

Faith and Free Markets:  
Political | Economic | Religious

# QUAESTUS



Quaestus Journal Fall 2025

VOLUME VII NO. I



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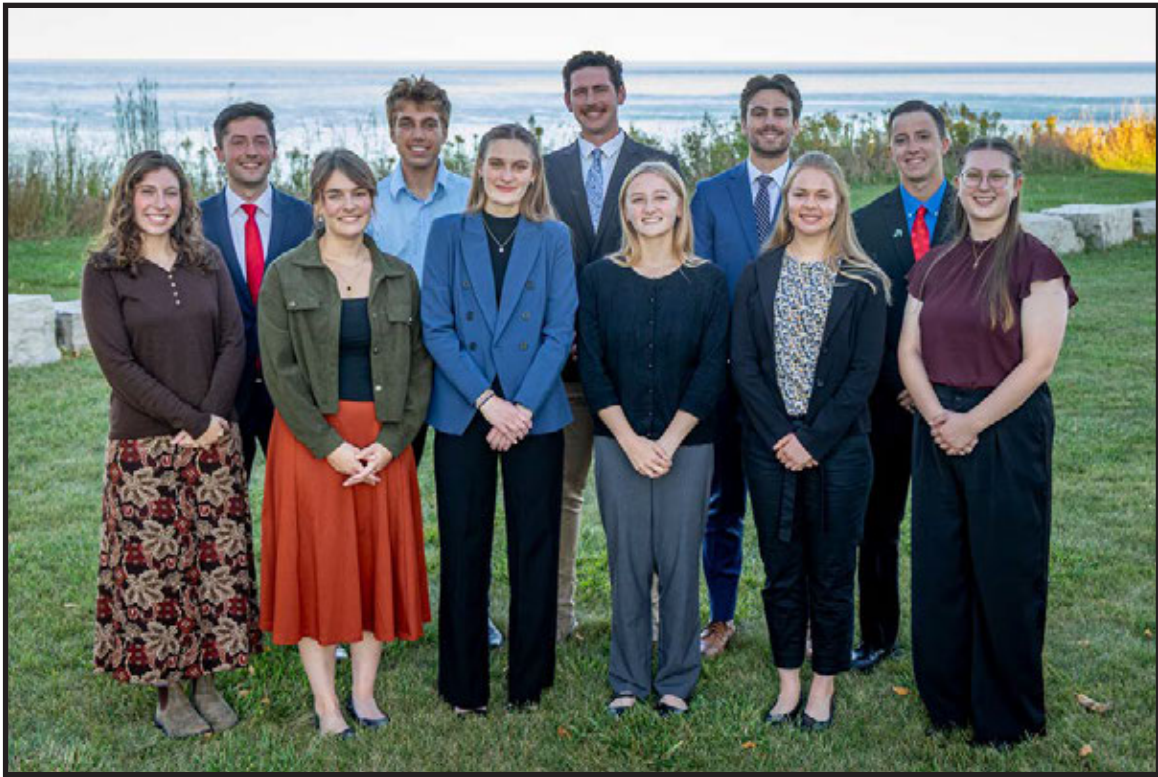
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## *Our Mission*

Quaestus is a student-led journal presenting ideas about Liberty, Faith, and Economics from a Christian perspective in order to promote human flourishing.

## *Our Vision*

We aim to inspire the next generation of Christian thought and leaders by addressing global issues with sound moral and economic principles.



*For what does it profit a man to gain the whole world and forfeit his soul?*

# Editorial Board



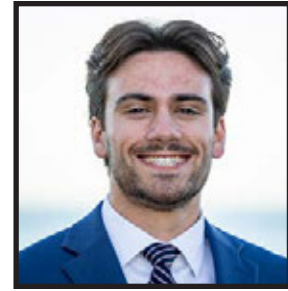
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# So... What is Quaestus?

## *A Letter from the Editor*

This periodical features transcriptions from the 2025 Liberty, Faith, and Economics (LFE) Summit at Concordia University Wisconsin. This annual event is hosted by the Concordia Free Enterprise Center and has attracted numerous distinguished speakers. The keynote address this year was delivered by Mr. Steve Forbes, with the summit focusing on the theme “Promoting a Free and Virtuous Society”. Within this journal, you will find stimulating ideas about the role that liberty, faith, and economics play in promoting civic virtue. We invite you to engage in these ideas through Quaestus’ annual essay competition for the Spring publication.

Quaestus (Kway-stus, Latin for profit) is a student-led group aimed at initiating meaningful discussions on critical topical issues. As an editorial board composed of undergraduate students under the guidance of Dr. Scott Niederjohn, we strive to engage the campus community in thoughtful discourse. For the members of the editorial board, Quaestus serves as an excellent opportunity to practice writing, editing, and publication. We experience the peer-review process and develop strategies for marketing our publication and forums. Each fall, we organize a writing contest inspired by the content of the LFE Summit. Student editors are either chosen from the winners of said contest or invited by the current editorial board where they hone their skills in writing, editing, and publishing.

## *The Twofold Mission of Quaestus*

### **I. Publishing Insightful Periodicals**

Quaestus produces two journals annually - one in the fall and one in the spring. The fall edition showcases transcriptions from the Liberty, Faith, and Economics Summit, while the spring publication features essays written by students and editors. Any Concordia University Wisconsin student can submit articles which are selected and reviewed by the editorial board. The fall publication is meant to encourage students to draw inspiration from the fall themes - centered on liberty, economics, and faith - and contribute their perspectives in the spring edition.

### **II. Hosting Engaging Forums**

Quaestus develops and leads forums that promote conversations on “hot button” topics. Our general model is to select multiple experts to speak on an issue. We make it a priority to invite speakers who are willing to share opposing perspectives as that is a way to promote fair civil discourse. We hope that while our speakers are presenting on a topic, students in the audience will understand that healthy and productive conversations on these topics are possible. Students always get a chance to engage in the topic through a Q&A with the speakers at the end of the forum. We have also screened documentaries like *Undivide Us* and *Poverty, Inc.*, which provide thought-provoking information and promote civil discourse.

Michelle Gain & James Schultz,  
Co-Editors in Chief

# Kyle Mann: The Entrepreneurial Power of Comedy

Transcribed by: Magdalene Lane

*Mr. Kyle Mann is the editor-in-chief of The Babylon Bee. A prolific comedy writer, public speaker, and podcast host, Kyle has written thousands of Babylon Bee headlines and articles, along with the published works he's authored or co-authored: The Sacred Texts of The Babylon Bee, The Babylon Bee Guide to Wokeness, The Babylon Bee Guide to Democracy, How to Be a Perfect Christian, The Postmodern Pilgrim's Progress. Addressing hot topics like censorship, wokeness in comedy, and the importance of laughter and humor, Kyle has delivered keynote speeches, sat on panels, and addressed large crowds at large events across the country.*

They asked me to come and speak about the power of comedy and how we can use it to communicate truth in this culture, which is a crazy culture. It's a crazy time right now. I've never really taken this angle before, but I'll be talking about the business plan of the Babylon Bee and the economic side of it as well, along with the politics and philosophy of why we do what we do. This was a bit of a challenge for me because we don't have a business plan and never really did. I'll address that more later. [The story of the Babylon Bee] is a cool story. Our plan was to launch a Christian news satire site and to see what would happen. It's a site where we can comment on current events using comedy, satire, and creative writing. Our audience, however, in some ways is able to get their news from the Bee, which is an interesting thing. The Babylon Bee was originally born from the passion a couple guys had for telling jokes. You know how dads love their dad jokes. Essentially, we said, "how can we monetize our ability to tell dad jokes?" That's how the Babylon Bee got started. We found we had this God given calling to do what we do, and we saw an opportunity in this market of people who were hungry for comedy written from a Christian, conservative, and Biblical perspective. I think this



is true in a lot of different marketplaces today. There are a lot of Christians and conservatives out there, and maybe even people who don't use those labels but are regular, ordinary Americans who want certain kinds of entertainment or services that don't hate them or their beliefs, which is a novel concept these days. By serving that market [the Babylon Bee] found a lot of success.

So, what we do at the Babylon Bee is write these headlines that comment on current events. Here are a few of them. "CHINA RETALIATES AGAINST TARIFFS BY PUTTING YOUR FORTUNES INTO COOKIES," "NAVY AIRDROPS PUBLIC DEFENDER ONTO DRUG BOAT TO GIVE CARTEL MEMBERS DUE PROCESS," "NAZI RALLY INSPIRES MINIONS TO LOVE AND FORGIVE THEIR ENEMIES." One that we just did was, "12 MILLION CHARLIE KIRKS CREATED OVERNIGHT." This is something we can do to bring hope and light in dark times. Comedy is sometimes most needed in times like these. People will ask me how we write jokes about such sensitive and difficult topics. What's interesting is that a lot of the time, we're not just trying to get people to laugh. We're getting them to think, to laugh at let their guard down so that they'll actually consider what we have to say. So much of our "civil" discourse these days is all people yelling at each other and not considering other perspectives. Comedy is a unique tool that allows people to mock their own position and laugh at themselves a bit. It's so important to be able to laugh at ourselves. Through this God-given calling that we had and the refusal to back down when our beliefs were challenged in the public sphere, we found that we had an impact on the world. I mentioned before that we didn't have much of a business plan, so we were sitting there with the charts

and projections and saying, “We’re going to serve this market and here’s our funding and our marketing budget.” We started the Babylon Bee with a fifty-dollar web domain that we bought from GoDaddy or whatever, and we never really funded or advertised it. We just put it up there, and, virally, it started getting discovered because of the quality of the product and because people enjoyed that kind of thing. We launched the Bee with this headline, “HOLY SPIRIT UNABLE TO MOVE THROUGH CONGREGATION AS FOG MACHINE BREAKS.”

Overnight, this headline went viral and launched the Babylon Bee. A lot of people still come up to me and say this is their favorite headline.



G.K. Chesterton said that satire has weakened in our epic for several reasons, but chiefly because the world has become too absurd to be satirized. What hope do we have as satirists today? Well, a lot of Babylon Bee headlines actually did come true in real life; this is something that actually happens. For example, “MAN DROWNS AS POLITICALLY CORRECT PASSENGERS STRUGGLE TO DESCRIBE WHAT JUST WENT OVERBOARD.” We wrote this six years ago in 2019. Just this past week, the Royal Yachting Association said that “man overboard” is an offensive term. Or “GAVIN NEWSOM DEMANDS ANSWERS FROM WHOEVER’S IN CHARGE OF CALIFORNIA.” Later Gavin Newsom actually did hold the state of California accountable for the use of fire hydrants and conservation of water. Another one was, “GOVERNMENT DISINFORMATION

BOARD DETERMINES ALL CRITICISM OF GOVERNMENT DISINFORMATION BOARD TO BE DISINFORMATION.” They actually came out and said there was a bunch of misinformation going around. Later we said, “STUDY FINDS ANYONE STILL WEARING A MASK AT THIS POINT IS PROBABLY JUST SUPER UGLY.” Two years later there was a study on people who found themselves unattractive and just kept wearing masks.

One of the defining moments for the Babylon Bee was early on, when we were writing this little Christian webcomic, and most of our audience was Christian or right on the political side. Some of our stories started getting shared in more diverse political circles. I think as Christians it’s important for us to comment on a variety of things and use our talents whether we’re construction workers or writers or in the film industry or whatever we may do, we should do it for the glory of God. People will say that Christians shouldn’t comment on politics; that we should just write little worship leader jokes for Christians. We weren’t concerned with making a strong point at first, though, we were trying to put the humor first. That’s essential for a good joke, you have to make sure it’s actually funny. That should sound obvious, but it’s not obvious if you watch late night TV or have consumed any comedy on Netflix in the past five or ten years. A lot of the time it’s very obvious that the writer went in wanting to make a point about something, and then they tried to make a joke work with that. The Babylon Bee was funny because we really did just want to tell jokes and we thought they were funny. A lot of times I write a joke and nobody laughs on Facebook, and we call that “bombing,” but I’m still proud of that joke because it made me laugh, and that’s the main goal. You have to write stuff that will be funny for yourself before it will be funny to anyone else in the world.

Because we started getting more exposure and a broader audience outside of the Christian conservative sphere, we started facing a lot of opposition and a lot of challenges. When you remember that we didn’t have a business plan, this took us by surprise. When the Babylon Bee

was launched ten years ago, you were able to launch a website and direct a bunch of traffic to that website through Facebook and make money off of Google ads. That business model is nearly dead now because of the way that Facebook has changed their algorithm. All of the content is now monetized in completely different ways from how it was then. So, it was a very fragile business, because if the Babylon Bee got kicked off of Facebook, we lost access to eighty percent of our audience and traffic flow.

It was concerning to us when we started getting fact checked. It was a real threat to what we were doing, because all of a sudden, our page started getting labeled as fake news and misinformation. Our jokes would get a little fact check label on them, and what Facebook does in response to these fact checks, which were done by supposedly independent third parties, is they would start to demonetize and deplatform our page. We actually got a message from Facebook saying the Babylon Bee was going to be demonetized and deplatformed because we had accumulated too many fact checks on our jokes. Facebook has recently come out and apologized for some of the stuff they were doing, and they blamed the fact checkers for being too aggressive.

The Babylon Bee started seeing attacks from people like CNN, the New York Times, Facebook, and the fact checkers. Adam Ford, who founded the Babylon Bee out of Michigan started freaking out thinking we were going to lose everything because Facebook's coming down on us. To really paint the picture, the Babylon Bee was a garage business; this was literally me writing headlines in my garage in California and Adam editing the site and handling all the business out in Michigan. We were concerned obviously. We were just two guys in their garages and now we're a huge threat to democracy or something.



Daniel O' Sullivan who is a reporter for CNN is upset in this tweet because there was a big news story that happened and the Babylon Bee got more views than the CNN article on the same story. He says we're dangerous sources of misinformation, because of a New York Times article in 2019 that accuses us of being a far-right misinformation site. Notice how he uses the word "satirical" in quotes as though we're not really satire. When the left does satire, however, it is never criticized. So, when people get tricked by SNL saying that Sarah Palin said she could see Russia from her house, that is not labelled as dangerous misinformation, that's just dismissed as Republicans being dumb. On the other hand, when some people get confused by a Babylon Bee article, then all of a sudden, we're a far-right misinformation site. We claim to be satire, but we're really just fake news. So, we're really a threat to these people.

We started getting fact-checked by USA Today, by Reuters, by Snopes, by Politifact, and just about any fact-checker you can think of, and they all had dozens of fact-checks on Babylon Bee articles. We did a headline after the moon water announcement that said, "TRUMP PROPOSES SPACE NAVY." A lot of people would probably look at that and figure it's a joke, but USA Today decided to do a fact-check on it. Unsurprisingly, they found it was false. We also published the headline, "SENATOR HIRONO DEMANDS AMY CONEY BARRETT BE WEIGHED AGAINST A DUCK TO SEE IF SHE'S A WITCH." Facebook deleted this joke because they said it was inciting violence against Senator Hirono. We quickly found out there was a double standard when it comes to satirical comedy.

If you look it up, Snopes also fact-checked the Onion, which is a predecessor of the Babylon Bee from a more liberal perspective. They fact-checked us much more in the same amount of time than they did the Onion, and also their fact-checks were really aggressive. They were saying we were "intentionally muddying the waters of information on the internet." All these strong accusations were of course only increased because of the 2016 election and election denial.

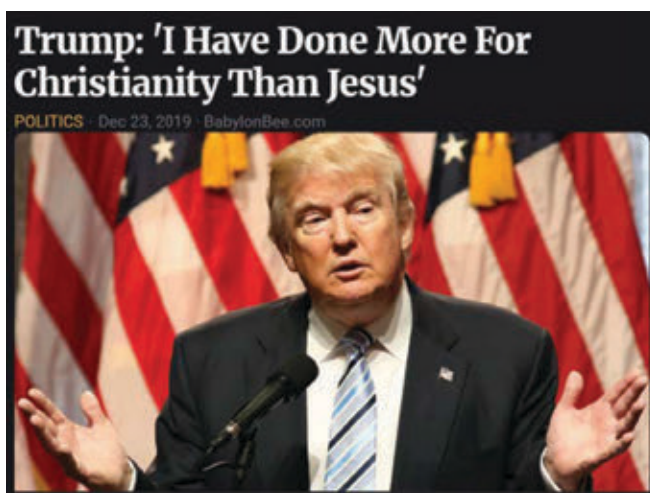
All networks were taking this so seriously to the point that you were seen as a threat to democracy if you were sharing fake news. So, they had a kind of fact-check cabal going on where Facebook was funding fact-checkers to fact-check stories. If a fact-checker said something was fake news, Facebook would deplatform the site and wash their hands of it. Zuckerberg came out recently and walked back from some of that stuff.

