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2020 *The 1960s Redux?*

AN INTERVIEW WITH AMITY SHLAES



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From the Publisher

Jeff Deist

It is not the task of history to project the hatred and disagreements of the present back into the past and to draw from battles fought long ago weapons for the disputes of one's own time.

If history could teach us anything, it would be that private property is inextricably linked with civilization.
—Ludwig von Mises

We live in an era of historical amnesia. Open ignorance of the past is one thing; altering history to fit one's narrative and political project is another. Many young people today learn very little about America's past, and what revisionist history they do learn comes from Howard Zinn and the 1619 Project instead of Murray Rothbard or Tom DiLorenzo.

The result is that whole generations of Americans, perhaps the majority of those under forty, embrace socialism as benign and capitalism both as evil and unnecessary. And in the modern telling, capitalist America is deeply and uniquely racist, its land stolen from natives, and its institutions designed to create privilege for a few. The material abundance around us simply materializes every day, and so the job of young activists is to seize the political apparatus and spread that wealth around more equitably.

If it takes a few street riots, smashed storefronts, and burned-out buildings to make the point, so what?

But nowhere in this toxic narrative is any serious critique of statism *per se*. Government may act unjustly, and its police may inflict unwanted violence, but the state *qua* state is never challenged. This most dominant monopoly in society goes unchallenged and unquestioned by our cultural vandals. They simply want to capture it and redirect it to their purposes.

Far too many Americans know next to nothing about Nazi Germany or Stalinist Russia or Maoist China, and so the pile of bodies those regimes created is dismissed as a footnote. Most know nothing about real money or central banking or regulatory capture, so they imagine *laissez-faire* capitalism is to blame for our hollowed-out financialized economy. Most know nothing about

economics, so they imagine prosperity can be commanded. And young people, bereft of life experience and especially susceptible to political sloganeering, are recruited into this vanguard of ignorance.


But not all young people. The great writer and historian Amity Shlaes, interviewed in this issue, can testify to the growing number of “unwoke” high school and college students willing to challenge the suffocating orthodoxy. Like all of us at the Mises Institute, she works with brilliant and promising young people who give us hope for a brighter future.

Shlaes is a conservative, but she knows economics. She has read Mises and the Austrians, and understands property as the foundation for civilization. She is an expert on the criminally underrated Calvin Coolidge, and a devastating critic of Hoover and FDR's Great Society schemes. Shlaes is the rare historian who understands economics, and her books are well worth your attention.

Also in this issue, Dr. David Gordon returns with another crushing book review, taking a blow torch to *The Deficit Myth*, by Professor Stephanie Kelton. Kelton is the leading light of a bizarre proposal known as modern monetary theory, and in a sense her idea is the perfect metaphor for a broken country living beyond its means. Government deficits are a “myth,” because they don't matter, because they never need to be repaid. Since Uncle Sam is sovereign over currency, the US Treasury simply can issue money (physical or electronic) in unlimited amounts to pay its bills. By this mechanism Congress can, and should, spend far more than it does in the cause of goosing the economy. Taxes play only a minor role in the whole affair, namely putting the brakes on any unexpected inflation. After all, government provided us with the very currency we need to pay taxes in the first place!

By Kelton's definition, every dime of federal government spending creates “private” benefit in the economy. In fact, since financial assets are denominated in US dollars—the currency issued to us by government—all of those assets exist thanks to government!

This is magical thinking, but thankfully Dr. Gordon is here to disabuse it.

As always, thank you for everything you do to support the mission of the Mises Institute. We hope to see many of you at Jekyll Island later this fall; please go to mises.org/events to register! 

Jeff Deist is president of the Mises Institute.

2020

The 1960s Redux?



JEFF DEIST: Let's start by letting readers know a little bit more about you. Do you consider yourself an historian, journalist, biographer? How do you describe your work?

AMITY SHLAES: A historian. In all my work, the goal is to impart knowledge about the past.

JD: You went to undergrad at Yale. Did you imagine a career in writing and history?

AS: When I was at Yale I said, I'll give journalism five years and if it doesn't work out I'll go to law school. I thought I should play to my comparative advantage and my comparative advantage at the time was in the humanities.

JD: It sounds like it worked out. Did you consider yourself a conservative at the time?

AS: No, I considered myself someone interested in history and in English, German, and French.

Amity Shlaes is chairman of the board of trustees of the Calvin Coolidge Presidential Foundation, she is a classical liberal, and she knows economics. She much appreciates Mises's emphasis on property and bureaucracy, both of which influence her work. She has authored six books, including three *New York Times* bestsellers, on Calvin Coolidge, the New Deal, and the Great Society.

JD: After Yale you made your way into financial journalism. Over the years you've written for *Forbes*, *Financial Times*, Bloomberg, and on the editorial board for the *Wall Street Journal*. What do you think of financial journalism today? A lot of our readers think these publications are overly credulous about markets and the Fed.

AS: I don't know about today. But good journalism is genuine inquiry. One reason I was attracted to the *Wall Street Journal* in the day, was it did pursue inquiry. The *WSJ* could have been called Wall Street Journal University, where one was lucky to be admitted. What makes the market go up, what makes it go down, and reporting on that movement—we learned that in real time. Herman Melville said of whaling: “for a whale ship was my Yale College and my Harvard.” I could also say: the *Journal* was my Yale College and my Harvard.

JD: I bet that was quite an education.

AS: The *Journal* in the 1980s was an institution that took a commonsense attitude. The paper was not particularly ideological. Its work was marvelously empirical, and fairly accurate. The penalty for reporter error was high. After all, if we got something wrong, that error moved company share prices or interest rates. Within seconds, a company, or even a central bank, would be on the phone to the editor. The editor would turn to—or turn on—the reporter. Let us just say the dynamic wasn't dissimilar to basic training in the army. In this way the *Journal* served as a university to many. The paper's contribution remains undertold.

JD: Did you come away from the *Journal* with any strong sense about economists and their role? Is the profession doing much good?

AS: The *Journal* is not an economics newspaper; it is a business newspaper. My time there was like the difference between going to a PhD economics program and an MBA program. Though I was an MBA, so to speak, after a while, it was the economists who interested me, because the economists explained what business people were doing—sometimes better than the business people, who were too busy for seminar sessions. The economists also had a playful aspect that attracted

me from my early twenties. An economist would tell the *Journal*—“well the obverse could also be true.” Other institutions—corporations, or the Securities and Exchange Commission—saw only a single solution to a challenge.

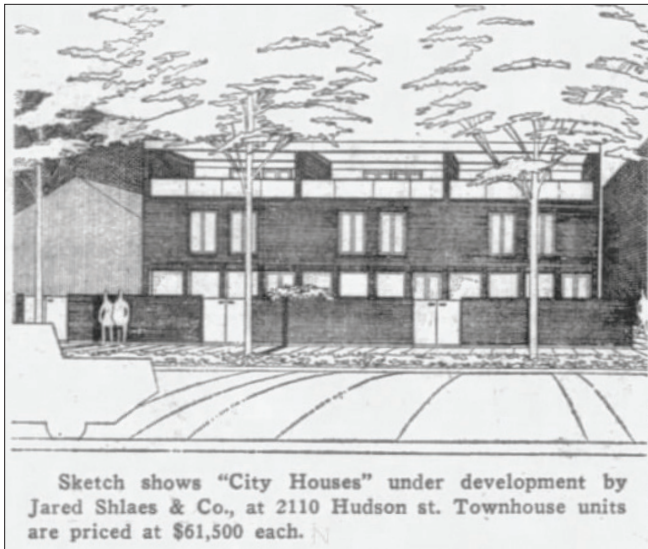
JD: What else helped shape your viewpoint?

