken away pretty quickly. So, you need to be wary.

JD: What do you think of the idea that as societies become wealthier over time and capital accumulates over centuries, we should expect interest rates to fall naturally? Even Marxists thought the capitalist thieves would have so much damn money that rates would have to go down over time.

EC: That's quite right. I think there is an area where financial development probably does lower interest rates: the development of a banking system will bring down interest rates because, if you can imagine a world in which people stash their savings under their beds, when they move them into a bank, those savings become available as loans. So, I think that financial development is associated with falling interest, and we see that in medieval Europe, in Italy.

There is this argument—it was often referred to in Holland in the seventeenth century—that in a country with a very high savings rate and with a developed capital structure, interest would come down and people would then lend their money abroad. And

The trouble with all trendline analysis is it slightly depends when you start and when you end. The twentieth century saw the lowest interest rates, but it also saw the highest interest rates in history.

that seems to be what happened in Holland in the seventeenth century and eighteenth century. But on the whole, capital wears out, so we save. And during the course of our lives, we save and in hard times we consume our capital. And the capital also needs replacing after a period of time. There isn't any evidence to my mind that says a country like the US has been underinvesting; its capital stock has been aging, in the sense of not being replaced, and so I don't think there is a long-term trend toward lower and lower interest. That was sort of the argument for the very low interest rates in the last decade, where you could draw a trendline over five millennia, with interest rates in Mesopotamia at 33 percent and suddenly get down to zero in 2010.

The trouble with all trendline analysis is it slightly depends when you start and when you end. The twentieth century saw the lowest interest rates, but it also saw the highest interest rates in history. It's hard to think of it now, but under Volcker and in the aftermath of Volcker, US rates were pretty high in nominal and real terms. So these things move in cycles. They're not very long, you know, I don't see the long-term linear trend.

JD: Final question: Do you think the manipulation of interest rates—all the consequences from it—is one of the biggest untold stories of our time? It's not headline news, despite all the extraordinary monetary policy we witnessed during both the Great Recession and covid.

EC: Yes, I suppose it is. You asked me at the beginning, Why does one write a book? And the reason I would write a book is if I felt that the subject hadn't been adequately addressed. There is a lot of literature on interest over the centuries. All the writers, economic minds, have turned to it, some of them really not saying anything particularly interesting. Adam Smith wasn't particularly insightful about interest. But yes, it did seem to me it was time to address it. The book seems to be selling reasonably well, but it's not exactly a *New York Times* bestseller, so I'm not sure to what extent this subject catches the world on fire.

JD: We will use this interview to try to sell a few more copies!

EC: Well, you know, I'm pleased to have an association with the Mises Institute because I admire your work.

JD: Thank you, Mr. Chancellor.

THE END OF MONETARY HEDONISM

by Jeff Deist

Jeff Deist is president of the Mises Institute.

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The Austrian | Vol. 9, No. 1 | January–February 2023

Does cheap money and credit make us richer? Does more money and credit create more stuff, or better stuff? Do they make us happier and more productive? Or do these twin forces actually distort the economy, misallocate resources, and degrade us as people?

These are fundamental questions in an age of monetary hedonism. It is time we began to ask and answer them. Millions of people across the West increasingly recognize the limits of monetary policy, understanding that more money and credit in society do not magically create more goods and services. Production precedes consumption. Capital accumulation is made possible only through profit, which is generated by higher productivity, thanks to earlier capital investment. At the heart of all of it is hard work and human ingenuity. We don't get rich by legislative edict.

How we lost sight of these simple truths is complex. But we can begin to understand it by listening to someone smarter! The great financial writer James Grant probably knows more about interest rates than anyone on the planet. So we should pay attention when he suggests America's four-decade experiment in rates that only go down, down, and down appears to be over.

> The striking thing about the bond market and interest rates is that they tend to rise and fall in generation-length intervals. No other financial security that I know of exhibits that same characteristic. But interest rates have done that going back to the Civil War period, when they fell persistently from 1865 to 1900. They then rose from 1900 to 1920, fell from 1920 or so to 1946, and then rose from 1946 to 1981—and did they ever rise in the last five or 10 years of that 35-year period. Then they fell again from 1981 to 2019–20.
>
> So each of these cycles was very long-lived. This current one has been, let's say, 40 years. That's one-and-a-half successful Wall Street careers. You could be working in this business for a long time and never have seen a bear market in bonds. And I think that that muscle memory has deadened the perception of financial forces that would conspire to lead to higher rates.
>
> James Grant, speaking to the *Octavian Report*

Do the brilliant young Ivy League quants working at central banks and investment houses really understand this history? Why should they? The baseline cost of

Monetary hedonism: a combination of low rates and ever-growing supply designed to create an illusion of real wealth. Monetary hedonism is an arrangement which encourages our whole society to live beyond its means, using monetary policy rather than direct tax-and-spend policy.

capital has been less than 3 percent throughout their careers. Cheap credit and rising stock markets are all they know. Lots of projects make sense when funded with debt rather than equity; or as we might say, with other people's money. And when those projects go public, the numbers go up!

Until they don't.

One fears our under-forty financiers really have little understanding of the basic function of interest rates, a function Mises explained so clearly more than one hundred years ago. Interest rates should act as "prices," as Mr. Grant states, or more precisely, as exchange ratios. They bring together borrowers and savers, thus performing a critical function of capital markets and allocating resources to their best and highest uses.

Yet, in 2022, interest rates are widely viewed as *policy tools*. They are economic controls, determined and tinkered with by technocratic central bankers when the economy overheats or chills. We expect central banks to "set" interest rates, an impossibility in the long run but also a perverse goal in a supposedly free economy.

What other prices do we want centrally planned? Food, energy, housing? Should the Fed direct how many cars GM produces in 2022, the price of a bushel of wheat, or the hourly wage for an Amazon warehouse employee? Is this the Soviet Union?