I said it was a formative moment for the Bee when we started facing opposition, and I think it's because when you face opposition like this, it means you've landed on something, it means you're hovering over the target when it comes to comedy. If two guys are in their garages telling dad jokes, and then all of a sudden, the New York Times is coming after them, then you know people are worried your satire is having an impact. Of course, comedy does have a huge impact on culture, and we discovered that as we went along. One headline that came out when Zuckerberg came out against fact-checkers was, "META SAYS FACT-CHECKERS WERE THE PROBLEM. FACT-CHECKERS RULE THAT FALSE." This is probably the best headline of all time.

I was an occasional Bible pastor of a Southern Baptist church in San Diego. Yes, there are Southern Baptist Churches in San Diego. Most of them are small and cannot pay you. So, during the day I was a salesman for a regional waterworks supply company, and I started doing the Babylon Bee on the side. Adam posted an advertisement looking for writers, and I sent my headline in, and all of a sudden, I was writing part-time for the Babylon Bee. It was a lot more fun than my other jobs, so I kept doing it. A couple years later, Adam sold the site to an entrepreneur out of Florida named Seth Dillon. When he sold the site, I was able to take partial ownership, quit my other jobs, and just do the Babylon Bee full-time. It took a huge leap of faith and a big pay cut to become a writer. My wife and I had just bought our first house in San Diego, and I think it was a few days later when the Babylon Bee launched. I came home miserable, and I was lying on the carpet in our empty house, and I said, "I think I want to quit this and write comedy." My wife said,

"If you can make it work, go for it." Piece of advice number one: have a supportive wife who will let you quit and write comedy.

Right after I quit, we got hit with this fact-check. So, I had just given up my job to start at the Bee when we got a very strongly worded message from Facebook saying essentially, "You've shared two much fake news, three strikes and you're out." We all started panicking wondering what we were going to do. One headline that especially got fact-checked was, "TRUMP: I HAVE DONE MORE FOR CHRISTIANITY THAN JESUS." We wrote this before he actually said that. It was false at the time.



Other headlines that got fact-checked included: "CALIFORNIA CHRISTIANS MUST NOW REGISTER THEIR BIBLES AS ASSUALT WEAPONS," "THANKS TO NEW LAWS, VEGGIE TALES INTRODUCES A NEW CANNABIS CHARACTER," "WHITE HOUSE DEMOCRATS DRAFT LEGISLATION THAT WOULD MAKE IT A HATE CRIME TO EAT CHICK-FIL-A," and "POPE FRANCIS COVID VACCINE WILL NOW BE REQUIRED TO ENTER HEAVEN."

We saw all these fact checks and were very concerned, because we saw the double standard that existed. Would the huge conglomerate of big tech, mainstream media, and the government allow even this tiny satire site that had an opposing view to exist in the free marketplace of ideas? It didn't seem like that was going to happen. They were trying everything they could. In fact, when a lot of Twitter files got released, we found that we were on one of the lists from

the CIA and our posts were labelled as dangerous misinformation. The absurdity of how dangerous they were saying we were online was just wild. This was a turning point for the Bee because we were very much on the ropes and wondering how we would survive this.

One of the things we did when Seth took over the site, which turned out to be a lifeline, was that we launched a subscriber system where people could sign up, similar to Patreon, and fund us directly. We tried to cut out as many middlemen as possible so we wouldn't have to make money from Google ads but rather could rely on our readers to fund us. The interesting thing is that our subscriber base grew pretty steadily, even though we weren't really offering too much in return. We found that when you have that brand appeal and an affinity with your customers who trust and love you, they'll often just support you for free. Most people give us five or ten bucks a month and don't engage in the exclusive content that subscribers get. They're doing it because they want to feel like they're fighting the battle for free speech along with you; because they want to feel like they're supporting something that's bigger than they are, and they're supporting that cause with five or ten bucks a month. We had this base of subscriptions that was growing rather steadily, and that helped us when we started getting hammered with more and more of these attacks.

You might remember when we published this story on Twitter.



Rachel Levine is our manager. We were banned from Twitter for posting this story. We got a message from Twitter saying, "Your account has been locked for violating Twitter rules." What Twitter wanted us to do was to go in and manually delete the tweet and check off all their boxes, like saying, "I agree that I committed hate speech and that I've incited violence on this person through this joke." We decided we weren't going to do that, and we weren't going to delete the tweet. There wasn't any kind of strategy to this [decision.] We just got together as business leaders, and we said that deleting this tweet would go against our beliefs and that we weren't going to do it. We weren't going to succumb to the pressure from culture and society to believe everything they want you to and go against your own beliefs. We took that stand and decided we weren't going to do it. Our account was locked unless we agreed to delete the tweet, but we said that truth is not hate speech, and if the cost of telling the truth is the loss of our Twitter account, then go ahead.

Alexander Solzhenitsyn, author of the Gulag Archipelago, said that the simple step of a courageous individual is not to take part in a lie. A word of truth outweighs the world. When we were locked out of our Twitter account, I got a call from a small business entrepreneur named Elon Musk and we were just having a casual conversation when he said, "I haven't seen any Babylon Bee articles in my Twitter feed lately. What's going on?" I told him we had gotten locked out, and he said goodbye, hung up, and about a week later, he announced that he was buying Twitter. When the deal finally went through in November, the first thing he told staffers to do was to free the Babylon Bee account. It was pretty cool to have been a small part of that story.

If you have a strong base of people who love you, who love your brand, love your content, and who love what you do, and just by being yourself and standing firm on your beliefs and refusing to back down, you can have an impact on the world. I'm a nobody. I'm a dude from San Diego who was on fire hydrants for years, and then all of a sudden, we're doing this thing and not trying to rock the boat but just trying to tell jokes. But because we

were faithful to that mission of communicating truth to a post-truth culture, using humor, being who we are, sticking to our Christian beliefs, telling goofy worship leader jokes, and refusing to bow to people that say there are no-fly zones in comedy, we were able to make a little bit of an impact on the world. This was a really cool thing to see.

I live in California, by the way, and I live there because I'm a comedian and need comedy material. Our governor recently attempted to ban any AI parodies of politicians. So, you couldn't make fun of a politician with anything using AI, or else, if you did, you had to have a big label or watermark saying that it was a joke, which, if you know anything about the format of satire, having a big label that says it's satire ruins the joke. The governor was upset because somebody had done an AI parody of Kamela Harris, and he tweeted that this should be illegal and that he was going to sign a bill and make it illegal. So, our strategy for that was that we immediately did an AI parody of Gavin Newsom, unlabeled, and then we sued him. Actually, last week we just won the lawsuit, and the federal court overturned the bill.

A lot of times, you get journalists not telling the truth on both sides. It falls on the comedians to tell the truth. That's where the Babylon Bee got so much traction, in people who were just sick of it. They were sick of seeing entertainment only come from one side, entertainment made only for the left and seeing news and commentary come only from that direction. Being able to write from the other direction, from our perspective, turned out to be really powerful.

Having that subscriber base was so huge for us. Originally, we were funded by Google ads, but today, we're 100 percent funded by readers and direct sponsors. If there's a Christian company or a conservative company that comes to us, they can purchase ads directly. Anytime we got slammed by fact-checks, or any time there was an article in the New York Times about us, or when we got banned from Twitter, we would just email our subscribers. We had a very strong newsletter list and we would say, "Hey, we just got banned from Twitter," and

all of a sudden, you'd see thousands of new subscribers pouring in just to help out and make sure that we could pay our dozen writers that we had at the time. Every time we see a big billing day, we get a bunch of subscriptions pouring in, which makes us wonder what happened a year ago that we're getting this recurring revenue, and then I would remember, "Oh, we got banned on Twitter a year ago today," or something like that. So, we found that we were able to have this growth despite conventional wisdom saying not to rock the boat or go outside the bonds of what people were already doing. We have to forge this new path, and we're able to grow in spite of all that opposition.

I wanted to talk a little bit about comedy and humor and satire and why they are so powerful. A lot of people ask me how the Babylon Bee jokes are written and what we sit around and do all day. I don't know if you remember in *The Simpsons* when Bart gets to go see Mad magazine's offices, and he's all excited. The door opens and they're all just sitting in cubicles and it's very boring. So, a lot of times I don't want to let people down and I tell them it's crazy fun and everyone's bouncing off the walls. Sometimes it's like that, but a lot of times we're just sitting around, and it's like sitting around with your buddies, one upping each other with jokes around the campfire. A lot of times when we're telling jokes, we're just goofing around. We're looking for the news of the day and trying to find the big topic everyone's talking about that would make a joke really connect. It's a sweet spot for us when we can find a joke that's a hot current event, but you can take a unique angle on it that no one's ever taken before, especially if we can tie in a Christian angle, making fun of Christian culture, or all those things we remember as Christians growing up.

We found that satire has me writing material that, in a biblical sense, has this prophetic side to it. There's a prophetic element of satire in the sense that it speaks the truth and proclaims it in so many ways. There's an example in the

Bible where Elijah is mocking the prophets of Baal, and he doesn't sit down and have a debate with them, he mocks them. He says to them, "Cry aloud, for Baal is a god. Either he is musing, or he is relieving himself, or he is on a journey, or perhaps he is asleep and must be wakened." (1 Kings 18:27) People will say, "Christians should stay in their lane and not be too mean. Only write jokes about worship leaders wearing skinny jeans." Or "I only liked the Babylon Bee when it was safe. Church jokes only." Well, if you look at the prophet Elijah, he goes out there and mocks a false cultural belief using satire and parody to make fun of a false god. In Isaiah 44, God, speaking to us through the prophet Isaiah, mocks idol worshippers. He says the woodcarver uses part of the wood to make a fire, and with it he warms himself and bakes his bread. Then he takes the rest of the wood and makes himself a god to worship. He makes an idol and bows down in front of it. He burns part of the tree to roast his meat and keep himself warm and says, "Oh that fire feels good." Then he takes what's left of the wood and makes a carved idol. He falls in front of it, worshipping and praying to it. "Rescue me," he says, "You are my God." There's this parody that God is doing of these idol worshippers, and he's essentially saying, "If they went out and cut a log down, and used half for firewood and half for a god, how do they know they have the right half?" there's a sense of irony that's there so many times throughout the scriptures. We don't get it all because a lot of us don't read Hebrew, or we don't know the original culture, or what their mindset was, but there's humor and satire woven throughout the Bible.

It's become part of a Christian tradition that since we act like Christians, we can't be funny or use satire or mockery. I do think there should be some caution there. You don't want to be too critical and cynical all the time. My wife has to slap my hand when I'm writing Babylon Bee headlines in church. It's not the time for that. C.S. Lewis, too, wrote *The Screwtape Letters*, where he wrote from the mind of a devil, and it's full of satire and mockery. But he said he never wanted to write anything like that ever again, because he had to start thinking like a demon in order to write like a demon, and he said that's a very dangerous thing.

So, you have to be sure you can take a break and turn that stuff on and off and not be cynical about everything when you're writing satire. But it's part of the Christian tradition, from C.S. Lewis and G.K. Chesterton to Martin Luther. Martin Luther probably used a little too much mockery sometimes.

Satire is prophetic. It speaks truth to culture. Here are some more headlines we've done. "LIBERTY UNIVERSITY CRITICIZED AFTER UNVEILING STAINED GLASS WINDOW DEPICTING DONALD TRUMP," "INSPIRING CELEBRITIES SPELL OUT 'WE'RE ALL IN THIS TOGETHER' WITH THEIR YAWNS," "NBA PLAYERS WITH SPECIAL LACE COLLARS TO HONOR RUTH BADER GINSBURG," "BIDEN CUTS HOLES IN ALL MASKS SO HE CAN SNIFF PEOPLE'S HAIR," "WOMAN WHO MAKES A CAREER SINGING ABOUT HER BAD CHOICES ENDORSES KAMALA HARRIS." "CRACKER JACK CHANGES HIS NAME TO MORE POLITICALLY CORRECT CAUCASIAN JACK."

So, you see, satire is encouraging to us. Humor is encouraging to us. This is one of the best things about the Babylon Bee is that I get to go around and do this kind of thing, and I get to hear people laugh and see smiles on people's faces and hear people tell me about how they were going through a tough time but were able to keep up on their news because of the Babylon Bee. Sometimes, especially in dark times, we need humor and satire and laughter and joy to get us through the darkness we've seen so many times. The Babylon Bee had its biggest growth when the pandemic hit, being able to help people laugh a little and gain a little perspective and see beyond that moment. We live in a culture where every election, they're telling you it's the most important election of your lifetime, as if our Western civilization is going to fall if the outcome of this election is wrong. We have to push back on that a little bit as the Babylon Bee and remind ourselves that we're part of this bigger story where we know who wins in the end, and we're confident in that. So, we can laugh.

So much of liberal comedy has become so cynical and dark and depressing, because they don't have

any hope. They don't have a thing that keeps them going. You can laugh if you know that you're going to win in the end. Someone who doesn't have a God doesn't have that. They're fighting in a battle for existence because they don't have that faith that they're going to win in the end. You can turn on any late-night comedy show and see what I'm talking about. They're lecturing you, not telling jokes anymore, because if they want heaven, they're going to have to build it on earth, but we know that heaven is coming, so we don't have to worry about it.

We get emails from fans all the time who say that we got them through a dark time, so here are some final things to make us laugh.



When we face all this opposition, we continue to do what the mission of our company, with a calling from God, was, which was to bring light and joy and humor to people, to tell good jokes, whether they're about you or the other side, and bring joy to people who desperately need to communicate truth to people who either agree or disagree with you. In spite of all obstacles, God brought us through all this, and to anyone who is a Babylon Bee subscriber: thank you. You guys literally help us pay our writers and keep our lights on when we were shut out. Ultimately, it's important for us to be able to laugh at ourselves before writing satire about anyone else, so go out and have a good sense of humor about yourself. Don't take things too seriously. Go out and

have that joy and become a joyful warrior in the fight. That's how we're going to become attractive to the world, by having the joy of the Lord in us.

They asked me for my business plan and here it is. Create a Christian satire news site, then question mark, then create a profit. I think it's valuable advice. Thank you.

## Mr. Rick Esenberg: On a Classically Liberal Constitution

Transcribed by: Katharina Bode

*Mr. Rick Esenberg is the founder & president of the Wisconsin Institute for Law & Liberty. He is a leading constitutional scholar and public interest litigator in Wisconsin. As President and General Counsel of WILL, he champions the rule of law and individual liberty, drawing on a deep commitment to civil society and a balance between tradition and innovation. Mr. Esenberg holds a J.D. from Harvard Law School, where he was an editor of the Harvard Law Review, and a B.A. in political science from the University of Wisconsin-Milwaukee. Mr. Esenberg's commentary has been featured in such outlets as the Wall Street Journal, National Review, Weekly Standard, and Washington Examiner.*

Thank you for having me. It's always nice to be at Concordia. Turns out, I am a neighbor; my wife Karen and I live about a mile north of here on Lakeshore. I frequently tell a story about Concordia from years back. Karen had accompanied me to a speaking engagement at my alma mater, UWM. It was a forum on Ruth Bader Ginsburg, who was still on the court at that time. After it was over, and after I think I had offended the group by suggesting that an institutional activist is not what a judge should be, people followed us out to our car and yelled at us. It just so happens that a few weeks later, she came along with me to a presentation that I did here at Concordia. Before we came over, we made the 55-second drive, and she asked me, 'Will the students follow us and yell at us again?' I said, 'No, they'll follow us, but they'll be asking about internships.'

I don't presume that everybody at Concordia is right of center. I'm sure that's not true, and while I'm a conservative, I don't intend this talk to be one that simply praises the right and blames the left. Truth be told, I plan to complain about both. I suspect you recall the TV show Seinfeld. To



quote George's father at the Festivus celebration, I'm here to say, "I've got a lot of problems with you people!" In part, this is an airing of grievances, and mine is this: conceding that the terms left and right can be more conclusory than descriptive, what we understand to be the left in the United States has become quite illiberal. It has become anti-constitutional and hostile to the rule of law. My concern, however, as a conservative, is that some elements of the right are running hard to overtake them. It doesn't mean the two are coming together or that we don't have a left and a right, a conservative and progressive division in our country. It really hasn't affected the way I vote. But we may have a divide right now that is just as fundamental as that between the left and the right; a divide between constitutionalists and anti-constitutionalists.

I want to start with a proposition: our Constitution is classically liberal. It's not only that, and it rarely tells us how to resolve policy questions, but it rests on a set of assumptions that are classically liberal. But I should define my terms. I'm not a political philosopher. I am, for the most part, a practitioner of Constitutional Law, but here's how I'm using those terms. By liberal, I do not mean the platform of the Democratic Party, far from it. I'm referring to the historical meaning of the word. As I use the term, liberalism establishes the individual, not the group, as the subject of legal and political inquiry and moral concern. It establishes a system of government that is limited, not only by individual rights, but also by substantive restrictions on government and a web of procedural checks and balances that make it difficult for small and transient majorities to impose their will. Think of

it this way: individuals have rights, governments have restrictions. Again, I understand that this is not the way we use the term “liberalism” in modern discourse, and frankly, we haven’t for a long time; we use it to mean left to center. But I think that this older meaning of the word is still useful and tells us something about threats to a Constitution that was adopted almost 250 years ago.

