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"He who has ears to hear, let him hear." – Matthew 11:15

First, we apologize for the erratic production schedule. Because important events in the financial sector were occurring so rapidly, rather than trying to release two issues in rapid succession, we decided it would be more efficient to do a double issue for August/September.

The total content is the same—this double issue has four original articles and two new interviews—but it has less "overhead" on our side, and allowed us to put it out more quickly. For those who didn't already listen to it, we draw your attention to a recent podcast episode—available at www.Lara-Murphy.com/74 —where we explain part of what bogged us down over the summer.

In any event, our current environment shows the importance of sound economics. As this issue goes to publication, CNBC has a story explaining that "the hard data says the U.S. economy is just fine." In other words, looking at "hard" numbers like GDP growth and the unemployment rate, everything seems to be fine. It's only "soft" numbers relating to the stock market or surveys of business confidence that indicate potential trouble ahead.

This dichotomy underscores the Austrian critique of Keynesian planning. Just about everybody recognizes there are growing problems in the financial markets—that's why the Fed is engaging in emergency operations to soothe the repo market, for example. Yet the conventional Keynesian models that ostensibly guide monetary policy are far too crude to handle the subtleties involved. Simply put, the economists running the Fed are better than their models. Even so, their task is an impossible one: No one should be in control of money and banking.

As always, we thank you for your support and encourage you to share the *Lara-Murphy Report* (and our podcast) with your colleagues, friends, and family members who may have receptive eyes and ears.

Sincerely,
Carlos and Bob

PULSE ON THE MARKET

New Fed Tool?

According to a September 5 article in *The Wall Street Journal* by Lalita Clozel:

"The Federal Reserve is weighing whether to activate a dormant tool to combat credit crunches in a downturn as part of a broader overhaul of big-bank-capital and stress-testing requirements. Fed Vice Chairman for Supervision Randal Quarles…proposed integrating the tool, the countercyclical capital buffer, into pending revisions of the annual stress tests faced by the nation's largest banks."

For a comprehensive description of this tool, see the Bank of International Settlements (BIS) treatment here: https://www.bis.org/bcbs/ccyb/. The basic idea is that instead of insisting on a single level of a capital buffer, regardless of the economy, the government will adjust the capital requirements according to macroeconomic conditions. Specifically, the government will insist on a bigger capital buffer in a period of rapid credit growth, while it will relax capital requirements during a downturn.

The rationale for the more nuanced regulation is that a standard layer of capital requirements—which stays the same, regardless of credit growth—won't do anything to nip a credit boom in the bud. On the other hand, during a credit crunch, the extra capital requirements might perversely exacerbate the liquidity crisis, as we are seeing right now with the Fed's interventions into repo markets.

This whole affair illustrates Mises' diagnosis of the flaws of interventionism: Once the government jumps in to "fix" one aspect of the market economy, it causes problems that then require *further* "fixes." In this case, the only reason the credit cycle is so disastrous is that the Fed *fuels* it. To hope the Fed can intervene to stop a credit boom and/or to assist during a credit crunch is like hoping arsonists can help a city's fire problem.

Dudley Asserting Independence

Former president of the New York branch of the Federal Reserve, Bill Dudley, made waves with an August 27 article in Bloomberg in which he urged his colleagues currently setting central bank policy to hold firm against The Donald. Dudley wrote: *"Central bank officials face a choice: enable the Trump administration to continue down a disastrous path of trade war escalation, or send a clear signal that if the administration does so, the president, not the Fed, will bear the risks — including the risk of losing the next election."*

But what was *really* provocative was when Dudley seemed to call for the Fed to actively try to make Trump lose:

"After all, Trump's reelection arguably presents a threat to the U.S. and global economy, to the Fed's independence and its ability to achieve its employment and inflation objectives…If the goal of monetary policy is to achieve the best long-term economic outcome, then Fed officials should consider how their decisions will affect the political outcome in 2020."

As we've discussed in these pages before, the idea that the Fed is "independent" from the federal government is a convenient fiction, which lulls the public into believing that monetary policy is in the hands of objective technocrats who only care about GDP growth and unemployment. In reality, the President of the United States nominates the chair of the Fed, and the Fed plays a large role in monetizing Treasury debt.

But as with so much else during his administration, Donald Trump is such a rogue figure that he's forcing the media, CIA, FBI, and now even former Fed officials to show how the game really works.

Trump's Boycott Bluster

Although we often focus on the hypocrisy of those who start wars and yet clutch their pearls over Trump's latest tweet, sometimes he really does fire off something so off-the-wall that it's worth noting. Specifically, on August 23 Trump tweeted out: *"Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing your companies HOME and making your products in the USA."*

As critics were quick to point out, there is no Constitutional authority for the president to issue such an order. (To be sure, most of Trump's critics don't let the Constitution stop *them* when it comes to all of the government programs that they advocate.)

Even so, we thought it's important to warn our conservative readers: Trump is definitely performing a useful and entertaining role of infuriating the liberals, but his protectionist mindset is economically flawed and will only invite further government interference with business decisions.

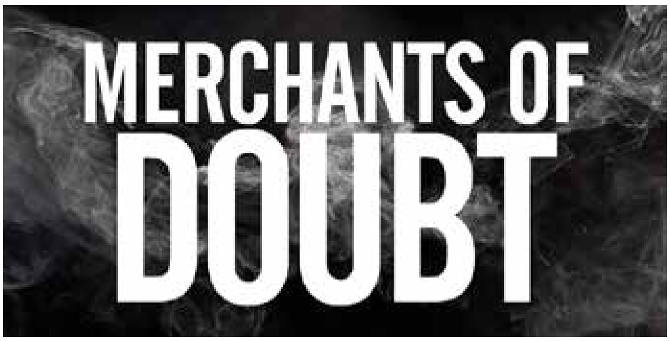
CLIMATE HYSTERIA: FACT VS FICTION

by Robert P. Murphy

One of the big stories this month was "Climate Week" (September 24-30), and in particular the passionate testimony of sixteen-year-old Greta Thunberg before the UN, in which she famously exclaimed, "How dare you!" to the adults who were allegedly ruining her future. Another related item was the tragic death in late August of economist Martin Weitzman, which shone a spotlight on his technical work showing the limitations of conventional models in handling catastrophic risk scenarios.

The corporate media, of course, handled all of these events in the usual way: They (apparently) underscored that the "settled science" showed the obvious need for immediate and aggressive action to halt catastrophic climate change. Why, only a "denier"—probably in the pay of Big Oil—could possibly doubt the "consensus" of the peer-reviewed literature. According to the standard narrative, those scientists, economists, and political officials who doubt the need for a Green New Deal, a carbon tax, and other radical measures are just like the "merchants of doubt" who tried to confuse the public about the health dangers of smoking.

And yet, ironically, this narrative has things backwards. It is the climate alarmists who are denying obvious empirical realities. Even at a theoretical level, the work of Weitzman and his focus on the "fat tails" of the probability distribution of climate disasters has totally moved the goalposts. The alarmists are now the ones to focus on the "uncertainties" in our modeling, and to justify their proposals on the basis of what we *don't* know.



Another popular tactic is to dub skeptical scientists and other academics as "merchants of doubt," and liken them to the medical professionals on the payroll of tobacco companies who expressed agnosticism about whether smoking caused lung cancer.

Demonizing the Climate Skeptics

For decades, the climate activist community has denigrated "climate skeptics"—in other words, those who reject the orthodox calls for aggressive government intervention in the name of fighting climate change—with terms like "denier," with all of its Holocaust connotations. Another popular tactic is to dub skeptical scientists and other academics as "merchants of doubt," and liken them to the medical professionals on the payroll of tobacco companies who expressed agnosticism about whether smoking caused lung cancer. There was even a 2010 book on the topic,[1] but the analogy between Big Oil and Big Tobacco was making the rounds much

earlier.

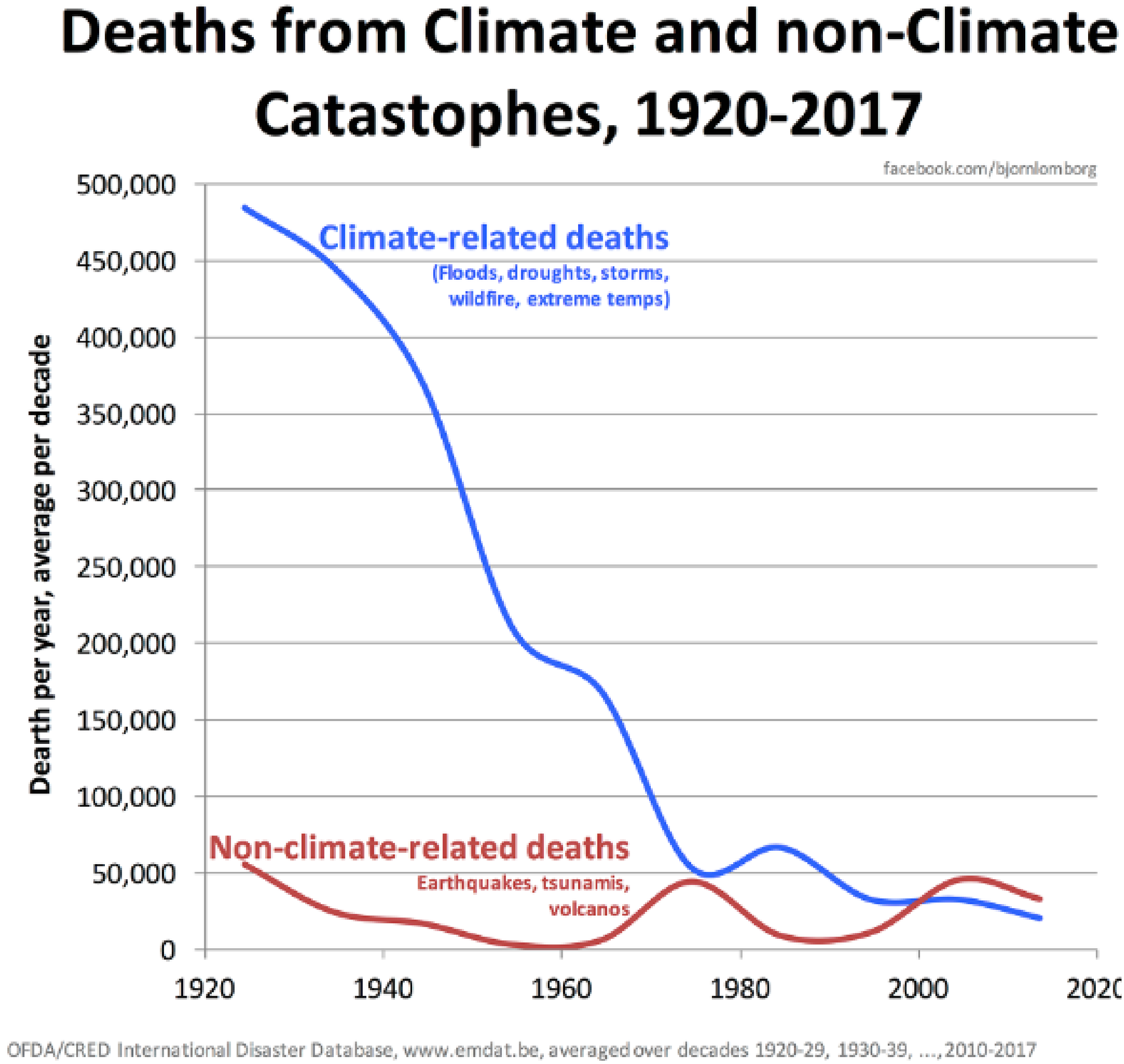
You may also have heard factoids concerning a consensus. For example, here's a statement from NASA: *"Multiple studies published in peer-reviewed scientific journals show that 97 percent or more of actively publishing climate scientists agree: Climate-warming trends over the past century are extremely likely due to human activities. In addition, most of the leading scientific organizations worldwide have issued public statements endorsing this position."*[2]

It is in this context that climate activists make outrageous claims of political power, justifying them with the most absurd warnings. For example, Elizabeth Warren recently claimed that climate change was an "existential crisis" that "threatened all life on the planet."[3] There are serious campaigns among young people to not have children, because Earth allegedly can't support a larger population. And recently I've seen activists on Twitter declaring that we need to abolish capitalism in order to save humanity.

Fortunately, defenders of the market economy don't need to choose between their principles and the planet. The climate activists are bluffing; the evidence does *not* support their ludicrous claims. Moreover, even the technical work of one of their intellectual heroes, namely Martin Weitzman, is not nearly as compelling as it first appears. In the rest of this article, I'll try to set the record straight.

It's Getting So Much Better All the Time

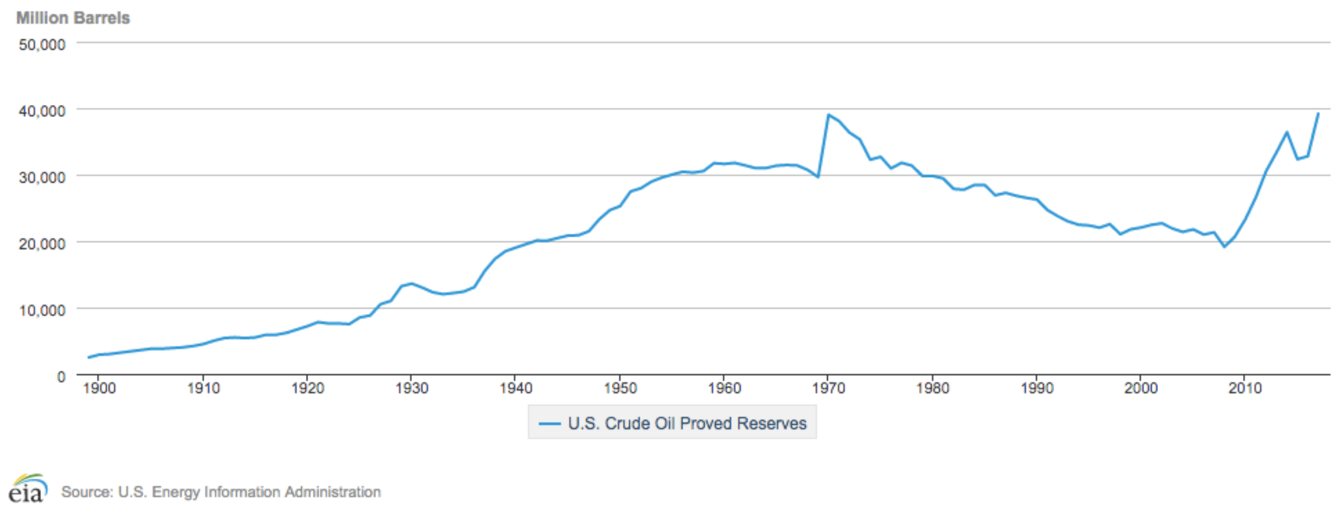
To push back against the climate hysteria, consider a chart from Bjørn Lomberg that shows climate-related deaths from 1920-2017:[4]



Regardless of whatever may be happening with the intensity of hurricanes, forest fires, etc.—and even on a purely natural dimension, the claims of catastrophe are exaggerated—Lomborg's chart makes it crystal clear that humans' ability to *cope* with climate-related problems has improved tremendously.