AS: Two other parts of my education were very important. One was my father's businesses, and the other was my time in Europe, where I went to Communist countries. That was even before I went to the *Wall Street Journal*.

My father, Jared Shlaes, was a real estate appraiser, but he also tried his hand at real estate development, built buildings. He thought a lot about what people like and what they don't like, and he found himself bumping up against subsidy programs whose perverse incentives created subpar, unsatisfying buildings. He couldn't stomach the architecture that resulted from urban renewal programs and federal subsidies. As some of your readers might know, urban renewal was an especial disaster in Chicago, where I come from. On the South Side of Chicago, where the University of Chicago is, a comment made by one comic became legend: “Urban renewal,” it was said, “is black and white marching together, hand in hand, against the poor.” And my father saw firsthand what it meant to eminent domain a whole swath of the city, bulldoze homes of poor people, sometimes homes they loved, and then see nothing to replace the rubble, because various jurisdictions were fighting over the land, or because there was a shortage of capital to build. “Improvement” was actually destruction. The rubble lot just stood there for years. The new building when it finally came might be hideous. Cinder block.

Shoddy construction is also an expression of too much political intervention. My father took it all in and tried at first to work with government—governments, actually, and the very imperial University of Chicago.

As children we actually played in those vacant lots. At the time I didn't think what my father was doing had much to do with me, but later I came to appreciate the struggle and my father's choices. For example, he built with more



Architectural sketch and newspaper ad by Amity's father, Jared Shlaes.

expensive materials than some developers—special red brick—and everyone asked why. He responded, “I want to build places where people actually want to live.” He was more interested in the customer than the rent seekers who ruled real estate.

JD: That sounds like a real-world MBA right there.

AS: I remember when I was in Germany they asked, What does your father do? And I said, He’s a developer. But the closest word in the German dictionary was “speculator.” There’s another nicer word in German for consultant, and I ended up saying consultant because Germans rejected the concept of a developer as too exploitive and capitalist. German is a Marx cartoon language a lot of the time! You could barely explain what my father did in German, and you could barely explain it to an American high school or college student either.

JD: This experience shows in your writing. There is definitely something very pragmatic and human in your books.

AS: There’s a great tension in writing history between the chronological and the thematic. Do you write about your theme or about your events and people? Because events and people are quirky and they don’t fit into themes very well. This is always the tension all of us

have. Had I gotten a doctorate in econ, I would have been more inhibited about writing chronologically.

JD: Considering your work about the Great Depression, do you see political parallels today? We have calls for universal basic income and free rent and Medicare for All and a Green New Deal. Are the 2020s going to look like the 1930s?

AS: Today looks more like the Great Society of the 1960s, and the result will be more like the 1970s. The scale of ambition among some voters and some politicians now recalls the scale of some of the Great Society advocates. I’m thinking specifically of Charles Reich, who was a guru for Great Society culture and a law professor at Yale. Reich wrote *The Greening of America*, which is kind of a flaky book. But he also wrote a deeply influential paper on property rights where he suggested welfare should be property—as, say, a patent is. The Supreme Court mentioned him in a case called *Goldberg v. Kelly* and ruled welfare really is property of the recipient. In the Great Society there was the sanctioning of permanent redistribution that was more serious than any such sanctioning in the New Deal. Remember, the New Deal won its mandate because of economic emergency. The New Deal gave us the National Recovery Administration, but the NRA, crafted to run the whole industrial economy, was regarded as a function of the economic emergency. It was not much defended when the economic emergency lessened, and

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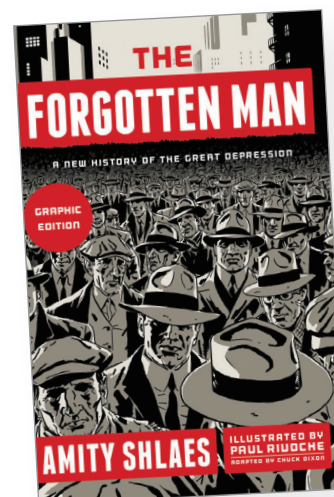
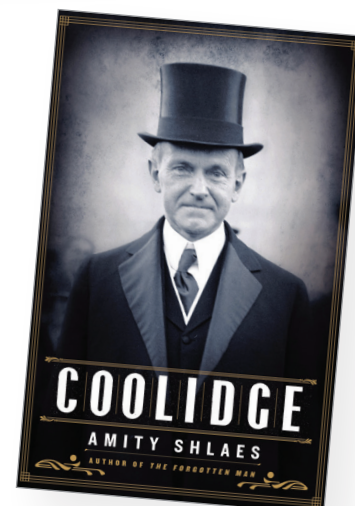
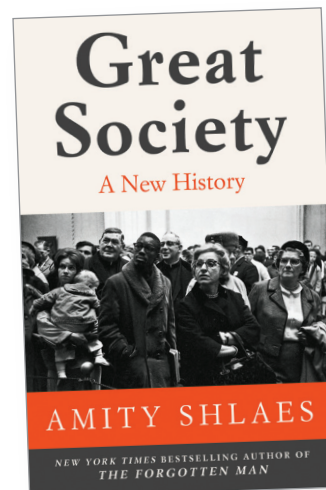
was overturned by the Supreme Court anyhow fairly quickly. By 1936 to 1937, there was the sense that redistribution was an important symbolic activity for politicians, to please voters who were angry at the duration of the Depression—Get the rich guy; I hate his guts. But there was more of a *systematic* shift with the courts in the 1960s. The Supreme Court particularly supported entitlements. So, I look to the 1960s and what I’m afraid of is something like the 1970s, which is to say a spongy economy with a lot of crisis solutions because of government involvement. And this is putting aside whether there’s inflation or not, a weakening currency, a challenge to the dollar—I think that’s very likely.

JD: Does all this potentially happen without any kind of transformative figure, without an FDR? Trump and Biden don’t strike me as transformative figures, in any sort of substantive or ideological sense.

AS: Yes, destructive change can happen without a transformative figure. It happens by accident. That’s what my *Great Society* book is about—things happening by accident. An example: JFK signed Executive Order 10988, which is the executive order facilitating public sector unions and collective bargaining. Daniel Patrick Moynihan [then an administration staffer], one of the drafters of the order, didn’t think the order was important. Moynihan told himself conservatives could live with his order because it did not give public sector employees in federal government the right to strike. JFK was not a radical. If he’d thought about it, JFK might not have signed. But the president was distracted, maybe his daughter was in the office, something with her pony, Macaroni [laughing]. JFK signed. It was just another document, and yet Executive Order 10988 set the standard for public sector unions across the United States, transformed trade groups and associations into powerful bodies. So, you don’t need a transformative figure. You just need a social process like the one we have to get results that lead to real trouble down the line.

JD: Isn’t that flawed process the result of having a government that’s too big and a bureaucratic sector that’s too big? Small things snowball in ways we couldn’t have imagined?

AS: Oh, yes. Franklin Roosevelt. When he was president, the federal government was smaller than the states, all the way up to 1935. The New Deal, mighty as it was, was not that mighty. In the early 1930s, states and towns had a larger presence in the economy than the federal government. By 1936, that ratio had flipped. Still, the federal government was small by our standards until World War II. Robert Higgs has a fabulous chart and books on this. Today what we call “normal” for the federal government would have been called “war footing” in the old days.



JD: When you say these things happen by accident, does that implicate good intentions or simple bungling?