Our Constitution is ambitious in its hopes for society but modest in its expectations of government. From time to time in our history, this has frustrated those who want big change. The fact that law restrains power and always frustrates those who however temporarily have it sometimes compels them to reject the concept of law altogether. Let me illustrate with a story. Back when I taught an undergrad political science course, I used to begin early classes with a lawyer joke. I had a lot of them; I have one today that relates to this topic. Some psychologists were running an experiment to determine how different professional groups might answer a simple question. In this case, the question was: ‘How much is two plus two?’ The subjects were an engineer, an accountant, and a lawyer. Each was taken separately into a conference room with a one-way mirror through which they could be observed answering the question. First, they brought in the engineer. They said, “What is two plus two?” and the engineer said “Well, it’s more complex than you might imagine. You need to specify how you are measuring the quantities to be added. You need to think about what margin of error you can live with. But, once you have figured all that out, two plus two will equal four, plus or minus the tolerance.” Next came the CPA, and they asked her the same question. She said, “Well, you know, it’s not so easy. Garbage in, garbage out. I’d want to audit what controls you have and see your documentation. If all that checks out, then I would be able to say two plus two equals four.” Now came the lawyer. “What is two plus two?” She puts her fingers to her lips. She looks around the room to see if there are any cameras. She checks under the table for listening devices. She asks the questioner to sit down, and

she says, “What do you want it to be?”

Now, the joke is funny because we intuitively sense that in the law, maybe the answer shouldn’t just be just whatever those in power want it to be at that particular moment. And the reason for that is not legal rigidity or formalism, but democracy itself. If we have, and we do, a system in which the people approve the Constitution and the legislature makes the law using constitutional processes, then perhaps it would be improper for someone else a president, a governor, administrative agencies, even the courts, to change the constitution or the law adopted by the people or their representatives to give it a meaning that cannot be fairly implied from its terms or the original public meaning of those terms. In other words, classical liberalism, and I’d argue, a democratic republic, requires the rule of law. Only those laws, properly enacted, may be enforced, and once enacted, they must be enforced.

But here’s the thing: despite maintaining that a judge shouldn’t be results-oriented, there’s been a movement within American law that has maintained for a long time that the lawyer in our story got it just right. In fact, that story may be an allegory for the progressive legal project. Our friends on the legal left emphasized the radical indeterminacy of language in law, and they do so with a purpose. They argue that since the law can mean many things, we ought to just choose whatever we want it to be. This is often called realism. It’s what I was taught by my Torts professor at Harvard Law School in 1978. If you can believe that the law can mean anything, what it in fact turns out to mean is simply a matter of the exercise of power. *Roe v. Wade* was a quintessential example of a judicial method that says law may mean anything we want it to mean. *Roe versus Wade*, of course, was the case that established a constitutional right to an abortion. But the text doesn’t provide much support for that. The word “abortion” isn’t in the Constitution. Although The U.S. Supreme Court said that abortion was implied in a right of privacy, “privacy” is not mentioned in the

Constitution. Now, there is a view, one I share, that under certain open ended provisions of the Constitution, people enjoy rights under what is often called natural law. But those rights must be, to quote Justice Alito, “So rooted in the traditions and conscience of our people so as to be ranked as fundamental.” In fact, they have to be. They have to emerge from history and usage. And if that’s the test, it’s very hard to make a case for an abortion right. Judges, lawyers and academics spent almost 50 years up to the overturning of *Roe v. Wade* a couple of years ago, trying to do so with really no success.

More recently, in a case involving adoption rights, Justice Rebecca Dallet of the Wisconsin Supreme Court elaborated this more capacious view of the law, advanced by our sophisticated, not sophisticated, lawyer. Justice Dallet, was discussing the meaning of article one, section one of the state constitution, and it’s a provision that says we are equally free and have certain inherent rights. It’s often referred to as Wisconsin’s Equal protection clause, while that’s not precisely what it says. Now, this section of our Constitution, according to Justice Dallet, means that courts can find rights even if they aren’t rooted in the traditions and conscience of our people. These rights, according to her, can be whatever we want them to be, whenever we want them to be it. She wrote, “It’s up to us judges, lawyers, citizens to say what they are.” Our state’s constitution, in her view, is the result of a revolutionary, republican, egalitarian ideology, and she sounded very eager to impose it. In other words, courts can just make it all up. But, if judges are not bound by text, original understanding or tradition, they become our rulers. Federal judges are elected by no one. While we elect judges in Wisconsin, our Constitution does not contemplate that they be the ones who make the law. In our view, preserving our constitutional settlement, preserving the constitution of the founding, means defending the idea that the law can be understood as something other than whatever the judge wants. We need to defend the proposition that the law really is an effort to work out the implications of

principles that have been legitimated by some source of authority, other than what the judges personally prefer, or what looks good right now. So judges shouldn’t be results oriented in the sense of performing their own preferences into the law. Subject to constitutional limitations, they ought not to substitute their own choices for those of legislators. But as I suggested earlier, our Constitution does have some substantive implications. And let’s visit that for a moment.

First, in my view as a constitutional lawyer, again as a practitioner and not a theorist or historian, our constitutional settlement rests on the idea that all men and women are created in the image of God. They are all equal, ontologically and before the law. Each has inalienable rights, but also an obligation to seek truth and pursue the good life. This necessarily implies a certain type of individualism: we are each an end and not a means. We are subjects and not objects. We, each of us individually, are subjects of moral concern. To be sure, it took years, a civil war, a failed reconstruction, and a civil rights movement to fully accept the implications of this foundation. But ultimately, it couldn’t be avoided. While he pulled no punches in his 1852 speech, “What to the Slave is the 4th of July?”, Frederick Douglass nevertheless called the Constitution a glorious liberty document. Over 100 years later, the Rev. Dr. Martin Luther King observed: “And when the architects of our Republic wrote the magnificent words of the Constitution and the Declaration of Independence, they were signing a promissory note to which every American was to fall heir.” This emphasis on the individual person doesn’t mean that our founders envisioned a society of atomized individuals, each divided against each other, with nothing in common. That would leave us vulnerable to tyranny. But it does recognize the limits of politics. Former Democratic Congressman Barney Frank once said, “the government is what we do together.” Of course, he’s absolutely wrong, and that’s a very illiberal thing to say. It’d be anachronistic to call it pre-modern, but it sort of is. A classical liberal, a constitutionalist, a conservative constitutionalist would understand that we do

many things together outside of government as part of civil society. We do it in the family and in the businesses, churches, neighborhoods, voluntary associations, charities, schools like Concordia, in which we do much of our living. It's a form of freedom. Now, that doesn't mean the government can do nothing to promote solidarity or the common good. But it does mean that the individual, again, ought to be the prime subject of moral concern.

I think the second implication of the structure of our Constitution is that this elevated view of the human person was combined with a realistic view of our weaknesses. Our founders combined an emphasis on the value of individuals with an acknowledgment of their imperfection, and a skepticism about the capacity of majorities to reshape the world. Our founders insisted that the government be constitutionally limited with enumerated and separated powers. They created a Bill of rights that would, for the most part, remove certain liberties from ordinary politics. As explained in Jay Cost's recent book *Democracy or Republic*, the resulting system of government is one in which the exercise of power requires consensus. The government is constrained by the need to follow certain procedures to make law, and its power is divided, checked, and balanced. Legislature makes law but can execute it. The executive can't make law but can execute it. The judiciary can say what the law means. They can neither make nor execute it. Some things, but only some things, can be done only by the federal government. Others can be done only by the state. The Electoral College and Senate require the candidates and proposed policy have a geographic, in addition to a popular, breadth of support. Given all this, no one faction is likely to control all the levels of power at once. Elections matter, but they should rarely be existential.

Third: as Yuval Levin explains in his recent book, *American Covenant*, this structure can actually promote unity in a pluralist nation that is as large as the United States. Our Constitution does not seek to eliminate difference. That is unlikely ever to happen. That's not a recent understanding, our

founders knew that. Madison famously said in "Federalist No. 10" that liberty is to faction what air is to fire, and that faction was sown in the nature of man. Madison believed that relief from faction, division, we might say today, could only be found in controlling its effects. And that's what our Constitution does. No faction is likely to get all of what it wants unless a strong majority of us want it. Some things are beyond the reach of any majority. By privileging consensus and protecting core human rights, the impacts of difference are blunted. It is hard for one side to vanquish its opposition, so they must live with them. It is hard for them to vanquish us, so we can live with them. I said before that our Constitution is classically liberal and generally does not mandate policy results, but it does have policy implications. There is a sense in which it actually is conservative. Our constitution was born from revolution, but it's not friendly to revolution. It makes radical change difficult. It is suspicious of the exercise of power and of small "d" democratic enthusiasms. It's not friendly to people who want to remake the world. Yet, many of us in the past and today seem to want a revolution, or at least one heck of a disruption. And this has led to straining and loosening of the restraints of our Constitution.

Let me begin with the left. And, as a conservative, I believe that the left is the larger threat at this point. Our friends over there express a great deal of disdain for our Constitution. It is often referred to as undemocratic because 51% of the vote rarely wins 100% of the power, and because it doesn't allow a handful of more heavily populated states on the coasts to rule flyover country. Here are three books from left of center professors that I have on my shelves: *Our Undemocratic Constitution* by Sanford Levinson, *The Cult of the Constitution* by Mary Anne Franks, *The Tyranny of the Minority* by Steven Levitsky and Daniel Diblatt. A recent one by Aziz Rana which I don't have, titled *The Constitutional Bind: How Americans Came to Idolize a Document that Fails Them*, a new book by Jill Lepore criticizes the supposedly mechanical nature of our constitution, echoing Woodrow Wilson's criticism of it as an artifact of the age of Sir Isaac Newton. That's

not surprising. If you believe as much of the left does that society is fundamentally inequitable, then limited government is not for you. You need government to fix all the wrongs. If you believe that inclusion means the elevation of certain historically marginalized groups, individualism can be a problem. So, for the left, equality under the law is passé; prominent so-called anti-racism writers, such as Raymond D'Angelo, call the idea of colorblindness "racist." My organization has engaged in a series of cases and litigation over the past five years, which are designed to really establish the principle of colorblindness in our law. For our efforts, we get called racist. Bestselling author Max Kendi argues that anything, anything at all, that doesn't result in proportionate outcomes for African-Americans is racist and must go. Well, the energy behind that idea may be fading a bit, at least in part because of litigation brought by groups like WILL and others. The left seeks to replace antidiscrimination with the mandate of equity, in which each racial and gender and sexual group gets as a group what some elite central authority thinks is equitable. The idea is no longer to make life's race fair, it's to cancel the race itself.

If you're on the left, these limitations of power on the state to remake the world are a problem. A few years ago, a front page article by Adam Liptak in The New York Times chronicled how the left is rethinking this commitment to free speech. A memo leaked from, of all places, the ACLU suggested that their organization's commitment to free speech needed to take a backseat to the protection of preferred minorities and so-called equity. A prominent administrator at NYU wrote an influential, but Orwellian, oped suggesting we must censor speech on campus to facilitate the speech of groups thought to be marginalized. Think about that: you must suppress speech to advance speech for people of a certain age. This echoed the Vietnam era adage that the military had to destroy the village in order to save it. On the left, restrictions in the power of government are frowned upon, or at least they were before January 20th of this year.

President Obama famously said that if Congress wouldn't act, he had a pen and a phone. President Biden unilaterally canceled student loans when Congress declined to do so. He did other things as well: mask mandate, extension of the eviction moratorium. Certainly, this was a group that exalted and sought to enhance executive power. If you think the government ought to and needs to substantially change the world, procedural roadblocks and requirements for consensus are problems to be solved, not guarantees of liberty and political prudence. However you feel about the merits of these arguments, they are certainly ambitious. They are surely revolutionary, and for that, are anti-constitutional. So yes, I fear that the left is becoming illiberal, I fear that it has abandoned our constitution.

Now, I wish I could stop. I wish I could say that there are no constitutional enemies on the right. But, increasingly, there are. We can find some examples within the Trump administration. Yes, you can deport persons who are in the country unlawfully. But no, you may not do it without meeting applicable due process requirements and following applicable law. Yes, you can ask Congress to increase tariffs. But no, the president may not unilaterally impose tariffs because it is, in his words, an "emergency." The American economy is not a giant department store, the president does not own it. He or she doesn't get to set the prices. The president does not, in fact, run the United States, much less of the world. Nor should the president use the power of government to take pieces of private businesses, much like a mob busting out a corner store. Conservatives used to hate regulation of broadcasting by the FCC. Ronald Reagan's abandonment of the equal time rule led to the rise of conservative talk radio. Nothing presents more of a threat to conservative discourse and prohibitions of so-called hate speech, since our counterparts on the left often define hate as a disagreement with the left. Absolutely, the president should run the executive, but that doesn't mean that he can legislate. You can't make the law or ignore the law that has been made.

Now, the bright side of this for me is that I feel vindicated. During the Covid pandemic and the Biden administration, my organization brought several cases seeking to challenge the departure from legally mandated processes for decision-making because of emergency. We brought cases challenging the president's unilateral departure from the law because Congress wouldn't act. We opened schools in Madison that were unlawfully closed. We helped to end Governor Evers declaration of one emergency after another after another, so he could rule by decree. We challenged President Biden's student loan forgiveness. In each case, we were castigated from the left because they liked the policies that were adopted in the ways that we challenged. And our response was, look, you can certainly urge that the policy you prefer be enacted. But we can't live under a perpetual state of emergency. Our laws provide for prompt action when there isn't time to use normal challenges, provides for a prompt return to constitutional order as soon as possible. We cannot excuse departure from the law because we believe it's the only way we can get what we want. I said more times than I can count, that while you may like a President Biden or a Governor Evers and what they are doing today, there are no permanent victories in politics. I can guarantee that at some point there will be a governor or a president that you do not like, and that's when you'll regret excusing executive overreach. And the same thing, I'm afraid, applies to President Trump.

Now, just as there are serious concerns on the left about equality. There are serious people on the right to question our constitutional order. These constitutional critics on the right start with a valid observation: our Constitution surely requires people of virtue, character, and restraint. John Adams said that our Constitution was designed for a moral and religious people. It is fit for no other. In "Federalist No. 57," Madison wrote, "As there is a degree of depravity in mankind which requires a certain degree of circumspection and distrust." So there are other qualities in human nature which justify a certain portion of esteem

and confidence. The Republican government presupposes the existence of these qualities to a higher degree than any other form. He acknowledged that we have staked our future on the ability of each of us to govern ourselves. So, a classically liberal constitution does require extra liberal values. Liberty is essential, but people must be formed for freedom. It requires some degree of consensus. If everything is possible, then people will view elections and policy disputes as existential. If we have to argue about remaking our entire economy because of climate change, if we have to argue about abandoning the guarantee of equal protection in order to advance marginalized groups, if we have to argue about what a woman is, then politics becomes very high stakes indeed. A liberal democratic government doesn't require us all to agree, but it does require that we believe that we are in a common enterprise and that we can afford to lose and fight another day.

But just as our Constitution makes political transformation of our society difficult, so it doesn't limit our ability to politically preserve its character. And this is where I think these critics on the right get it wrong. We need virtue, but government can't be the source of it. Respect for the individual, skepticism about the exercise of power and emphasis on process makes government ill suited for transformation from the right as well as the left. The Constitution presumes a people with enough virtue to trust in a society that might need reform, but not revolution. And the point of this is not to embrace relativism or license. Our Constitution, however, seems premised on the idea that culture is upstream from politics. We cannot make virtuous people by state compulsion. To be sure, we can get government out of the way, and the left has certainly weaponized the religion clauses to enforce an extra constitutional secularism. It is used anti-discrimination law to impose a racialist orthodoxy, the rise of suspect classes and disparate impact theory has ironically undermined the equal protection of law; the legal left has weakened the authority of states to impose uniformity from Washington, D.C., it has

empowered the executive and the administrative state in a way that undercuts democracy. It's done all of these things, and all of this is brush that needs to be cleared away, but it can't create this extra political virtue. It is a preexisting virtue which governs politics, and politics cannot create it.

So, it's hardly the first time, but we are back at the point that Madison warned us about: our factions are at each other's throats. We may wish for agreement or, failing that, victory, but neither is likely. Our Constitutional distrust of totalizing solutions, and protection of ideological and geographical minorities is not something to be evaded, but embraced, because it allows the kind of perception to continue. Churchill said he could offer nothing but blood, sweat, and tears. Fortunately, we're not at that point. What we need is hard work, patience, and humility. I can't speak for my friends on the left, but the answer for conservatives is not to give up, but to insist on fundamentals. Someone must be the party of the rule of law, limited government, individual liberty, and a civil society that promotes the values that form people for freedom.