Of course not. But those who view money as a political creation are once again prone to fundamental errors. *They don't understand money qua money*. They certainly cannot imagine a world without "monetary policy," which is plainly a form of central planning.

Austrian economists like Carl Menger and Ludwig von Mises illustrated how money can arise on the market as simply the most tradeable commodity, with the most desired features of "moneyness." We don't need state treasuries or public banks to issue it. And we should care about the quality of money, much as we care about the quality of the goods and services we exchanged for it.

But in fiat land, that quality goes down, down, and down. Everything politics touches gets worse; why would we expect money to be an exception?

This four-decade experiment in price fixing of interest rates, described as cyclical by Mr. Grant, not surprisingly corresponds with a dramatic rise in the US M1 money supply. In January 1982, the Fed's "narrow money" was less than $450 billion. In January 2022, it was more than $20 trillion—roughly forty-four times bigger!

We can call this monetary hedonism: a combination of low rates and ever-growing money supply designed to create an illusion of real wealth. Monetary hedonism is an arrangement which encourages our whole society to live beyond its means, using monetary policy rather than direct tax-and-spend policy. It directly benefits both the Beltway and the banking classes, who enjoy an exorbitant political privilege due to their proximity to newly created cheap money. After all, Congress can service $30 trillion+ of debt with interest payments of less than $400 billion—thanks to a weighted average interest rate of only about 1.6 percent on that debt. And it's awfully nice for spendy politicians to know the Fed stands ready to create an instant market for Treasurys owned by commercial banks.

This is the perversity of our times: with inflation rates higher than savings rates, the overwhelming incentive is to spend and borrow rather than produce and save.

To be sure, cheap money and low rates benefit all of us in a shortsighted sense. They make the cost of doing business lower and enable corporations to carry more (tax-deductible) debt. They make house payments and mortgages more affordable. They make college and cars and dinners and vacations purchased on credit cheaper. They make it easy and fun to spend.

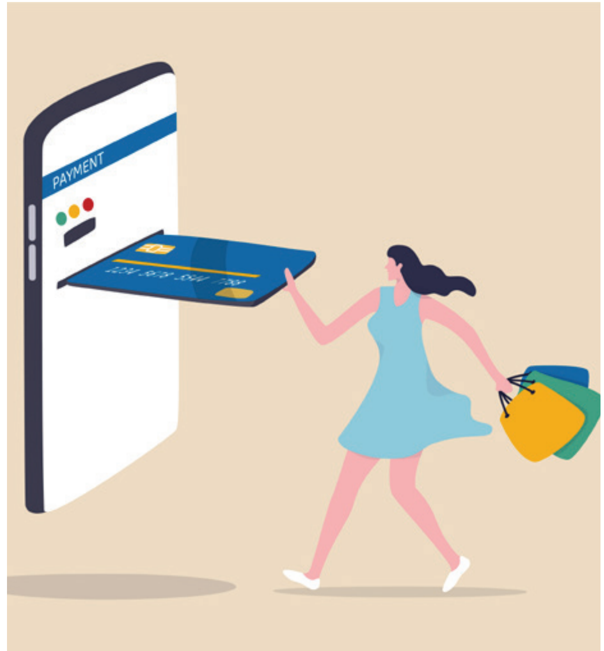
Yet there is always a price to be paid for unearned profligacy. The hangover follows the party. We all sense it. A reckoning is coming for the inflationary US dollar. That reckoning will come for entitlements, for congressional spending, for deranged US foreign policy, and for Treasury holders.

But this *economic* reckoning is not the full story. We must also consider the incalculable but rarely considered *social and cultural* costs.

What happens to a society when spending is encouraged and saving is for chumps?

Our grandparents understood the power of compound interest rates. They could save 10 percent of their income at, say, 10 percent interest rates, and their nest egg doubled roughly every seven years. They could get ahead simply, if not easily, through sheer thrift. They could follow the most human of compulsions, the deep-rooted desire to put money away for a rainy day. They could leave something for future generations. Even when consumer inflation approached 10 percent in the 1970s and ’80s, they could get 14 percent on a simple CD or money market account!

Compare their experience to that of a hapless young person today, attempting to save up a 20 percent down payment on a modest $300,000 house. In 2022, with



inflation at least 6 points above simple savings rates, this seems like a pipe dream.

This is the perversity of our times: with inflation rates higher than savings rates, the overwhelming incentive is to spend and borrow rather than produce and save.

Bitcoiners already understand the problem. The simple economic concept of time preference explains so much: some people are more than willing to forego consumption today to reap a larger reward later—even if that “later” is beyond their lifetimes. Time preference is the only way to make sense of interest rates and their critical function in society; interest rates reflect the relative preferences of borrowers and savers. Manipulation of interest rates by central banks severs this critical mechanism, allowing bubbles to occur in the form of new credit without new saving.

Without interest rates determined by time preference, society’s signals become mixed up. We all understand, axiomatically, why humans prefer something today (certain) over something in the future (uncertain). We may die unexpectedly, our financial positions could change radically due to unforeseen events, or external conditions could influence our desires. We all understand borrowing money to buy a dream home at age forty instead of paying cash at age ninety. We all understand why lenders, given the uncertainty and forbearance that goes with lending, want to be paid interest for their risk.

It is a matter of time.

Everything we do in this corporeal world has a temporal element. When governments or central banks interfere with money and interest rates, they distort the vital information provided by real people's relative time preferences.

Hans Hoppe, in his infamous *Democracy, the God That Failed*, goes further—describing time preference as the *essential* civilizing or decivilizing element in society.

> The saver-investor initiates a "process of civilization." In generating a tendency toward a fall in the rate of time preference, he—and everyone directly or indirectly connected to him through a network of exchanges—matures from childhood to adulthood and from barbarism to civilization.

When lots of people save and invest, across society, we call it capital accumulation. And as Hoppe posits, this is not just economic—it is cultural and civilizational. Thrifty people like our grandparents, generation after generation, bequeathed to us an almost unimaginable world of affordable food, water, habitation, transportation, communication, medicine, and material goods of every kind. They did this out of love and sacrifice, but they also did it because the monetary system rewarded saving.