AS: Both. Good intentions combined with a few busy or pernicious characters. Did the Russian Revolution have to happen, Jeff? Not necessarily. "History is like that, very chancy," as Samuel Eliot Morison said. It could happen. It did.

JD: So much of what we ascribe to ideology is more the result of chance.

AS: Yes.

JD: My instinct is to view LBJ as some kind of monster, FDR as some kind of monster.

The monster is in our government structure.

AS: No, no, they weren't monsters. They were only half aware of what they were doing. The monster is in our government structure. What happened in the case of the New Deal is we had an extraordinary global downturn with 25 percent unemployment during the campaign. This was in 1932. With 25 percent unemployment, there's a national emergency and nobody knows what to do. So, FDR was elected really as a fairly conservative candidate. FDR wasn't a Marxist, but the electorate and emergency gave him license, and he exploited the license. He *enjoyed* the license. FDR wasn't very interested in economics, and the economically oriented members of his administration took advantage. In *The Forgotten Man*, I describe a trip that some of them, marginal players mostly, took to Russia well before the New Deal. The trip for them crystallized the possibility of a deeply progressive nation—and a role for them in politics. "Why should Russians have all the fun?" Stuart Chase, one author, asked. These professors and officials came back and exploited the accident of the Great Depression to promote progressive ideals to a federal government that, it turned out, was willing to try the ideas out on the American populace.

JD: That sounds like now.

AS: Right.

JD: Covid is the Great Depression.

AS: I don't think it's the Great Depression—at least not yet. I think it's the Great Society, though. The occasion for the period we're in is the idealism, not economic disaster, really. You could also argue covid is the occasion. So, instead of having a depression, we have covid. Covid gives the medical establishment more license than it's accustomed to, and it has enjoyed that. What we have in common with the Great Society period, what makes 2020 like 1960 to 1965, is that we're not really poor. If you want to change government, even though people are doing more or less pretty well, that starts with idealism. 2021 may be different.

JD: Do 2020 riots in cities have parallels with 1960s riots in Detroit and Newark?

AS: Yes. But the intellectuals of the 1960s realized they wouldn't manage a revolution. The country was too conservative. So they said "We will undertake a long march through the institutions," as Antonio Gramsci called it, along with the German protest leader Rudi Dutschke. We're going to march up through the institutions and then we will prevail, and that actually happened. One of the things they did was create identity politics departments at colleges, which seemed to most people interesting, maybe good, but not really dispositive when it came to the future of our national thinking. They created large departments of bilingual programs, with Spanish, and everyone thought, well, let them do that, it's not really going to bother us. But it turned out this idea of identity politics took over our culture gradually, and the people who believed in it are now in positions of power.

JD: There is a sense of a slow, gradual march, and then occasionally there are great leaps forward. It feels like we're in the latter phase at the moment.

AS: The current period reminds us of the Cultural Revolution in China—heavy pressure from youth, and

Most Americans, my guess is, have little understanding of the extent to which identity politics have come to supplant standard history in instruction, whether college or high school. That's why the Woke Revolution is proving such a rude shock.

dangerous youth sanctimony. Young people telling older people the way things must be. It's disconcerting to observe such a dynamic in the United States.

JD: How do you feel about academia?

AS: There's plenty of good in academia in 2020. The trouble is that certain history professors, certain economics professors, and certain social studies area professors seem to predominate and impart the wrong ideas. In these fields, hyper-progressive guilds shut out thought and inquiry. The bright side of 2020 is that covid policy of shutdown is weakening these guild's hold. New schools, new summer programs such as the ones at Mises, new extracurricular activities, new home school curricula—students and parents are turning to them. Covid is heaven for workarounds. At the Coolidge Foundation our debate contest drew a record number of candidates, all of whom learned both sides of the resolution. Covid or no, innovation in education, whether in college or secondary school, is key. That is why projects like Robert Luddy's experiments with schools in North Carolina or the BASIS school experiments, which commenced in Arizona and California, are key.

The BASIS school achievements are underreported. Essentially Michael and Olga Block, the founders, turned a process-driven education into an education driven by results. Some BASIS schools are charters and some private. The public ones are ranked; they dominate the *US News and World Report* ranking of high schools. That's a charter innovation. We have to focus on that. I mean clearly something is wrong with regular high school, for whatever reasons.

JD: Everyone, if they can, should get a liberal arts education, not only STEM (science, technology,



Amity with Dame Thatcher.

engineering, and mathematics) or finance. We need broadly educated people.

AS: Absolutely. What has happened in the past is that we neglected the humanities. Or we added humanities into curricula in token fashion, and gave humanities instructors too much license. Those responsible focused on the hard stuff and said—oh, humanities are subjective, let the teachers do what they like, or the textbook authors do what they like. Scientists tend to abdicate when it comes to humanities. If a teacher told us he or she was teaching US history, the scientists or other stakeholders said, That sounds fine, and did not scrutinize the actual syllabus. Had they done so, they would have been shocked in the dramatic shift of what books and what ideas are being taught. Most Americans, my guess is, have little understanding of the extent to which identity politics have come to supplant standard history in instruction, whether college or high school. That's why the Woke Revolution is proving such a rude shock.

Instructors in humanities tend to blinker out the role of property or prosperity in human progress. What my book *The Great Society* notes is that everyone in the early 1960s, as now, wanted something transformative,

a great society. The program of LBJ was not called the Good Society, it was called the Great Society, after all. The only question is and was, Do you get great through the public sector or the private sector? Or some mixture of the two, like the space program? In my book I trace how the private sector actually demonstrated that it was the better vehicle for getting to greatness for the United States. In a way, progressives acknowledged that—because they regarded the private sector as a sort of splendid milk cow to feed government while we developed a public sector great society. Well, the private sector is more than a milk cow to keep progressive experiments in the public sector fat and happy. It actually is its own innovator, with a better result.

So, in *The Great Society*, I cover three companies in order to remind readers of the exciting culture of innovation of the period and the changes in the 1960s. One of the biggest revelations of the 1960s was the discovery that if you were in electronics, you did not have to develop only innovations that would serve the military-industrial complex. You could develop something consumers might use. You could actually make a living in electronics making something that wasn't for the military. That was a new idea. Oh, you could make a personal computer, wow. This was way before, decades before, the personal computer actually came to market. But the seed was planted.

Fairchild Semiconductor, whose employees eventually moved on to build Intel, is another example of getting to great through the private sector. Fairchild execs even turned to a problem that concerns us today: Native American poverty and employment. Native Americans in New Mexico were pretty good with fine hand work



Amity speaks on the panel for "American Leadership: Presidents Good, Bad, and Indifferent," Reuters Newsmaker Live Discussion, 2017.

because they did a lot of needlework and weaving. Fairchild thought, well maybe these Navajo can make microchips. They actually established a microchip factory in Shiprock, New Mexico, and became the greatest employer in the private sector of Native Americans. That was just as interesting as any federal program for Native Americans that came out of the Great Society. So, that story needs to be told!

But the story very often isn't told. In fact even market advocates often fail to appreciate what business is contributing, or to recognize that business has the answer to social problems. That's why Hazlitt is so important. It's why Mises is important. What is a bureaucracy, what impedes a business, what doesn't impede a business? The wonderful fact about business is that it doesn't even need optimal conditions to contribute to quality life. All business needs to contribute is an environment that is "not too bad."

JD: Right.

AS: Ask a business owner: What would cause you to hire again? Oh, we'll hire when conditions are not too bad. That's wonderful. I mean that is the essence of the United States. As long as things are not too bad, we can move forward. Even the 1960s show that.