In October 1980, Margaret Thatcher delivered a speech in response to those who called for her to abandon free market reforms and to make a U-turn away from economic freedom. "You can turn if you want to," she said, "But the lady is not for turning." We constitutionalists, particularly those of us who are conservative, must not turn either. We need to have faith that our position is strong enough to allow us to remain rigorously committed to the truth, civility, and to doing what we can to restore what Lincoln called "those mystic cords of memory that bind us together." As Ronald Reagan reminded us, keeping the Republic is the work of each generation. He said that, "When our children turn the pages of our lives, I hope they'll see that we had a vision to pass forward a nation as nearly perfect as we could. Where there's decency, tolerance, generosity, honesty, courage, common sense, fairness and piety." This, President Reagan said, was his vision. Keeping that vision in our republic is our burden, but it's also our privilege. Thank you.

# Dr. Samuel Gregg: Why Free Trade Matters for America's Future

Transcribed by: Luke Witte



*Dr. Samuel Gregg is the president and the Friedrich Hayek Chair in Economics and Economic History at the American Institute for Economic Research. He has a DPhil in Moral Philosophy and Political Economy from Oxford University, and a master's in political philosophy from the University of Melbourne. He has written and spoken extensively on questions of political economy, economic history, monetary theory and policy, and natural law theory. He is the author of 17 books, including On Ordered Liberty, The Commercial Society, Wilhelm Röpke's Political Economy, Becoming Europe, Reason, Faith, and the Struggle for Western Civilization, The Essential Natural Law, and The Next American Economy, Nation States and Markets in an Uncertain World. Two of his books have been shortlisted for a Conservative Book of the year, and one of his books was shortlisted for the 2023 Hayek Prize. Many of his books and over 700 articles and opinion pieces have been translated into a variety of languages. In 2024, he was awarded the prestigious Bradley Prize by the Lynde and Harry Bradley Foundation. This prize honors scholars and practitioners whose accomplishments reflect the Bradley Foundation's mission to restore, strengthen, and protect the principles and institutions of American exceptionalism.*

Well, thank you very much. It's a great pleasure to be here. I'd like to thank the R. W. Plaster Free Enterprise Center, as well as Professor Scott Niederjohn, for inviting me to come and speak to you today.

My topic is the deeply uncontroversial topic that's on everyone's mind right now. And that, of course, is trade, the question of free trade, and why I think free trade matters for America's future. I think we all know that

trade has been central to political and economic debates in America, basically since 2015. But it's also been a point of contention inside the United States from the very beginning of the Republic. I'm going to talk about some of that history today because I think context is extremely important, but my focus is going to be upon why I think trade liberalization is good for America going forward, and why I think protectionism is not so good for the United States. This is a very complicated subject, and we'll have some time for questions at the end, and I'm basically going to do four things. First of all, I'm going to look at some of the history of why we're having this debate, and why I think free trade is better than protectionism. And I'm also going to say some things about how free traders can make better arguments.

Let's take a look at some of the history of America as a trading nation. In the pre-revolutionary period, I think it's important to keep in mind that Americans in the 13 colonies were trading outside their barriers long before 1776. For one thing, they were trading with each other. They were also trading with Native Americans up until 1763. In 1756, they were trading with the French in North America. They were trading with the Spanish Empire. But they're also, perhaps especially, trading within the British Empire, with ports like London and Glasgow being major places where American goods and services were being shipped. The Caribbean was also another part of the world in which Americans were trading rigorously. Finally, there was also Britain, America and the whole of the British Empire in regard to the way that a lot of this revolved around British possessions in India. It's worth remembering, I think, that one of the reasons for the revolution,

which really broke out in 1775, was that London was forcing American colonists to accept tea from the East India Company. In other words, the freedom to trade with whom they wanted was being violated. That's one of the reasons we had the Boston Tea Party. So, that's the pre-revolutionary period.

Then we moved to the post-revolutionary period. One of the things about the post-revolutionary American colonies' economy was that it produced large surpluses of goods. If you have large surpluses of goods, then you generally want to trade them. You want to export them. So, in the South, for example, there was a tremendous emphasis upon cotton. Southern states wanted access to European markets to send cotton. So, there was this orientation towards Europe, at least in some parts of America. But they also looked to the Asia Pacific region, and this is long before America had a border on the Pacific Ocean. If you see this picture (Below) of this gentleman here, this is a picture of an American merchant, an American merchant in Yokohama in Japan, in 1861. This gives you a sense of how foreigners saw Americans trading and traveling to very different parts of the world. Some of you probably remember Commodore Perry's famous Black Ships, which strode into Tokyo Harbor in the 1850s and basically demanded that Japan open its markets to the world. This is important because America has actually been pretty aggressive in getting other countries to open their markets to American goods and services.



Then we came to the postwar period. Again, there's a massive expansion of trade. One of the reasons for this, of course, is that America is writing the rules for trade at this particular point in time, because America is the economic and military superpower. So, you see here numerous trade agreements with European countries, with Japan, and with the Asia Pacific region. There's also a commitment to trade liberalization that underlies this. Why? Well, partly because there are enormous opportunities for Americans, but also because the rest of the world was desperate for American goods and services. It was also, however, a way for the United States to resist communism. And one of the ways that this was done was to establish trade agreements with countries so that they would be more integrated into American markets, and thus less tempted and made stronger in terms of dealing with the menace of communism.

Then we come to the post-Cold War period, which we often talk about in terms of globalization. This is really a period in which the United States is trying to push the rest of the world in the direction of a multilateral international trade liberalization. It was something that was seen as important as a way of reducing prices for American consumers, but also opening up more markets around the world for American exporters.

What's the pattern here? What's the common pattern here? Well, the pattern here is that America's pursuit of trade throughout the world is about trade. It's also about markets, but it's also tied to American political interests. I think this is very important. Whenever we have any discussion of trade policy, it's not just about trade policy. Things like national security and foreign policy are very, very difficult to separate out from any discussion of trade policy.

This was something that was in the minds of a lot of Americans right from the very beginning. So. This remark comes from my favorite founding document, which is George Washington's Farewell Address. What he says here is “the great rule of conduct for us

[America] with regard to foreign nations, is extending our political relations to have with them as little political connection as possible.” Now, there's some context to this. The context, of course, is that France and Britain are basically at war. America is close to France because of the revolutionary history, but America is also aware that its biggest export market, its biggest export trading partner, is Britain. So, George Washington is trying to navigate a careful balance here, but this is about reminding us that it's very, very hard to separate a trade policy from politics. We'll come back to that later.

Let's talk about free trade versus economic nationalism. We're living in a period where there's an enormous debate between free traders, on the one hand, and protectionists and economic nationalists on the other. But this is actually normal. This is normal in American history. If you go back, for example, to the antebellum period after the Civil War, we see that lots and lots of arguments, political arguments, are about foreign policy, but also trade. Northern states tend to be in favor of protectionism because they think this is how we can protect ourselves from cheaper, faster, and better goods being produced in Britain. The southern states want free trade. The southern states want free trade because they want to be able to export their cotton to the rest of the world. And that, of course, is part of the background to the Civil War. I think it's really very interesting to keep in mind that after slavery, after the topic of slavery, the subject that most divided Americans all through the 19th century was whether you were a free trader or whether you were a protectionist. If you go back and you look at most of the debates that are occurring, basically, from the early 1800s onwards, these debates are all about trade. So, in some respects, what we're going through now is a return to normal. Those forms are part of the background to the Civil War.

If we look at post-antebellum America, America goes very much down to a protectionist policy. Why? Well, partly because tariffs had been raised by the North in order to pay for the Civil War. But also, because the tariffs stayed in place after the Civil War because there were lots of interests

that wanted to keep them in place. When we look at post-2015 America, we see many of the same arguments that were made in the 19th century being made in our time today. There are political arguments about the effects of trade on the United States. There are arguments about the effects of trade upon particular voting constituencies and particular economic sectors. And of course, there's a major argument going on in terms of trade and our relationship with the People's Republic of China. So, what's my point? My point is that the arguments about trade in America, yes, they are about economics and about interests, but they're also about politics. And if you want to understand the political debates that are going on about trade today, you need to understand which groups, which sectors, think they will benefit from either going down a free trade path or a protectionist path.

But it's not just about interest, and it's not just about politics. It's also about strong beliefs, strong beliefs about what trade policy is best for the United States. Consider, for example, one Donald J. Trump, the president of the United States. Now, there are a lot of things that people do and say about Donald J. Trump. But there's one thing that he has been utterly consistent about from the moment he started to talk about political questions. You can go back to the 1980s, and he is saying exactly the same thing in 1980 about trade that he's saying today in our own time. There's no evidence that he particularly benefits himself from protectionism or trade liberalization. There's no particular evidence pointing in a particular direction here. It seems that this is one of the things he really believes. He really does believe protectionist policies are, on balance, better for the United States. He sees tariffs as a tool of economic policy, but also as a way of trying to achieve other types of goals. And I think this firm belief, this conviction that he has in the efficacy of protectionism and tariffs, this is what underlies his break with the multilateral approach to trade that prevailed up until around 2015. So, even the phrase Liberation Day, remember the phrase that was used when he brought out the tariffs? I think it was on April the 2nd this year. It was a very revealing phrase because he clearly believes that

trade liberalization has overall been a burden for the United States. And he sees tariffs as breaking the chains of trade liberalization. So, in other words, what's going on here is it's not just about economics. It's not just about interests. It's also about how you see America's future, and clearly, this has become a salient point in American politics.

Back in 2016, just after the presidential election, I was at a conference giving a paper in London. I gave my paper, and the first question I got, which had absolutely nothing to do with my topic. Those of us who work in this world know that this is a very common phenomenon. You get asked about things that you either don't know about or have nothing to do with anything you've just talked about. But the first question I got was, What do you think is the most important thing about the election of Donald Trump this year? And I responded, well, then, what's most important is that he is the first protectionist in the White House for a very long period of time, which tells us just how much this trade issue has become so salient to American discussion in politics.

So, what's driving the trade debate? Well, I mentioned ideological conviction. And I'm not just talking about people like Donald Trump. There are plenty of people who are very intellectually convinced that free trade or protectionism is the best way forward. They take economics seriously. They say that they've studied these things very carefully, and they're utterly convinced that this is the way, whichever way they go is the way forward. A second issue, which is driving a lot of this, is perceived effects upon American workers, especially manufacturing workers. And there's an argument that we need to revive manufacturing. We need to revive a way of life, or at least a perception of life, as it was believed to exist in the United States. That particular communities have been hurt by trade liberalization, and we need protectionism to somehow try and restore certain forms of community life, certain patterns of behavior in different parts of the United States, which it's argued have disappeared. Third, there's the claim that America is losing. There's a belief that trade

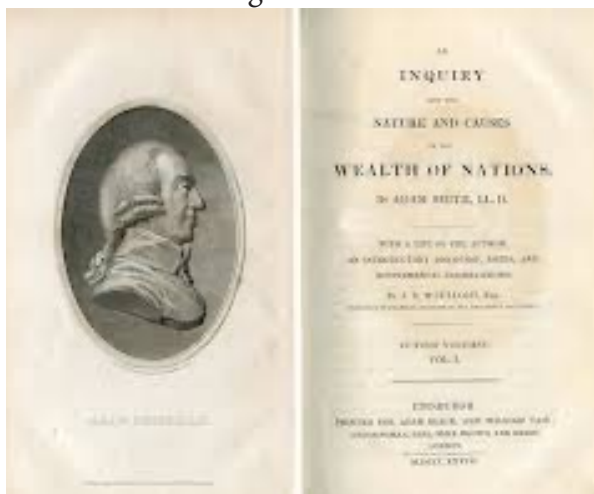
liberalization has weakened the United States vis-à-vis the rest of the world. We see this expressed in language like, well, the balance of trade is against us, or we're running trade deficits. Now, I could tell you that those things actually don't mean anything, economically speaking, but the language, which is employed in these sorts of discussions, is all about America is hashtag losing, and trade liberalization is primarily responsible for that. Fourthly, China, China, China, China, China. Almost every discussion about trade in America today touches upon the subject of China, of outsourcing to China, of cheap Chinese goods in America, China breaking the WTO rules, etc. which they do. They certainly do do that. But China is obviously a major factor. And it's not just because of the economics. It's also because it's very clear that China is now America's major geopolitical rival. And so, it's inevitable that trade discussions would become part of how America works out, how it's going to coexist with this very large country on the other side of the Pacific Ocean.

I have another point, which is, when you ask Americans about trade, when you poll Americans about trade, you get some very interesting answers. So, most Americans, when you ask them this question generically, they will say, I'm basically in favor of free trade. The biggest group is in favor of free trade today. Self-described Democrats are the most skeptical about trade, self-described Republicans the least, and independents are somewhere between them. Now, I'm not sure how seriously I take that particular breakdown, because I'm pretty sure if President Trump was a committed free trader, the Democratic Party would be absolutely protectionist. I'm pretty certain that would be the case. That's how American politics goes. But it's also interesting when you ask people deeper questions like, uh, okay, are you in favor of trade for everything? And they'll say, well, I believe in free trade for the country, but not my state or not my town or not my sector of the economy. In other words, Americans have pretty incoherent views about trade. In other words, the views about trade aren't quite inconsistent. It depends

on what you ask them. It also depends upon what type of geographical space you're talking about. If you're talking about America as a whole, then most Americans say they're free traders. If you ask them about their state or their town or their business, you get some very, very different answers.

So, I've talked about some of the context. I've talked about some of the politics. I've talked about some of the opinions. Let me turn to the future, and I'm going to move now into going from the descriptive and historical to proposing some ways forward. And my basic argument is going to be a type of four-fold one. First of all, I'm going to talk about why I think protectionism is ultimately counterproductive. Secondly, why I think free trade benefits the American economy. Third, why I think trade liberalization is good for national security. And then I'm going to conclude with some broad thoughts about America's future as a trading nation.

So protectionism is counterproductive. This book (below) is the first edition of Adam Smith's *The Wealth of Nations*, the 250th anniversary of which is next year, just as the Declaration of Independence is. Now, what's interesting about this particular book is that this is the book that first fundamentally and systematically outlines the case for trade liberalization, and why it considers what Smith called the mercantile system, or what we would probably more or less call protectionism today, was ultimately counterproductive for his own country, but really, all countries. The arguments that he articulated are very much the same as I'm outlining here.



So first of all, protectionism, by which I mean tariffs, by which I mean things like non-trade barriers or NTBs as people in this business call them. When you shelter industries, American industries from competition, whether it's domestic or foreign. What happens? What happens is they get lazy. If you take competition out of the picture and it doesn't really matter where it comes from. If you reduce the degree of competition, companies, businesses, and entire economic sectors start to become lazy and complacent. When we expose American businesses to competition, guess what? They're forced to be more efficient. They're forced to think seriously about what their true comparative advantage is. They're forced to think how do we innovate? How do we get our costs down? The more we protect industries, the more we render them less and less competitive. And that can take a long period of time. But when it happens, it can be very, very devastating. So, it's like a self-inflicted wound.

Secondly, protectionism raises costs, costs for American businesses and costs for American consumers, because when you put a tariff on a particular good, it's not foreigners who end up paying it. We because the businesses pass the costs on to consumers. Now, President Trump and I could also say President Biden would say things like, well, we're not going to make sure that businesses will not pass these costs on. They do. They will do eventually, and they certainly have already started doing so. That's one of the reasons we see prices going up in the United States today when we impose tariffs on others. The costs are borne by American businesses who have to pay higher prices for goods that they now have to source domestically, but which are produced less efficiently. And they pass their costs on to 340 million American consumers.

Thirdly, cronyism, protectionism facilitates cronyism. I like to say if you want to look at and try and understand why a particular tariff is on this good rather than another, you just need to look behind the tariff and ask yourself, which is the special interest that is most benefiting from this? Why? Because it's not as if legislators sit down and they do a very scientific, detached, philosophical abstract discussion of what they think should be a tariff and what should not be. No, they're subject

to lobbying, lobbying by businesses who want tariffs to be put on their foreign competitors, and even try to find ways to use legislation to disadvantage their domestic competitors. So this leads to cronyism. Cronyism is where legislators do favors for businesses and lobby groups, in return for which businesses and lobby groups support particular legislators and even particular political parties. So, cronyism is inevitable if you have lots and lots of tariffs. Look behind the tariff. Ask yourself, which is the interest group that is benefiting from this?

Another thing I think it's worth pointing out is just how much damage tariffs have done in the past. Here's a very good example, the Smoot-Hawley Tariff Act, which was passed right at the beginning of the Great Depression. This act was put together by two senators who were very anxious to protect American businesses from foreign competition because they said, we're having a worldwide recession that's turning into what we would call a depression. We need to protect American industry. And what was interesting about this was that initially it was targeted at only a few, relatively small, number of businesses, but as soon as the prospect of more tariffs being legislated into effect became real, guess what? Hundreds of businesses went to Washington D.C. to lobby for tariffs, for protection for themselves, and they got their congressmen and senators to secure exactly what they wanted. And what did this do? What it did was produce mass retaliation from abroad, including from America-friendly companies. It induced a trade war at the very worst time for the United States in the middle of the Great Depression, because it made it harder and harder for American businesses to export things. And it raised prices on goods and services within the United States. It was a disaster for economic growth, a disaster for employment, just when the country was in serious economic trouble. And it's not a coincidence that it was repealed two years later. Tariff legislation rarely gets repealed, but this was so bad that within two years, even former supporters had realized this was a seriously bad option for the United States.