Today, the opposite is true. Monetary policy across the West is an agent of decivilization. It upends the natural, innate human impulse to save for a rainy day and leave our children better off. It encourages consumption over production, profligacy over thrift, and political promises today that will be paid for by savers and taxpayers tomorrow. Monetary policy degrades and deforms the economy, but ultimately its corrosive effects impact the broader culture.

In short, it makes us worse people.

Does bitcoin fix this? Maybe. In the eyes of many maxis (or "bitcoin realists," per Cory Klippsten), certainly. But time is running short. We face a toxic mix of high–time preference junkie politicians and central bankers who are only too willing to provide the fix. We are depleting capital and borrowing against the future. We consistently display high time preference, both as individuals and as a society. This cannot end well for our children and grandchildren.

It is past time for all of us to demand better money, not better monetary "policy." It is time for money to comport with human nature and reward the saving impulse. It is time for us to reconsider our bequest to future generations and make their lives better and more prosperous than ours.

Monetary hedonism, in the form of low interest rates, is coming to an end. The hangover will not be pretty. Readers would be well served to prepare themselves and act accordingly. Politicians and bankers are unlikely to do this for us.

Time preference is the only way to make sense of interest rates and their critical function in society; interest rates reflect the relative preferences of borrowers and savers. Manipulation of interest rates by central banks severs this critical mechanism, allowing bubbles to occur in the form of new credit without new saving.

THE INCOME TAX IS THE ROOT OF MUCH EVIL

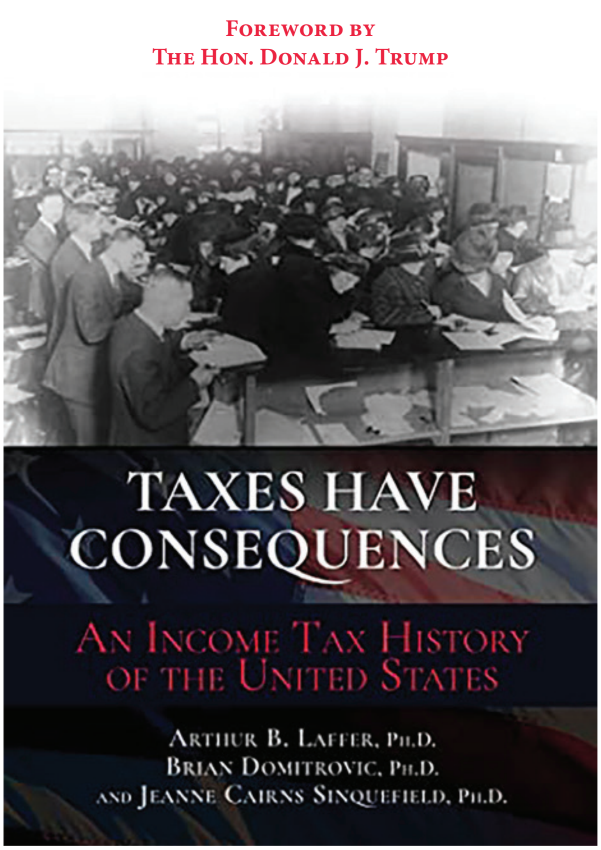
David Gordon is a Senior Fellow at the Mises Institute, and editor of The Mises Review.

TAXES HAVE CONSEQUENCES: AN INCOME TAX HISTORY OF THE UNITED STATES

By Arthur B. Laffer, Brian Domitrovic, and Jeanne Cairns Sinquefield

Post Hill Press, 2022

xxv + 413 pp.