JD: What a great thing about America.

AS: Right. The other question is whether we're at the stage in Hayek's road to serfdom that we're too late? And I don't want to say that.

JD: Or the Higgs ratchet effect.

AS: Right, the Higgs ratchet. I think of the Adam Smith quote too, "Peace, easy taxes, and a tolerable administration of justice." This is all we need for economic growth.

JD: Let's talk about Calvin Coolidge a little bit. You've devoted a lot of your professional life to him, a politician who really avoided the limelight. Do you think somebody like Coolidge could be elected today, when we have social media? Someone taciturn?



Amity speaking at the Coolidge Foundation.

AS: Yes, I do.

JD: Is this person out there? Should we find them?

AS: They're not hard to find. The real problem is that Americans haven't yet realized the consequences of our government's actions. When the interest rate goes over 10 percent, then the culture changes, people start looking for answers—and Coolidge-like leaders.

JD: Nobody under fifty or so remembers interest rates over 10 percent.

AS: Right. Well of course interest rates **can** go over 10 percent. A more likely awakening is through a currency crisis. When the dollar is challenged and another currency crisis arises, some new currency, a currency stronger than bitcoin, will challenge the dollar, and then Americans will also realize the need for change.

There was a period in the 1980s when you had to buy a house that had two bedrooms fewer than you wanted because of the interest rates. This is important to explain, especially to younger people. Higher interest rates mean too that there isn't enough money when you want to start a business. They mean your little start up business has to succeed in ten weeks instead of half a year. Higher rates mean that indeed the house you buy is smaller than you hoped. For every five percentage points the interest

rate goes up, that's one fewer bedroom for your house. Perhaps we can quantify prosperity in square footage. In the 1950s each new house a family moved into was "the nicest house we ever lived in." What the 1970s did was stall that progress for the next generation. As the journalist Michael Kinsley once commented with irony—I'm paraphrasing—"little did our parents realize that 1950s house would also be the nicest house we ever lived in."

JD: Do you think people ought to be reading Coolidge now, learning from him now?

AS: After America prevailed in World War I, it still wasn't clear America would be a global power. The UK could come back as the global financial power. Who was going to be the leader was an open question. The two nations each had to adopt policies. The UK went more of the socialist way. That was the period where the dole became a concept and then a pejorative. The US turned away from social democracy or socialism through Harding and Coolidge. What was the result? The result was we stabilized as the world's economic power. Because of our policy of normalcy, because we had genuine growth, because of productivity, because of electrification and what that did for productivity, all those things. So that fork in the road in the 1920s isn't too dissimilar to the fork we confront now. Are we going to stay the number one power or are we going to fall back? And the decision has to emulate more the Harding and Coolidge decision than the UK decision. At least if the US is to sustain its primacy and the advantages of that primacy.

JD: So, we're lucky we did have Coolidge, right?

AS: We're very lucky. The thing about Coolidge I find transcendent is his understanding of bureaucracy. I know many Mises readers would really understand what he's saying. As governor of Massachusetts, for example, he had two hard tasks toward the end of his first year as governor. One was a Boston Police strike, supported

The thing about Coolidge I find transcendent is his understanding of bureaucracy. I know many Mises readers would really understand what he's saying.



Amity with Seth in St Petersburg.

by their public sector union. He fired the policemen because they violated their contract when they struck. The other was the decision by his administration to prune back all the progressive bureaucracies that had built up. The government of Massachusetts was too big and Coolidge had to shut down departments, to prune, to make the tree a much smaller tree. Lots of branches went down, and he had friends who worked in those departments—friends who had helped elect him as governor—and yet he did it. Policemen were also his friends because they were Irish Americans, and Coolidge had a very good relationship with Irish Americans. He was famous for being able to attract the immigrant vote. And when asked which was harder, firing policemen or laying off his friends in the government bureaucracy, he said the latter was harder.

JD: That's interesting.

AS: "It's better to kill a bad law than to pass a good one," as Coolidge said. He always understood the dangers of creating a bureaucracy and the difficulty in dismantling it. That to me is the essence of Coolidge. There's some wonderful material from his presidency. There was a law called the Budget and Accounting Act of 1921, which gave the executive more authority when it came to the US budget. He had his own research staff and he had to pull the budget together and unify it, and he also had to oversee cutting. In those days [of the legislation] a president could impound money, and if Coolidge saw a department wasn't using all the money it got or was using it unwisely, he impounded money that department was



Amity with her dog Frances.

expecting because it had already been appropriated. That was very exciting! (Later the law was undone, by the way, which makes it easier for government offices to just keep spending.) Coolidge summoned all government officials in the executive branch to a meeting twice a year and made them sit before him like schoolchildren. He berated them for spending too much. This ritualistic berating was very counter to our culture today; shame was part of the dynamic. Very unmodern. You should be ashamed of yourselves, you used two pencils instead of one. But it's through cajoling and shame, and by demonstrating the merit of his thrift, Coolidge managed to whip the federal government into fiscal discipline. When Coolidge left office, the federal budget was actually lower than when he came in.

JD: Last question. At the Coolidge Foundation, you work with a lot of young people. Are you hopeful about Generation Z?

AS: I'm very impressed. Remember, young people deeply resent being infantilized, and to feed young people a monoline about the wonders of government is to infantilize them. They want to form their own opinions. Many conservative philanthropies make the mistake of trying to build an alternate movement, to make cheerleaders for capitalism—politicized cheerleaders. That's infantilizing, too. At the Coolidge Foundation we simply offer young people information about Calvin Coolidge and his era. Because Coolidge is kind of a footnote in mainstream secondary school history. The standard secondary school texts treat Coolidge as a kind

of seat warmer between two Roosevelts. At the Coolidge Foundation we seek to provide more information about Coolidge and his values, but not so much through sit-down pedagogy as through the sport of debate. The Coolidge hypothesis is that kids learn faster when they are competing—Coolidge himself proved a better debater than student. We have that national debate program, which culminates in a national cup in Plymouth Notch, Vermont, the birthplace of President Coolidge and a Vermont historic site. The Notch is beautiful, and also dauntingly isolated: even today, the internet doesn't work very well there, and imagining what life must have been like without any electricity at all—and no autos—takes guests' breath away. By now we have brought more than a thousand kids to Vermont to debate topics such as the merits and demerits of redistribution. Coolidge said: "Don't expect to help the weak by pulling down the strong." Of course the kids do argue both sides. Another way we impart knowledge through competition is via the Coolidge merit scholarship. This year more than three thousand students applied for four scholarships. All those candidates submit two essays about Calvin Coolidge; the emphasis in those essays this year is economics, though the topics might be the Constitution or Coolidge's affection for the common law another year. That's more than six thousand essays written about Calvin Coolidge. The scholarship winners don't have to marry Calvin Coolidge, they don't have to be Republican, they could hate Calvin Coolidge—but at least, through our process, they've encountered him and tried on his ideas, the same way one tries on a tie or scarf. The finalists

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more than one can say for the
average high school experience.

go to Washington and they learn all about government, but they also learn all about the business that funds it. The most thoughtful young Americans are often tracked—one could say funneled—willy-nilly straight from high school to college to graduate school to the national institutes of health—without ever having worked in the private sector. We point out to such kids that some of the most important events in any field happen in the private sector. The covid vaccine doesn't come from the FDA, it comes from Moderna or another company. ■■■



Mises Meetup in Birmingham

On June 6, at the beautiful Avondale Brewing Co. in Birmingham, Alabama, Jeff Deist and Professor Patrick Newman held a no-holds-barred discussion on the economy after the coronavirus shutdown and the summer protests; are we facing another Great Depression; what about these stimulus packages; and what will the economic mess look like in 2021?