So, I also want to put a positive case. Why? I think free trade benefits the economy. I think free trade leads to, for example, greater growth, economic growth. And I'll show you some examples soon. I think trade competition lowers prices for American consumers. And that's really good, by the way, for those Americans who are on the lower end of the income scale. Rich people can absorb the cost of tariffs pretty easily, but poorer people cannot. Increased competition, I've already mentioned, means more efficiency. It makes us more adaptable and stops us from becoming inefficient, lazy, and complacent. With Job creation and with more competition, we get more productivity. More productivity translates into higher paying jobs. This is also, by the way, true of manufacturing. If you look at manufacturing, the most productive sectors are those that have really adapted. Those who have not gone down the protectionist path, those who have said we are going to compete with the rest of the world, and we're not going to ask them favors from Washington D.C. to help us out

Another thing that trade liberalization does is it creates access for new markets. A lot of the debate about trade today revolves around imports. We always forget American exporters, exporters, American exporters sending goods abroad. This is good because it builds up growth. It creates jobs. It means there's more to sell. In other words, when exports go up, generally speaking, this for American exporters, is a good thing. And you can only do that if you open up access to other markets, which means lowering trade barriers.

The gains to the US Economy from trade agreements have been widespread, albeit not equally distributed across sectors or income group.

| Impact on...          | Findings (using 2017 as the base year)  |
|-----------------------|---|
| US Output             | Real gross domestic product increased by \$88.8 billion, or 0.5 percent   |
| US Income             | Real income increased by \$98.3 billion, or 0.6 percent.  |
| US Trade              | Exports increased by 37.4 billion (1.6 percent)<br>Imports increased by \$95.2 billion (3.4 percent)  |
| US Labor Market       | Employment increased by 485,000 full-time equivalent (FTE) jobs, or 0.3 percent.<br>Real wages increased by 0.3 percent.  |
| Distribution of Gains | College-educated men saw the largest gains (190,000 FTE jobs), followed by college-educated women (150,000 FTE jobs).<br>High-school-educated men (110,000 FTE jobs) and high-school-educated women (36,000 FTE jobs) experienced lower employment gains. |

So, here's some concrete numbers (see above). Those of you who love numbers, here are some concrete numbers about how trade benefits the American economy. So, these are numbers I should mention from 2017. This is before President Trump's tariff measures in his first term. It's before Joe Biden's tariff measures in his second term, and certainly before the tariff measures that have occurred this year. What's interesting about this is that some of these numbers are small, but they are significant. For example, U.S. output, free trade liberalization, increased gross domestic product by \$88 billion, or about 0.5 percent. It sounds small, but when you think about growth being, you know, relatively small, 2.5, maybe 3 percent. That's significant. Real income increased by 0.6 percent. Exports increased by \$37 billion. Imports increased by \$95 billion. So, lots of people were selling stuff to us, and we're selling stuff to other parts of the world. Employment increased by almost half a million full-time equivalent (FTE) jobs. That's not insignificant. Real wages increased by 0.3 percent. Again, this might sound small, but not when rate-wage rises are typically two, three, or four percent if you're lucky in a given year. Now, it is true that college-educated men saw the largest gains, followed by college-educated women. High-school-educated men and high-school-educated women, also benefited in terms of more jobs, but there were less jobs in terms of compared to the people who were college-educated. So, these are concrete numbers of how free trade, trade liberalization, benefits the American economy.

We've talked about trade in the economy, now let's talk about national security and trade. Now I guarantee that any discussion of trade within about five minutes, very quickly someone says the two words "national security". It comes up all the time. This is raised by protectionists in particular. Now, as I mentioned before, trade in the postwar period was built and structured in such a way that it was seen as contributing to US national security, not least by creating links and strengthening bonds with allies who were literally invested in the well-being of the United States and therefore less interested in

going down the Communist path. The point was to integrate these countries' economies into the US economy and to build up a commonality of interest. In fact, you can find this explicitly stated in national security documents produced by the Truman administration and the Eisenhower administration. Though absolutely clear, one of the reasons that we're doing trade liberalization is we want to create friendly relations with our allies. Now, there was an argument, I will say here that free trade would facilitate greater peace. We've heard a lot of that argument. It's one that's often used by free traders. Free traders, especially after the fall of communism. Some of you probably remember Francis Fukuyama's book, *The End of History and The Last Man* when it basically said, we're all going to end up with liberal democracies and free markets, it's inevitable. That was more or less the argument, but I happened to think it was a bad argument. But I think free traders need to be very, very careful before they start saying trade liberalization automatically, inevitably leads to greater peace.

In 1912, there was a book written by a man named Norman Angell was a tremendous bestseller called *The Great Illusion*, and he basically argued that Europe's economies and the world's economies were becoming so integrated that there would be no incentive for any of these countries to go to war. And if there was a war, it would be relatively short in duration, because none of these countries would be able to fight wars for very long. Well, that's 1912. In 1914, the First World War breaks out, and they were still fighting each other four years later. My point is that even though the world was relatively integrated, economically speaking, in the lead-up to the First World War, it was not enough to somehow ensure a type of perpetual peace. So, I personally think that free traders need to be very, very careful before they invoke this argument, because there are a lot of empirical suggestions, that it's just not true. And I say that as someone who's very committed to free markets and free trade.

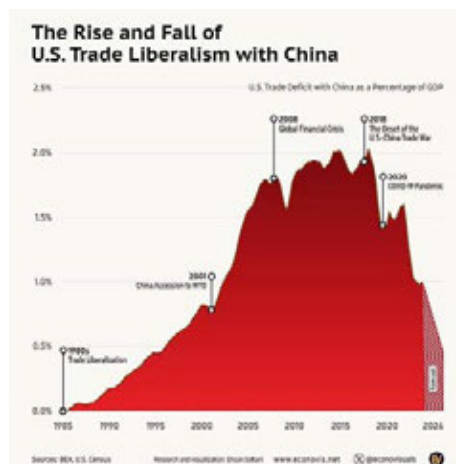
China. Let's talk about China. So, this is also something that comes up in discussions about trade, particularly when it comes to the national

security dimension. As we all know, China started opening itself up to global markets in 1979. Deng Xiaoping and the Communist leadership made a conscious decision to open up some of their markets to foreign trade. That doesn't mean that they were liberalizing internally, but what it did mean, they were willing to engage in more trade with other parts of the world. Hitherto, they had been relatively close to the rest of the world. And over this period of time, China became more integrated into the world's economy. And then, of course, the United States made the decision in the late 1990s to agree to China coming into the WTO and, perhaps more importantly, extended permanent normal trade relations with China.

Now, the problem, of course, with all this, as I mentioned before, is that it was immensely beneficial, especially for American consumers. This relationship and China opening up, was immensely beneficial for 340 million American consumers. Less expensive goods, but also businesses were able to focus more on what they thought was their accounting and their comparative advantage. The competition from abroad was good for American businesses. We shouldn't be afraid of competition. Now, some of the problems were that China did not abide by WTO rules. That's pretty clear. But it also is the case that everything changed in 2012, when Ji was elected general secretary of the Communist Party in China, and he decided on a very, very different approach to trade policy as well as economic policy domestically. And what you see happening in China today is a much greater state orientation to everything in economic life, whether it's the Belt and Road Initiative, whether it's requirements that half the members of your board of a Chinese company have to be members of the Communist Party. Whether it's the rise in state-operated and owned enterprises within China. China has been moving very much in this state-orientated direction. But what's important about this, and which I think this starts to show, is that we need to know that the Chinese and American economies are decoupling. We often hear people talk about the need to decouple China from the United States. For these two economies to be

pulled apart, to have less to do with each other, to be less integrated. Well, it's already happening, and it's not actually happening because very much because of tariffs. It's happening because American businesses are finding it less and less economically beneficial to do business in China for a couple of reasons.

One, China is losing what was its greatest asset, which was its huge labor force. They've successfully managed to induce demographic decline at a faster rate than they probably realized. That's not good for their economy. But you're also finding American businesses saying things like, well, we could invest in this more state-orientated economy, but there's no rule of law here. Property rights are not guaranteed. If we get into a dispute with the Chinese company, which we do in doing business, and that case goes before a Chinese court, we're absolutely clear that we are not going to win that case. The Chinese court will always rule in favor of the Chinese company. So that, the weakening of rule of law, and the weakening of private property protections in China, is simply making China a less attractive place for the American businesses to invest. And you can see here (below) it's starting to decline. This is how much it's declined. The degree of the deficit with China. It's declining not because of tariffs, not because of different things that have been done over the past ten years. It's declining because American businesses are saying this is just not cost-effective for us anymore. We're not making any money. That's how markets work. Markets are solving the problem of being too close to China.



So, I also want to say that trade, I think, actually bolsters national security. Because if you asked most people who are students or who are leading figures in national security studies, if you ask them, what is the single most important thing that matters for national security? They will almost all say the size and dynamism of your economy. That's why America won World War Two. Because of its economy. That is the lesson. Big economies, dynamic economies, tend to win wars. They tend to win wars. Why? Because if they're open and dynamic and they're subject to trade, they become more innovative, they become more adaptive. And they can out-innovate and out-adapt their strategic rivals. That's why I'm not particularly, in the long term, worried about China. As long as we remain open, dynamic and competitive, we will beat them.

Trade also, as I mentioned, helps to create mutual interests. And this certainly happened after World War Two. If China is a problem, and I think China is a problem, then we need to build up our strategic alliances. And trade is one way that we do that. Now, you may have noticed by the sound of my voice, I'm not from around here. I was originally born in Australia, and I can tell you growing up that I was very conscious, like most Australians, that the United States was the great ally and had been since the Second World War. And I think it's fair to say that a country like Australia has been one of America's most faithful allies. Yet, we're in the business now of putting trade barriers against some of our allies, whether it's Japan, South Korea, Australia or any number of countries that we need, if we're going to be able to deal with this problem of China, because protectionism is literally putting barriers between some of our closest allies and the United States. That makes no strategic sense whatsoever.

To give you a sense of what this looks like. This (on right) is an overlap of America's strategic and trade relations with China's strategic and trade relations. So, you can see it's very complicated, but let me just observe a couple of things. First of all, China has expanded its trade relations throughout the Asia Pacific region. Why? Because they know that the Asia Pacific region is now the locus of the global economy. It's no longer Europe. It's no longer the Atlantic. It is the Asia Pacific region. That's where 60% of the

world's GDP is. We're very lucky that we're part of that region of the world. China is expanding its reach, its trade relations in this part of the world because they understand that what we do have, what America does have, is more strategic allies in the region. China has no strategic allies of any consequence in this part of the world, unless you count North Korea, which I generally don't. So, they're expanding their trade relations. Why? Because it's going to be such a big part of the global economy. But they also understand that expanding trade is the way that China can rebalance the strategic odds in its favor and not in favor of the United States. China is expanding its trade relationships because they see this as a way of gradually increasing strategic allies throughout the region. We have lots of strategic allies in the region, but we're also engaging in trade wars with lots of them. Again, I just do not see how this makes any sense whatsoever. Protectionist policies, in other words, are playing directly into China's hands.

If these are all the advantages of free trade, if it's so important for growth, if it's so important for consumers, if it's so important for competition, if it's so important for national security, why is there such resistance? Well, for one reason, I think geopolitics is back. Liberal-international order is out. We're not living in the 1990s anymore, where everyone was saying we're going to end up with liberal democracies and free markets. That's clearly not the case. Economic nationalism is on the rise everywhere. Now, I've talked quite a bit about President Trump and his protectionist policies, but we should keep in mind that economic nationalism and economic populism is just as flourishing as it is on the left. So, to give you a couple of examples, uh, you would think that President Donald Trump and Senator Bernie Sanders have relatively little in common. But when you look at their trade policies. There's not much difference. They're basically protectionists. They're both in favor of industrial policy. They want more intervention. They're suspicious of free trade deals, etc. Another example would be a pair like Marco Rubio and Senator Elizabeth Warren. You would think that these two would have very little to do with each other, but actually, on some economic policies, they're not that far apart.

My point is that domestic politics has moved

away from a generally favorable disposition towards free markets, and much more towards an interventionist position. There are very few people in the United States Senate today who you could say is a committed free trader. I think maybe Ron Paul, but that's basically it. There just aren't that many national advocates for free trade anymore. You see weird and interesting cross-political alliances, so you have economic nationalists on the right, lining up with environmentalists and trade unionists on the left when it comes to things like trade policy. They agree about trade. Now, why is this important? It matters because even though most Americans say that they are generally in favor of free trade, there are very strong interest groups on both sides of politics who are very much in favor of protectionism and economic nationalism. You can have a majority of Americans liking free trade, but the problem is those Americans are dispersed. They're not organized. Interest groups, by definition, are very organized. They're very good at getting their way. A small minority of organized interest groups will always triumph, politically speaking, over a large mass of disorganized people who are not in a position to politically push back against some of these policies.

So, I think we need a new trade narrative in America going forward, because I think that at the moment, one of the things that we spend a lot of time talking about, those of us who are free traders, we spend a lot of time talking about economic arguments. We point to some of the data, the information, and the empirical suggestions that I pointed out to you. We show the economic arguments as to why protectionism is generally very bad idea, and how it's ultimately self-destructive, but guess what? It turns out that it's not enough to make economic arguments. It's not enough to make these types of arguments. The argument for free trade, I think, has to be put in explicitly American terms. So, whenever I hear that free trade is talking about a sort of global, world order, I want to shout at them and say, shut up. You're actually hurting your case. You're hurting your case because this does not appeal to Americans. Protectionists have been very, very successful in grabbing the Patriotism argument, and they're very good at associating protectionism with patriotism. And I think that free traders need

to challenge them on these terms. They need, for example, to challenge protectionists for being supporters of special interests and not actually that interested in the overall well-being of America and Americans.

We also need to cast free trade in terms of looking outward rather than inward. We need to remember, free traders need to remember, to keep talking about the fact that America has a very long history of trading fearlessly with the rest of the world, and we shouldn't be cowering behind tariff walls and thinking that the rest of the world somehow owes us a living. And this brings me to my last point. It's a quote from someone who I admire, and I suspect a lot of people in this audience also admire. It comes from Ronald Reagan in his farewell address, his farewell address in 1989. And he basically says this, "I've spoken of the shining city all my political life, but I don't think I ever quite communicated what I saw when I said it. But in my mind, it was a tall, proud city built on rocks stronger than oceans, windswept, God-blessed and teeming with people of all kinds living in harmony and peace; A city with free ports that hummed with commerce and creativity." And that last phrase is very important. A city with free ports that hummed with commerce and creativity.

I think this is the message that free traders in America need to convey, because it reminds Americans that we are a commercial people. We're not European Social Democrats. We're not a people that's tied to bureaucracy. We're not a people that's in love with welfare states, we're generally skeptical of governments. Even a lot of people on the political left, if you ask them, you'll discover that a lot of them have their own skepticism of different aspects of government. Trade and commerce are part of who we are. Our destiny is not to be yet another malfunctioning European social democracy heading for self-imposed demise. We are a commercial people; trade is part of that argument. The better and more that Americans who believe in trade make these types of arguments, the more confident I am that they will see that free trade is the trade policy of the future for the United States, rather than protectionism.

# Dr. Andrew Stuttaford: Why Free Markets are the Best Industrial Policy

Transcribed by: Tyler Murray



*We have the pleasure of Dr. Andrew Stuttaford joining us. Dr. Stuttaford was born in England, but his day job brought him across the Atlantic in 1991, where he was a resident of New York City.*

*Andrew Stuttaford has been writing for the National Review since the early 1990s. He took up a full-time position with the National Review and National Review Institute in March 2020, and is now the editor of the National Review, Capital Matters, an initiative focused on financial and economic coverage.*

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*Before joining National Review and National Review Institute, Andrew, who qualified as an attorney in the UK, worked in the international financial markets for nearly 4 decades.*

*Laterally, as the CEO of the U.S. subsidiary of a Nordic investment bank, Andrew has written a wide range of publications over the years, including for the Wall Street Journal.*

*The New Criterion, and the Weekly Standard on Political, Economic, and Cultural Matters. In the UK, he has written regularly for the magazines Standpoint and Prospect, and has been published in The Spectator.*

*Andrew has also been published in the Quadrant, the Australian Literary and Cultural Journal.*

Thank you very much indeed for that kind introduction. It is an honor to be here, to speak before this audience, and also to be in the company of such truly accomplished speakers. More accomplished than I, I can tell you. I have written 17 fewer books than Sam Gregg. I like I'd like to thank Concordia University and the University's Robert F. Plaster Free Enterprise Center for hosting this timely event and for the support from Young America's Foundation. These occasions for discussion, when we don't always agree on everything, as we've already seen, I think, are incredibly good, and we need more of them in the US, not fewer.