Next, in order to push back against concerns of a "finite planet," consider this chart from the Energy Information Administration (EIA):

U.S. CRUDE OIL PROVED RESERVES[5]



As the chart shows, U.S. "proved reserves" of crude are at an all-time high at some 39.2 billion barrels (as of 2017), up from 13.6 billion barrels in 1930. The increase in crude reserves has occurred despite the fact that the U.S. has *produced* an enormous amount of crude oil over this period.

Indeed, as a separate EIA chart shows,[6] since 1950 U.S. crude production has rarely fallen below 5 million barrels *per day*, and it's currently (as of June 2019) at a record high of some 12.1 million barrels per day.

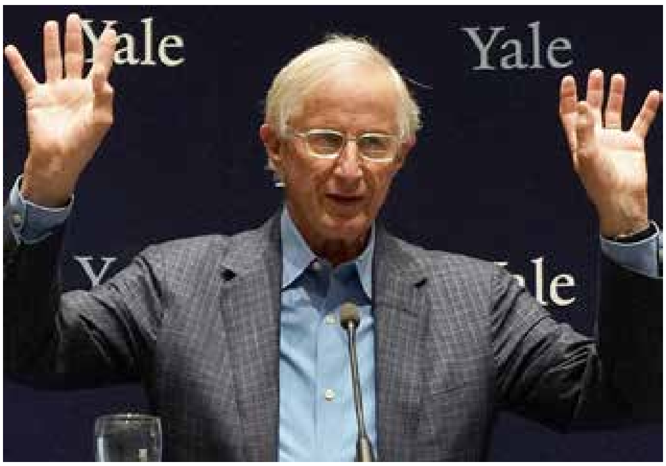
Now how can this be possible? How can the U.S., for example, have *more* "proved reserves" of oil now, than it did in (say) 1950? The answer is that it doesn't make sense for humans to go out and find every last drop of oil (or lump of coal) housed in planet Earth. At any given time, it's only sensible to have located the precise deposits of a healthy margin of such depletable resources, which is only a small fraction of the physical stockpile.

The analogy I like to use is a kid looking in the pantry and seeing there is just one roll of toiler paper left. He exclaims to his parents, "At the rate we're going, we'll be totally out of TP by Thursday! We need to drastically alter our lifestyle!" But of course, the solution is that his parents will run to the store and restock the pantry. Likewise, there were warnings that the world only had "thirty years left of oil" back in 1980. Yet far from running out, the world currently has "fifty years of oil" in terms of proved reserves and the 2018 rate of consumption.[7]

The Alarmist Warnings Are Dubious, Even in Theory

Now to be fair, someone who is very concerned about catastrophic climate change could argue, "Sure Murphy, *so far* things have been fine, at least at a macro level, but they are going to start falling apart very soon. Why, all of the computer models show…"

But nope, that's not accurate, if the alarmist is trying to argue that catastrophe is imminent. I've discussed the case of William Nordhaus before in these pages, so I'll be relatively brief: He won the Nobel (Memorial) Prize in 2018 for his pioneering work on the economics of climate change. Now it's true, Nordhaus is no libertarian; he wants the governments of the world to enact a carbon tax. But the crucial point is that Nordhaus thinks the "optimal" carbon tax would still allow for cumulative global warming of 3.5 degrees Celsius. That blows the doors off the now-fashionable target—touted by the UN and climate activists—of limiting warming to a mere 1.5 degrees.[8]



The crucial point is that Nordhaus thinks the "optimal" carbon tax would still allow for cumulative global warming of 3.5 degrees Celsius.

For another example of the mismatch between standard economic models and the fashionable climate targets, consider this: Rachel Warren is a lead chapter author in the UN's 2018 Special Report outlining various strategies governments could use to try to limit warming to 1.5 degrees, and yet in 2018 she co-authored a paper that announced in its Abstract: *"The economic case for limiting warming to 1.5°C is unclear, due to manifold uncertainties. However, it cannot be ruled out that the 1.5°C target passes a cost-benefit test."*[9] That is an absolutely shocking statement, given that one of the authors was instrumental in the UN's Special Report. Far from this all being "settled science," we see the authors admitting that hey, for all we know, this policy *might* make sense!

Finally, let's turn to the recently (and tragically) deceased Martin Weitzman, who was a hero among those pushing for aggressive government intervention, and who thought, for example, that William Nordhaus was far too moderate. To be sure, Weitzman was a very smart economist. He developed sophisticated technical arguments ostensibly showing the limits of standard cost-benefit analysis in the context of climate change. Here is a relatively accessible summary Weitzman gave to his approach in the introduction to one of his papers:

> I believe that the most striking feature of the economics of climate change is that its extreme downside is nonnegligible. **Deep structural uncertainty about the unknown unknowns of what might go very wrong** is coupled with essentially

> unlimited downside liability on possible planetary damages. This is a recipe for producing what are called "fat tails" in the extremes of critical probability distributions.... **It is difficult to judge how fat the tail of catastrophic climate change might be because it represents events that are very far outside the realm of ordinary experience.** [Weitzman, bold added.][10]

To make sure the reader understands Weitzman's argument, we have to first quickly review how economists typically handle risky outcomes. For example, if a person is going to roll a die and pay a dollar times the number rolled, what can we say about the danger involved? Well, there's a one-sixth change of losing $1, a one-sixth change of losing $2, and so on. The mathematically "expected" loss is $3.50, which is the sum of each possible outcome weighted by its probability of occurring.

In the context of climate change, all of the economists who have published on the issue estimate that as global warming increases, *eventually* it starts causing harm to human welfare and at some point it starts causing a *lot* of harm. (The models disagree significantly, however, on the details, such as how much global GDP, say, will be reduced if there is 5 degrees of warming by 2100.)

Now unlike our die roll, with climate change there aren't just a few, discrete outcomes. Instead, there is a whole spectrum of possible damage intensities, and as we turn up the dial to make them more catastrophic, the models show that these horrible outcomes become less and less likely. But what Weitzman is arguing is that—for all we know—it might be the case that the increase in damages occurs faster than the shrinking of the probability.

For example, suppose there's a one-in-a-thousand chance of the world suffering $1 trillion in climate damage, but a one-in-ten-thousand chance of suffering $20 trillion in climate damage. The first possibility translates into $1 billion in "expected" damage, while the second translates into an additional $2 billion in "expected" damage. If this pattern holds, then the total "expected" damage from climate change is infinite, meaning that standard cost-benefit policy analysis breaks down.

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Even at a technical level, there are problems with Weitzman's demonstration. As Nordhaus himself pointed out in a 2009 rebuttal,[11] Weitzman's mathematical choices would end up proving that humanity should pay ludicrous amounts of money to eliminate a catastrophic threat, no matter how unlikely the danger. For example, if there were a one-in-a-trillion chance of a big asteroid hitting the earth in the year 2200 and wiping out all life, then—using Weitzman's approach—it would be a good idea for humanity right now to spend 99% of world GDP on a missile defense system, if that would eliminate the threat. So most of humanity would starve today, just to eliminate a one-in-a-trillion chance of extinction in the year 2200. Nordhaus thinks that this is nutty, and shows something is wrong with Weitzman's approach.

For my purposes in this article, I want to focus on the parts of Weitzman's quotation that I put in bold. Remember, the "merchants of doubt" are supposed to be the climate change *deniers*. And yet we see that it's now Weitzman who has to focus on the "deep structural uncertainty about the unknown unknowns."

Conclusion

Don't believe the climate hysteria. The peer-reviewed literature, include the work of Nobel laureate William Nordhaus, does *not* support anything close to the aggressive interventions being discussed matter-of-factly among environmental activists (and Democratic politicians, for that matter). Those counseling moderation have history and theory on their side, while it's the activists who are implicitly demanding that we prove a catastrophe won't happen.

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6. Chart of U.S. crude oil production available at: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mcrfpus2&f=m.
7. See: https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy/oil.html.
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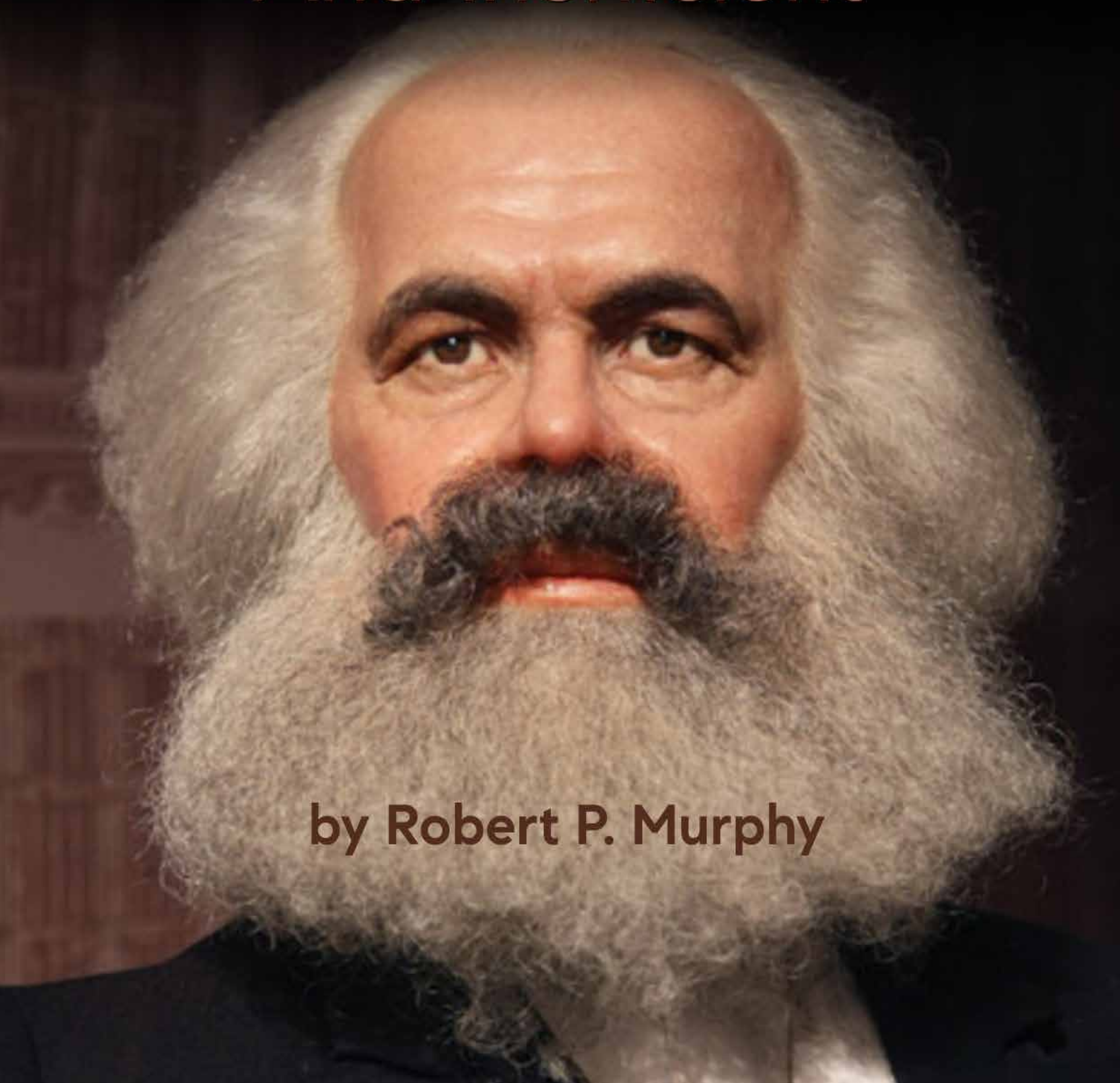
Slavery Was Immoral *And* Inefficient



by Robert P. Murphy

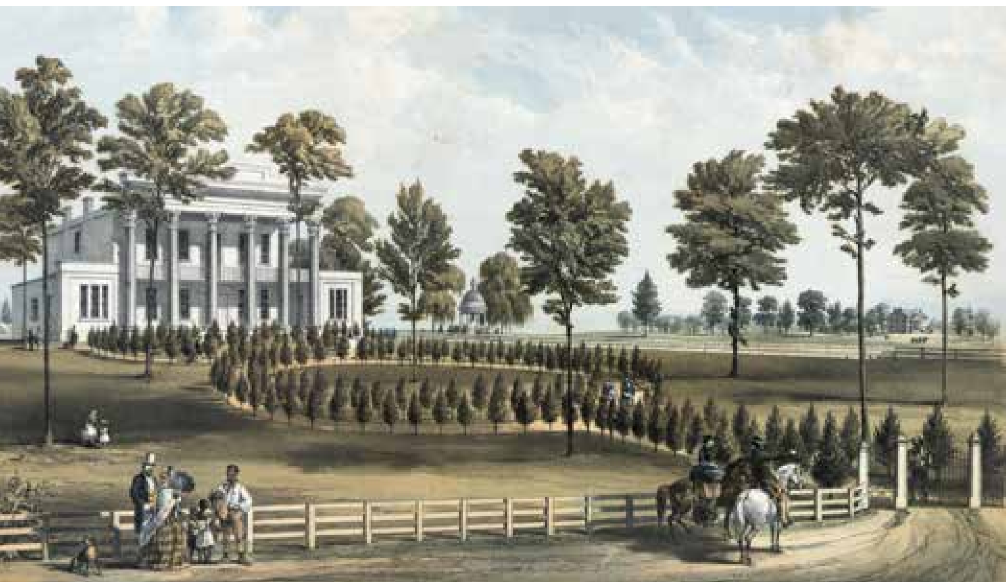
Up through the 1920s, socialists used to claim that their economic system would out-produce capitalism. Instead of organizing society for the benefit of a small group of exploiters—namely, the owners of capital—economic activity would be directed to helping all of society. This is why, after all, the terms "capitalism" and "socialism" were coined.

But once socialism left the realm of theory and was put into practice in the 20th century, it became harder for socialists to claim that there would be more *stuff* under their system. Instead they began focusing their rhetoric on the inequality under capitalism, or the fact that consumers in capitalism were hoodwinked by advertisers into chasing happiness through material means. In other words, capitalism was now accused of producing *too much* stuff, and of not distributing its admittedly greater wealth more fairly among the population.