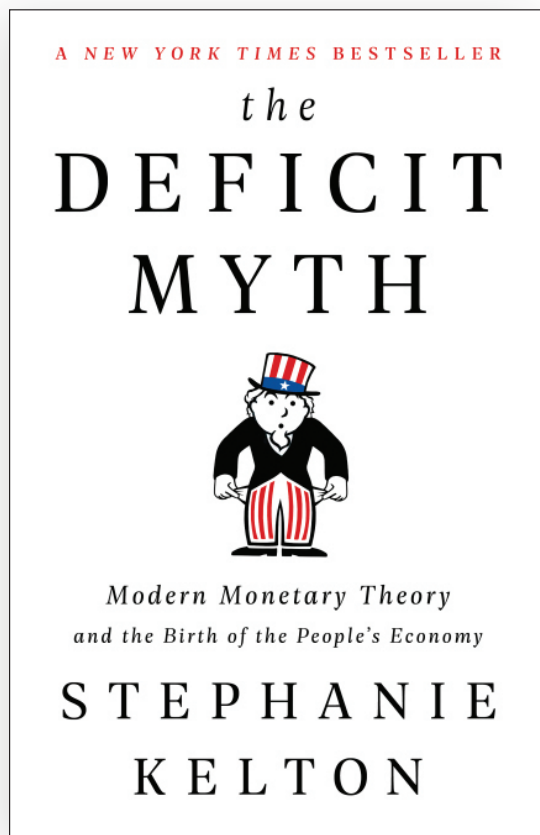
The energy was vibrant and everyone had a rousing good time. Join us in Orlando for our next Mises Meetup event.

Special thanks to Mark Walker for sponsoring this event.

MONETARY POLICY FLAPPING IN THE WIND

DAVID GORDON REVIEWS

The Deficit Myth: Modern Monetary Theory
and the Birth of the People's Economy
By Stephanie Kelton
New York, 2020
325 pages



Stephanie Kelton's new book has attracted much attention, and Bob Murphy and Jeff Deist have already reviewed it, with devastating results. Why another review? The policies proposed in the book are so pernicious that further exposure of what she has in store for us is needed, and I have some new points to offer for your consideration. Besides, there are few things I enjoy more than writing a critical review.

Kelton, who teaches economics at Stony Brook University, writes clearly, though I wish she would not so frequently repeat in her endnotes passages from the text. The essence of the book is straightforward: it's impossible for the United States, and other monetary sovereigns, to run out of money. "Today, we have a purely fiat currency. That means the government no longer promises to convert dollars into gold, which means it can issue more dollars without worrying that it could run out of gold which once backed up the dollar. With a fiat currency, it's impossible for Uncle Sam to run out of money."

A monetary sovereign doesn't have to worry about how to get money to pay for the goods it wants produced. Government spending does not need to be backed by anything. There is always new money available. "Think about where the points come from when you play a card game or go to a basketball game. They don't come from anywhere! They're just conjured into existence by the person doing the record keeping....Uncle Sam doesn't *lose* any dollars when he spends, and he doesn't *get* any dollars when he taxes" (emphasis in original). When Congress votes money for a program, either new money is printed or the Fed increases credit

balances. Borrowing does not change this: selling T-bills just involves more typewriter strokes.

Kelton hastens to assure us that she opposes unlimited government spending. She knows the dangers of inflation. “No one wants to live in a country where inflation gets out of hand. Inflation means a continuous rise in the price level...if prices start rising faster than most people’s incomes, it means a widespread loss of purchasing power. Left unchecked, this would mean a decline in society’s real standard of living. In extreme cases, prices can even spiral out of control, gripping a country in hyperinflation.”

She isn’t much worried by this possibility. Our problem today is not too much inflation, but too little, and if inflation ever did start to get out of hand, the government could increase taxes to end the danger. “If the government wants to boost spending on health care and education, it *may* need to remove some spending power from the rest of us to prevent its own more generous outlays from pushing up prices. One way to do this is by coordinating higher government spending with higher taxes so that the rest of us are forced to cut back a little to create room for additional government spending” (emphasis in original).

Here I would venture my first critical point against Kelton. Even if you accept all that she has said about modern monetary theory (MMT) and its manifold blessings—and

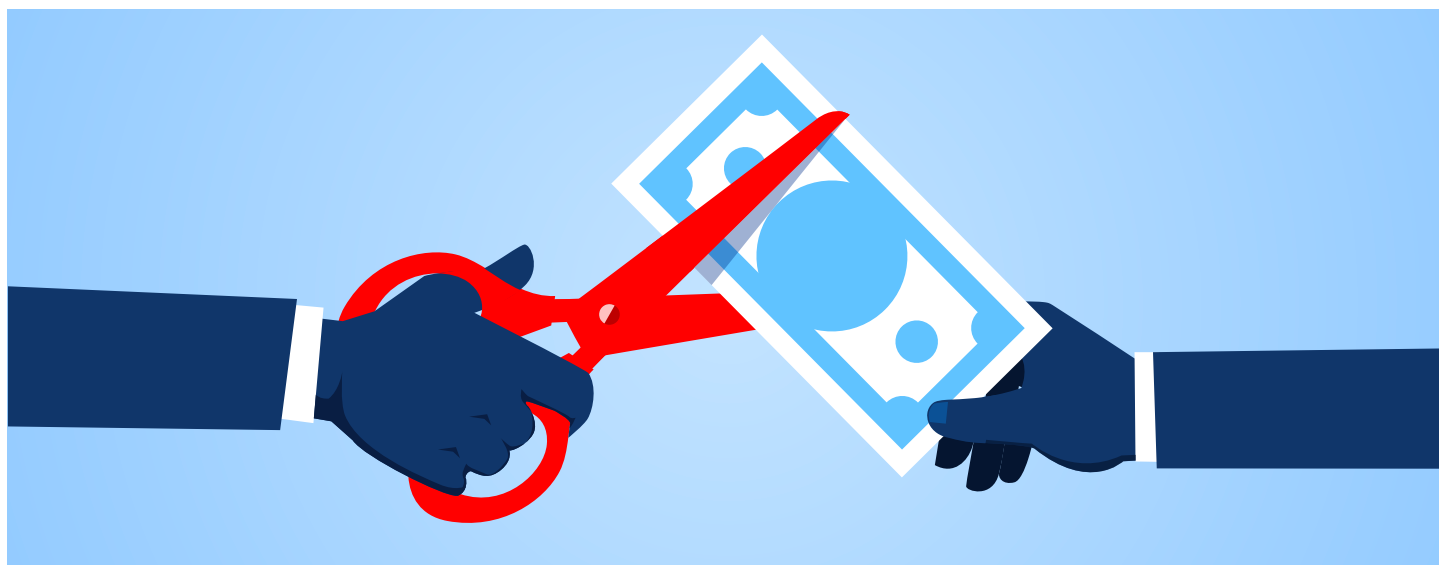
of course you should not—why should we think that increased taxes would suffice to halt an inflation that has once begun? Taxes take time to come into effect, and what happens if inflation reaches unmanageable heights before this happens? What next—confiscation of people’s bank accounts in a perhaps futile effort to restore stability?