I'm an American citizen, I should say, as well as a Brit. My introduction has already been covered. I should explain, perhaps, just for a second, what Capital Matters was about. I was actually hired one week before the COVID lockdown. Now, if you want central planning. There is an absolute model of central planning. Did they think it through? No. Did they think through the consequences? No. Did they care about the private sector? No. Anyway, thank God, my job contract was signed about 2 days before Capital Matters was devised. We've been talking about it for some months beforehand, was to defend, promote, and explain free markets. And I like where I'm standing here, because I think this is a place where you explain free markets. I think one of the reasons the free markets get the bad press that they do, is simply people simply don't understand, how they work And we felt that free markets were under attack, but not only by their old foes on their left, you know, been there, done that, been, you know, battered by that, but by

corporate and financial America, and not only for the, traditional reasons that Adam Smith would have recognized. You know the quote, “People of the same trade seldom meet together, even for merriment and diversion. But the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”

Now, what we saw this time around was something more ideological. There was plenty of self-interest, and that was ESG and stakeholder capitalism. In the declining days of my financial career, ESG appeared, and to my astonishment, I ran this little Nordic operation here. We had some great analysts over in Scandinavia, and this terrible piece of research came from one of our best analysts, ESG. Is this? And I read it, and I called it and said. This is absolutely terrible. But we've been ordered that we've got to we've got to write this stuff. So, I called a few clients and said, Well, what do you think of this? And as they said, well, it's crap, Andrew, and we don't read that stuff, and we can't criticize it publicly because of state pension funds and so on. And so when I joined Capital Matters, I said to National Review, they said, Well, what are you going to actually write about? You know, that's the usual stuff, you know, socialism is bad. And, but there's ESG, so I explained what it was. They said a bit technical. I said, No, trust me, this is going to become a big issue. And it did do, and there is a lot of pushback against it now, and, you know, if I want one of my industrial policies, I have a list at the end, a small list at the end, don't worry, which says that one of them is the government to do what it can, and I think is doing, to discourage ESG And it's evil symbiont stakeholder capitalism. Stakeholder capitalism is the idea that the shareholder is just one among many people with an interest in a company.

But beyond corporate America, which is also thinking about fees, I should add, there were obvious signs of dissatisfaction with the way that free markets were functioning on the right, and there were all sorts of reasons for that. There was a fundamental misunderstanding, I think, about the financial crisis. There were its causes. There was, which I'm happy to talk about, which

was described as complete nonsense by one of the NACOMs, and there were obvious and there were tech concerns, and there was, you know, a few previous horror shows. People old enough to remember the dot-com crisis didn't think that was a great example of capitalism and free markets at work. What they forgot is what it left behind, which was America in a leadership position on the internet. Just like people talk about the wonders of the American and British railways in the late 19th century. What they forget is that that was marked by boom and bust and boom and bust, but they weren't tulips. They were railway lines, likewise with the internet. Free market, don't promise anyone a free ride, or even a quiet ride. Sam referred to the Creative Destruction. That's what it is. So, nevertheless, you could see the unease growing on the right. It happened, it was lurking in the first Trump administration, and gathered pace in opposition between 2016 and 2020, and now it is obviously an interesting tussle going on.

There was a quote in 2019 from Marco Rubio, and that was that he was a happy, peaceful guy in those days, carefree. He was not serving as Secretary of State, nor was he acting National Security Advisor, Nor was he the acting archivist of the United States. In fact, he was a man at leisure, and he came up with this. “Common good capitalism is about a vibrant and growing free market, but is also about harnessing and channeling that growth for the benefit of our country, our people, and our society at large.” Note that word, harnessing. The road from common good conservatism to industrial policy in the conventional sense of that word is a very short one. As the great economist, who doesn't need any introduction, in that Saab has already introduced him, Friedrich Hayek understood. Outside times of genuine national emergency, he was extremely distrustful of the idea of some teleological national purpose. He just thought the role of government, the state, the walls, if you like, was so that people could get on with what they wanted to do, to find their own purposes, alone, or with their friends and their communities, and to make their own choices.

So, having talked about free markets and saying that I unapologetically support them. We'll

get to tariffs, I mean, I disagree a little bit on that. I thought I might surprise some of you by beginning my discussion on why free markets are the best industrial policy by quoting Lenin favorably, actually. Or at least favorably in the sense of his perception. He was speaking at a conference in Moscow in 1922, and his topic was the new economic policy, NEP, which the Bolsheviks had introduced the previous year. War, Civil War, but by World War I, I said First World War, the First World War, Civil War, and the vat of scientific socialism after 1917, had devastated the economy of what, in the decade or so before the outbreak of the First World War, had finally been showing clear signs of economic breakdown, something that is often forgotten. As Lenin had asked in another context, there was a lot of debate in the Bolsheviks about this NEP, and as Lenin had asked in other contexts, what is to be done? And, he said, you know, BEP. Gotta stick with MAP. And what was that? It was a form of mixed economy in which the market played a real role. It worked, actually, very well under the circumstances. You probably saw nothing as good until Russia in the early Yeltsin years. Markets are a remarkable thing. Naturally, Stalin brought it to a brutal end. By 1922, Lenin had understood that debt was something of a success. An embarrassing success, however, here is what he said: A state is in our hands. It has operated the new economic policy in the way we wanted in the past year. Has it operated? No! But we refuse to admit that it did not operate in the way we wanted. How then did it operate? The machine refused to obey the hand that guided it. It was like a car, he said, horrified, that was not going in the direction the driver desired, but in the direction someone else desired. As if it were being driven by some mysterious, lawless hand. God knows who. Perhaps a profiteer, or a private capitalist, or both. Be that as it may, the car is not going quite in the direction the man at the wheel, And in the party imagines. It often goes in an altogether different direction. Mysterious hand, lawless hand, and I suppose Lenin just couldn't bring himself to refer to the extent that an invisible hand was helping what turned out to be, under the circumstances, fairly impressive rates of economic growth. So there you

have it. You have top-down state socialism. Then you have letting the invisible hand creep in, and it did, and it helped, and it worked. Pretty good industrial policy.

Stalin, of course, had a way with invisible enemies, and he chopped off the invisible hand. He replaced it with the visible fist. NAP was killed off, and so were many of those who had flourished under it. To be fair, his forced industrialization did at terrible human cost, and with the help, I'm afraid to say, of a lot of capitalist know-how, including, I regret to say, from the US, came through for a while. Industrial production surged. The numbers are actually fairly impressive. GDP increased by much less, but the more important question, and this is always the case when you look at industrial policies, is not whether they increased production by X or Y, but did they increase it by more than the economy or the markets would have done if left to their own devices. And the answer, especially if you look at Russia before 1913, there's a little bit of evidence that the Soviet economy had flourished more; it would certainly have had more people if the state had played a far, far less dominant role in the Soviet economy. And the answer to that question is yes. And thus, you always must ask, okay, we've got our industrial policy, but is it better than the alternative? A policy is normally a choice. Hammer once said to me, we were arguing about this very topic, and he said to me, You know, free markets are industrial policy. Well, yeah, yeah, yeah. And I thought about it, yes. It is a decision as much as the decision to do something as it is not to do something. The decision to leave markets to their own devices is an industrial policy. Policy is normally a choice, and in weighing the costs of Plan A, those doing it need to include the cost of not pursuing an alternative Plan B. The opportunity cost, if you like, what the 19th-century French economist Frederic Bastiat would have referred to as that which is not seen. He would have been absolutely appalled by the spectacle of post-war France, which, as it contemplated recovery, adopted a heavily dirigiste approach to its economic reconstruction. Plan here, plan there, everywhere. And, it's typically

seen as one of industrial policy's great success stories. GDP growth averaged about 5% a year for the late 40s between the late 40s and 1973, which was the year of the first oil shock in Europe, from which it really, in many respects, has never truly recovered. But Germany adopted a far, far freer market approach, under Einhauser, and particularly, his finance minister, Ludwig Erhard. Note the word freer. I mean, Germany was, in many ways, a Christian democratic state. There was state intervention. That's the social, it still is, that's the social market economy. Someone once asked Erhard, and this man tells this story, so it's probably true. That's what the social market meant, how it went, and it was nothing. He was exaggerating. What it actually meant was throwing a lot of scraps, the trade union's way, but it was less finance capitalism, so on. But the point is, in Germany, you have these two; you can put them side by side. France was a hell of a mess in 1945, a luxury compared with Germany, and yet Germany outperformed. France got more military aid. You sometimes will read that Germany got more military aid, but it didn't. France got more, and yet Germany, choosing the lighter hand, still a hand, but the lighter hand, outperformed.

Now, one of the phenomena of the new right, as well as the left, is that they like to go on market fundamentalism. What is it? It is a boogeyman philosophy found nowhere in power in day-to-day politics, not even in Javier Millay's Argentina. One of the reasons that Argentina is currently an admirer of Villet, ceaselessly amused by him too, is one of the reasons it has its problems at the moment, funnily enough, is that political reality has forced him to back off his pure market theory because he wants to win the elections in October, his parties don't do well. They can't win it, actually, for mathematical reasons. He wants to keep inflation numbers really down. To that extent, he's spending more money than he should on defending the peso, and that is draining the dollar. That is draining the country's pathetic foreign exchange reserves. So, if there's been market fundamentalism, you can make a case that it might have been a mid-19th-century Britain, where you didn't have tariffs. That's about it. So, if

we accept that cutting back on state intervention in the economy is itself a form of industrial policy, as we should, then we can see that industrial policy operates on a continuum. At one end of that continuum are figures such as Mrs. Thatcher, wielding her hand back, Javier Millet, wielding his chainsaw, and Mikhail Gorbachev, the great Soviet, post-Soviet Estonian prime minister, free market reformer, wielding his Guns N' Roses albums. Back in the early 90s, I was lucky enough to be I meet a remarkable guy, actually. It's a talk in itself. Back in the early '90s, he was said to have two heroes, Mrs. Thatcher and Axel Rose. Millay's industrial policy rested on cutting back on the size of the state and getting it out of as much economic activity as they could, and rebuilding property rights. That something was something to which Mikhail attached enormous importance. We had an argument about privatization, a friendly argument about privatization, and he said to me, I said It's taking too long, Prime Minister, it's taking too long. And he said, yeah, I know, I know it's driving me mad, but it's essential because if we are having a free market society, if we are building this from the ground up, more or less from the ground up as a free market society, property must be key. So this was his industrial part of his industrial policy. He said, We have a lot of people here, it's only a little country, but a lot of people here whose relatives, or they, had property stolen by the Nazis. We have a lot of people here who had their property stolen by the communists. We want to make the point, if something is yours, it stays yours. If some thieves, called Nazis or Communists, come along and take them away, you're going to get it back because we won't persuade people to invest for the long term unless they believe that what is theirs is theirs. I think that is a good industrial policy.

Both Lahr and Thatcher were, and I was in Britain in the 70s, and, you know, you don't want to be there. And, despite the conditions in which they found their countries, they were very successful. Hopefully, Millay will be, too, but we'll have to see. Before the current ruckus, things were going pretty well, actually. At the other end of this continuum, there is a fork. On one of its

prongs would be a Stalin or a Mao, turning state intervention up to 11. On the other hand, and I think it's a group that people do not pay enough attention to, are the de-growthers. They are the greenest, and so to speak, the reddest. It helps that I am red-green colorblind when I say that. That, of all the greens, and their industrial policy is a de-industrial policy, it is the most extreme variant so far of the net-zero policies that are doing so much damage to Europe's economy. And you will hear more about it, I think. They hover around the periphery of NGO World, the EU, and so on. There is a rule of thumb that works to measure how well policies scattered along this continuum are likely to succeed. Especially over the long term, and I would stress that long term can juice something up. Under the Biden administration, when you had the IRAs, massive encouragement of investment. There was quite a bit of encouragement for investment. The dollars, you know, the dollars were flying, people took them, but the question is, how much will be left in 10 years? If you give money to build a factory, and no one wants to buy what that factory is selling, that's malinvestment. It's it's not, it doesn't really count. Maybe it can be repurposed. Under capitalism, things can always be repurposed, but so you can have the sugar rush, the more the free market is allowed to do its thing, the more prosperity there will be. There are a good number of reasons for this, but one of the most important things for them is that government interventions in the economy run into trouble. They're based on what, I think I mentioned it, so it is so correctly described as the fatal conceit. The idea that a relatively small number of planners, often these days masquerading as regulators, know enough about what lies ahead, or could lie ahead, to decide on the right path to take. Rather than leaving it to the collective wisdom contained in the free market.

You don't know, no one knows, and planners don't know enough about the future to be able to design a top-down policy flexible enough to adapt to whatever surprises, positive as well as negative, that the future may bring our way. Think of your 401k. But the problem with planners is

that they won't. I'll admit that my, you know, it's hopeless, hopeless, many of my investments, not psychologically equipped, as a rule, to admit it. See, they know they have the answers. Or as a group in the early 1930s, Britain. Which included future Conservative Prime Minister Harold Macmillan, put it. Their idea of policy-making was the development of scientific schemes of a far-sighted and far-reaching order. Terminology that should have had them laugh off the court, but such with the times that did not. A nice example of how such an attitude can go wrong is provided by the so-called race to net zero. A series of ever more stupid stumbles that is a dark classic of central planning. With faults that cannot solely be put down to the climate emergency. See, it's a race, remember, that is essential. Deadlines are pulled out of thin air. Orders are barked from above. Dissent is heresy. Targets bear little connection to economic, technological, or political reality, and logic is displayed by frenzy. C no longer follows B, and B no longer follows A. By the way, that could also describe Soviet industrialization in the 30s. Those struggling to understand how policymakers could insist on the urgent electrification of everything, or so it often feels, at the same time as they weaken the resilience of already strained electricity grids, need look no further. And did those policymakers planning the electricity, who knew everything. Did they think about AI? Did they think about what that could mean for electricity demand? I wonder. Cost-benefit analysis? Don't bother looking for it. It's also the net-zero thing, and I'm not saying this is not about climate, but it's also a good demonstration of just how difficult it is for those driving industrial policy to make a course correction. Once that policy has been enshrined in law, regulation, and the institutional structures of the state, unless we forget those who feed off it, it is very, very difficult to change your mind. To take one example, it was obvious, to anyone paying attention, who had done even basic research, that range anxiety that the problem that helped sink electric cars or made them struggle. Sync is too harsh. No, no, not too harsh here. That range anxiety, the problem that had helped sink electric cars in the early 1900s. So people

knew this was a problem in about 1905. Not our planners. It was obvious that this was going to be an issue for potential EV buyers in the 2020s And it was also obvious And if it was not People like Toyota's Axio, Toyota's Axio-Toyota relation were on hand to point out that one way of addressing this anxiety, while at the same time significantly cutting greenhouse gases, was by encouraging drivers to switch to plug-in hybrids. Something, by the way, that the Chinese have been very well aware of, and is now an extra variant on top of that. But such an approach did not fit with the climate absolutism that has been such a feature of the green transition, especially in Europe.

To set to accept that maybe there needs to be a course correction is not only technically difficult because of all the hoops that you have to go through, but it also risks costing a lot of political capital. How do you admit to the voters that you've got this wrong? Policymakers value political capital much more than they value the petty cash that is taxpayer money, and that is another reason why the free market is a better industrial policy than the alternatives, because its results are scored. By profit, basically, Voters' approval is rather more nebulous. And, by the way, if you think about saying, well, we were wrong about hybrids, it's bad. Who wants to be the British politician in government? Who admits that the country's enormous gamble on wind power has been a fiasco? Boris Johnson, who used to talk about, When he was Prime Minister, he used to talk about Britain becoming the Saudi Arabia of wind, which is absurd at so many levels that one can't, even by Borisian standards, that one can't get into. He has not said, yeah, but maybe I was a little overenthusiastic there. And, he can do that, because he's out of the office and not likely to return. If the exploration of the opportunities represented by electric vehicles, the reason I'm talking about this is as case studies, they, I'm sure, would say at Harvard, has been left well, not this one has been left at companies, perhaps with the government lending a helping hand, and You know, not being a free market fundamentalist myself, I always think there's a role for government here and there to lend a helping

hand.

I'm a child of the Apollo years. I loved Apollo 11. I was allowed to stay up late to watch it. There are lots of ways where government and the private sector can cooperate, and in space. The government took the lead. There was, of course, the involvement with the defense, and then sort of held back until Elon Musk appeared on the scene. And Elon Musk, good lord! Whatever you think of his personality, Good heavens. I look at it as a kid of the Apollo 11 era, I look at SpaceX, I look at all those things, and just wonder, just wonder. This is astonishing. Now, Europe, the EU, is drawing up a space law. It has launched a couple of satellites. They go by regulations first. In America, one of the great things about America, which is still intact, one of the great competitive advantages, part of American industrial policy, is that you need rather less permission to do stuff than you do in Europe. And as even Mario Draghi wrote a very good report, not a very flawed, but interesting report, much like Draghi himself, on Europe's failure to keep up with America. And again and again and again, it is over-regulation, over-regulation, although he very carefully avoids using that word. He talks about the right level of regulation. And, America has left Europe in the dust. We'll get to the problem with China a little bit later.