Related to this new angle of attack is the claim that capitalism—at least as it developed in the United States—is inextricably linked to the legacy of slavery. For example, this year marked the 400th anniversary of the first African slaves being brought to the colony of Virginia. The New York Times launched "the 1619 Project"[1] to commemorate the occasion. One of the lead essays claims that "in order to understand the brutality of American capitalism, you have to start on the plantation."[2]

This works out nicely rhetorically: According to a Marxist worldview, just as some workers were held in literal bondage on Southern plantations in the early U.S., so too are all workers held in economic bondage as "wage slaves," beholden to their employer-masters. Furthermore, no matter how much better the average American lives than, say, the average Venezuelan, the socialist can still say, "Yes, but your prosperity was built on the backs of slaves."

Convenient though this narrative may be



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Ironically today's socialist academics are teaching the world: *"If you enslave a minority of the people in your society, it will make the majority rich."* Not only is that message wrong, it's horribly dangerous.

for today's socialists, it is utterly wrong. Capitalism has nothing to do with slavery, neither in theory nor in practice. Slavery cannot last in an (otherwise) free market, and historically there were various government interventions *propping up* slavery in the United States. Indeed, the U.S. and Haiti are the only examples of major violence being used to eliminate slavery; it was ended peacefully everywhere else.

It is important to correct this popular denigration of capitalism that links it to slavery. Besides clarifying how markets work, the defense of capitalism here is necessary to remove the temptations for bondage in the future. Ironically today's socialist academics are teaching the world: *"If you enslave a minority of the people in your society, it will make the majority rich."* Not only is that message wrong, it's horribly dangerous.

Clarifying My Goal In This Article

I want to be clear with the reader that I'm not "cheating" by engaging in a mere definitional game. In other words, it would be easy enough for me to say, "When I talk about 'capitalism' or 'the free market,' it means a social system in which private property rights are respected. So if the government legally enforces slavery, then that's obviously not capitalism the way I use the term."

Although there would be nothing wrong with such an argument, it's too easy. And also, it would be unhelpful in a debate with socialists, because they are claiming that I am naïve for thinking capitalism as a system *doesn't* go hand-in-hand with slavery.

Let me put it this way: Suppose I argue that wherever it's been tried, communism (which isn't the same thing as socialism) leads to massive death. It would be cheating (in my book) if a communist college professor responded by saying, *"When I say 'communism' I mean a system where the powerful don't trample on the powerless, and so mass murder is obviously not communism the way I use the term."* See what I mean? It would be goofy to try to have a debate under those rules of engagement.

So, to be clear, that type of argument-from-definition is *not* what I'm doing in this article. Instead, what I'm going to argue is that if we started with a system of private property rights and very limited government—where the government just performed its role as a "nightwatchman" for example, through police, courts, and military defense—but for some reason among the list of legally recognized "property titles" was included human beings, that that system *would not last.*

I am claiming that if we had a capitalist system that somehow had a large number of legally-recognized slaves, that market forces would quickly rearrange the property titles until just about everybody owned his or her own body.

In other words, I am claiming that if we had a capitalist system that somehow had a large number of legally-recognized slaves, that market forces would quickly rearrange the property titles until just about everybody owned his or her own body. That is to say, in a market economy without other types of government intervention, slavery would quickly die.

Before making my case, let me note that Ludwig von Mises thought the same thing. As he argued in his treatise, *Human Action:*

> *The abolition of slavery and serfdom is to be attributed neither to the teachings of theologians and moralists nor to weakness or generosity on the part of the masters. There were among the teachers of religion and ethics as many eloquent defenders of bondage as opponents.* ***Servile labor disappeared because it could not stand the competition of free labor; its unprofitability sealed its doom in the market economy.***
>
> …
>
> *Now, at no time and at no place was it possible for enterprises employing servile labor to compete on the market with enterprises employing free labor. Servile labor could always be utilized only where it did not have to meet the competition of free labor. If one treats men like cattle, one cannot squeeze out of them more than cattle-like perfor-*

> *mances.…If one asks from an unfree laborer human performances, one must provide him with specifically human inducements.… Instead of punishing laziness and sloth, he must reward diligence, skill, and eagerness. But whatever he may try in this respect, he will never obtain from a bonded worker, i.e., a worker who does not reap the full market price of his contribution, a performance equal to that rendered by a freeman, i.e., a man hired on the unhampered labor market.… **In the production of articles of superior quality an enterprise employing the apparently cheap labor of unfree workers can never stand the competition of enterprises employing free labor.** It is this fact that has made all systems of compulsory labor disappear.* [Mises, Human Action, Scholar's Edition, pp. 625-626, bold added, footnotes removed.][3]

The confident and bold assertions in the quotation above remind us why Mises was such a hero to classical liberals: Yes, he was an amazing economist with a command of history, but Mises also used his knowledge of the market economy in order to write passionate odes to liberty.

Slavery Can't Last in an Otherwise Free Market

In the long quotation from Mises above, we already saw some of the inherent problems with slavery, from a purely pragmatic perspective. In other words, even putting aside the immorality of the practice, slavery just doesn't work very well. As a social system, people develop their skills and apply themselves more productively when they retain the fruits of their labor. Put it this way: If you can understand why a 100% tax on labor income would deaden incentives, then you can see why slavery is an inefficient institution.

The simple insight here is that, even if we started in a situation where some humans were the legal owners of the bodies of other humans—i.e., slavery—we wouldn't expect

If you can understand why a 100% tax on labor income would deaden incentives, then you can see why slavery is an inefficient institution.

that condition to last. At any moment, the most enterprising and talented slaves would have the ability and desire to *buy their freedom* from their owners.

Let me work through a very simplified numerical example to illustrate the idea. Suppose the owner of a plantation can hire a free worker to labor in his fields for $20,000 per year in wages. Or, he could use slave labor that is "free" except for the $5,000 a year that the plantation owner must spend on food, clothing, shelter, medical care, etc. for the slave. That means owning the slave entitles the master to a net income of $15,000 per year, *if we assume that the slave's labor is of comparable quality to the free worker's labor.*

Now if there's a market for slaves—which there would be, if we're in a laissez-faire world except for the glaring scourge of slavery—then the master could also reckon the market value of his slave. Let's suppose the slave will provide a flow of labor services for the next fifteen years,[4] and that the implicit net income is discounted at an annual rate of 10 percent. That means the present discounted value of the slave is about $114,000, which is what the slave would fetch at auction (if people had all relevant information, there were liquid credit markets, etc.).

If we assume frictionless credit markets, then the slave would be able to borrow $114,000 from a financial institution at 10%, and use it to buy his own freedom from his master. Then the slave could rent his labor services out, doing the same work as before, earning $20,000 annually in wages. If the slave maintained the same subsistence level as he did originally, it would cost him $5,000 to live. That would free up $15,000 a year that the slave could devote to paying down his loan. After the fifteenth year, the slave would make the final $15,000 payment and extinguish the loan. The whole thing would be a wash.

But now let's make it more realistic. It's cheaper to live *voluntarily* at a given standard of living than it is to live *as a prisoner* at that standard. In other words, for that same $5,000 a year the former slave could enjoy a higher standard of living, because he can (for example) rent an apartment where the landlord doesn't have to worry about the tenant running away at night, or put a lock on the refrigerator to keep the residents from stealing food.

Yet more important, *there are a whole range of new occupations open to the former slave,* where (for practical reasons) only free labor can get the job done. So if the former slave has the aptitude to learn new skills, he can eventually find a job that pays more than the $20,000 he could make, doing what he did as a slave. And so we would expect the former slave to (eventually) be able to earn enough at a new occupation in order to make his loan payment and enjoy a much higher standard of living.

This type of procedure would, at any given time, provide an incentive for the most industrious, clever, and/or enterprising slaves to offer their masters a higher price for their freedom, than the market value of their role

And say what you will about the market economy, but it does not abide gross inefficiencies in the allocation of productive assets—including labor services.

as a slave. Just as the market economy would not long tolerate a situation in which carpenters owned all of the scissors and hairdressers owned all of the hammers, so too would it be grossly inefficient for certain portions of the labor force to be in the possession of people (i.e. slave-masters) where they were relatively unproductive.

I recognize that this type of bean-counting analysis of slavery might offend some readers, but the point is important: Even if we set aside the immorality of slavery, it is a grossly inefficient system. And say what you will about the market economy, but it does not abide gross inefficiencies in the allocation of productive assets—including labor services.

Finally, once the reader understands that at any moment, the most productive slaves would be "peeled off" by buying their own freedom, then we see how slavery as a system would gradually unravel. With each reduction in the slave population, the remaining masters would have to reconfigure their demands. In other words, they couldn't expect the same amount of (per capita) output from the remaining slaves, as the most enterprising and industrious had left. Thus the numbers would change, in terms of the wages a given slave could earn as a freedman (or woman) and the market price of the slave, but the logic would remain.

Especially when we throw in the psychological benefit of "owning yourself," and consider how much people would pay just for that perk alone, then it should be clear that *in an unregulated free market* there would be a steady flow of workers out of the ranks of slavery and into freedom. In a capitalist system, if for some reason slavery existed, it would quickly wither away.

How Government In Practice Propped Up Slavery

My musings in the previous section may have seemed plausible, but then how do we explain the historical persistence of slavery? Surely I must have been mistaken when I argued that slavery would erode under capitalism, because it apparently took a bloody war to force that outcome in the United States.

The short answer is that there were several types of *government intervention* in the market economy that propped up slavery. In a forthcoming episode of my podcast—which will be available at www.BobMurphyShow.com/71—I interview economic historian Mark Thornton, who gave some examples that he and his co-authors explored in their published research.[5] Also, for an even deeper analysis of the economics of slavery--including a subtlety about leisure that the Mises quotation doesn't address--see my interview with Jeff Hummel, which will be available at: www.BobMurphyShow.com/81.

First and most obvious, there were government-sponsored slave patrols. Here, non-slave-owning whites were effectively conscripted by the government to go looking for runaway slaves. Naturally, in an otherwise pure market economy that allowed slavery, the masters would have to pay for their own patrols and retrieval of their lost "property." In historical practice, the government forced others to effective subsidize slavery and make it more profitable than it otherwise would have been.

Another intervention were laws regulating manumission, which directly restricted the ability of a master to grant freedom to his slave, either in exchange for money, noble service, or as an act of mercy on the master's deathbed. The rationale for the restrictions was that the Southern plantation owners (who were behind the laws) didn't want a large, free black population around, undermining the peculiar institution. (It also was cheaper to find runaway slaves if, by default, anyone with black skin was likely a slave.)

Similarly, at least some regions had laws restricting the education a master could provide to his slaves. Say what you will about this arrangement, but if the government tells an owner what he can and can't do with his "property," then that's not capitalism. So if my armchair logic in the prior section seemed fanciful, part of the reason is that the government often forbade just that type

There were several types of *government intervention* in the market economy that propped up slavery.

At least some regions had laws restricting the education a master could provide to his slaves.

of arrangement. After all, if a master recognized that a particular slave had a very keen mind, it would make economic sense for the master to allow the slave to receive special training in order to become more skilled and valuable. Yet this process was stymied by government regulations.

Conclusion

The socialist attempt to indict capitalism with the legacy of slavery fails both theoretically and historically. Besides being immoral, slavery is inefficient as a method of organizing labor resources, and hence it is doomed in a market economy. In practice, it took extensive government intervention to prop up slavery as an institution. Finally, if we look to the record of actual socialist countries, we see that they were often large-scale slave camps, flourishing in the 20th century rather than the 19th.

The best way to eliminate the scourge of slavery is to teach everyone that it is an inefficient system that makes society poorer. Had government not propped up slavery in the United States, the institution would have gradually eroded on its own, making not only black people but even most whites much richer than they were under slavery.

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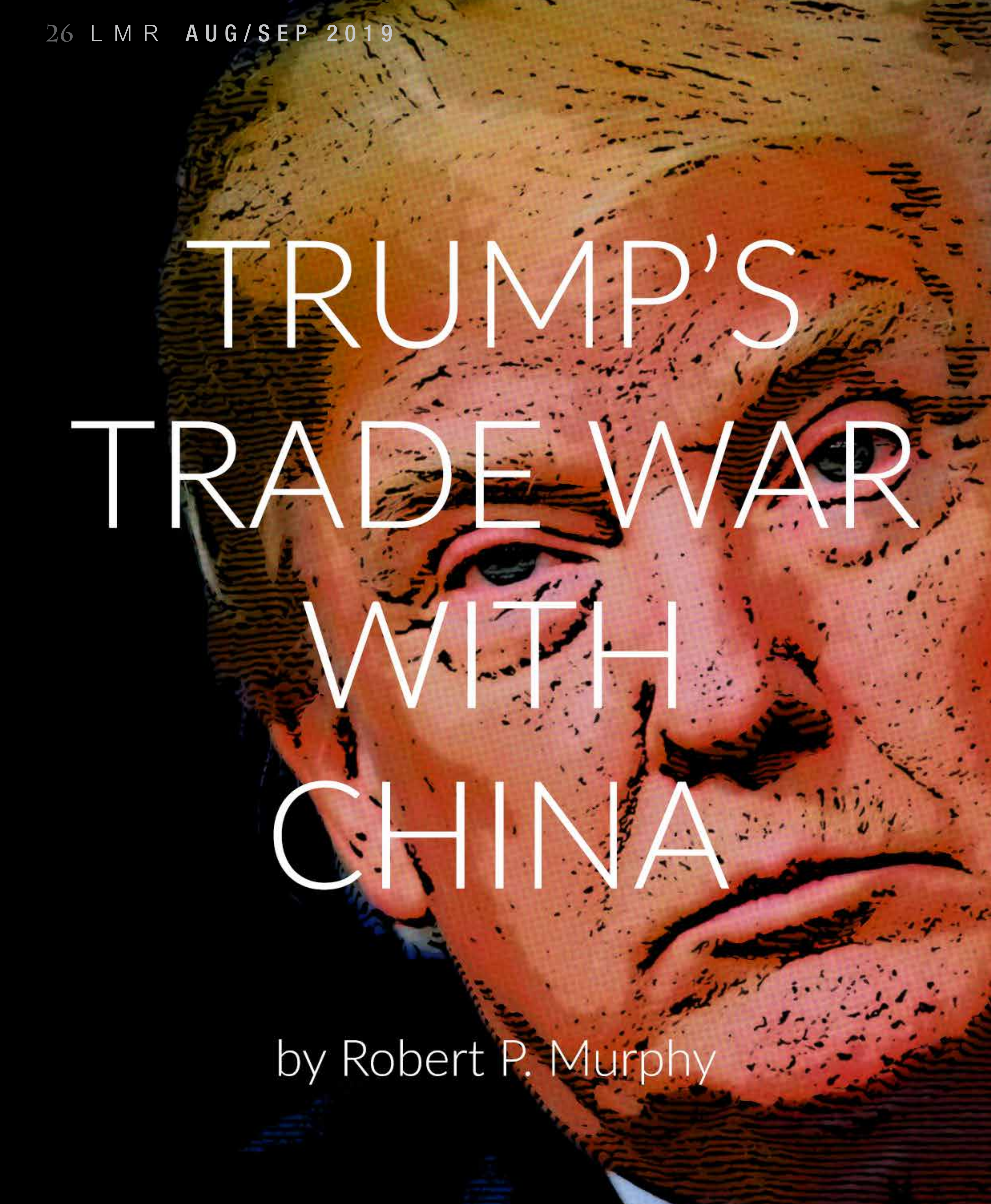


TRUMP'S TRADE WAR WITH CHINA

by Robert P. Murphy

With every twist in Trump's low-level trade war with China, the stock market responds, and of this writing, there is a definite problem in American manufacturing and agriculture. Rather than give a play-by-play of the events—which would be obsolete soon after publication—I will focus on a few key issues, to help readers understand some of the principles involved.

