



Retirement *Lifestyle*
Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Lawrence W. Reed
Foundation for Economic Education

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Dennis Tubbergen:

Welcome back to RLA Radio. I'm your host, Dennis Tubbergen. I'm very pleased to have joining me once again on today's program. Mr. Lawrence Reed. Larry is the President Emeritus of the Foundation of Economic Education. That website is fee.org. Larry is a prolific author. You can read everything he publishes at his website. lawrencereed.com and Reed is R-E-E-D. And Larry, welcome back to the program.

Lawrence Reed:

Hey, my pleasure, Dennis. Thank you for having me.

Dennis Tubbergen:

Well, Larry, let's jump in because you were on the program almost year ago now, and we talked about the policies of Woodrow Wilson and I'm reminded of what my history professors said, "Those who don't study history are doomed to repeat it." Can you enlighten the listeners a bit?

Lawrence Reed:

Yeah, I'd be happy to. Well, for many, many years, Dennis, I regarded Woodrow Wilson personally as the worst of our 46 presidents. And I think that's still the case, but the current occupant of the White House is giving him a run for his money.

Lawrence Reed:

Wilson, I think, was the worst for a lot of reasons. One, on a personal level, he was a staunch racist. He segregated the entire federal government. Whatever wasn't already segregated, he took care of that. Fired a lot of black people from the postal service and so forth, simply because of their color. He also was a tax hiker. It was under him that we got the income tax in the first place. And he and his friends promised that if it was enacted there in 1913, that the top rate would never exceed 10%. Well, before his second term was over, he took it up to more than 70%.

Lawrence Reed:

And he also imposed all kinds of draconian controls and mandates on the American economy during World War I, which he had promised to keep us out of. He gave us some other mischievous things too. The 17th amendment, which is the direct election of senators. I think that undermined the Federalist arrangement between state and federal governments in our country and helped to consolidate power in Washington.

Lawrence Reed:

And he was no friend of the constitution. I mean, he actually said on more than one occasion that it was antiquated. It was aimed at an agrarian society, and we need to revamp it, which is his way of saying, we need to give the government a lot more power than it has.

Dennis Tubbergen:

Well, Larry, I think Mr. Wilson was also responsible for signing the Federal Reserve Act into law. You can correct me if I'm wrong.

Lawrence Reed:

No, you're right. Exactly. And that's another terrible sin that he imposed on the country. The Federal Reserve, since its enactment there in 1913, has given us, in spite of the promises to iron out the business cycle, it's given us one Great Depression and nine or 10 recessions and a currency that's worth about a nickel of what it was when they started. It's been a complete disaster.

Dennis Tubbergen:

So Larry, I want to, yeah, you wrote an article recently, which really contrasted Wilson's successor, Mr. Warren Harding. And I thought it was a really well-done piece. Can you comment a bit about the contrast between Wilson and Harding?

Lawrence Reed:

Yes. Harding was from Ohio. He served in the US Senate from Ohio and before that in the state legislature and also as Lieutenant Governor of the state. And when he ran in 1920, Wilson was completing his second term, of course, and that was very tumultuous for a lot of reasons. And Harding ran on a platform of returning the country to normalcy. And that's exactly what he did. He's not rated very highly by conventional historians because of some scandals amongst some underlings of his. And he did make some poor appointments, but he made some great ones too. But those scandals never personally touched him, except for perhaps the mistress or two that he had on the side.

Lawrence Reed:

But in terms of his policies, he was so much better than Wilson. He started the process that his successor Calvin Coolidge continued in the 1920s of bringing tax rates down. And between Harding and Coolidge and their tax reductions in the 1920s, the top rate came down from over 70% to the mid 20s. I mean, that's a remarkable reduction.

Lawrence Reed:

He also, along with Coolidge, his successor, brought down the national debt. And when we had a very sharp recession in 1921, because of the previous inflation of the Wilson years, Harding did the right thing. He didn't throw a lot of federal money at the problem. He retrenched the federal government, brought down taxes and spending, and the result was a very short recession. The country got over it in less than a year and recovery was underway.

Lawrence Reed:

So, and he was a very popular president in his day. Maybe not among historians today, but among the American people of his day. They liked him.

Dennis Tubbergen:

In your article about President Harding, you talk about a scene from October of 1921. So as we're recording this almost exactly 100 years ago, and it was a speech that President Harding gave in Birmingham, Alabama, and I thought it was a terrific story. Can you relate that to the listeners?