So, if the exploration of the opportunities represented by electric vehicles had been left to private companies. Perhaps we've said that the government lending its helping hand actually wanted to make them. You should see what the then-CEO of Stellantis had to say about electric vehicles. These are being forced upon us by politicians. Mr. Toyota said, We've got to do something about climate change. What we do, he said, we have about 4 or 5 different approaches, all of which reduce emissions. Of course, he was biased; they were the Brittiest people and all the rest of it. He said, let's give them all a go, let's see what people want to buy, and if they'd left it to a company such as, one that begins with a T to do it, the pace might have been Slower, But it might have been more likely to reach a sensible destination With such a laissez-faire approach,

such a laissez-faire industrial policy. The issue of range anxiety might have been dealt with earlier, more cheaply, and more cleverly. I mean, they really did put the, you know, the cart before the horse. But the knowledge that EVs were effectively going to be forced on the population, particularly in Europe. Within a few years, it reduced the incentive of management to work on this. They needed cars. Again, this is a classic Soviet-style era. Sort of, you know, like building houses with no glass or something.

It is, to give another example, Hard to imagine that without the regulator's arbitrary timetable driving their model rollout, and without generous subsidies masking the true cost of what they were doing, that car companies responding to demand from below, The car companies responding to demand from below, rather than orders from above, would have plowed quite so many billions into production, without seemingly, Tesla is an exception to this, giving enough attention to changing, to charging networks. As of June, hold your breath here, U.S. states, there's a \$7.5 billion federal program to authorize the building of EV charging stations along the road in the states. \$7.5 billion, by no means all has been spent. Does anyone guess as to how many have been built by June this year? It actually was 384. 384 whole EV charging stations, with \$7.5 billion rattling around. Policymakers' overconfidence about their ability to look ahead, that fatal conceit, is only the first part of the Hayekian equation, which means that policies based on heavy-handed government intervention are likely to struggle.

The second half arises out of the fashion in which such intervention makes it easy for policymakers to either ignore the message sent by market price, or to revert to the extreme. The Soviet case to dispense with it altogether. The major reason why the Soviet economy struggled for so long, both at the macro and the micro level, industrial supply chains were often a reality sustained by barter, and the Soviet shopping experience degenerated into long lines that. There was no price mechanism. I saw those lines myself. The price mechanism was introduced for almost everything in Russia in early 1992, on January 1st, 2nd of 1992. I returned

about two months later. Shops, in a replay of the new economic policy, had begun to reappear in stores. They were expensive, particularly for anyone paying in rubles, and times are very, very difficult. But they were extraordinarily, you know. It was something. It was moving forward. And Russia's woefully incomplete free market reform achieved far more than the conventional, disdainful narrative suggests. If Adam Smith showed how the division of labor could increase productivity, Hayek showed that the division of knowledge could dramatically increase the supply of useful information. In *The Mind of the Market*, a very fine book, Jerry Muller neatly summarized the way that prices contribute to this process. The market permitted an ever greater division of knowledge in society, while at the same time, it coordinated that knowledge through prices, a system of signals that convey information, a bottom-up signal. Traditional interventionist policy is top-down. To digress just a little, one of the reasons that the creation of the EU's single currency was an exercise in part of industrial policy, which ran into such trouble, was that by replacing all those currencies with one, it extinguished the price signals previously sent by a rising, say, a rising Deutschmark or a falling lira. This muffling was reinforced by the way that interest rates converged. Something cheered on at the time, but reinforced the illusion that Greece was Germany, when of course, it was anything but. Interest rates, the price of money, and disaster ensued. Interest rates, the price of money, are an essential element in corporate or individual financial planning. As the Europeans found out, and are still finding out, distorting them can come at a high cost. And Americans, too. Americans are still paying for the consequences of the ultra-low interest rates of the 2010s.

Under the circumstances, it is dismaying to me that one element of the President's industrial policy, and again, I use this term broadly, appears to be to bully the Fed into pushing interest rates far lower than they should be. Leaving aside its possible inflationary consequences, it's going to mean much less investment than he actually thinks. I remember speaking to somebody

when interest rates were zero. I happened to be in a certain city called Madison. Not a million miles from here, talking to somebody involved with the investment, over there. And, he would always not follow any of my recommendations. Come talk to me again when it's 100 Crona cheaper, or whatever it was. So I said, your model essentially discards your cash flow, yes? So, what's happening? What are my recommendations? All completely cheap now, I reckon. We were having a beer, and I said, You're making it up. You're making it up. You've just substituted your own figure. And, of course, that is what serious companies do. They are not going to invest because they think that interest rates are artificially low. Opportunists may invest if they think they can take advantage of them and get out. And the unlucky will get caught out, like the people who bought commercial real estate in the middle of the last decade, or the people who invested in wind farms. You know, interest rates hit 4,000-year lows, depending on, you know, if you believe Jim Grant. There's probably going to be a reversion to the mean at some point. So don't mess with the prices.

Back to Hayek and Miller. Knowledge of the availability of resources is widely dispersed in society. Market prices act as signals of where those resources should be put to the most valuable use, and the profit motive serves as an incentive to bring one's knowledge to bear in the market. Those with knowledge of where to buy a commodity more cheaply, or how to produce it at less expense, will use that knowledge to make a larger profit. Frankly, I could end it now. You might say, yes, please, if you want to know why free markets are the best industrial policy, that is pretty much it. Hayek, filtered through Miller, rammed home the point. The efficient use of resources depends on having particular knowledge at a particular time in a particular place, not on aggregate statistics. These, of course, were in the days we had aggregate statistics that might be available to a government planner.

It also depends on the ability to perceive opportunities that others miss and to know when to take advantage of them, the characteristics

associated with the entrepreneur rather than the bureaucrat. One of the reasons for the enormous build-up in American arms production, ramping, ramped up so quickly before Pearl Harbor. An example of an industrial policy that worked, and there are some, was the extent to which it was run by the so-called dollar-a-year men, drawn from the private sector, rather than from Washington's New Deal apparat, who hated this, by the way. The private sector got it done. Meanwhile, those who ignore private price signals at their peril. The dismal share price is a price signal. Share prices of Ford and GM between 2022 and 2023 were one warning that the transition to EVs was going to be a little bit trickier than everyone was saying. Yet, thanks to the way that the companies, car companies, were being pressed by governments and regulators, these warnings were ignored by management, who pressed on, as the shareholders fled. That would not have happened without an interventionist industrial policy. Compounding this mess was the way that demand for EVs was being distorted by the way in which their purchases were being subsidized by the taxpayer, creating a misleading picture of what demand really was. Juice up demand for a stock in some way beyond the natural ebb and flow of demand, and the SEC will come calling, and they'll talk to you about creating a false market. It won't be good. That's what happened with the EVs, and the EV adventure was only one of the massive exercises in industrial policy in the Biden years. The first was climate change, which, frankly, was described as a necessary precaution, but was instead a display of colossal recklessness. We don't have to debate climate change today, or the extent of the danger it poses, but what we saw was a series of massive investments, including EVs, that will, in all likelihood, make little difference to the climate.

These investments, again, are always thinking of opportunity cost. It came at the expense of adaptation and plowing money into that, or encouraging that. That's one of our species' greatest skills. What do we do now? 9 billion? And the reasons they did that were psychological. Partly, but an important part of it was based on

the fact that the plan had been laid down in Paris in 2015, and once a plan has been made, it has to be stuck with it. Couldn't you change private sector planning? Tear it up when the shareholders start screaming at you.

The second major Biden investment policy, industrial policy, had two interlinked objectives: the need to restore manufacturing, argue how much it really needed restoring, and two. And they were linked, to ensure a manufacturing base strong enough, and I think there is a case, to ensure that the China the U.S. could weather and prevail in a long or even a short contest with China an adversary far more formidable technologically than economically than the Soviets and on whom the US and Europe, too, had become unhealthily dependent complication the West had never had to face with the Soviets. Sam has rightly said that decoupling is now going on. It can't happen fast enough. When it comes to climate, I think that it's fair to say that under Trump, one leg of industrial policy has been chopped off by the new administration, but in some cases, the change went a little high. There is, you know, research has value. Overall, however, this reversal is positive, although I wish it were powered more by legislation than by executive orders. Executive orders could be reversed in an instant, and if President Trump is succeeded by President AOC, an instant is all that it will take. The second leg of Biden's industrial policy, I know this is a nasty image, is that leg being taken to the gym. Re-industrialization is still on the agenda and is one of the justifications for the tariffs that Sam has discussed. Whether it will spread, see a widespread revival of old-style blue-collar jobs, I have my doubts. We'll see.

On the other hand, I do think that China, China, China is a reasonable justification for carefully targeted, carefully targeted tariffs and for other forms of government intervention. We live in dangerous times. The challenge posed by China, and in particular, the broader vulnerability of our chip supply chain, makes a decent strategic case for a strong domestic chip manufacturing. That to take that industry may mean that some US companies will have to pay more for chips

than they otherwise would. Then again, I think that those chips were mispriced. Adam Smith put it, defense is of more importance than of much more importance than opulence. The companies that currently regard Chinese chips as cheap are actually mispricing the risk that comes with over-dependence on China. How cheap, really, was the cheap Russian gas that Germany used to buy?

China is such an economic challenge. Andrew, and here, what about China? Shouldn't I believe it's just, you know, a paper tiger, as Mao would have said, bound to fail, at least be outperformed by, to quote Sam, the open, dynamic, and competitive US? The answer to that is yes, in time, if we give them the time. In the meantime, China gains from the fact that it's willing to cheat and steal stuff above all intellectual property. More important than that is the fact that it's not a communist country, despite the name of its governing party. It's much closer to being a corporatist state. Corporatism comes in different varieties, some more benign than others. But to a greater extent, these varieties, at least in theory, are united by the idea that different interest groups, employers, employees, and shareholders should collaborate in pursuit of objectives set out and supervised by the state. Its origins lie in a pre-modern view of society as an organic whole. In such a society, individual autonomy counts for very little, in which the operation of the free market, ironically, one of the best examples of cooperation that there is, is regarded as disorderly, selfish, and something that has to be reined in. It's not a society we should want to live in. It's not likely to be a democracy, but at the same time, it can harness Capitalism, under the right circumstances, with an easy enough playing field, and we've given China that for a while.

We shouldn't underestimate China's economic and technological capability any more than we should have done that of Nazi Germany, a state which, economically, it sometimes resembles. So the states of the V1 missiles, you know, it's early in the computing and all the rest of it, but the way for the US to prevail against China is not to become China, but to play to America's strengths, strengths that brought me here,

frankly. That means that any interventionism by the state should be light touch, minimal, and consistent. Let's let's not sell NVIDIA the right to sell advanced chips to China, and it should do nothing to weaken our fundamental strokes. And by that, let's not use a neo-Brandeisian fear, I'm quoting Larry Summers there, fear of big companies and a conservative irritation with big techs, past political orientation. Let the conservatives, the conservatives that admired the dreadful Lena Kahn at the FTC, turn antitrust into an instrument of central control. The emergence of high tech is an American triumph, the envy of the world, and a key resource in our contest with China. Let's not cripple it with antitrust masquerading as central planning masquerading as antitrust. By the way, in 1942, Roosevelt had to stamp down an antitrust case being brought by the usual antitrust sort of madman, against a critical company in the war supply build-out.

It's extraordinary, but anyway. The simplicity of the idea that the company should be run for the benefit of its owners, the shareholders, and the presumption that those owners want the company to be run for their economic benefit. This is one of the reasons that shareholder primacy has delivered such wonderful results. It sets out who owns what, who does what, and, if only in outline, what their responsibilities are and how their performance should be measured. It works! One of the best bits of industrial policy this government could do is do anything it can, compatible with corporate economy, to bring an end to autonomy, to bring an end to ESG, Stakeholder capitalism, and all the rest. If anything, Trump's impressive, deregulatory zeal in Trump 45 showed zombie Reaganism. We're still wandering the halls of power, even as zombie McKinleyism waits in the wings. So, to China, China, China, I just say, deregulate, deregulate, deregulate.

Now, just going through various crimes of the private sector, we don't need to do those, not appropriate. You all know them. But even if the strategic importance of the US-based chip sector can justify more government support than would

normally be appropriate, and I think it will, there are still reasons for concern about the way that the Intel deal was structured, not least the taking of an ownership structure position, not something the state should be doing with a private sector company. If an administration wanted a sweeter deal for taxpayers than Biden had gotten, there were ways of doing that. What we've got to ensure is that when we help companies, we don't shoot to become a national champion. We don't create such distortions in competition, whether it's through cronyism or removing the incentives to innovate, that our national champion basically is a weak and poor thing. It's also, you know, if you're going to buy, don't take a stake in companies, but if you must, make clear they're not going to be permanent. A Couple of exceptions would be strategic metals companies. I can see that. Someone's got to make sure we have the rare earths here, and that takes some government dollars. Fair enough, but the broader approach, on things which are less obvious, golden shares and steel companies, and so on. It'll just be like so much industrial policy, an invitation to old-fashioned industrial policy. It'll be an invitation to cronyism and a pathway to mediocrity, or worse, and the latter may be true even in the case of Intel. There's an obvious danger if the government goes too far in favoring Intel; it'll discourage others from entering this sector or strangle promising newcomers. Neither of these would help the US win the tech race And nor would the question mark over Intel's corporate purpose. If maximizing return is no longer Intel's aim, what will replace it? Will that be the pathway to mediocrity?

What I will say, and just to return to a theme to wrap up, as it does its industrial policy, pursues its industrial policy, this administration must be aware of the precedent that it is setting. Perhaps the Trump White House can be trusted to keep any purchases of positions in private companies to a minimum, although comments about taking stakes in defense companies don't bode well for that. But will a future democratic administration feel so constrained? That's a question that answers itself.

## Mr. Steve Forbes: How Entrepreneurs, Not Government, Built America

Transcribed by: Danika Burkett



*Mr. Forbes spoke at Concordia University Wisconsin on October 7, 2025, as the keynote speaker for the Liberty, Faith, and Economics Summit. Steve Forbes recent book, which he coauthored with Nathan Lewis and Elizabeth Ames is titled, "Inflation: What It Is, Why It's Bad, and How to Fix It." He also broadcasts a popular website called "What's Ahead," where he gives insightful analysis of events as well as engaging the world's leading newsmakers, politicians, and pioneers in business and economics, in captivating conversations. He helped create the highly acclaimed and award-winning documentary "In Money we Trust?" which was introduced under the auspice of Maryland Public Television. The film was inspired by a book he co-wrote, "Money." He was the executive producer of the new, highly acclaimed documentary "Coolidge: Rediscovering and American President." And he also recently launched a series on the educational website [isit.org/forbes](http://isit.org/forbes) that represents inspirational stories and lessons from history's greatest innovators, many largely forgotten, whose achievements have shaped modern life in America. Mr. Forbes writes editorials for each issue of Forbes under the heading "Facts and Comment." A widely respected economic prognosticator, he is the only writer to have won the highly acclaimed prestigious Crystal Owl Award four times for the accuracy of his economic forecasts. In 1996 and 2000, Steve campaigned vigorously for the presidential nomination. Key to his platform where flat tax, medical savings accounts, a stable dollar, and a new social system for working Americans, parental choice of schools for their children, term limits, and a strong national defense.*

We all sense today that we live in a country that is really, in terms of a troubled country, unsure of where we're at, where we're going. We've had these periods before, back in the 1850s before the Civil War. And remarkably we had it in the 1890s with what they call the closing of the frontier. And people wondered what was going to happen in this country if we couldn't go West anymore. Would we just become like the European countries? Well, turns out the real pioneering is done in the human mind and not with the physical assets. We had it in the 1930s, the 1970s, and we're going through about today as we reexamine what our world is in the world and what kind of economy we want to have here at home. The assassination a few weeks ago, Charlie Kirk, has hit hard. I think one of the things that will come out of that horror is that I think it will accelerate positive changes that he promoted and represented. That is free speech, free market system, reference to civil debate. Gavin Newsom, governor of California, when he did a podcast to show that he could reach out to people other than the far left, his first guest was Charlie Kirk. And also, a fellow named Van Jones, who's a commentator on CNN, was startled to get a call a few days before Charlie was assassinated. Van Jones had been very critical of Charlie Kirk and Charlie called him up and said, let's have a discussion, civil discussion. So, reaching out, fighting political violence, I think, will be something that we'll remember him for as being a catalyst for. He believed in traditional values, family, faith, self-discipline, positive spirit. He was also an extraordinary entrepreneur. Certainly, on the level of anything you'd find in Silicon Valley and elsewhere. He exemplified what

is a great characteristic of this country. Alexis De Toqueville, French aristocrat, who visited America back in the 1830s, wrote a book called American Democracy which is still read sometimes. Often quoted if not read. And he observed one of the things that he observed in America, he'd never seen it in Europe was what he called voluntary associations, people voluntary coming together for a shared purpose. It could be for professional purposes, it could be for sporting, building a hospital, building a road, whatever. When Americans saw a problem, they just went and did it. Unlike Europe where you waited to be told or asked permission. He said in America they just got up and did it. And he said this aspect made for citizens of a successful republic. It was not just family, not just profession, but also a community-wide activities. People just going out and making it happen. And Charlie Kirk exemplified that. I had the privilege of meeting him when he just left high school, years ago at the age of eighteen. And through a mutual acquaintance had lunch with them. And he was with a mentor, a fellow called Bill Montgomery. But anyway, this young kid had written an essay, published in Breitbart, in which he took to task the textbook used in his economic class for AP economics, AP. And he said that was biased, and it was a very sophisticated essay. So, an eighteen-year-old, that could do something like that, take on professional economists was something of a wrong persuasion, was something was remarkable. So, I had the lunch, and he made it very clear that he was not going to go to college. I shouldn't say that here. He decided he was going to, at least for a while, skip college go out and start a movement to reach out to young people like himself, high schoolers, college students and try to persuade them of what needs to be done in terms of finance, in terms of stability, but also in terms of the human spirit. And so, he fulfilled the promise we saw at lunch. You can sort of tell somebody has something special and is going to do something one way or the other. And so, as Lincoln said, as was said about Abraham Lincoln, on a very different occasion, he now belongs to the ages. But thankfully, I don't think his spirit is going to die at all.