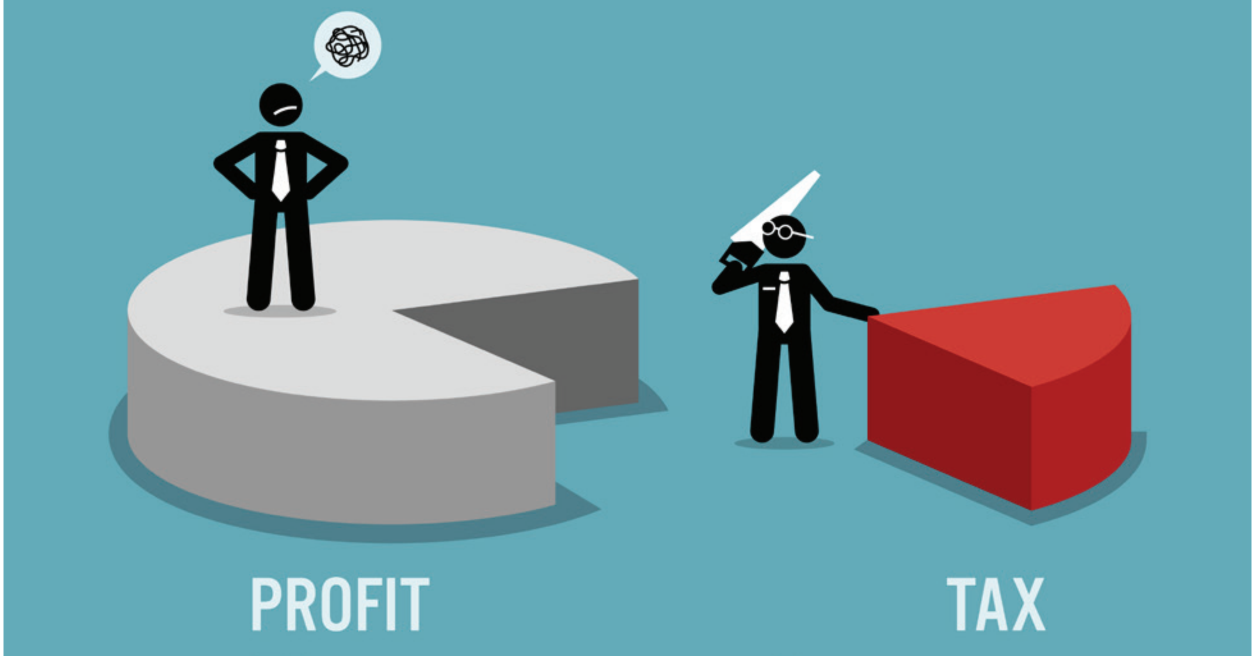


Taxes Have Consequences is a good book that could have been better. The authors are leading defenders of "supply side" economics, which attracted much attention during the 1980s, when the "Laffer curve" of the book's senior author aroused great interest and to an extent guided policy under Ronald Reagan. Even if the movement's time of greatest fame has passed, it contributed ideas of lasting value, though some of lesser merit as well, and its influence revived during the administration of Donald Trump, who contributes a foreword to the book.

The main idea of the supply-side movement is that high marginal income tax rates have a negative effect on economic productivity; when tax rates fall, the economy prospers, and when they rise, it sinks. The authors present a comprehensive history of income tax rates and their effects on the economy from World War I to the present, and they cover not only federal taxes but also taxation at the state and local levels. Along the way, we gain many valuable insights, and the authors merit praise for their assiduous research, but they go too far in their principal claim. For them, tax rates are the veritable key to the economic history of the twentieth century.

Their treatment of the Great Depression illustrates both the strengths and weaknesses of the book. In their view, the prosperity of the Roaring Twenties was the real thing and the temporary and hardly serious fall in the stock market in October 1929 could easily have been reversed by tax cuts. Instead, the Smoot-Hawley Tariff, which imposed the highest tariff rates in American history, and the increase in taxes foolishly supported by President Herbert Hoover, plunged the economy into a disaster that did not fully end until after World War II.

They say, "Economic growth in the 1920s—as the tax cuts at the top were prepared, implemented, and sustained from 1921–29—was among the strongest and most resplendent in American history. . . . The American people in general enjoyed a prosperity on a



mass level unlike anything seen before. Cars, suburbs, radios, airplanes, movies, home appliances—all these fruits of private investment surged in production and abundance as the nation experienced what is now recalled as the most legendary episode in the annals of mass affluence—the Roaring Twenties. . . . In his 1978 book *The Way the World Works*, Jude Wanniski chronicled how the declines, and smaller advances, in stocks from late 1928 through the spring of 1930, inclusive of the October 1929 crash, closely followed the progress and hiccups of the [Smoot-Hawley] tariff bill in Congress. Indeed, despite the 1929 crash, stocks rebounded in early 1930 and approached their 1929 levels. [What happened to the close correlation here?] The market's fate was not sealed—until, in June, the Senate narrowly passed the bill and President Hoover signed the tariff into law. Only following these developments did stocks tumble for good, as the economy spiraled into what became the inaugural 'Great Contraction' phase of the Great Depression."

Readers of *The Austrian* will naturally wonder about the response of the authors to Murray Rothbard's classic analysis in *America's Great Depression* showing that the inflationary policy of the Federal Reserve System in the 1920s resulted in an artificial boom that led inevitably to economic collapse. Rothbard applies Austrian business cycle theory to reach his conclusion; have our supply-side authors found a flaw in this theory? Or do they object to the details of Rothbard's application of the theory? They do neither. They do not mention the book, or Austrian business cycle theory, at all. When you are defending a view of the causes of the Great Depression, isn't it a good idea to weigh your view against competing explanations? The authors evidently do not think so; of the competing theories, they discuss in detail only Keynesianism, about which they have some useful things to say. They dismiss the monetarism of Milton Friedman and Ben Bernanke, saying that Arthur Laffer and Brian Domitrovic have refuted it elsewhere, but the reference is not publically available. The gist of their response is given the importance of the tax data, there is no need to look elsewhere: "The problem with the monetary interpretation of the Great Depression is that the tax history is so pronounced. . . . It is difficult to see how the huge, pangovernmental tax impositions on the conduct of economic activity cannot be the first candidates in any assessment of responsibility for the extended economic crisis of the decade after 1929." But one needs an extended look at the arguments for other theories to determine the force

The main idea of the supply-side movement is that high marginal income tax rates have a negative effect on economic productivity; when tax rates fall, the economy prospers, and when they rise, it sinks.

of this claim, and we do not get it here. To say that "there are correlations between the debate on the Smoot-Hawley tariff and the state of the stock market" does not suffice to show that fear of the tariff caused the Depression.

In their view, a growing economy depends primarily on the investment decisions of wealthy entrepreneurs, especially the wealthiest of these investors. Faced with large increases in marginal tax rates, investors will devote resources to schemes of tax avoidance, of which the authors list a great many. Among the most important of these is the purchase of tax-free bonds. Without these tax increases, the entrepreneurs would invest in risky but potentially profitable enterprises that would lead to growth, but high marginal tax rates require them to give much of their gains to the government. Hence their reluctance to invest and their search for safe and secure outlets for their money. Another of the tax dodges is providing lavish offices and expense accounts to high corporate executives instead of raises in salary, which are subject to high marginal tax rates. The authors use this point against the contention of Thomas Piketty and Emmanuel Saez that inequality between the top earners and others diminished during the 1950s, a period of very high marginal tax rates. Piketty and Saez allege that the prosperity of the decade supports the imposition of high rates today. Our authors challenge both parts of this: if the value of nonmonetary compensation is taken into account, inequality diminished less than Piketty and Saez think, and the decade was one of sluggish economic growth.

The authors convincingly argue that the tax policy of Franklin Roosevelt exacerbated the severity of the Great Depression, and they show in great detail another impediment to recovery, the rise in state and local property and income taxes during the 1930s.