Lawrence Reed:

Oh, I'd be happy to. This is one of the things he should be best known for, but so few people have any recollection of it or ever learned about it. But it was October 26th, 1921, when President Harding went to Birmingham, Alabama. It was deeply Democratic, deeply Jim Crow, in the deep south. And he gave a spectacular address on racial equality. And he said to the audience, I'm going to tell you candidly what's on my mind, whether you like it or not. And the audience was about 30,000 in number, 20,000 whites and 10,000 blacks. And the whites were in the front and the blacks were segregated in the back. But when Harding finished, the cheers all came from the back and the whites were quite silent. And the reason was he really leveled with that audience. He said, we've got to stop this business of having laws that discriminate against people because of their color. And those laws at the time were both federal and state, but primarily at the state level.

Lawrence Reed:

And I mean, that was kind of revolutionary for a president to go right to the deep south and say to people it's time to get over this race issue and stop this Jim Crow stuff that says to black people, we're going to treat you under the law differently and as second-class citizens from the way we treat everybody else

Dennis Tubbergen:

Well, and Larry, I think what's especially noteworthy about this story is you have to understand the climate at the time. I mean, for those of our listeners that maybe aren't history buffs or maybe are younger and have never experienced to the extent that there was race and equality in that day. That was a pretty bold thing for a president to step up and do.

Lawrence Reed:

Oh, yeah. The country had just come through some pretty nasty racial riots, and they weren't started by just blacks. In fact, many of them were started by whites against blacks, most notably the Tulsa Race Massacre of June of 1921, just a few months before Harding speech in which several hundred blacks were killed.

Lawrence Reed:

I mean, it was a nasty time. The KU Klux Klan was staging a resurgence in the 19 teens and 1920s. So it was a message that a president needed to deliver and it was a message that people needed to hear and he should get credit for the great courage that he had to go down to the very deep south and tell people about racial equality.

Dennis Tubbergen:

Well, if you're just joining me, I'm chatting with Mr. Larry Reed today. He is the President Emeritus of the Foundation for Economic Education, a very worthy organization. I would encourage you to go check out their website at fee.org. I would also encourage you to consider supporting them.

Dennis Tubbergen:

And Larry, if you could just explain a bit to the listeners that may not be familiar, what the Foundation for Economic Education actually does and why it exists.

Lawrence Reed:

Okay. Thank you, Dennis, for asking. The Foundation for Economic Education, which is now headquartered in Atlanta, Georgia. After 70 some years in New York, we moved it a few years ago to Atlanta. Our purpose is to educate and inspire young people of high school and college age in ideas of individual liberty, free markets and free enterprise and private property, limited government, and most importantly, personal character. And we do that through in person and online events, our very robust website at fee.org, videos and curricula. You name it. It's all there on the website.

Dennis Tubbergen:

Terrific. Well, again, I'd encourage the listeners to check it out. And Larry, we've got a couple minutes left in this segment. So if we could, I'd like to go back because I think it would be insightful to go back and take a look at this. You mentioned that there were inflationary years at the end of Wilson's administration in his second term and Harding came in and put policies in place that really corrected that. And there seems to be a lot of parallels to that time and this time. Could you dig in just a little bit deeper and explain what Wilson did that caused the inflation and maybe what Harding did that helped bring it back under control?

Lawrence Reed:

Okay. Well, part of the problem with Wilson that contributed to inflation was his spending. And it wasn't just for World War I, which for America began in 1917. He spent a lot for that. No question about it. But he also expanded the government at home. And so, by the second part of his administration, we were running deficits. The newly created Federal Reserve system was printing money. And one of the effects of all that was for prices to rise, and the rate of price inflation reached the low double digits, 12, 13%. And the Americans hadn't seen that since the Civil War. So they were pretty unhappy with Wilson and his economic policies by the end of his term.

Lawrence Reed:

And he also imposed selective price controls. It created shortages, and it was a real mess. And Harding came in and said, we're getting rid of all that stuff. We don't want funny money flooding the country nor do we want the federal government dictating what prices ought to be. We need to balance the budget, cut spending and taxes and let a free economy and free people go to town. And that's what he did.

Dennis Tubbergen:

Well, the clock says we need to end it there. My guest today is Mr. Larry Reed. You can read his work at lawrencereed.com. Reed is R-E-E-D. lawrencereed.com. He is also the President Emeritus of the Foundation for Economic Education. The website there is fee.org. I'll continue my conversation with Larry when our RLA Radio returns. Stay with us.