My bottom line is that, other things equal, tariffs and other restrictions on foreign imports make America poorer, as a whole. There *could* be a case for hiking tariffs and reducing income taxes, as a way of making the U.S. tax code less distortionary, but that isn't how Trump or his lieutenants are describing the moves against China. Finally, two of the key complaints against China—that it is artificially undervaluing its currency and that it is stealing U.S. intellectual property—have serious weaknesses. Specifically, if China stops "undervaluing its currency," it will have to stop lending money to Uncle Sam, which will drive up U.S. interest rates. And the very notion of "intellectual property" is dubious—certainly nothing worth starting a trade war over.

American farmers have so far received $28 billion in aid from the federal government —remember when Republicans used to rail against "bailouts" under Obama?—and the Institute for Supply Management's manufacturing index in September showed the lowest reading since June 2009.

The Economic Fallout: Agriculture and Manufacturing

Long-time readers know that Carlos and I have been warning that the Fed's easy-money policies have blown up giant bubbles. So even if Trump *hadn't* been dabbling with tariffs and other import restrictions, I wouldn't be surprised if key sectors in the U.S. economy were showing signs of weakness. Even so, Trump's critics are probably correct that the rounds of on-again, off-again tariffs are causing woes for agriculture and manufacturing. Specifically, American farmers have so far received $28 billion in aid from the federal government[1]—remember when Republicans used to rail against "bailouts" under Obama?—and the Institute for Supply Management's manufacturing index in September showed the lowest reading since June 2009.[2]

It's easy enough to see how U.S. tariffs on foreign imports would hurt American farmers. First, we should establish that some 20 percent of U.S. agricultural output is exported. More than 75 percent of U.S. cotton is exported, for example, and more than 50 percent of rice and wheat production.

run, *a country pays for its imports by selling its exports.* And so if Trump's policies make it more difficult for the Chinese (say) to sell goods to Americans, then the Chinese will also find it more difficult to buy goods from Americans.

This principle is easy enough when it comes to internal, domestic trade. Imagine two companies that did a lot of mutual business. Suppose, for example, that in a typical year Company A (for America) bought $100 million worth of goods from Company C

If Trump's policies make it more difficult for the Chinese (say) to sell goods to Americans, then the Chinese will also find it more difficult to buy goods from Americans.

The crucial insight here is that *if the government makes it harder for foreigners to sell Americans imports,* then those same policies *make it harder for Americans to sell foreigners exports.* Those advocating "protectionist" policies think that if they discourage imports, they will simply reduce the trade deficit. But such reasoning assumes that exports will stay the same. Yet in general, that isn't the case.

There are complications to be sure, but it's useful to start with the idea that in the long

(for China), while Company C bought $60 million worth of goods from Company A.

Then the CEO of Company A was upset at the $40 million "deficit" in sales between the two companies. (Notice even here, how goofy this type of thinking would be. A mismatch in sales vis-à-vis one particular company says nothing about the financial strength of Company A. This is why protectionist thinking on international trade is so muddled.) So the CEO announces a new policy, whereby Company A will look for other vendors, and will reduce its purchases from Company C by $40 million.

Wouldn't that cause a huge blow, especially in the short run, to Company C? Would we expect them—even without explicit retaliation—to be able to purchase the usual $60 million worth of goods from Company A?

A similar outcome occurs with international trade between countries. But because they use different currencies, it's harder to follow the chain of causality. When Trump imposes higher tariffs on imports into the U.S., it makes imports less attractive. This reduces the (after-tax) American demand for imports, meaning that American buyers don't want to trade dollars for foreign currencies (such as the Chinese yuan) as much as they previously did. (Remember, at some point in the chain of transactions, if an American imports a Chinese-made good, then someone must be swapping USD for Chinese yuan, since the Chinese manufacturer gets paid in yuan.)

The reduced desire to sell USD and buy Chinese yuan makes the yuan fall in the currency markets against the dollar, or, what is the same thing, it makes the dollar stronger. But the stronger dollar makes U.S. exports appear more expensive to foreigners, and so they don't want to buy as many U.S. exports as before.

This is why Trump's moves to restrict foreign imports necessarily hurt U.S. exporters, including farmers. And to repeat, this mechanism occurs even *without* retaliatory tariffs levied by our trading partners. If foreign governments impose their own tit-for-tat tariffs, then the hit to U.S. exports is even bigger. (In the limit, if both sides levied tariffs that were punitive enough, they could completely cut off international trade and render both countries dependent on internal

This is why Trump's moves to restrict foreign imports necessarily hurt U.S. exporters, including farmers.

production.)

Why Would Manufacturing Be Hurt?

As I explained in the prior section, it's totally understandable why farmers would be hurting in the current economic environment. But why is manufacturing in such apparent trouble?

To repeat myself, I think a big factor is that the Federal Reserve had been tightening (before recently reversing course). As I've explained here in the pages of the ***LMR*** over the last few issues, the inversion of the yield curve is a classic unfolding of the typical boom-bust cycle, when a central bank first floods the market with cheap money and then begins sucking it out. So I personally would have expected a manufacturing slowdown, with or without a trade war.

However, an extra complication in all of this is that even manufacturers are reliant on imports for many of their key components. So even though, other things equal, you would expect U.S. manufacturers to benefit from a restriction on foreign imports—because now U.S. firms can sell their goods to American consumers with less competition—this benefit is muted to the extent that the manufacturers have difficulty getting some of their key components, which they originally had been importing cheaply.

Chinese "Currency Devaluation"

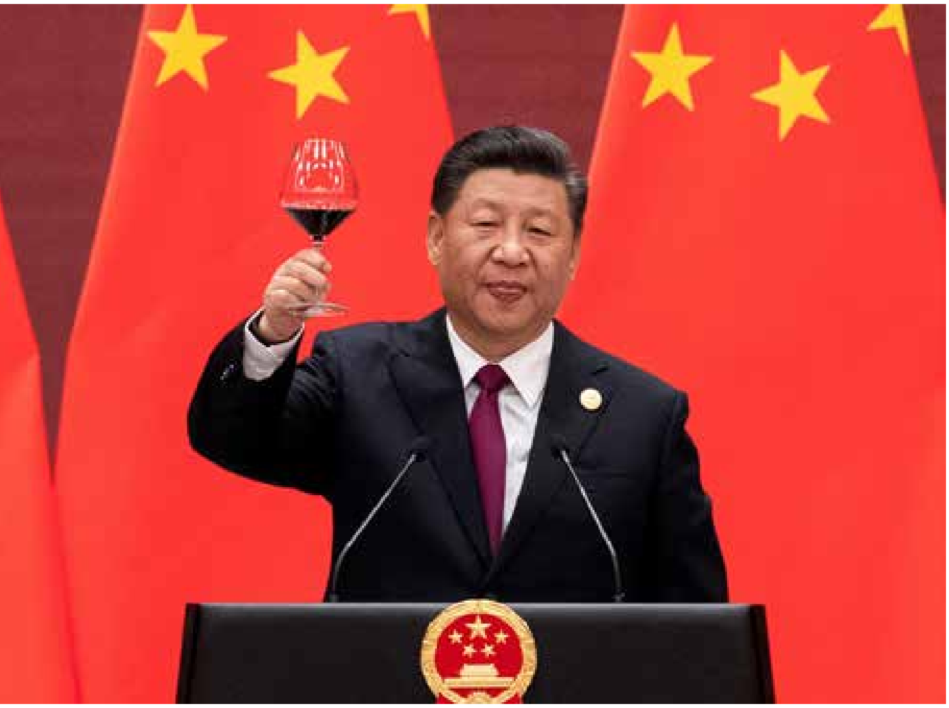
One of the recurring complaints about the Chinese government is that they are artificially devaluing their own currency, and thereby propping up the strength of the U.S. dollar, in order to boost Chinese exports.

To get some perspective, below is the yuan/USD exchange rate, going back to the mid-1980s.

As the chart shows, there was a big devaluation at the end of 1993. (Keep in mind that the chart shows how many Chinese yuan it takes to buy one USD, so the yuan is weaker—and the dollar is stronger—when the

blue line goes up.)

Then there was a long period of a virtually fixed yuan/USD exchange rate, and then, beginning in June 2005, the Chinese let the yuan gradually *strengthen* against the dollar (meaning the dollar weakens against the yuan), all the way up through early 2014. Since then, the exchange rate has bounced around, but the dollar is still weaker than it was against the yuan, a few months before the financial crisis in 2008.



If we are demanding that the Chinese stop doing this, then we are asking them to stop lending Uncle Sam more money to finance his budget deficits.

Now to be fair, looking at the absolute level of the exchange rate might not be the right way to gauge what the yuan/dollar exchange rate *ought* to be. For example, perhaps the massive rounds of QE following the 2008 crisis "should have" pushed the dollar down even faster than the flat line and then gradual weakening we see in the chart. So one could argue—and I think this is what the critics of China do allege—that the Chinese authorities intervened to "artificially" prop up the strength of the dollar, relative to the weakening it *would have* experienced due to QE.

But even in this case, notice how odd the complaint is: The Federal Reserve debased the dollar in a deliberate and unprecedented policy of monetary inflation following the 2008 crisis, and those darn Chinese had the audacity to adopt policies that weakened their own currency somewhat as well, to cushion the drop in the dollar on the foreign exchange market.

In any event, let me connect complaints

about the yuan/dollar exchange rate with *another* typical worry or complaint: The Chinese have accumulated a vast stockpile of U.S. Treasuries, holding more than $1 trillion of Uncle Sam's debt. Especially with the Trump Administration continuing to run massive budget deficits even amidst a "good economy" (at least on paper), more and more analysts are worried about the ability of the Treasury to finance this massive debt, if foreign buyers like the Chinese stop lending us new money. Or even wore, what if the Chinese change their outlook and start dumping massive amounts of their Treasury holdings?

Whatever you think of this scenario, notice that it's the accounting flip-side of the demand for the Chinese to "stop devaluing their currency." That is, the *mechanism* for the Chinese to push down their own currency, and prop up the dollar, is to take Chinese yuan, sell it for U.S. dollars in the forex market, and use the dollars to buy Treasuries. Those actions obviously push down the yuan and push up the dollar. So if we are demanding that the Chinese *stop doing this,* then we are asking them to stop lending Uncle Sam more money to finance his budget deficits.

Conclusion

The last complaint about the Chinese is that they are "stealing intellectual property." But if individual companies are having a problem, they can stop doing business with the Chinese. And in any event, the whole notion of "IP" is dubious. Could Einstein have charged a licensing fee to anyone who wanted to use $E=mc^2$? Could the first person to make a fire have patented the process?

The Chinese government is run by literal communists, and they are obviously "bad guys." But the Trump Administrations complaints have often been contradictory, and in any event a trade war will only make Americans poorer.

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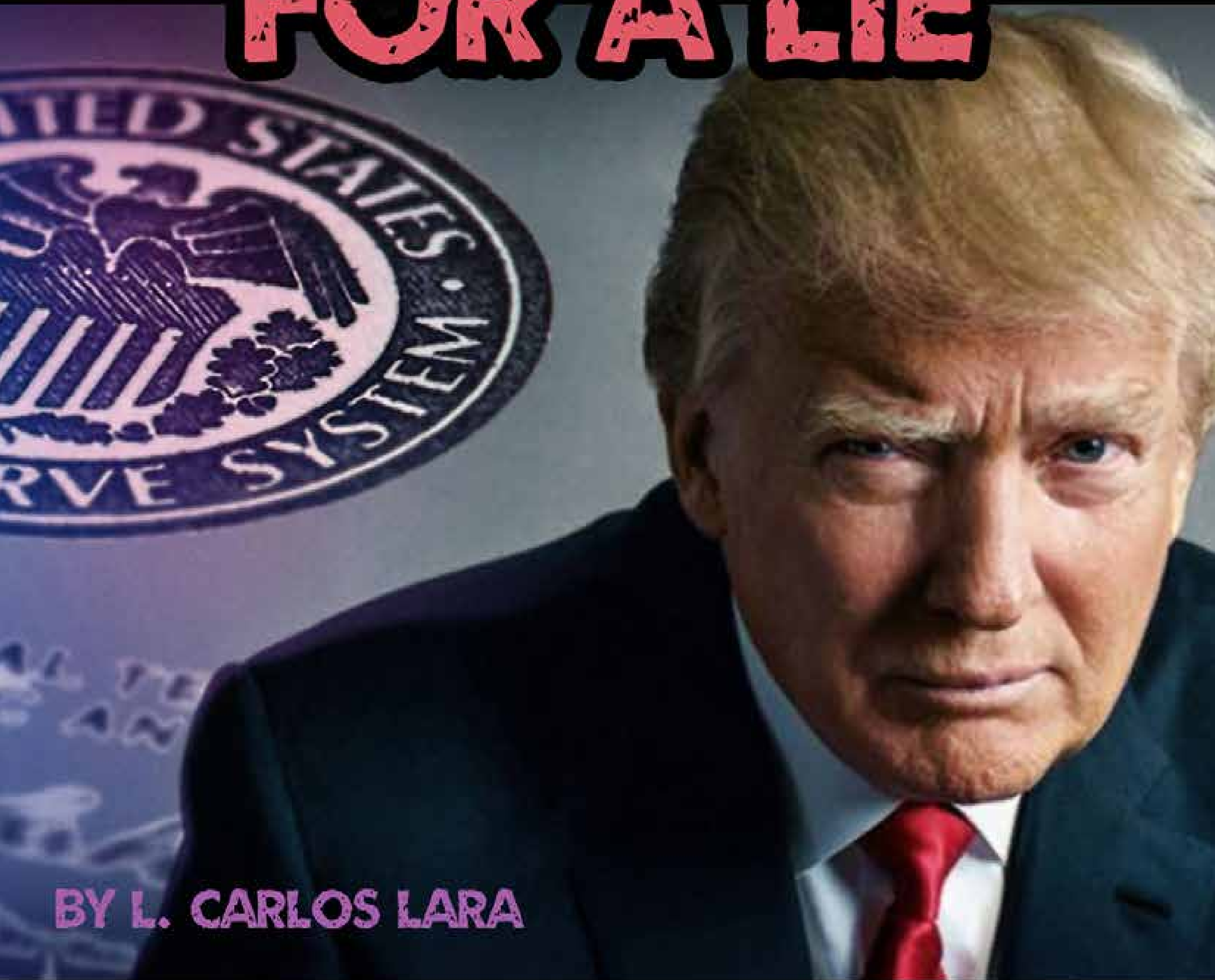
EXCHANGING THE TRUTH FOR A LIE



BY L. CARLOS LARA

We live in a financial environment filled with contradictions, half-truths, and deceptions. Just examining the daily financial news reports make it obvious that eliciting the truth from certain people is next to impossible. For this reason, and now more than ever, we must all be on guard and watchful over our money as recession fears grow.