You might object that because people are reluctant to pay even low taxes, the rich might still devote some time and effort to tax avoidance—after all, a small percentage of a large income is a substantial amount—and that maybe marginal tax increases aren't as destructive as Laffer and his associates believe. But the authors don't agree. In their view, the rich are content to pay a low level of taxes and because of this, a phenomenon highlighted by the Laffer curve arises. Low marginal tax rates may generate as much tax revenue as higher rates. "The strategy adopted by high earners and the rich, over the long era of the income tax, [was] to keep the tax portion of their total income level in any tax-rate environment, no matter if income tax rates were high or low. . . . The lower the rates of the income tax, the more high earners said, 'Forget about it,' earned plenty however they wished, and paid taxes at the published rates." The authors convincingly argue that the tax policy of Franklin Roosevelt exacerbated the severity of the Great Depression, and they show in great detail another impediment to recovery, the rise in state and local property and income taxes during the 1930s. But their account of the causes of the Depression is less satisfactory, and not only because the authors fail to address the Austrian theory of the business cycle. The way in which they set up their model of how wealthy people respond to tax increases is anecdotal and not rigorous. Further, they do not argue extensively for their view of the importance of the superrich in investments that lead to economic growth, and again rely largely on assertion and anecdote.

Another problem with the authors' theory emerges, ironically, as they make a good point. Challenging the common opinion that World War II ended the Great Depression, they rightly note that civilians during the war weren't well off. "World War II ended the Great Depression: this has been the standard view in economics and public policy commentary since the 1940s. This view is badly incorrect. The essence of the Great Depression was a massive decline in the average standard of living in the United States. In no way did World War II improve upon this situation. In important respects, the standard of living went *down* from late Great Depression levels during the World War II years." The Keynesians argue that the massive government spending during the war increased aggregate demand, but what this ignores, the authors say, is that most of this spending was for defense, and this did not help the civilian standard of living. To the contrary, people on the home front had to pay high taxes, and consumer goods were scarce. The need to maintain, as much as possible, their standard of living made people work harder, and made the economy more productive.

This seems plausible, but at the same time, it presents a problem. If marginal rates rise, people may respond in two opposite ways, in what economists call the "income effect on labor" and the "substitution effect on labor." If your tax rates go up, you might say, "I have to work harder so that I can still buy the consumer goods I want." If you do this, you are responding to the income effect. You might, on the other hand, say, "I now have to give more of what I earn to the government. For that reason, I'm going to work less." If you act in this way, you are responding to the substitution effect. The authors argue that civilians during the war responded to the income effect, while during the Great Depression, and at other times, business executives responded to the substitution effect. They have reasons for these claims, but there is a more general problem for their theory that they don't solve. Because people can respond to tax increases in these two opposed ways, the theory allows one to claim that regardless of the response—more or less work—tax increases are responsible. This makes the theory vacuous, and to avoid this calamity, the authors need to set out clear criteria for when each effect arises. They fail to do so.

Despite the theoretical weaknesses of the book, the authors are right that lower marginal tax rates increase economic productivity. Sometimes arriving at the right conclusion matters more than how you got there.

The authors are right that lower marginal tax rates increase economic productivity. Sometimes arriving at the right conclusion matters more than how you got there.

NEW MISES APPRENTICESHIP PROGRAM

The strength of the Austrian school has always been its ability to speak clearly about the issues vital to preserving human civilization, from the hard-core economists like Ludwig von Mises, Murray Rothbard, and Joe Salerno, to the conveyors of everyday truths like Henry Hazlitt and Lew Rockwell.

It is in the heroic spirit of Hazlitt and Rockwell that the Mises Institute offers the Mises Apprenticeship program.

The Mises Apprenticeship is designed for those who want to fight in the battle of ideas from outside the ivory tower. We are seeking talented, engaged, and ambitious people who are willing to commit their voices and social media presence to educating the current generation, which is desperately in need of economic literacy and respect for individual liberty—the cornerstones that have allowed Western civilization to flourish. Never have these values been under such grave attack.

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The Mises Apprenticeship is a virtual program that includes weekly instruction from some of the Mises Institute's most important thinkers, as well as guidance from our editors and other successful professionals within the Austrian orbit.

Apprentices will be expected to produce quality written content for mises.org. Through their written contributions, Apprentices will have the opportunity to build a following in the Austrian movement and to become a part of the legacy of the Mises Institute. This is a virtual, paid program designed to equip and train those determined to not give in to evil, but to proceed ever more boldly against it.