Kelton underestimates how rapidly inflation can get out of hand. As Mises with characteristic force remarks in *Human Action*, “This first stage of the inflationary process may last for many years. While it lasts, the prices of many goods and services are not yet adjusted to the altered money relation. There are still people in the country who have not yet become aware of the fact that they are confronted with a price revolution which will finally result in a considerable rise of all prices, although the extent of this rise will not be the same in the various commodities and services. These people still believe that prices one day will drop. Waiting for this day, they restrict their purchases and concomitantly increase their cash holdings. As long as such ideas are still held by public opinion, it is not yet too late for the government to abandon its inflationary policy.

“But then finally the masses wake up. They become suddenly aware of the fact that inflation is a deliberate policy and will go on endlessly. A breakdown occurs. The crack-up boom appears. Everybody is anxious to swap his money against ‘real’ goods, no matter whether he needs them or

Even if you accept all that she has said about modern monetary theory (MMT) and its manifold blessings—and of course you should not—why should we think that increased taxes would suffice to halt an inflation that has once begun?





not, no matter how much money he has to pay for them. Within a very short time, within a few weeks or even days, the things which were used as money are no longer used as media of exchange. They become scrap paper. Nobody wants to give away anything against them."

"It was this that happened with the *Continental currency* in America in 1781, with the French *mandats territoriaux* in 1796, and with the German *Mark* in 1923. It will happen again whenever the same conditions appear. If a thing has to be used as a medium of exchange, public opinion must not believe that the quantity of this thing will increase beyond all bounds. Inflation is a policy that cannot last."

Kelton, in the grip of her theory, is willing to risk the collapse of the monetary system on the chance that the government will be able to curb inflationary pressure. If the US government did lose control, the result would be much worse than the examples of hyperinflation Mises mentions. The American dollar stands at the center of the world's financial system, and its collapse could bring the entire world to ruin.

Why is Kelton willing to risk so much? The answer is clear. She thinks there is a great deal of "slack" in the economy and in this circumstance we need not worry about the pressure of spending on prices. I do

not propose to challenge her Keynesian framework here. Rather, I wish to concentrate on a mistake she makes that leads her radically to overestimate the amount of slack.

She supports a federal jobs guarantee. "The federal government announces a wage (and benefit) package for anyone who is looking for work but unable to find suitable employment in the economy." In defending this proposal, she makes the mistake I have in mind. She says: "Since the market price of an unemployed worker is zero—that is, no one is currently bidding on them—the government can create a market for these workers by setting the price it is willing to pay to hire them. Once it does, involuntary unemployment disappears." Kelton has not taken account of the fact that the workers on federal jobs projects would use physical resources that must come from elsewhere in the economy. The cost of employing these workers is by no means negligible, as she wrongly says.

A federal jobs guarantee proposal to cope with unemployment during a recession thus rests on a false assumption.

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And it carries with it additional bad consequences, as Professor Joseph Salerno has aptly noted. Such programs, he says, “will thus siphon off labor and other resources from productive investment in the structure of production and forcibly increase the consumption/saving ratio and hence overall time preferences, reducing genuine savings and capital accumulation.

The book contains some factual inaccuracies. Kelton deplores the fact that government welfare programs are usually not called “earned entitlement programs,” but just “entitlement programs.”

“Furthermore, as price inflation begins to rear its head, the increase in taxation aimed at ‘sopping up excess purchasing power’ by the private sector, will further increase the public’s time preferences, reduce voluntary saving and eventually cause capital consumption. Everyone will have jobs and rising money incomes and there will be a boom for government contractors so it will not look like a typical depression,

but living standards will progressively decline. Also, the private sector will progressively shrink relative to the State sector because BOTH the fiscal inflation AND the later increase in taxes to offset its inflationary price effects will divert resources to the State sector. And of course the

recurring increases in taxes will not arrest the inflation, because the government will continue to run fiscal deficits by financing its ever increasing spending with new money. This would be the worst of both worlds: massive inflation proceeding hand in hand with chronic depression.”

The book also contains some factual inaccuracies. Kelton deplores the fact that government welfare programs are usually not called “earned entitlement programs,” but just “entitlement programs.” Following Hendrik Hertzberg, she in part blames Robert Nozick for this change. “It was a clever move. They [Nozick and Robert Nisbet] dropped the word *earned*, which sounds like a good thing to most people, and emphasized the word *entitlement*—which by the 1970s had taken on negative connotations, as when we say that a spoiled or privileged person acts entitled” (emphasis in original). Had Kelton read *Anarchy, State, and Utopia*, she would not have said this. For Nozick, entitlements are good, not bad. He favors the “entitlement theory of justice.” She also wrongly calls the civil rights leader A. Philip Randolph “reverend.” He wasn’t a clergyman.

The problem with the book, though, does not lie here. Rather it lies with Kelton’s way of looking at the world. She is fond of speaking of the Copernican turn that the MMT revolution makes possible. At any rate, it leaves my head spinning. ■■

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

2020 UPCOMING EVENTS

- AUGUST 29** Mises Meetup
Orlando, FL
- OCTOBER 8–10** Supporters Summit 2020
Jekyll Island, GA
- NOVEMBER 7** Symposium with Ron Paul
Lake Jackson, TX

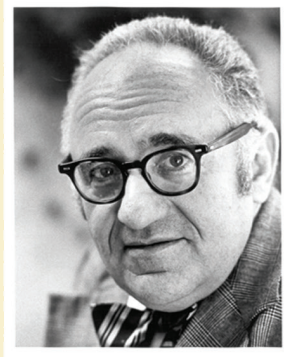
Student scholarships are available for all events! Details at mises.org/events.

 MARK YOUR CALENDAR



SUPPORTERS SUMMIT 2020
JEKYLL ISLAND | OCTOBER 8–10

Rothbard Graduate Seminar



2020

JUNE 7-12
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"Human Action sowed the seeds of the subsequent rebirth of Austrian economics in the early 1960s via its influence on Murray Rothbard. Human Action is thus the crucial link between the old Viennese Austrians (especially Menger and Böhm-Bawerk) and Rothbard and contemporary Austrians."

– Dr. Joseph Salerno, opening remarks at the 2020 Rothbard Graduate Seminar

Neither the coronavirus nor government lockdowns could stop this year's Rothbard Graduate Seminar. The annual event, structured in the tradition of a Great Books seminar, brought graduate students to Auburn to discuss Ludwig von Mises's *Human Action*. In-person faculty featured Joseph Salerno, Jeffrey Herbener, Peter Klein, Mark Thornton, and Patrick Newman, while David Gordon and Guido Hülsmann made virtual contributions. Along with careful instruction on the important themes of Mises's masterpiece, RGS featured intense student-driven discussion focused on the book's continuing relevance and potential application to the most pressing questions of modern economics. This program serves a vital role in the continued flourishing of the Austrian tradition.