Unfortunately, being vigilant under these types of financial inconsistencies is challenging. This is why one of the main reasons Bob and I frequently explain in our various podcast episodes, articles, books, and presentations to the general public, that one of the most powerful resources for helping us cope with such a hostile financial environment is a basic understanding of the Austrian Schools of economics and their view of the business cycle. Among other things, the Austrian perspective exposes more broadly the universal deceit of our monetary systems and the interconnection of our government, Wall Street, and commercial banks.

Furthermore, the Austrian perspective helps to remind us and warn us that a recession can be difficult to predict, especially during the happy "boom" phase of an economy. This is the time when many of us are gainfully employed, making money, and generally doing well financially. We forget the excruciating pain of the previous financial crisis. Keep in mind, that many of us are still too young to identify with a major crisis. Yet even older and more experienced individuals may get careless with their money and not realize that they are being tricked, until it's too late.

One thing you should know, especially right now, is that the trickery is revealed during, or slightly prior to, the "bust" phase of the economic cycle. This is very close to

In the case of a serious recession, what should our government officials be required to do? The answer, according to the Austrian School of economics is, absolutely nothing.

what we see starting to develop now. All to emphasize, that if ever there was a time to be financially conservative and prudent with our money, it is now.

Take note that even during an approaching recession, some of the most astute financial analysts can and do fall victim to huge financial losses by believing that there is still more "boom" left in the economy. What you should notice is that the financial experiments get more daring and more financially destructive. The main reason for this casino-type activity is that no one, not Wall Street, not President Donald Trump, not even the Chairman of the Federal Reserve wants the good times to end.

The Drum Beat Is More Stimulus

I was shocked, but I should not have been, when I began hearing the clamor to a return to more stimulus and lowering the interest rate to 50 and 75 basis points by the end of the year. All the while the stock market remains volatile and the yield curve has inverted. Meanwhile, President Donald Trump wants the Fed to cut rates by 100 basis points and all American corporations to stop doing business with China, effected by a Presidential order.

What this should say to all of us who have been following this narrative for over ten years, starting with Fed Chair Greenspan and following Fed Chair Ben Bernanke into QE one, two, and three, is this: Nothing has really worked. None of these actions has accomplished anything, other than making the coming crashes and recession the worst in history. Unfortunately, it is going to be a painful experience for everyone. This is the main reason no one wants the current "party" to end.

In the case of a serious recession, what should our government officials be required to do? The answer, according to the Austrian School of economics is, absolutely nothing. To be sure, there are various policies—like cutting taxes and cutting government spending—that would "help the economy," but that's true whether we are in the middle of a boom or in the depths of a depression. My point is that when it comes to "fighting a recession," the Austrian School says the government and central bank should stay out of it. Ironically, it's the whole Keynesian approach to fighting the downturn with interest rate cuts and injections of liquidity that causes the business cycle in the first place.

"The Fed's Losing Control of Short-Term Interest Rates"

As events piled up for Bob and me to discuss in this double-issue of the *LMR*, we naturally had to cover the growing crisis in the repo market. We decided that it made the most sense to incorporate it in my discussion in this article, because the commentary in the financial press perfectly illustrates what I'm talking about: Exchanging the truth for a lie. Even though mainstream headlines are announcing that the Fed seems to be "losing control" of short-term interest rates, and even though everybody admits that the last time this happened was right before the 2008 financial crisis, still the attitude of most pundits is that this is no big deal, the Fed just needs to enter the repo market, it's just about corporations paying their tax bills, etc.

To refresh your memory, this latest "hiccup" (as some are euphemistically calling it) in the repo markets began the week of September 16. "Repo" is short for "repurchase agreement." When financial institutions need a short-term loan and have high-quality assets as collateral, they can sell their assets (such as Treasury bonds) to a counterparty in exchange for cash, but with an agreement to repurchase the assets back soon afterwards (such as the next day or perhaps two weeks later). The difference in prices for the initial sale and repurchase implies the effective interest rate on the money that the institution received and held for the short period (one day, two weeks, etc.).

A repo transaction is basically equivalent

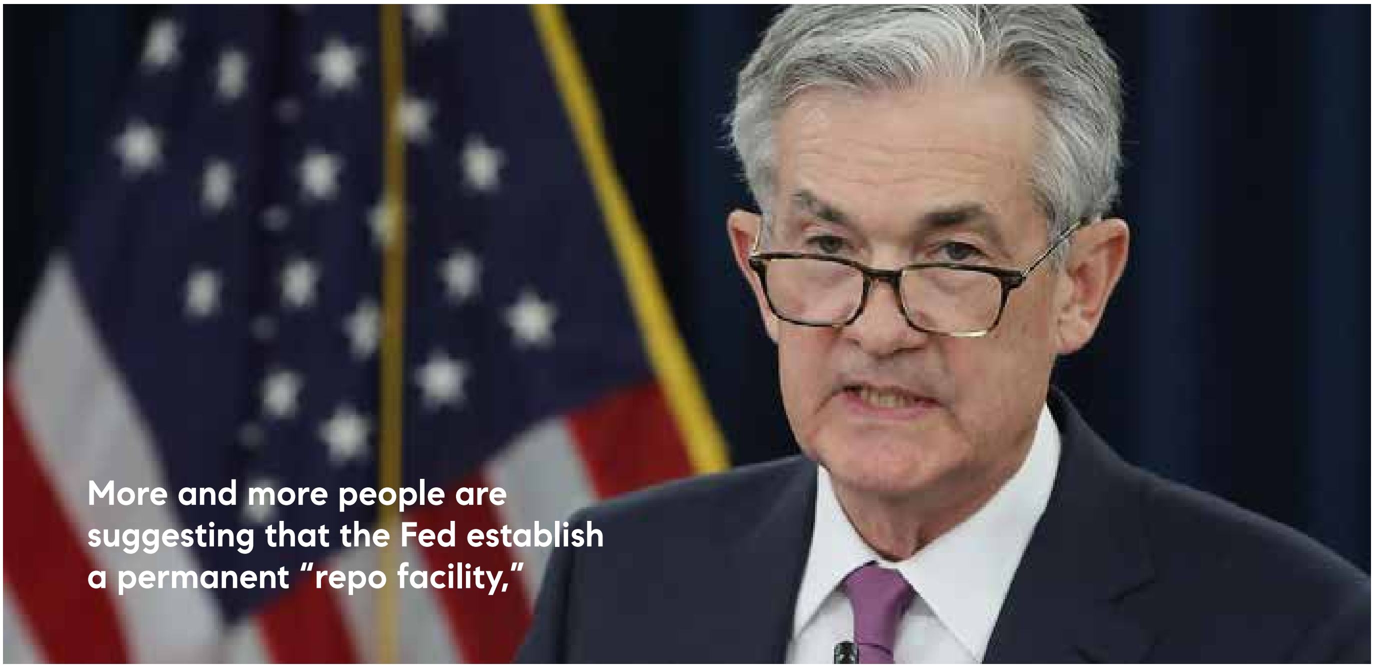
to the institution borrowing the cash (for one day, two weeks, whatever) and promising to pay back the loan plus interest, while setting aside its high-quality asset as collateral. But in practice it can be more straightforward to formally sell the Treasury bonds to the counterparty for money, while agreeing to repurchase them back (for a little bit more money) at a nearby future date, possibly even the very next day. So in both procedures—whether we're talking about a regular loan (with collateral) or a repo—the institution borrows money and pays it back plus interest, and if for some reason the institution *can't* pay back the money, then the lender gets to seize the collateral. But with a repo transaction, these arrangements are handled by technically selling the collateral to the counterparty, and then promising to buy it back in the near future.

With that understanding, here's how a Reuters article described the situation a few days after the repo markets began flaring up:

> *As if the U.S. Federal Reserve did not already have enough on its plate…chaos deep inside the plumbing of the U.S. financial system has thrown policymakers an unexpected curveball.*
>
> *Cash available to banks for their short-term funding needs all but dried up earlier this week,* ***and interest rates in U.S. money markets shot up to as high as 10% for some overnight loans, more than four times the Fed's rate.***
>
> *That* ***forced the Fed to make an emergency injection of more than $125 billion over the past two days, its first major market intervention since the financial crisis more than a decade ago…***
>
> *…[M]ost market participants agree that two coincidental events on Monday were at least partly to blame. First, corporations had to withdraw funds from money market accounts to pay for quarterly tax bills, and on the same day the banks and investors who bought the $78 billion of U.S. Treasury notes and bonds sold by Uncle Sam last week had to settle up.*
>
> *On top of that, the reserves that banks park with the Fed…are at their lowest since 2011 thanks to the central bank's culling of its vast portfolio of bonds... [Reuters, bold added.]*[1]

You see what I mean about being blind to the truth? Not wanting the party to end? The Fed pumped in trillions of dollars in QE and then started to unwind it, while the government—first under Obama, now under Trump—continues to rack up trillions in new debt. And yet the mainstream coverage *first* talks about corporations having to pay their tax bills, and in any event is looking to the Fed as our savior.

Yet as time passed, it became obvious that the people who were reassuring their readers, "Don't worry, nothing to see here," were simply wrong. The Fed didn't merely put out a temporary fire caused by a coincidence of tax bills and Treasury auctions. On the contrary, the Fed announced on September 20:



[T]he Open Market Trading Desk (the Desk) at the Federal Reserve Bank of New York will conduct a series of overnight and term repurchase agreement (repo) operations to help maintain the federal funds rate within the target range.

The Desk will offer three 14-day term repo operations for an aggregate amount of at least $30 billion each... ***The Desk also will offer daily overnight repo operations for an aggregate amount of at least $75 billion each, until Thursday, October 10, 2019****... Securities eligible as collateral include Treasury, agency debt, and agency mortgage-backed securities....*

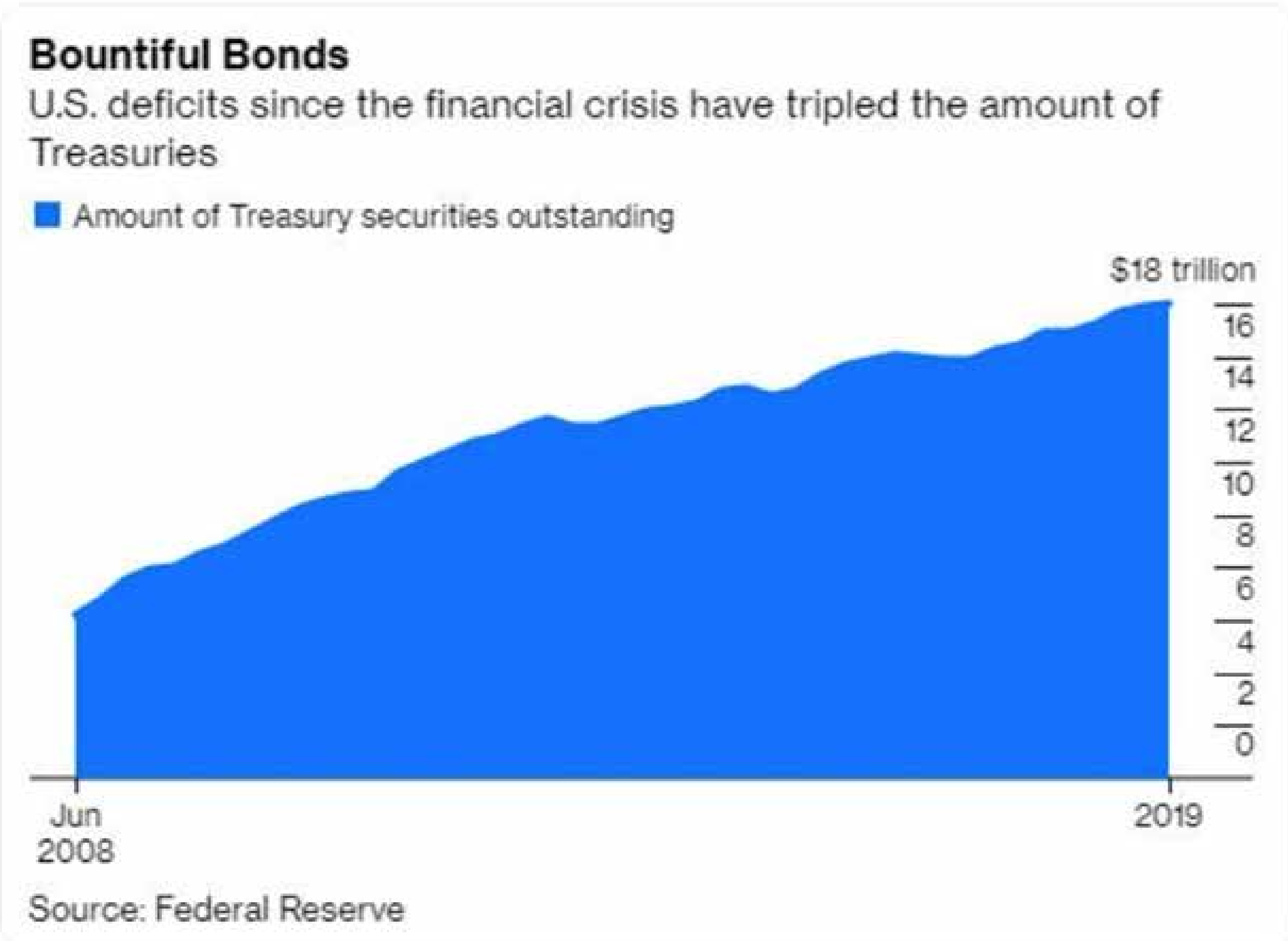
After October 10, 2019, the Desk will conduct operations as necessary *to help maintain the federal funds rate in the target range, the amounts and timing of which have not yet been determined. [New York Federal Reserve, bold added.]*[2]