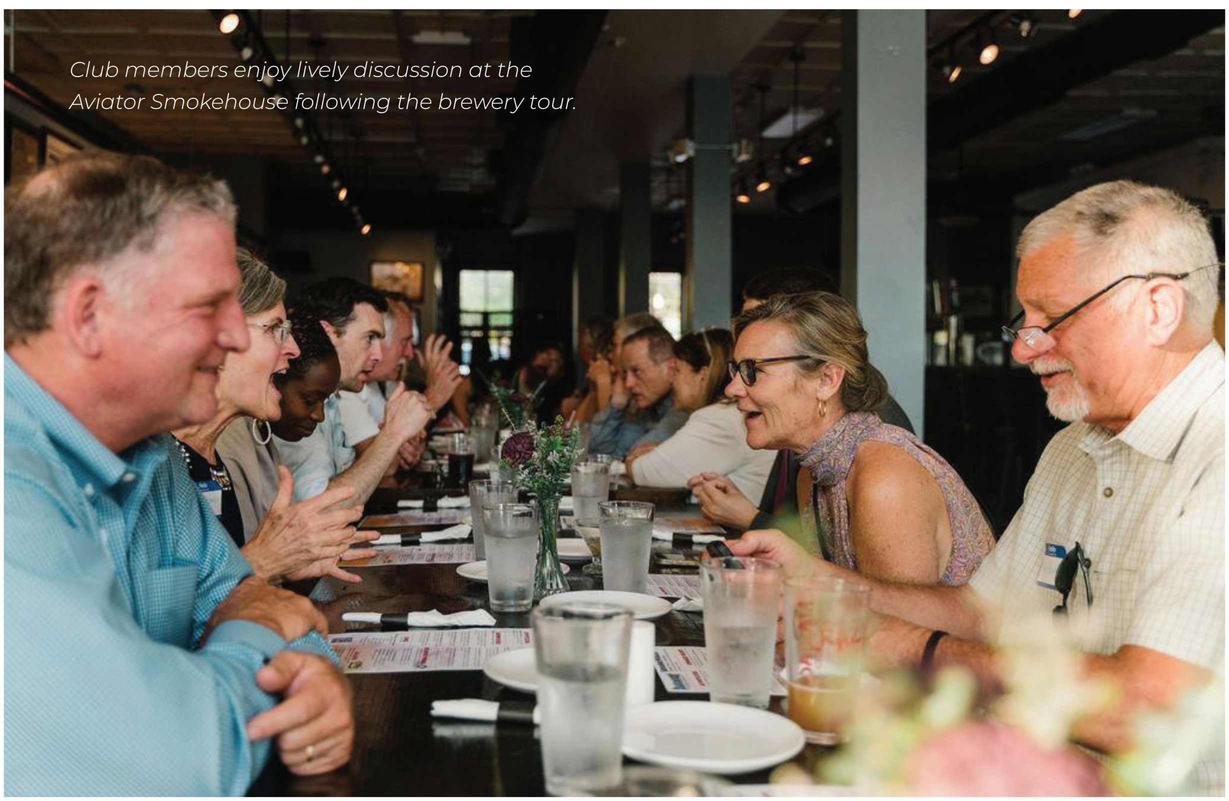
Applications are currently open for the Mises Apprenticeship program. Go to mises.org/misesapp.

This program is made possible by generous donors who understand how important it is to win the battle of ideas. Contact Kristy Holmes at 334.321.2101 or kristy@mises.org and learn how to become a patron of the Mises Apprenticeship program.

Economics must not be relegated to classrooms and statistical offices and must not be left to esoteric circles. It is the philosophy of human life and action and concerns everybody and everything. It is the pith of civilization and of man's human existence. —Ludwig von Mises

MISES CLUB
CAROLINAS

Kent and Ulli Misegades, Seven Lakes, NC



Club members enjoy lively discussion at the Aviator Smokehouse following the brewery tour.

START YOUR OWN MISES CLUB MEETUP

If you are interested in starting a local meetup in your area, watch our short video "How to Organize a Mises Meetup in Your Area" at mises.org/meetup.

Kent and Ulli Misegades

We loved the Mises lectures and found we enjoyed meeting the other attendees just as much. This gave us the idea of starting a voluntary discussion group for like-minded people to gather together to talk about topics and issues—like the ones that brought us all to the Mises lectures in the first place—but from a nonacademic perspective.

This gap between the lecture material and what is relevant to people in the private sector really excited us. We could take the wisdom of the Austrians to improve our lives, our businesses, and our communities. Fellow Carolinians with connections to the Institute (Board Member Bob Luddy, Mises Fellow Paul Cwik, and *Mises Wire* contributor Roy Cordato) agreed with our ideas, and President Jeff Deist gave us the green light in early 2020.

Our motto is "Keep It Simple, Go Dutch, and Have Fun." We have no officers, no dues, no website, and no formal application process. Marketing started with an email blast to subscribers of the Mises Institute's mailing list within a two-hundred-mile radius of our home near Pinehurst, North Carolina. Since then, growth has been steady, mostly through word of mouth. We meet quarterly in various locations to minimize travel requirements and the cost to participate.

The ideal meetup is at a business owned by a club member, followed by dinner at a local restaurant with a separate room that holds 30–40 people. Topics of discussion are chosen for each meetup beforehand, and speakers are chosen from within the membership, who come from wide backgrounds. The only costs incurred are what people consume at the restaurant. We always "go Dutch."

We have held three meetups to date: April 2022 at the Aviator Brewery in Fuquay-Varina, North Carolina, where we learned from the owner about the many regulatory roadblocks he has overcome to build one of the largest microbreweries in the state. In July 2022, we toured historic Gold Hill, North Carolina, site of America's first gold rush in the early 1800s. Over dinner, Mises Fellow Paul Cwik discussed the historical use of gold as a currency, gold backing for paper money, and what has happened since nations abandoned the gold standard. Most recently, in October 2022, we toured the Puddle Moon Farm in Edgemoor, South Carolina. The owners pf Puddle Moon Farm described what it takes to carve a farm out of a forest and produce grass-fed, outstanding, and healthy food products for a small, private clientele. Our next meeting will be on Saturday, January 28, 2023, back at the Aviator Brewery near Raleigh. The topic for January will be free market medical healthcare and alternatives to traditional medical insurance.

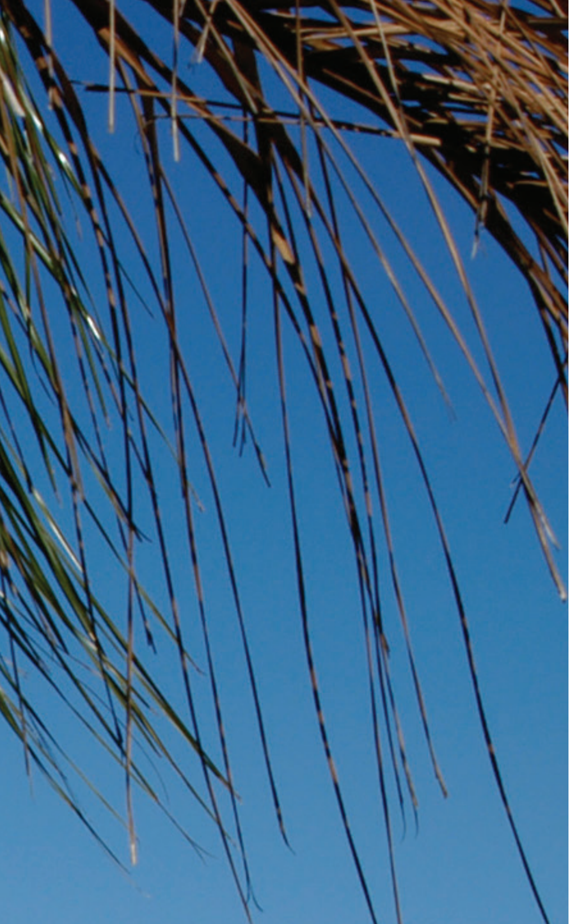
Club members enjoyed a hayride or a stroll around the hundred-acre farm that a decade ago was forest land in northern South Carolina.