Dennis Tubbergen:

I'm Dennis Tubbergen. You are listening to RLA Radio, and I have the pleasure of chatting once again today with Mr. Larry Reed. Larry is the President Emeritus of the Foundation for Economic Education. The website for that is fee.org. That's fee.org. You can also read all of Larry's work at lawrencereed.com.

Dennis Tubbergen:

And Larry, I should probably preface this statement by saying that I am unapologetic, and that capitalism is by far the best economic system ever known to man. And I think I'm still in the majority, although some days I wonder. You recently wrote an article quoting economist, Todd, I believe the last name is pronounced Buchholz, who said that economic illiteracy is dangerous. If a country ignores basic economics, it could go bankrupt. And it seems that we're on that path.

Lawrence Reed:

Yeah, it does. And it's very disquieting to watch what's happening in Washington. It wasn't very long ago when anybody who came forth and said, Hey, even though we have a trillion dollar annual budget deficit now, let's spend three or four or five trillion more that we don't have. Not very long ago, anybody saying that would be written off as a lunatic. And yet that's what's being discussed in Washington right now. Massive expansion of government spending and of the entitlement state with no thought it seems given to how is this going to be ultimately paid for.

Lawrence Reed:

Now, they tell you that, well, no, we got some stuff in the bill, some tax hikes and so forth that'll pay for it. But any economist worth salt will tell you that at most, they might get most of the money they need in the first year or two, but then thereafter, the bills are really going to be horrendous. And there's no provision in these massive spending bills to make sure those bills are covered.

Dennis Tubbergen:

Larry, you hear claims being made by those advancing these massive spending bills that the cost is really zero. We can spend three and a half trillion. The cost is zero. Comment on that.

Lawrence Reed:

Okay. Yeah, isn't it a shame in fact that we even have to deal with such lunacy. Three and a half trillion is three and a half trillion dollars. It's not zero. And what they're trying to say is, they're playing the class warfare card again. They're basically saying, well, we won't get it from you. We're just going to get it from those nasty billionaires of which there are only 700 in the United States. And by the way, you took every penny that those 700 billionaires in America have, not just their income from whatever form in any given year, but everything they have, their entire wealth, that is estimated to be about \$4 trillion. You could take everything they have, put them in the poor house, and you'd cover the federal go for considerably less than a year.

And then you'd never get anything again from them because now they'd be in the poor house.

Lawrence Reed:

So it's just absolutely ridiculous. It's class warfare. The purpose here is to put progressives in a position of power over you and over me, and then make as many people as possible dependent upon their beneficence at the federal level, even if it bankrupts the country in the process.

Dennis Tubbergen:

Well, Larry, the inflation genie is definitely out of the bottle here. And a lot of this, this deficit spending has been funded by currency creation at reckless levels, in my view, by the Federal Reserve. And it seems that ultimately there is nothing that's free. We're really seeing everyday Americans now getting pinched by an inflation tax.

Lawrence Reed:

Yeah, we sure are. In fact, we're beginning to see something that looks like the mid to late 70s, the period of stagflation, where you have very slow, if any, economic growth at the same time prices are beginning to take off. We're seeing signs of that right now with not yet a contraction in the economy, but much slower growth than we saw just a few months ago. And at the same time, inflation is running at two or three times what it was as recently as a year ago.

Lawrence Reed:

So, that's very dangerous, but I think that the chickens are coming home to roost, Dennis. We're beginning to see a lot of this funny money that the fed has been pushing into the system. It's now finally working its way into ever higher prices. And it's exacerbated by supply bottlenecks, COVID mandates and other interventions of the government. But the funny money alone, which has increased by some 35% in the last year and a half, is certainly enough to create lots of price pressures and we're seeing it every day.

Dennis Tubbergen:

So Larry, from some of the other people I've interviewed, it seems that there's consensus that there is a lag, a time lag, from the time that currency is created and you actually see the inflationary effects. And assuming that is the case, and I'd like your viewpoint on that, it seems that this inflation may just be getting started. What's your take?