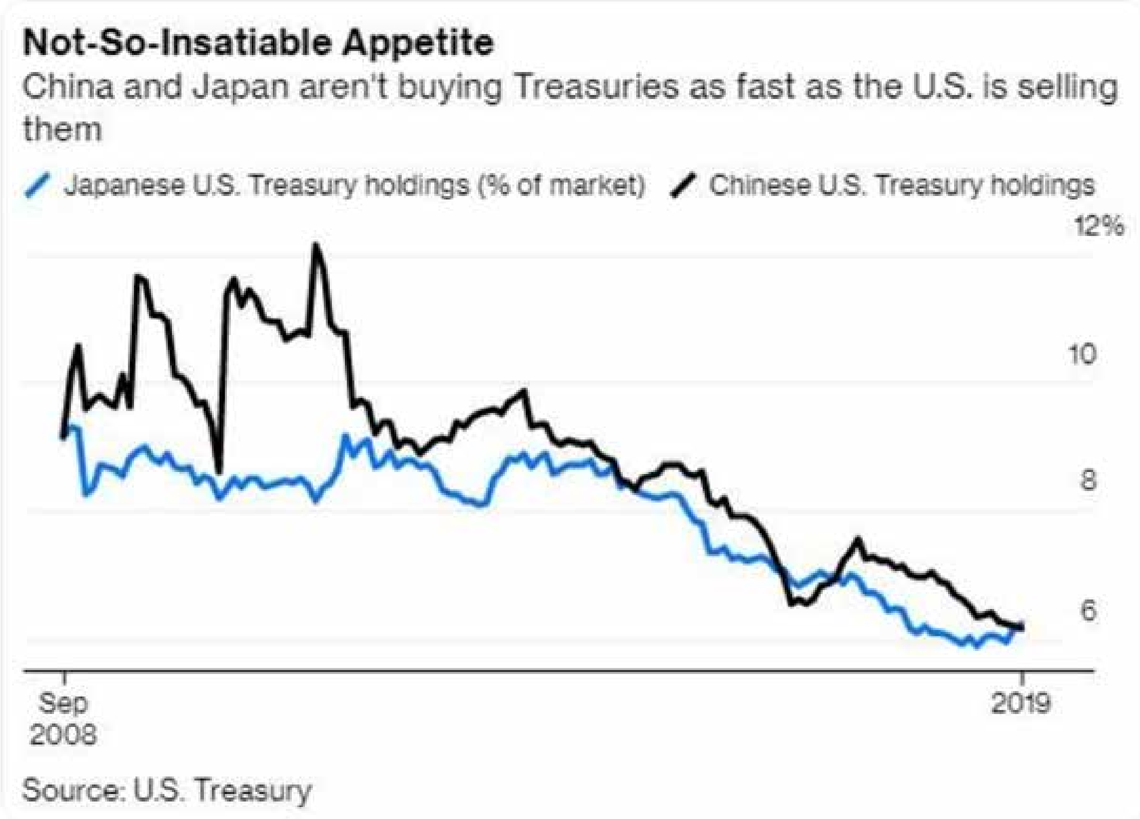
Indeed, more and more people are suggesting that the Fed establish a permanent "repo facility," to set a ceiling on the repo rate, just as the Fed as a matter of policy sets a target for the federal funds rate (which is the interest rate charged on overnight loans of reserves). The Fed would then intervene daily in the repo markets through this standing facility, to make sure that the implicit interest rate on such transactions stayed in the range that the Fed desired. So whether or not you think this is a good idea, the fact that people are talking about the Fed opening up a permanent repo facility shows that this September cash crunch wasn't some one-off fluke.

Incidentally, let me take a moment to clear up some possible confusion for our readers: When the Fed says it will engage in a repo operation, it's technically a repo from the perspective of the private-sector counterparty, but a *reverse-repo* from the perspective of the Fed. So if you didn't already know which way the money was flowing, you might read the Fed announcement and think it was doing the opposite—and in fact, Bob and I came across at least one article in the financial press that *did* report the mirror-image of what is actually occurring.[3] To make things even more difficult, after the 2008 financial crisis, when there were lots of excess reserves sloshing around, the Fed *did* engage in the other type of transactions too—meaning that you can find descriptions at the Fed's website of what it calls its reverse-repo operations,[4] in which the Fed temporarily sells some of its bonds to the private sector, sucking money out of the system. So the whole thing can be very confusing at first, to outsiders who don't directly participate in these markets.

Government Cash Crunch

As even the standard financial press accounts admit, the unwinding of the Fed's enormous balance sheet, coupled with the government's continued budget deficits, are big components of the cash crunch. Bloomberg's Brian Chappatta had an interesting Twitter thread[5] where he presented some charts illustrating the problem:





At the same time, the Asian appetite for Treasuries hasn't kept pace, reducing Japanese and Chinese holdings as a percentage of the total market (see chart above).

In light of these trends, perhaps the Fed's "surprise" turnaround in monetary policy at the end of July is no longer so surprising? As the chart below shows, the Fed was letting its balance sheet gradually rolloff, as we documented in several articles here in the *LMR*. But then the Fed began buying up Treasuries again in the last month, which of course pumped reserves back into the system. Did the Fed officials sense the coming crash crunch and try to get ahead of it?

In any event, here is how Chabbatta describes the current situation:

> *There are simply too many bonds sloshing around in the financial system and not enough cash on the other side of the trade. That's why the Fed is coming in to soak up those securities with its temporary repo operations. I write that "the Fed seems to have little choice but increase the size of its balance sheet in the face of trillion-dollar budget deficits."*
>
> *If that sounds like monetizing the debt, that's because it pretty much is.*

It's good that Chabbatta at least has the courage to call it "monetizing the debt" even when it's the Fed doing it. If Caesar debases the coinage in order to fund his deficit spending, we all recognize it for what it is.

Regulatory Requirements

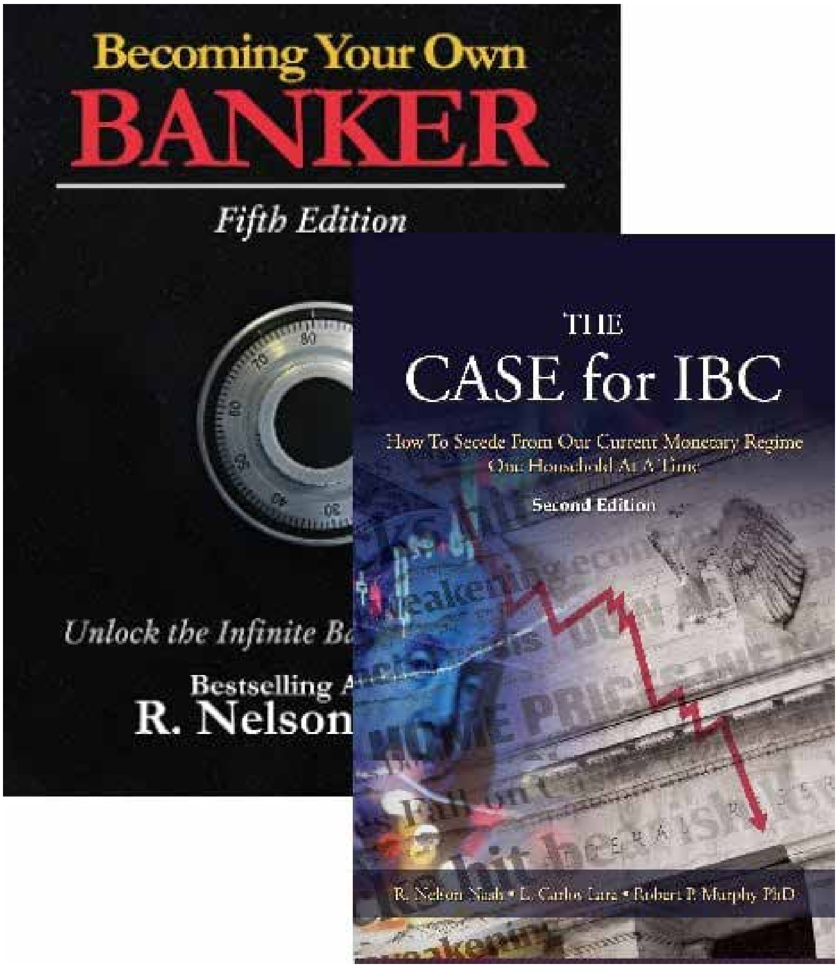
Finally, there's one other element in this story. Even though the Fed had been letting its balance sheet shrink—an operation that sucks reserves out of the system and would contribute to a cash crunch—even so, as of August 2019 there were still almost *$1.4 trillion* in excess reserves. At first this is puzzling: Why has the Fed been doing emergency injections of liquidity into the repo market, when banks have so much in reserves above and beyond what they need to satisfy their "reserve requirements"?

One part of the answer is that, apparently, those excess reserves aren't spread uniformly across the banks, but are concentrated unevenly. As the FT quotes two leading New

There are separate regulatory requirements (established in the Basel Accords and Dodd-Frank), referred to as "resolution liquidity," that cause large banks to hoard reserves, in order to show that they can satisfy their liquidity needs internally, for thirty days.

York Fed officials:

> *[New York Fed president John] Williams and Lorie Logan, senior vice-president in the markets group at the New York Fed, said officials were looking at why cash failed to move from banks' accounts at the Fed into the repo market, where banks and investors borrow money in exchange for Treasuries to cover short-term funding needs.* ***Ms Logan pointed to the concentration of excess cash at a small number of banks as one potential issue.*** *[Bold added.]*[6]



In addition, there are separate regulatory requirements (established in the Basel Accords and Dodd-Frank), referred to as "resolution liquidity," that cause large banks to hoard reserves, in order to show that they can satisfy their liquidity needs internally, for thirty days. The idea was to render "Global-Systemically Important Banks" (G-SIB) self-sufficient so that central banks would have a month to be able to respond to a new crisis, without these behemoths taking down other institutions in a domino effect.

Whether those additional regulations are a good thing or a bad thing, the point is that they help to explain why the trillion-plus in excess reserves was sitting on the sidelines during the repo flare-up. Specifically, those reserves *aren't* necessarily "excess" vis-à-vis these other regulations, even though they are "excess" with respect to traditional reserve requirements.

For more on these subtleties, the interested reader can start with a Twitter thread from Nathan Tankus, linked in the endnotes.[7]

Conclusion

In this article I have tried to expose the challenges that exist in attempting to make sense of the financial inconsistencies in our day and time. Clearly, suppressing the truth seems more rampant than ever. Nevertheless, truth has a way of showing itself at times when we least expect it. As factories continue to decline in all major industrial nations, world commerce is degenerating at a rapid pace, a frightening development that endangers the health of the global economy. When markets begin spiraling out of control in this fashion the cover-ups become more outlandish, thus more contradictions, half-truths, and deceptions.

The world's two largest economies, the United States and China, continue locked in a tariff war that is eliminating the market gains seen earlier. As we enter the last quarter of the year you can certainly make a strong case now that the risks of a global recession have increased in the last few months. The shift from stocks into treasury bonds, a traditional hedge against risk, is mounting.

As Bob and I have often recommended, in preparing for these coming financial storms you should own a 30-day supply of cash in your possession and you should also own an equal amount or more of gold coins and, or, silver. However, for your everyday use of cash flow, you should own several dividend-paying Whole Life insurance policies configured in the special way designed by R. Nelson Nash in his famous book, *Becoming Your Own Banker*. You can also read the latest book Bob and I co-authored with Nelson Nash, *The Case for IBC*. You can find both books here: https://infinitebanking.org/ To contact one of our Authorized IBC Practitioners who can assist you in designing one of these special insurance policies look here: https://infinitebanking.org/finder/

Be prepared.

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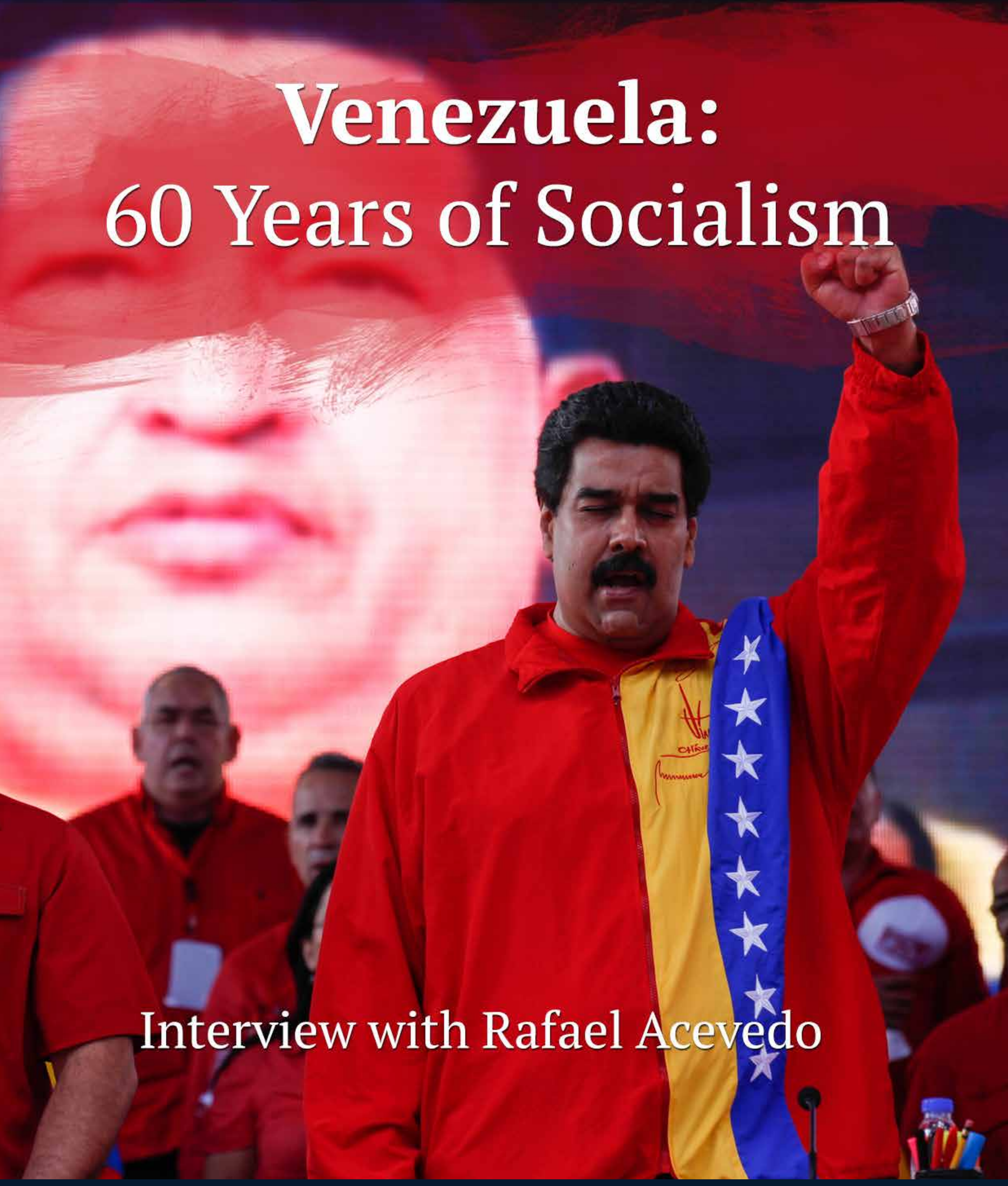
Venezuela: 60 Years of Socialism



Interview with Rafael Acevedo

Rafael Acevedo is a Research Associate in the Free Market Institute at Texas Tech University, and the Founder/Director of Econintech. He was previously an Associate Professor in a public university in Venezuela with more than 12 years of teaching and researching experience. Acevedo has more than 15 articles published in journals, a book he edited entitled, "Prosperity & Liberty: What Venezuela needs" in 2019, and a book he co-edited entitled, "Causas y Causantes del desastre económico en Venezuela: Un homenaje a Hugo Faría" in 2017.