Paul Cwik described Mises Club Carolinas as "an oasis of like-minded people who join to express their ideas and concerns freely and openly."

If you live in the Carolinas, Virginia, or east Tennessee, consider joining us at a future meetup. Contact Kent at kent.misegades@gmail.com.

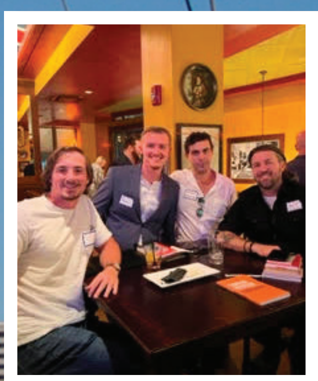
MISES CLUB
TAMPA

Steve and Amber Shrader, Tampa, FL



On October 18, over fifty people gathered at the wonderful Pub Tampa Bay in the exciting International Mall to share an evening with like-minded people at the inaugural Mises Club Tampa meetup. **Spencer Shrader**, who is taking the lead, following the concept promoted by Kent and Ulli Misegades of the Mises Club Carolinas, talked about the Mises Institute and its influence on all the people gathered at the event. Dr. Patrick Newman was the guest speaker and discussed the current state of our economy and what the actual causes of inflation are, in contrast to the many excuses the news media and Biden administration float before us. Many participants connected at a networking table arrayed with many free books, materials, and business cards contributed by the attendees.

Thanks, Kent, for the inspiration. We kept it simple and we went "Dutch." In the vein of "We are not all alone," everyone was eager to gather again and establish the Mises Club Tampa as an ongoing event.



Mises Institute Supporter Spencer Shrader is Notre Dame's New Kicker

At 23, Spencer is a budding entrepreneur with a life and business philosophy of proceeding boldly. He adopted the phrase, which doubles as the name of his YouTube channel and website, from Austrian economist Ludwig von Mises, his hero, who wrote: "Do not give into evil but proceed ever more boldly against it."

STUDENT SPOTLIGHT

JAMES GARAGNON

James Garagnon is an undergraduate at the University of Oxford in England. He studies mathematics, founded the Oxford Mises Society, and is a 2021 Mises U alumnus. *The Austrian* asked him about his experiences at Mises University.

In your opinion, what makes the Mises Institute unique?

The Institute does a lot of important publishing work which is essential, like printing *Human Action* and *Man, Economy, and State*, great classics which aren't available anywhere else or are out of print. Also, the enormous library of books and articles, all available online for free. People can access them from anywhere in the world. This is really important for sustaining the tradition of Austrian economics and libertarianism.

How did you learn about the Mises Institute?

I first came across the Mises Institute and the Austrian school while looking for articles on lockdowns. I already liked free market economics, so it was the huge wealth of resources on mises.org that excited me. It was like going down a rabbit hole. In the UK there hasn't been a center for the study of Austrian economics since F.A. Hayek taught at the London School of Economics from 1931 to the 1950s. While there are various Austrian think tanks, they are more policy–oriented, and they don't actually promote the Austrian school in particular. The Mises Institute is focused on education and scholarship. It provides a home for the Austrian school tradition and political philosophy.

What about Mises University? Where did you hear about it?

I discovered the 2020 Mises University video lectures on mises.org, and I spent a year going through as much material as I could. Then, I realized that it was possible for me to apply and attend, which was an opportunity that I didn't want to miss.

I attended in the summer of 2021, which was an interesting time, since there was a travel ban on people coming to the US from Europe. I first traveled to Mexico and had to stay there for two weeks before I could enter the US. I wanted to attend in person because it is one thing to read on the internet but another thing to be able to discuss and converse with other people. Before attending Mises University, I had never met anyone else who espoused these same ideas. I was excited to meet *real* Austrians and libertarians and to meet the faculty whom I'd seen in the Mises lectures on YouTube.

Do you have any special memories?

I really enjoyed speaking to David Gordon because he has a great sense of humor and his jokes always made me laugh. I came to meet everyone, so I made an effort to ask questions of all the faculty. I remember cornering Professor Salerno in his office to ask him about Hayek's views on monetary policy and the Austrian business cycle. He was very patient. I have many great memories of face-to-face discussions with the faculty.

Some of my favorite memories were the late-night discussions with other students, Fellows, Tho Bishop, and Ryan McMaken. Whether it was in the dining area or at Rothbard Village, there were always some interesting discussions taking place—and many went late into the night—on all sorts of topics, from politics to controversies within libertarianism to the history of the state. It was a memorable experience.

Did you have a favorite lecture?

It's hard to choose. I looked forward to Peter Klein's lectures on competition and monopoly. He was always so prepared and approachable. He does a great job of contrasting the Austrian school with the mainstream approach. This is important because competition and monopoly courses always include cost curves and perfect competition models. They are staples of every mainstream economics course. It's refreshing to see this viewpoint critiqued.

What advice would you offer someone applying to Mises University?

Watching past MU lectures gets you familiar with the topics and the level of instruction. Be sure to prepare and go through the recommended readings. This also helps you get excited about what's ahead. If you put in more preparation to understand the ideas, you will get more out of it when you are there. Remember, these are experts in their fields, so you want to be prepared and make the most of the opportunity. If you plan to sit for the oral exam at the end of the week, it's very challenging, so it's good to do some wide reading.