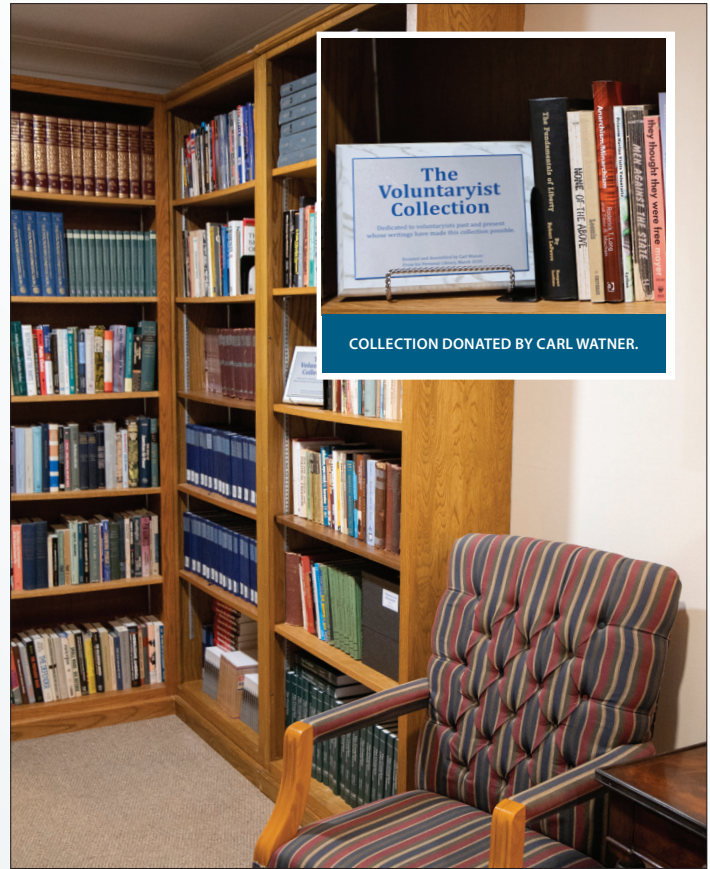
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- Antón Chamberlin, Troy University
- Nick Cooper, George Mason University
- Fernando D'Andrea, Oklahoma State
- Kristoffer Hansen, University of Angers
- Marcel Gautreau, George Mason University
- Matt Dale, MIT
- Jeff Degner, University of Angers
- Levi Edwards, University of California, Irvine
- David Hoffa, Michigan State University College of Law
- Karras Lambert, George Mason University
- Don Lim, Texas Tech University
- Vitor Melo, Clemson University
- Gor Mkrtchian, Texas Tech University
- Chris Rosenberger, CEVRO Institute

The Voluntaryist Collection

Mr. Carl Watner, an American author, long-time libertarian, and proponent of a voluntary society based on private property, donated over 175 titles from his personal library to our Ward and Massey Libraries. The collection is dedicated to the literature of the voluntaryists, past and present.

A highlight of this donation is the rare first edition of *The Collected Works of Lysander Spooner* (six volumes). To make it more special, Rothbard signed volume I, along with George Smith, Leonard Liggio, Joe Peden, Mike Coughlin, Charles Shively (editor of the series), Daniel Siegel, Wendy McElroy, Chuck Hamilton, John Mueller, and Bob LeFevre.



Economics for Beginners

All around America today, we are seeing the damage done by entrusting the education of our children to the hands of the state. The revival of socialism has roots in the public school textbooks and instruction designed to celebrate the state, and it has been amplified by those educated in modern universities, where Marx is openly celebrated.

The Mises Institute is well known for the quality of our teaching programs for college and adult students. Because of this we have received requests over the years to develop something for the very young student who is just starting to think and make those all-important early connections. If you start with the unfiltered basics from the beginning, you don't have to unlearn concepts later on.

Economics for Beginners is a series of videos designed to show that economics is not a complicated subject that only people with college degrees can understand, but that economics affects everyone on a daily basis. These short animated videos cover basic and fundamental economics concepts—What is money?, What is cost?, What is economics?—highlighting how economic decisions are a part of our day-to-day life. Perfect for someone looking for a simplified introduction to basic economics or parents looking to supplement their child's economic education, the series includes discussion questions and additional readings that will ensure that these young viewers are not fooled by myths, lies, and distortions and that they are not fooled by the road to serfdom.

Special thanks to Hazlitt Society Member James Klutz for supporting this project.

You can find
Economics for Beginners at
mises.org/begin.



MISES UNIVERSITY 2020

A One-of-a-Kind Experience

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Per Bylund
Thomas DiLorenzo
Jeffrey Herbener
Peter Klein
Judge Andrew P. Napolitano
Jonathan Newman
Patrick Newman
Shawn Ritenour
Joseph Salerno
Timothy Terrell
Mark Thornton
Thomas E. Woods, Jr.

Students from all over the country joined Mises Institute faculty and staff in Auburn, Alabama, for a week dedicated to unmasking the state.

This year's schedule featured instruction on core Austrian topics, including money, banking, entrepreneurship, capital theory, and the history of the Austrian school. Along with a full week of courses, Mises U featured special sessions including Judge Napolitano's on "taking natural rights seriously" and his private classes on "The Constitution, Personal Liberty, and the Free Market," special Zoom sessions with Walter Block and Steve Berger, Tom Woods on "the fact-free lockdown hysteria," and Jeff Deist on the important topic of "mobs vs. markets."

Since safety precautions required a smaller student body than in other years, Mises U had a large online following, with hundreds of live viewers joining us at home throughout the week.

Thank you to our generous donors, who make the Best Week of the Year possible.

"It struck me that all of you had to come to Auburn, Alabama, to find civilization. We couldn't hold something like this in New York City right now."

JEFF DEIST

"This week has been one of the most influential weeks of my life."

JORDAN FANELLI
WEST VIRGINIA UNIVERSITY
COLLEGE OF LAW



MÜNDLICHE PRÜFUNG FINALISTS

At the end of the week, students participated in an optional oral examination.

Porter Burkett

Kenneth Garschina Second Place

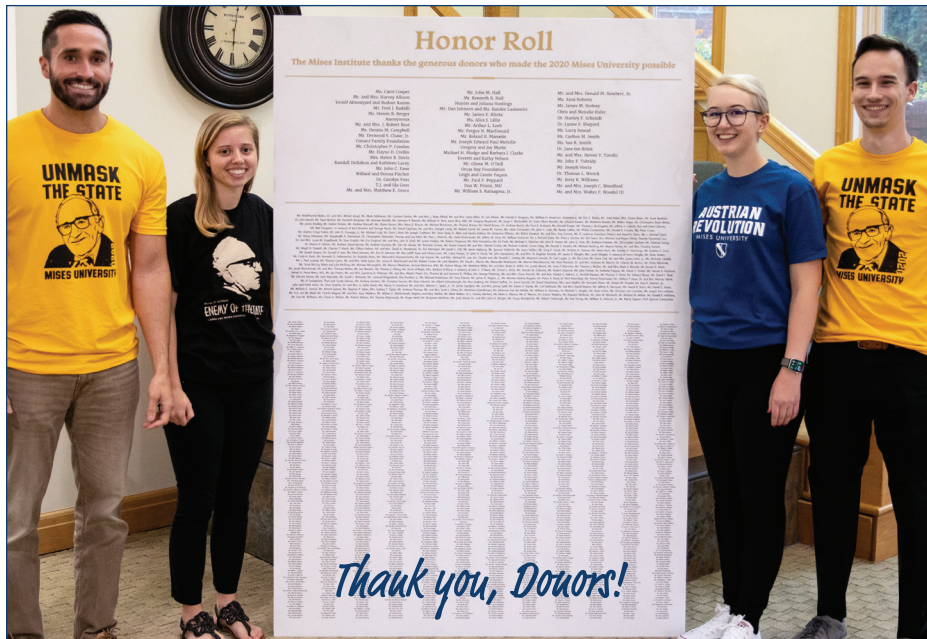
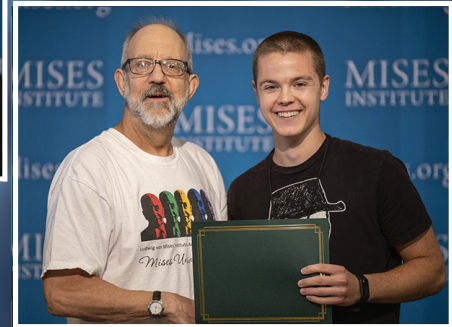


David Hoffa

Douglas E. French First Place

Benjamin Bies

Kenneth Garschina Third Place



HUNT SIBLINGS

A family affair.