Note: The economists and financial professionals interviewed in the LMR are given the freedom to express their views, without necessarily implying endorsement from the editors.

Lara-Murphy Report: How did you discover Austrian economics?

Rafael Acevedo: I would say by accident or better by luck. I studied for my Masters in Economics in a mainstream school; indeed, it is the school with the most mathematical approach in Venezuela. Then you can image that given my undergraduate degree is not in Economics—it is Public Accountancy—sometimes I thought I were in a statistics or even math program. Of course, I do not regret studying there, it was the most grateful and challenging—even funny—experience: You can image a 28-year-old CPA learning to solve derivations, optimization, and other more complex problems when never in his life had developed even algebra skills. All my professors were very close to the Chicago School or to Keynesian ideas, so they were very strict on the math approach. When I was writing my master thesis, I had to find a lot of information related to freedom. My thesis was about how social, political. and judicial factors influence private investment in Latin American countries, it was a common data panel experiment but at that point, it was very "innovative" in my school.

I used some indexes from the Freedom

House (FH) as civil liberties and political rights, and from the Heritage Foundation (HF) I used the corruption index to build the social-political factor. I focused on the judicial factor in the capacity of countries to have a fair judicial system that protects and support private property rights, and used the Private Property Rights of the HF. At that moment the Economic Freedom of the World Index was not known in Venezuela, otherwise I would have used it.

Then, I was approaching my research on freedom, and during my literature review, I found some of Hayek's books, but as I was focused "just on empirical" literature, I left Hayek just to read for curiosity. Furthermore, unbelievably Hayek in Venezuelan universities is not considered an economist but a philosopher as is Mises. Surely, you are thinking that nobody talks about Rothbard, Böhm-Bawerk, or Bastiat in the economic schools in Venezuela and you're right. You have to consider that Venezuela's economic schools are Keynesians or Marxists, and then honestly speaking I was lucky because some of my professors were close to the Chicago School.

After I finished my Masters studies, I returned to Hayek's books—maybe in 2008—but I had to stop again because I was in my PhD in Management studies and my thesis was on Managerial Efficiency. After I finished my PhD in 2013, I started to research deeply on Hayek. Then, I found Mises, and finally the Mises Institute's website. On Mises's website I found all those excellent Austrian Economics Scholars. Let me tell you for the first time this: I think since 2016—after I

"Surely, you are thinking that nobody talks about Rothbard, Böhm-Bawerk, or Bastiat in the economic schools in Venezuela and you're right."

found the Spanish edition—I started to use some chapters of Murphy's book *Lessons for the Young Economist* as mandatory readings in the courses I taught in a University in Venezuela.

In 2016 a friend from Venezuela and I applied for the Mises University. We were admitted but for financial reasons we couldn't attend it that year and finally we could go in 2017. After MisesU 2017, I have attended other Mises Institute's events. I have shown the influence of the Austrian School in my work as a professor in Venezuela, for example, my last book of the main course I taught there is titled: *Managerial & Costs Accountancy: An Approach to the Austrian School*. It is just an e-book, a guide of the course, but I included the link to some chapters of books like Murphy's, *Profit & Loss* by Mises, and some articles posted in the Mises's Spanish website—Garrison, Hazlitt, Per Bylund, Rothbard, Mueller, etc…— as mandatory readings.

In brief, I could say that my discovery of the Austrian School was maybe 25% luck, and 75% thanks to the Mises Institute. Personally, I owe a lot to the Mises Institute for my personal discovery of the Austrian School and the help and support I have received from it.

LMR: For the last two years, you and some colleagues have given a presentation at Mises University (the annual event for students held by the Mises Institute) on the situation in Venezuela. Can you summarize for our readers just how bad the economic plight is for the average person?

RA: Venezuela is a country where in this moment, everybody is suffering the consequences of sixty years of socialism, and the last twenty of them in its harder form. I always say that I can explain in two views the situation of Venezuela, one the "empirical" and second the "first-hand" life-experience.

"Venezuela is a country where in this moment, everybody is suffering the consequences of sixty years of socialism, and the last twenty of them in its harder form."

Using some statistics, I can illustrate the current situation in Venezuela saying that it is a country with a great problem. We have had five consecutive years of negative growth, in 2017 the real GDP diminished by 14% from 2016, which decreased 16.5% from 2015 that decreased 6.5% from 2014… In addition, we are considered a growth disaster in the economic literature from 1960 to 1998, with only Venezuela and Nicaragua in the Americas having negative growth during that period. So, you have a country in bankruptcy. The indexes such as infant and maternity mortality have surpassed historical highs. The scarcity was around 80% in 2017-2018, now you can find some food and medicines but prices are dollarized with an exorbitant difference compared to international prices. For example, the same shampoo that you can buy here (in the U.S.) in Walmart for 85 cents you will find it in Venezuela for a price of around $5 or more, in a country where the minimum wage is around $4 monthly.

Venezuela has hyperinflation. Professor Hanke accurately measures daily the annual basis inflation, in his middle August (2019) rank, Venezuela had the highest of the world, more than 28,000 percent. Then this makes it impossible that any average person can survive there if he or she doesn't have financial support from relatives or friends out of Venezuela. The average Venezuelan must spend all his monthly income to buy maybe two or three days' worth of the minimum protein and calories required to support a human body.

In my first-hand life experience, I can say that this situation is the worst and saddest any people can suffer. Socialism destroyed everything, everywhere it is implemented. You will see how your efforts to improve or even keep an acceptable standard of life are worthless. Suddenly, you will have no hopes nor future in your own country.

In my case, I had to bear a difficult change. My parents are both professors—emeritus since the 1990s—from a university and that meant in the '80s a very good standard of living. Then I went from being a son of the professional middle class who had the opportunity to travel, and enjoy his childhood, to a father that could not buy a pair of shoes for his children because if he bought shoes he could not buy food. I—as all Venezuelan parents—tried to do my best to provide my children the best I could, sometimes I believed they did not understand the real situation around them but I was wrong, all Venezuelan children understand what misery is. Even my 6-year-old son, one of those "down-days" that all immigrants have, has said to me, "Dad, I miss a lot my grandparents," and I say to him joking, "Okay let's return to Venezuela." Immediately he opened his eyes wide and said to me, "No… they should come here to eat and have what we hadn't there," and for me that was heartbreaking. With this, what I try to say is that the economic plight—the result of socialism—has not only destroyed the economy and politics in Venezuela but also destroyed the childhood, the best years of professionals, and the retirement years of our elderly.

"I went from being a son of the professional middle class who had the opportunity to travel, and enjoy his childhood, to a father that could not buy a pair of shoes for his children because if he bought shoes he could not buy food."

LMR: Especially with the Trump Administration tightening the screws, and some "neoconservative" voices openly calling for military intervention, there is a rising resistance among leftist/progressive thinkers to argue that the hyperinflation and shortages in Venezuela are not the result of awful domestic policies (by the Chávez and Maduro regimes), but instead are the result of foreign imperialism. What do you think of these arguments?

RA: Those arguments are not consistent with the reality. The bulk of Venezuela's economy depends on oil prices. For example, from 2004 to 2008, Venezuela had a growth of its real GDP of approximately 10.42% annual,

"One of the great problems in Venezuela is that the State is the owner of the commanding heights, mainly the oil, giving it a fiscal independency of citizens and making difficult to maintain checks and balances. Then, Chávez had no problems to do whatever he wanted."

that is an extraordinary economic growth but the great problem was that it was squandered through socialist policies. In that period was when you could hear [Joseph] Stiglitz, [Bernie] Sanders, Pablo Iglesias, and many other pundits and politicians praising Chavez's socialism. For those people that was the "good socialism" but what they never say is that Venezuela had an unreal and short-run welfare.

One of the great problems in Venezuela is that the State is the owner of the commanding heights, mainly the oil, giving it a fiscal independency of citizens and making difficult to maintain checks and balances. Then, Chávez had no problems to do whatever he wanted.

He used oil income to finance and export the "Bolivarian Revolution." He paid (in USD equivalent) $500 million to provide heating in poor communities in 16 states here in the USA, $5 million to cooperative schools and river cleaning in the South Bronx, $32 million annual to subsidize diesel for London public transportation, while Danny Glover also had his part of around $18 million.

Another highly financed field was to strengthen Chávez's "leadership." Cuba, El Salvador, Nicaragua, and many other Caribbean countries received preferential prices and payment conditions on oil. In addition, he financed leftist politicians such as Evo Morales, Correa, and Kirchner. The governmental expenditures rose from 29.5% of GDP to 40% of GDP.

In addition to those "gifts," you have to consider the exorbitant corruption. In Venezuela you don't talk about hundreds of thousands dollars you talk about billions in corruption. Take the example of Derwick Associates—related to Henry Ramos Allup, former president of the National Assembly and chair of the Social Democrat party in Venezuela. That enterprise overcharged more than $1 billion. Rafael Ramírez, former president of PDVSA (the state-owned oil company), Luisa Ortega (former general prosecutor), Andrade (former Chavez bodyguard), and many others were involved in corruption and laundered money.

Then, Venezuela had great wealth squandered in gifts and corruption, and never invested in its business. That was the problem in Venezuela. Chávez never invested in PD-

VSA. The peak in oil prices was what supported those great incomes but the production diminished because they did not invest even in maintenance routines. Since 1998 to 2018 Venezuela's oil production decreased at a 5% annual rate.

The current situation is not because President Trump imposed sanctions on a drug-trafficking and terrorist regime. Venezuelan Social Democrats sowed the seeds of this crisis from sixty years ago when they started to apply all those socialist policies that now young Americans are hearing—the "great" welfare state. In addition, Chávez arrived to power twenty years ago and applied a more radical and harsher socialism for a few years fueled with those high oil prices. Nevertheless, when oil prices plummeted, the crisis explodes.

I know that there are some "statistically beautiful" papers, for example, Weisbrot and Sachs, 2019, arguing that President Trump's 2017 sanctions worsened the situation but what they state is not true. Even the group of Keynesian Venezuelan economists from the Center of International Development in Harvard argued against the conclusions of that paper. The reality is that if people want to find a country that bears part of the guilt of the current crisis they should look at Cuba and its interventionist policies in Venezuela, not to the U.S. and its sanctions against a drug-trafficking and terrorist regime.

LMR: We are curious about the state of economic knowledge in other countries. Do the actual economists in Venezuela (and South America more generally) understand that hyperinflation is the result of the printing press—rather than, say, falling oil prices? Or do even your professional peers not understand such basic matters?

RA: Remember that Venezuela's economic schools are Keynesians or Marxists, so they do not have a real understanding of the hyperinflation. The most desired goal of Venezuelan economists is being Ministers of Central Planning, Minister of Finance, or President of the Central Bank. They even long to be social-media influencers.

About this point it is important to know that from 1998 to 2013, the government increased more than 12,130% the money supply in the economy. More recently, just during 2018 the increment in the money supply surpassed

"The peak in oil prices was what supported those great incomes but the production diminished because they did not invest even in maintenance routines. Since 1998 to 2018 Venezuela's oil production decreased at a 5% annual rate."

3,000%. Nevertheless, those pundits still believe that if they rule the country's economy they will recover the national currency. They argue that monetary policies are fundamental to be a great country. That with "fiscal and monetary" discipline they will fix all the mess.

Also you have to consider that economists—at least Venezuelans—related in politics are just Keynesians, and honestly speaking, we have very recognized economists and this promotes that people want to give them a "blank check." For example, the current Director of the Center of International Development of Harvard, Ricardo Hausmann is Venezuelan, but his recipe for overcoming the crisis is a bunch of Keynesian strategies that he and others of his communist colleagues failed applying in the early 1990s. Sadly, I dare to say that his plan will be applied, as all politicians even those self-called the "right or center-right wing" trust in Hausmann's plan.

Then, they think that it is possible to eliminate the hyperinflation but keep the State's monetary monopoly. None of them talks about dollarization, or better the elimination of legal tender laws, insisting on 100% reserves, or eliminating the "lender of last resort," and they talk even less about the gold standard.

LMR: Finally, we are aware that you are a Founder/Director of "Econintech." What is this organization and what are you hoping to accomplish with it?

RA: Econintech is a free-market oriented think tank. In 2015, with other colleagues, I founded this organization to formally give the opportunity to people of the Center-West of Venezuela to know about economic, entrepreneurship, investment, innovation, and technology—with those words we build the name Econintech. We are creating awareness in society to demand real freedom in Venezuela and encourage them to become entrepreneurs as the best way to alleviate poverty.

"Econintech is a free-market oriented think tank. In 2015, with other colleagues, I founded this organization to formally give the opportunity to people of the Center-West of Venezuela to know about economic, entrepreneurship, investment, innovation, and technology."

We hold lecture series, workshops, reading groups, and other educational activities using Austrian Economics materials. We promote what students will not find in their universities and strengthen the free-market movement in Venezuela. We are a very small think tank, but our "statistics" are outstanding, and we are growing there. We registered Econintech in the U.S. as a 501(c)(3) to promote it among Venezuelan immigrants but it has been a hard task, almost impossible.