Looking back, what was the most important thing you learned from your MU experience? What helps you today?

I learned about the Austrian school and libertarian philosophy. I returned home excited about the ideas, so I founded the Oxford Mises Society at Oxford University (https://mises.web.ox.ac.uk/). On the society's website, I list resources relevant to understanding Austrian economics. Certainly my experience at Mises U informed me about these resources.

The Mises Institute was very helpful in providing resources to give out to society members, including copies of Henry Hazlitt's *Economics in One Lesson*. The point of the society is to bring the ideas of Mises and the Austrian tradition to my fellow students at Oxford. Thanks to the Institute, I am able to hand out relevant materials to open-minded and interested students.

Any final words you'd like to say?

The Mises Institute and Mises University are an intellectual home, and there isn't anything like them, not in my country. I don't know of anywhere else you get to meet so many people who are intellectually curious, and then you have the leading Austrian experts all in one place for a whole week. I've made some great friends at Mises University. It's an experience I won't forget. I'd love to come back.

NEW **VIDEO SERIES**

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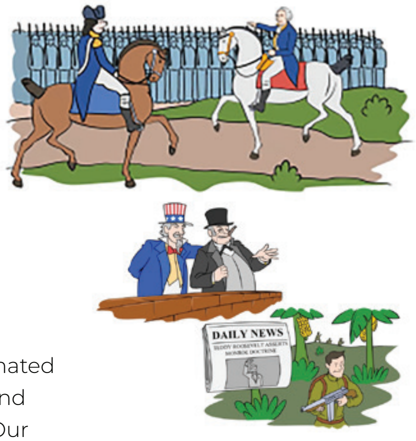

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Our beginner's video series already has more than a million views across all platforms. We're hoping that every reader of *The Austrian* will share America: From Republic to Empire with friends and family. **Go to mises.org/begin.**

This and our other animated video series are made possible by Jim Kluttz.

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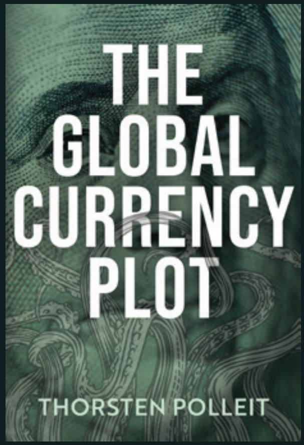


Money today is a political tool. To understand the implications of this, you first have to understand the agenda of those who wield political power. The political trend for decades has been toward democratic socialism, with its abhorrence of markets and love of the planned economy. Its continued success must worry anyone who desires freedom and prosperity. Should it succeed, it would mean political tyranny and mass impoverishment and would open a dark chapter in the history of mankind.

At the heart of democratic socialism is the goal of a centrally controlled global economy. But politics alone isn't enough to maintain that order. A global fiat currency must also be established. This is what *The Global Currency Plot* illustrates so well: first comes political power, and then comes control of the money.

The Global Currency Plot puts socialism to a rigorous test of logic, taking its tenets step by step to their logical conclusion. Needless to say, it fails. *The Global Currency Plot* doesn't stop there: it offers an antidote to democratic socialism and its monetary conquest—the private law society with a free market for money.

This book is primarily intended for the noneconomist, but it will appeal to anyone who seeks answers to the political trends and economic news of today.

Available in the Mises Bookstore and on Amazon.

UPCOMING *EVENTS AND PROGRAMS*

MISES MEETUP IN TAMPA

FEBRUARY 25, 2023 | TAMPA, FL

Join us in Tampa for a our first Meetup of 2023!
We'll also have a Mises Social at World of Beer.

AERC 2023

Austrian Economics Research Conference

MARCH 16–18, 2023 | AUBURN, AL

The Austrian Economics Research Conference is the international, interdisciplinary meeting of the Austrian school, bringing together leading scholars doing research in this vibrant and influential intellectual tradition.

MISES MEETUP IN BIRMINGHAM

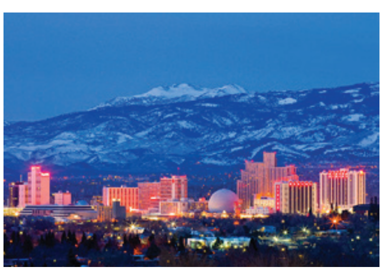
APRIL 22, 2023 | BIRMINGHAM, AL

Join us for our third Mises Meetup in Birmingham! Come and say hello to old friends and meet new ones. You don't have to be a Mises Member to register.

MISES CLUB MEETUP

MAY 6, 2023 | YORK, PA

The objective of this Meetup is to meet, greet, and establish a community of like-minded people in the area. Anyone is welcome to attend, Mises Member or not!



MISES MEETUP IN RENO

MAY 20, 2023 | RENO, NV

Join the Mises Institute for a Meetup in Reno! We'll also have a social in Incline Village. This is the perfect time to meet new liberty-minded friends.

FELLOWSHIPS IN RESIDENCE

MAY 22, 2023–AUGUST 7, 2023 | AUBURN, AL

Fellowships in Residence at the Mises Institute are available to graduate students and post-docs interested in conducting scientific research in Austrian economics and libertarian political economy.

ROTHBARD GRADUATE SEMINAR 2023

JUNE 4–9, 2023 | AUBURN, AL

The Rothbard Graduate Seminar is an intensive study of Misesian and Rothbardian economic analysis, as well as substantive findings in related fields.

MISES APPRENTICESHIP

JULY–DECEMBER 2023

The Mises Apprenticeship is designed for those who want to engage in the battle of ideas from outside the constrained and stagnant ivory tower.

MISES UNIVERSITY 2023

JULY 23–29, 2023 | AUBURN, AL

Mises University is the world's leading instructional program in the Austrian school of economics.

MEDICAL FREEDOM SUMMIT

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SUPPORTERS SUMMIT 2023

October 12–14 | Auburn, AL

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