SPEELMAN SIBLINGS



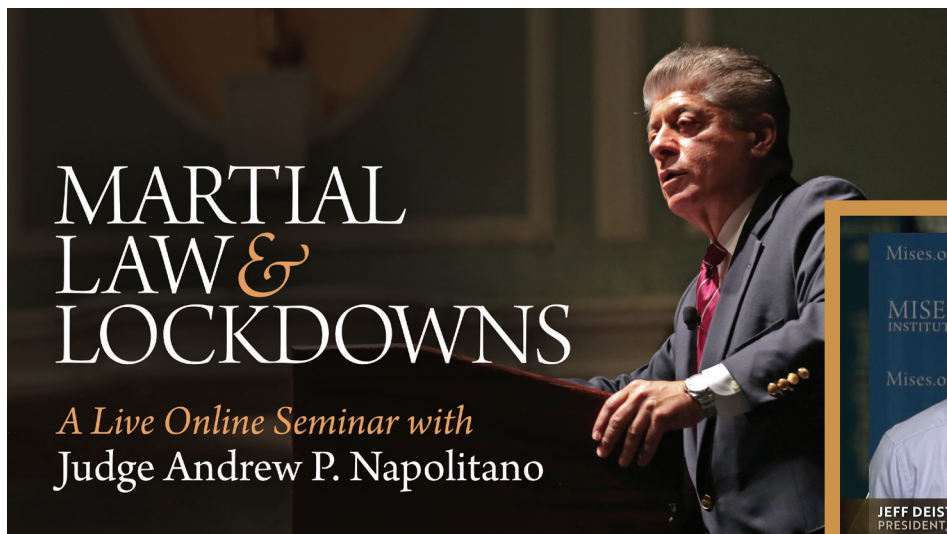
Students leave MU with tons of free books, thanks to the generosity of our online donors.

“I am beyond grateful for the opportunity. This was my first time at Mises U, and it has been a mind-blowing experience.”

PORTER BURKETT
UNIVERSITY OF SOUTH CAROLINA



Tom Woods having fun with the audience as he talks about “the fact-free lockdown hysteria.”



If you missed the live event, you can watch it on our YouTube channel or at mises.org/martiallaw.



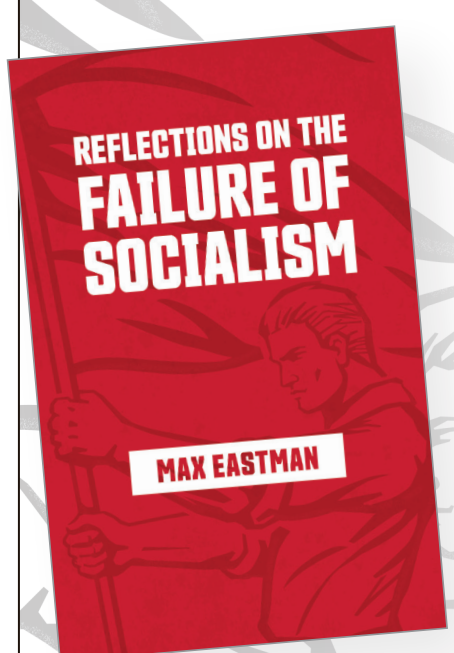
On June 5, Jeff Deist continued his Online Seminar Series with a legal discussion with special guest Judge Andrew P. Napolitano about the government response to COVID-19 and the recent protests and riots we've seen in cities across the United States.

The discussion looked at the hypocrisy of government leaders, who shamed business owners for wanting to salvage themselves from government-imposed financial ruin while celebrating the mass demonstrations of Antifa and other activists. While politicians joke about their ignorance of the Bill of Rights, the double standards fuel social unrest across the country. As

Judge Napolitano noted, "We have a mess. We have anarchy and tyranny at the same time."

Other topics discussed were: Are qualified immunity protections keeping dangerous cops and politicians from accountability? Will business owners be able to sue state or local governments for violating their rights? What does due process mean during a crisis? And what roles do the Ninth and Tenth Amendments play—or should they play—in how various states deal with these crises? Is federalism poised for a resurgence?

We plan to host more online seminars in the future, so check mises.org/events for dates.



Reflections on the Failure of Socialism

During the time from the Bolshevik Revolution through the early 1950s, Max Eastman was one of the most famous political writers in America, known also for such literary works as *The Enjoyment of Laughter*. He began as a radical and, surprising though it may seem to us today, first looked upon Lenin with favor. How was this possible? He was, and remained throughout his life, a devotee of the scientific method, and he saw Lenin as engaged in a great social experiment. After a long struggle, he saw the error of his ways. Lenin was a dogmatist guilty of great crimes, and socialism was a recipe for disaster.

Eastman devoted many years to combating the system he had once foolishly favored, and *Reflections on the Failure of Socialism* is the record of his insightful assault on socialism and his defense of the free market.

Owing to the author's unique background and interests, the book has insights you will not find elsewhere, and even readers who have studied the works of Mises, Rothbard, and the other great Austrian economists will gain much from it. Randall Dollahon and Kathleen Lacey deserve our thanks for their donation, which made possible the reissue of Max Eastman's book.

Available at the Mises Bookstore and on Amazon.

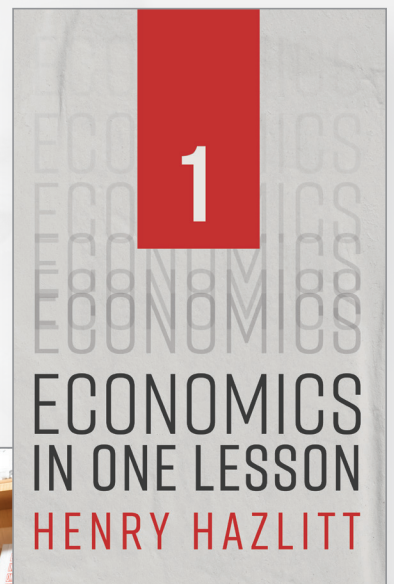
Economics in One Lesson

Sign Up to Get Free Copies of Our New Edition!

Thank you to all the Mises Institute donors from around the world who contributed to our new edition of *Economics in One Lesson*. Equipped with a new introduction by Jeff Deist, this republishing of Henry Hazlitt's timeless defense of free markets and property rights is arriving at a time when the consequences of America's disastrous government education system are on full display around the country. From the rise of proud socialist politicians to riots in the streets, we are witnessing the consequences of a civilization whose children reject the foundations of private property.

Solutions for this epidemic will not be found in the circus of partisan politics. As Mises understood, the only way to change the intellectual tides of the people is to replace bad ideas with good ones. Education is more important now than ever before. Luckily, this is happening at a time when cracks are beginning to emerge in the government's stranglehold on our education system, with more and more parents looking to opt out. We must take advantage of the opportunity before us.

This book should be read by everyone, and thus we are making it available for free. We need your assistance in ensuring that the book is distributed as widely as possible into the hands of people who need it. If you are involved in a civic club, homeschooling network, student group, church network, discussion group, are a business owner, or have a few friends or family members who need to learn real economics, sign up to get free copies of *Economics in One Lesson* delivered to you. In the words of Ludwig von Mises, "We must fight all that we dislike in public life. We must substitute better ideas for wrong ideas."



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