Honestly speaking, Venezuela lacks this kind of institution. In all countries, you could find perhaps two or three "free market" institutions. The difference with Econintech is

that we are not worried to show our institute as an "influencer of politicians"—I know that this could be profitable when you are doing fundraising but that is not our purpose; we prefer to "educate" society through our educational activities and research. I always remember Econintech's Senior Felllow & Policies Consultant Hugo Faría's words: "Rafael, you should always say that the difference of Econintech versus other Venezuelan think tanks is that we were founded by real free-market academics and researchers without businessmen—and we need some of them. Other institutes were founded by businessmen with a few academicians—and they need a lot of them." We hope to accomplish our vision, a free society and a democracy that respects natural rights in Venezuela, and we are educating people for that.

Nevertheless, as I moved to the U.S. in March 2018, and from September of that year, I have been in the Free Market Institute at Texas Tech, my participation in Econintech's activities in Venezuela has decreased. At this moment, I am in charge of Econintech's fundraising, and some managerial and strategic plan to keep its growth. Perhaps if, after my visiting at FMI-TTU, I have been not able to overcome the obstacle of not having a U.S. PhD to get an academic job, I would hope to accomplish the goal of consolidating Econintech in the U.S. among Latin American immigrants and work in it.

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Get The Economics Right

Interview with Bill Peacock

Bill Peacock is the vice president of research at the Texas Public Policy Foundation. Bill directs the research of the Foundation to ensure its accuracy, integrity, and application of free market principles to the issues facing Texas and the nation. His own research focuses on economic freedom and growth, energy, property rights, and regulatory issues.

Prior to joining the Foundation, Bill was a legislative and media consultant, and worked in the Texas Legislature and in the executive branch. He has a B.A. in History from the University of Northern Colorado and a M.B.A. with an emphasis in public finance from the University of Houston. He lives with his wife, Kelly, and son, William, in Austin, Texas, where they attend Redeemer Presbyterian Church.

Note: The economists and financial professionals interviewed in the LMR are given the freedom to express their views, without necessarily implying endorsement from the editors.

Lara-Murphy Report: How did you discover Austrian economics?

Bill Peacock: Its funny that you ask because I don't really remember the exact source. It was in 1989—before the Internet. We didn't have Google searches, so we had to rely on old-fashioned sources of information like magazines, catalogues, print circulars, etc. But somehow through those mediums I discovered the Foundation for Economic Education and wound up at one of its weeklong economics seminars at its old headquarters in Irvington-on-Hudson, NY.

I do remember being blown away by ideas from the Austrian School that I'd never been taught in school. My teachers that week, including Hans Sennholz, Bettina Bien Greaves, and Richard Ebeling, were likewise amazing. I was hooked.

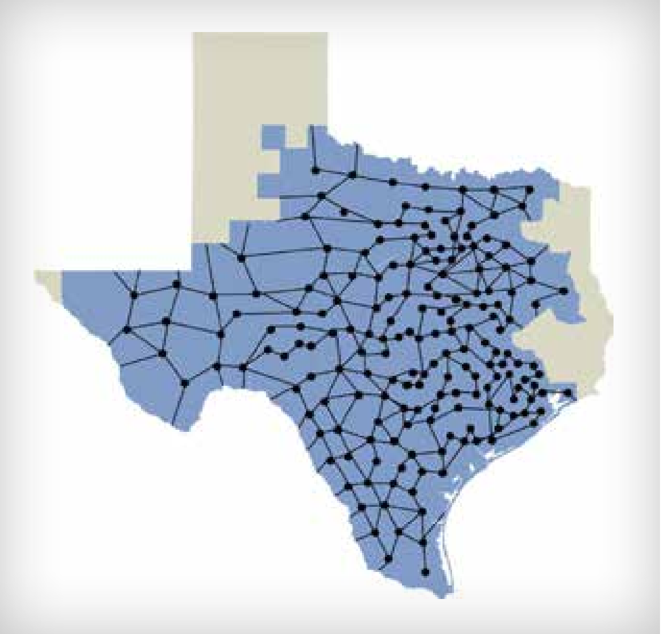
I started reading books, attended the first Austrian Scholars Conference in (I think) 1995, and later attended Mises University. I took some great courses from the old version of Mises Academy, including three from one of you (Murphy) that walked us through Murray Rothbard's *Man, Economy, and State.* Even after about 20 years of studying Austrian economics, those courses—and Rothbard's book—opened my eyes to economic truths I had never seen before.

My favorite non-Mises and Rothbard books on Austrian economics include *Foundations of* *the Market-Price System* by Milton M. Shapiro, *Economics for Real People* by Gene Callahan, *Foundations of Economics: A Christian View* by Shawn Ritenour, and Bob (Murphy)'s *Lessons for the Young Economist*.

I've spent the 30 years since the FEE seminar incorporating the principles of Austrian economics into my professional career, first as a regulator and more recently as a policy analyst for the Texas Public Policy Foundation, a free-market think tank in Austin, TX. In both my own research and as an editor, I have found that the economic principles I have learned through the Austrian School apply to any situation in any market dealing with any issue, be it energy, telecommunications, health care, or property rights. Get the economics right, and you are more than 50 percent of the way toward understanding the issue, no matter how complex it might be.

LMR: We understand that in your work on energy economics, you have found that Austrians have unique insights, even compared to other free-market economists. Can you explain for our readers?

BP: It is a little-known fact—which may be surprising given how much Texans like to brag—but Texas has the most competitive electricity market in the world. Our "energy-only" market design means that prices, not regulators, are the main determinant in how much energy generation gets built each year to keep up with demand. The result—as Austrians would expect—has been a more efficient market with (generally) lower prices and increased reliability.



Of course, not everyone likes competitive markets—including some of the competitors, so the market has been constantly under attack since it became fully functional in 2007.

"Texas has the most competitive electricity market in the world. Our "energy-only" market design means that prices, not regulators, are the main determinant in how much energy generation gets built each year to keep up with demand."

Additionally, the fact that it functions more on prices than any other electricity market has made it a profit center for renewable energy generators, who can use their subsidies to undercut the price of any traditional generators. Because of these challenges, we have done a lot of research with the help of some excellent free-market economists.

Yet I've found that sometimes even classical free-market economists balk at taking on market power, the pricing of products above marginal costs, and other issues usually related to anti-trust theory. As competitive as the Texas market is, it is still illegal to engage in market power "abuse." While the definition of what constitutes abuse is nebulous, one sure way for a company to catch the attention of Texas regulators is to have a market share larger than 5 percent and price its electricity in our day-ahead or real-time markets above its marginal costs. Such activity got the former TXU slapped with a fine of $210 million in 2007, which was later significantly reduced when TXU agreed to pay a fine without admitting guilt.

This understanding of markets seems to stem from a reliance on, or obsession with, the model of perfect competition. Although everyone admits that perfect competition is just a construct designed to help us understand how markets work, in reality it seems to be the standard by which economists judge markets. This is certainly the case with most regulators, but also the case at times with otherwise solid free-market economists. And try as I might, I've had little success with pushing [Mises' construct of] the evenly rotating economy as a viable alternative.

"Most states were considering how to get cheaper electricity from cheap natural gas in the 1990s. The answer seemed to be competition—building on the success of the earlier introduction of competition into the airline and trucking industries."

LMR: From the perspective of free-market economics, what makes the Texas energy market so special?

BP: As I have already noted, it is a heavy reliance on prices to balance supply and demand that sets the Texas energy market apart from others.

Don't get me wrong, there are still regulations and protocols that hinder price formation. This includes the previously discussed prohibitions on market power abuse, plus wholesale price caps, ancillary market services, and a relatively recent administrative price adder.

Yet Texas' energy-only market still stands above the two other basic types of energy "markets": the rate of return model (which dominate the western and southern states) in which regulators set prices, and hybrid "capacity" markets (found largely along the East Coast and Midwest) where regulators use some mechanism (usually auctions) to set a price for capacity payments to generators—on top of the income generators earn for selling energy.

Perhaps what really sets Texas apart is how we got to this point. At the tail end of the deregulation craze that swept the nation starting in the 1970s, most states were considering how to get cheaper electricity from cheap natural gas in the 1990s. The answer seemed to be competition—building on the success of the earlier introduction of competition into the airline and trucking industries.

Numerous states attempted to make this move. The most notorious was California, which couldn't quite bring itself to actually deregulate anything. Thus, the pseudo-market they wound up with was near the epicenter of the Enron scandal. Higher natural gas prices in the 2000s, which meant higher electricity prices, scared others off. Only Texas made it to something resembling a true electricity market. Then a series of decisions made by regulators, including the all-important energy-only design, got us to where we are today. All of this was accomplished with support from Democrats and Republicans in the Texas Legislature. This outcome is something that would be very unlikely to happen today.

LMR: We understand though that there are potential troubles on the horizon for energy markets, both in Texas and the U.S. more broadly. Can you elaborate?

BP: In both Texas and the broader U.S., there are two main sources of the problems American are facing in the energy (electricity) market.

The first is direct intervention in pricing. Whether it is the measures I have already mentioned, restrictions on ownership, or monopoly transmission, markets are not being allowed to function competitively, which in turn is leading to higher prices.

The big problem, however, is the obsession by policymakers with saving the planet though renewable energy. Not only is this effort increasing prices, but it could move us toward a reliability crisis in the not-too-distant future.

Efforts to manipulate energy markets are nothing new to the U.S. In the 1970s, subsidies and mandates for synthetic fuels were the response to the fear that the U.S. was running out of oil and natural gas. Congress even banned the use of natural gas for regenerating electricity for a while, until the miscalculations by "peak oil" advocates became apparent.

Of course, today it is the abundance of fossil fuels that is threatening the planet. So this time it is renewable energy that will come to the rescue—at great expense.

The Texas Public Policy Foundation has estimated that subsidies for wind energy alone through the federal Production tax Credit will cost U.S. taxpayers $65.1 billion from 2008 through 2029. Texas will spend an additional $20 billion on wind and solar energy over a similar time frame.

More than the cost, though, are the reliability concerns that renewables bring. While Texas leads the nation in new installed wind capacity, the turbines only meet that capacity level when the wind is blowing, which it is not always doing. This intermittency — which is also inherent in solar power — is what dooms efforts to mandate increased use of renewable energy.

A recent Foundation paper by Charles McConnell shows that when we need power the most — during the hottest days of the year — wind power isn't available. There is a big difference in the installed capacity of wind and the deliverability of reliable electricity when needed.

As McConnell writes, "during the four highest summer and three highest non-summer electricity peaks of the last three years, the vast majority of installed wind capacity was a 'no-show' for Texas."

The more wind and solar power generation increases, the greater the reliability problem will be because of the intermittency of these sources. Europe has already run headlong into this problem, and the U.S., especially Texas, is not far behind.

"The big problem, however, is the obsession by policymakers with saving the planet though renewable energy. Not only is this effort increasing prices, but it could move us toward a reliability crisis in the not-too-distant future."

LMR: Finally, can you discuss the mission of the Texas Public Policy Foundation? In your view, what are the pros and cons of state-based think tanks as opposed to national ones, such as the Heritage Foundation or Cato Institute?

BP: The Foundation's official mission is to "promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach."

The Foundation is the largest state-based think tank in the U.S. One reason for this is we are in Texas, the largest "conservative" state in the country with relatively less government interference in our lives than most other states.

We've been able to take advantage of this in part because of the growing dissatisfaction with the ability to make any progress toward liberty in Washington D.C. So we work with similar organizations in other states to return those "powers not delegated to the United States by the Constitution, nor prohibited by it to the States … to the States respectively, or to the people."

I think the advantage we and our sister state-based organizations have over national think tanks is that we aren't so Washington focused, that we look first to the states, or to people, to take care of their own problems. Though certainly our friends in national think tanks have come to see this more clearly in recent years as well.

"I think the advantage we and our sister state-based organizations have over national think tanks is that we aren't so Washington focused, that we look first to the states, or to people, to take care of their own problems."

I think the big challenge that we and similar organizations face is not so much because we are state based but simply because of the nature of think tanks generally. Often, in order to promote liberty, we must advocate for change in the laws and policies of our state or the federal government. Yet anytime legislative, executive, or judicial action is the means of moving toward liberty, it is not all that difficult to slip into the fatal conceit that we can do this by using the power of government, along the lines of "compassionate conservatism." While we have internal structures built-in to guard against this slippage, it still requires constant vigilance to ensure we remain committed to our principles.

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References

1. Charles McConnell, "The Cautionary Tale of Wind Energy in ERCOT," Texas Public Policy Foundation, August 14, 2018, available at: https://www.texaspolicy.com/the-cautionary-tale-of-wind-energy-in-ercot/.

EVENTS & ENGAGEMENTS

NOTE: MANY OF THESE EVENTS ARE OPEN TO THE PUBLIC. CONTACT US FOR FURTHER DETAILS.

SEPTEMBER 14, 2019
SEATTLE, WA

Murphy speaks at Mises Institute event on Political Economy.

NOVEMBER 13-14, 2019
VIENNA, AUSTRIA

Murphy is a keynote speaker at the Austrian Conference.

SOME EVENTS MAY BE CLOSED TO GENERAL PUBLIC.
FOR MORE INFORMATION ON EVENTS CONTACT: RPM@CONSULTINGBYRPM.COM

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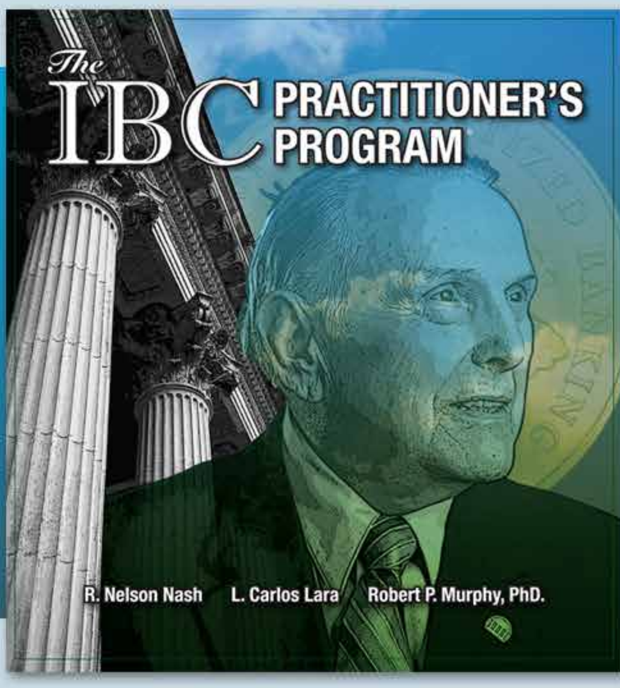

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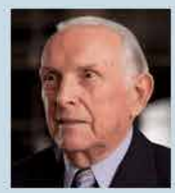
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