Lawrence Reed:

Oh, I think that's true, Dennis. The time lag does seem, if you look back in history, to vary considerably. There are a lot of us economists who thought that we would see these price pressures sooner than we have, after so many years of the Federal Reserve expending money and credit so dramatically. But there were other forces in the market at the time that sort of suppressed the price effects of that earlier money creation. Things like the regulation of the Obama years that kept a lid on prices and the economy and so forth. But now the lids coming off of everything. You've got COVID mandates now hopefully fading out. You've got the economy trying to grow and reassert itself. You've got that newly created money that used to sit in the banks is now working its way into the spending stream. And inevitably that pushes prices up. So, I am afraid that we're going to see over the next six, eight months inflation perhaps even double again from the present 5%-6% to maybe 10% to 12%.

Dennis Tubbergen:

Larry, when you look at some of the government programs that have been put forth here over the past year and a half, we've really rewarded people for not working to a certain extent. Not that there weren't reasons to provide stimulus. That's not what I intend to say. But it seems that now maybe we have created a mindset that is really stagnating economic growth. To what, to what extent would you agree with that?

Lawrence Reed:

Oh, I do agree with that, Dennis. And there are a lot of corners of the country I would fault for that. I would fault to some degree parents who aren't teaching any solid economics to their youngsters at home. I would fault even more so the public schools and most parts of the country that are producing young people out of high school who haven't the slightest clue of what makes an economy run. You see polls indicating that a plurality, if not majority of young people these days coming out of high school have favorable views of socialism. Well, that tells me that they've been indoctrinated. They've not been told the other side, either by their parents or by the schools that are supposed to educate them.

Lawrence Reed:

So yeah, you can't have economic nonsense being taught. And then people with that lack of knowledge going into high places and not expect there to be bad policies resulting from it. And hopefully we can turn that around.

Dennis Tubbergen:

So Larry, given that we have massive deficits, as far as the eye can see. We've got currency creation taking place at a maniacal pace, as we just mentioned. What is the capitalist solution to where we find ourselves today in your view?

Lawrence Reed:

Well, the capitalist solution I would say is to get rid of the socialism that we increasingly have. And by that, I mean this ever-increasing growth in the entitlement state that pays people to be idle, the ever increasing regulatory apparatus that stifles everything from the creation of energy that fuels the economy to the formation of small businesses.

Lawrence Reed:

The capitalist solution would also suggest that we educate people to understand that capitalism is infinitely superior to any of the other isms for a lot of reasons. One, it tends to give people, productive people, the greatest incentive to produce. It is most in accord with human nature, because it says to people, if you do no harm to others, go to town. Be productive. Get rich if you can. Serve others in the process and you'll find that that's the way you can get ahead yourself.

Lawrence Reed:

I think capitalism is, really, it follows from human nature. That's why you don't need a king or a queen to decree it. They don't need to plan it. All they need to do to get out of people's way. Whereas all these other isms, like socialism, is really just a bunch of people who think they're smarter than others sitting down and mapping out plans to push other people around. Capitalism just says, go to town, invent, create, and be productive, be yourselves and you'll be rewarded in the marketplace for the risks you take if you make good judgements.

Dennis Tubbergen:

So Larry, in your view, are we too far down the road towards socialism to ever correct this? Are you optimistic? Are you becoming more pessimistic?

Lawrence Reed:

No, I'm still very optimistic. I can think of many places in recent times, Dennis, where countries have gone even further down this path than we have and turned around. I mean, look at most of Eastern Europe. They were part of the old Soviet empire with thoroughly socialized economies in the years that communism dominated from Moscow. You also so had Great

Britain in the 30 years after World War II that went the so-called democratic socialist direction. And they ended up as the basket case of Europe until Margaret Thatcher came along and really saved Britain and turned things around.

Lawrence Reed:

So, sometimes it takes a real crisis before people wake up and support the kinds of policies that can make a difference. And that's what I'm hoping for here. Not the crisis part, but the waking up part. I think that's what I'm wishing for. And I think I see signs of it already.

Dennis Tubbergen:

Yeah. I certainly agree with you. My guest today has been Mr. Larry Reed. He is the President Emeritus of the Foundation for Economic Education. Great organization. Check out their website at fee.org. And you can read all of Larry's work at lawrencereed.com.

Dennis Tubbergen:

Larry, always a pleasure to catch up with you. Very much appreciate your time. I know you travel a lot, so appreciate you taking time out of your schedule to spend some time with me and my listeners.

Lawrence Reed:

Hey, my pleasure, Dennis. Thank you so much.

Dennis Tubbergen:

We will return after these words.