I'm going to discuss tonight, and we'll get to a Q&A, some of the issues facing us today like the Federal Reserve, including monetary policy. And I'll just warn you in advance, monetary policy is not the most exiting subject in the world. Ans so, I always reward you at the beginning by giving you a piece of advice, if you ever find yourself in an airplane, in coach, middle seat and you want a little bit of elbow room with your seatmates, start to talk to them about monetary policy. And you'll have plenty and space, they may even throw you off the plane. But anyway, and those of you who are here tonight who are single. Corollary is, if you're on a bad date, start talking about monetary policy and the evening will end very quickly, and you'll never see that person again. Guaranteed. But, before I get to those particular issues, we should remind ourselves that for all the troubles we have today the basic strengths in this country are still very, very evident today. Especially in terms of innovation, and creativity, and the like. In health care we're getting vaccines for cancer which would have seemed unbelievable a few years ago. The time will come within a generation when you can replace things like hearts, kidneys, and the like like you would change a tire instead of waiting for a hopeful replacement. That's coming. And we're also going to start making real progress on the thing that terrifies especially older people, that is dementia. For decades, amazingly, all research was concentrated on what they call Plaxton tangles in the human brain. And for years and years they thought that was the cause of dementia, the cause of Alzheimer's. But Doctor Alzheimer himself, 120 years ago, warned against that. He made the point, this was the result of the disease, not the cause. Finally, after wasting tens of billions of dollars on research, finally going to get to the real causes and make some real progress, which has been all too slow. So, in terms of AI, artificial intelligence, us saying some it's some people before we sat down, it's a terrible name. Whoever invented that should be punished for that. Artificial intelligence, that sounds frightening. But, you know, we don't call airplanes artificial birds. We don't call automobiles artificial horses. And, so,

artificial intelligence, advanced intelligence, it's a human tool. And of course, we know something like powerful that comes along, and it is very powerful. There are fears that somehow, it's going to take us over. And, just to put it in perspective, over 200 years ago, in the early 1800s, when electricity became a very popular subject, there was very real concern that electricity could bring people back from the dead, and they'd take cadavers and put a jolt of electricity and see it flop around, say, well, maybe that can come to life. And they had nightmares of what this could lead to. And of course, the only good thing that came out of that was a novel called Frankenstein. And which was where the dead didn't take us over, the monsters, but it made for good, great entertainment for over two centuries. So, anything can be created, can be used for good or for bad. But the fact of the matter is, it comes from human creativity. Everything has to start with human creativity. It just doesn't spawn by itself.

So, in terms of challenges, I live in New Jersey. We have a city nearby called New York, and it looks like we may get our first communist mayor. Unbelievable. Which gets to the challenge of socialism. Why is socialism making inroads? Part of it is the cost of living, especially in a town like New York. The establishment has failed to create a city where you can afford things and have normal things. So, in terms of the last 20 years, with some brief interruptions, this country hasn't had a boom period where people really feel optimistic, such as we had in the 1980s and the like. And so, a lot of people are down on it. So, their raps about capitalism are common. The real profits before people, the strong crushed the weak. It is inhumane. It does spoil the environment.

It's all about greed and Hollywood movies. Research has shown that businessmen, it's always men, very rarely businesswomen. Businessmen kill more people than serial killers in Hollywood movies. And, they have the extremes. Either the businessman is grossly overweight, jowls going up and down in glee as he figures out how to poison the household pet, or bony skinny with crackling fingers figuring out how to pollute rivers and make life miserable. But the truth of it is the raps

about capitalism, free markets, free enterprise, whatever you want to call it, are actually the exact opposite. For example, how do you succeed in a true free market? You only succeed by meeting the needs and wants of other people. Adam Smith pointed out that when you buy or sell, each gets something from the transaction. He pointed out that you go to the restaurant, you order from the baker, you order from the butcher, and, you get the food and the drink, and they get the money and can buy what they want in exchange. Now, obviously, some transactions are more fun than others. Buying a fancy new car, a great new purse is much more fun than paying the rent or paying electricity bills. Although sometimes people who complain about electricity bills still don't hesitate to shell out, and I shouldn't say this, where's the exit? But still don't hesitate to shell out sometimes 3 or \$400 for blue jeans, dungarees that look like they came out of a dumpster. I mean, it's astonishing what one does. It's amazing. But anyway, people get something from it. And so, trade is how you create wealth, buying and selling with each other. If we didn't, we'd still be in cave. We wouldn't be here tonight.

And so, also another and in terms of meeting needs and wants of others, sometimes is they have the story of Steve Jobs, the creator of Apple, the late Steve Jobs. And he was once asked, do you do marketing surveys? And Jobs said, no, because people don't know what they want until I show them. No lack of self-esteem there. But it points out something very important about entrepreneurship. You put something out there, you don't know if people are going to accept it. You are taking a risk. And this gets to something about the whole system we're in because it seems to work seamlessly as we take it for granted the immense cooperation, what they call supply chains or whatever, that goes into the simplest things. There was a famous essay from the 1950s about what made a pencil, all the factors that one of the ingredients of the materials, it went into a pencil; simple as that. Or you take a restaurant with some of you going to go tonight, we assume farmers are going to grow the food, we deliver the food process,

the food trucks will do the deliveries. We figure somebody is going to be building the restaurants, making the napkins, utensils, chairs, tables, stoves, refrigerators, electricity and on and on. All that goes into something as simple as a restaurant. All the cooperation that goes into that. So contrary to the criticism of free markets, it's actually humane. You don't even realize it. You may not love your neighbor, but you sure want to sell to your neighbor. So, you figure out, Pastor Bakker, how do I sell my used automobile? I have to figure out what turns you on. And so, you learn to try to deal with people, and that's why it's a great experience.

If you ever work for Starbucks or whatever, it is learning to deal with people, and we sort of take it for granted that if you want to sell something, you have to try to be persuasive. But that's a culture that doesn't automatically exist. Back when McDonald's was still in Russia before the Ukraine war, they made the breakthrough there in the early 1990s. And one of the problems they really had in training people was having the workers be nice to the customers. And the workers said, why do we have to be nice to them? We have the burgers. The whole mentality. We have it, you need it. And so, you have to be nice. They the idea of a commercial culture was something absolutely alien. And so, you can't take it for granted. So that was so and this is how this is how the whole system channels human energies. And we are a violent species, and you can look as history will show, but people were doing bad things to each other long before Adam Smith came along and wrote *The Wealth of Nations* in, 1776, a great day for this country as well. But what it does, the system, imperfect though it may be, and anything that involves humans is going to be imperfect. James Madison, the father of our Constitution, pointed out, we are not angels. We need laws. We need government. And we're certainly not angels. Maybe, grandkids are, for some of us, at least to a certain age. But for most of us, we have our very real imperfections. And so, at the system does without us even knowing and has channel human ambitions and energies in a way in which you.

Observe yourself, but you end up doing something for others. It's not altruism per se, but the trend

remembers Smith's point about the transactions. And so, we have the seeming paradox of America. And that is, we're the most charitable nation, most philanthropic nation ever invented. But we're also the most commercial nation ever invented. And the tendency is, philanthropy on one side, commerce on the other. If you succeed in commerce, you atone for your sins by giving it to charity. But actually, they are two sides of the same coin. Meeting the needs and wants of others. And maybe the challenge for one may not be exactly the talents for others. But they are two sides of the same coin, so it's really not a paradox. And so, as a result of free enterprise, free markets, whatever you call it, in the last 220-some-odd years, human beings have made progress that they didn't achieve in 4000, 5000, pick a number, previous years. The early 1800s, nine out of ten people in the world lived in what they called dire poverty. Now, the definition of dire poverty is \$2.10 a day in today's money. Now, imagine living today on \$2.10 a day. Pretty miserable existence. Today in the world, it's not nine out of ten, it's less than one out of ten live in dire poverty and that in two centuries sounds like a long time. But in human existence, it's really a batting of the eye. Phenomenal. So, in terms of real resources, real resources are not physical things, they are the human brain. And the proof of it is, you think of oil. I know some people don't like to think of oil, but we couldn't live without it. But oil it is called a natural resource. There's nothing natural about oil is glop. You can't eat it, can't feed it to animals. It was a repressor of property values in times past. Human ingenuity that turned this goo into something that created the modern economy.

And you see it too, in terms of the microchip it symbolizes the information age, the microchip. What's it based on? Silicon, that's sand. Who knew when you went to the beach that you were creating something that created really a phenomenal thing. You think of a handheld? Do you think of a handheld? You don't realize what a marvel it is. You know, if you said 30 years ago that you could teach your grandmother to operate a supercomputer, which in those days would have been the size of this room here, you'd have gotten

a very strange look, but it turns out that with the handheld, that is a virtual supercomputer. And the first was really just a cell phone. First in the in the 1980s. Cost \$3,995, weighed like a brick, and it was the size of a shoebox. One hour battery life. Today it's a supercomputer. And even though Apple prices go up, I think they are on telephone number 29. I can't remember what number it is. But anyway, the price has gone up a lot. But in terms of a real purchasing power, a bargain compared to what the crude thing you got 40 years ago. So, in terms of a couple of things to remember, and then we'll get to some of the issues that face us today. One is human progress. The great economist Tom Sowell years ago asked the question, what is the difference between us today and people in the Stone age? People living in caves, same human body, same appetites, same planet, same resources. The difference between them and us is we know more, we have more knowledge. And you think about it, even if you have physical destruction, if knowledge is not destroyed, you can recover and move ahead. The most dramatic example, of course, is World War Two, massive destruction, including the, we hope, the only use of nuclear weapons, tens of millions of people killed, and experts thought it'd be years [before we would recover. It is a question of not only time, but also of money.]

Money sounds very basic, it's supposed to measure value. The way a scale measures weight or a ruler measures distance or a clock measures time, it's supposed to measure value. And when you disrupt that, you disrupt the marketplace. You know, when you buy a pound of cheese, you assume it's 16oz. It doesn't float each day. Imagine for a moment the Federal Reserve was in charge of the Time Bureau, and they decided to float the clock. She had 60 minutes an hour one day, 48 minutes the next. You know, life would be difficult. Imagine baking a cake. The directions say, bake the batter for 30 minutes. You have to wonder, is that nominal minutes? Is that inflation adjusted minutes? Is that a Wisconsin minute, a Mexican minute? But yet. And yet these people should know better. I don't get it. The dollar should be stable in value. And no country, has ever achieved

real prosperity by trashing their money. That's one of the great things that came out of George Washington and Alexander Hamilton back in the 1790s, at least until recent times, which since the 1970s, we've lost sight of it. When you have a gold standard, you don't get inflation. Now, the Gold standard can't come back for a while because most economists dismiss it because of myths. We can discuss that in the Q&A. So right now, they should just look at the price of gold. They don't have to have a rigid standard. But if it's shooting up then you know you got a problem, which it did in the 1970s, which it did in the early 2000, which it did just before Covid and which it's doing today, 4000, up from 1800 two and a half years ago. I guarantee you, if they don't do something, when I get announcing they want a stable dollar and get over this chatter about a weak dollar, we're going to have problems in the future. Totally person made. Nothing to do with the wars or anything else. So that's a warning. That's a light flashing. And so, in terms of a stability what we should do, since we're not going to have a gold standard any time soon.

We should do is what Alan Greenspan, the former head of the Federal Reserve, did for a while in the 1990s. He said he looked at the price of gold. He looked at commodity prices. So, it wasn't rigid, but people knew it would result in a fairly stable dollar. Then he forgot about it in the early 2000. So, the Federal Reserve is now cutting interest rates. They shouldn't even be manipulating interest rates. You know, they used to call borrowing money, renting the money. Now, if you've studied economics, you should know that price controls distort the economy. Rent control ends up leading to shortages. Just go to New York. Why does it cost \$10,000 for a closet? Well, yeah, you have got government regulations, rent control. So, the same thing is true of interest rates. If you try to control interest rates, you're going to distort the economy, which is why we have a spectacle today. Rates should be much lower than they are, but they're being held high for artificial reasons. The belief that if the economy gets too good, it's bad for inflation.

And so, not to get too boring, but if you want to

remember this for a cocktail party, show people how brilliant you are. Say that the Federal Reserve pays interest on bank reserves. You know, the banks park their money like you do, a checking out the Federal Reserve. Right now, they're paying over 4%, which makes lending to small businesses more difficult. You get a risk free for 4.5%, and that mucks up the credit markets. So anyway, they should get rid of that. So, the fight that's coming with the Federal Reserve should be ultimately, I think will be, "what is your operating philosophy?" Do you really believe, I just I can't touch; I'll get off of this in a moment. But, if the economy does well, someday it will. You start hearing chatter about the economy's overheating. And as if we're machines, the economy's overheating. So, they must cool it off, i.e. slow it down. Now ask yourself if your income goes up. Do you start sweating at night? Do you start to feel you're overheating that, take it away. You know it's bad. No, it's absolute nonsense. So, the Fed's got to learn.

Let me just touch on tariffs. Big issue I understand you had a debate and so I'll weigh in on it. And civilly, I hope. But tariffs are another word for tax. And when you impose a tax, it hurts the economy. Why? Because it imposes a cost, non-monetary inflation. And so, it's higher costs to suppliers, higher costs to people to make things. And ultimately, even though we haven't seen much from the tariffs yet, it's because producers and sellers hate to raise prices. They keep hoping somehow, it'll change. But at some point, they have to say they can't afford it anymore. We're starting to see signs of it already. And so, in terms in terms of tariffs. Think of it as a wedge. Let's make it very simple. Let's say let's say let's pretend you're earning \$20 an hour and there's no tax. You want to buy an item that costs \$200. How many hours do you have to work to get the money to buy the item? Well. Ten hours. Ten times 20. Now, let's say the tax, suddenly you get a tax of 50%. So instead of earning \$20 an hour, you net \$10 an hour. Suddenly, instead of ten hours, you now work in 20 hours to get the same item. Because the tax wedge, it's a wedge. And so, when you have a wedge, you get bad things. Now, obviously we

need taxes. Things government absolutely needs to perform. But you have to be very careful in introducing that kind of thing it is not good. Toyota has already said these tariffs are going to cost them almost \$10 billion. That's going to show up in the in the showrooms.

So why do they have tariffs? Two basic reasons. One is because of the trade deficit. The other is because they think it'll help manufacturing, which has taken a beating over the years. That's the that's hit manufacturing first. The biggest villain for manufacturing is not foreign trade. It's the wounds we've inflicted on ourselves with regulation. It's estimated that the average cost of regulations piled on in the last 20 years costs a manufacturer per employee \$29,000, versus \$5,000 in taxes per employee. If you're a small manufacturer, you can go up to \$50,000 per employee and ask yourself a question. Do you think China is imposing regulations of \$50,000 per employee? You know the answer to that. Not even close. So that wound was self-inflicted. Now, one of the good things this administration is doing is reducing regulation. And one of the things they've done, this will be a little controversial, but so what, it will wake you up. Is that in the Big, Beautiful Bill, as he called it? They have done away with fuel mileage standards. They didn't abolish and they just said they're not going to enforce them. If that stands for the first time in 50 years. Automakers can turn out vehicles that people actually want. And you'll start to see experimentation in terms of, you know, they all start. Cars are similar, all look the same, really. You'll see a design changes; you'll see colors again. I don't know why all cars now seem to be gray, black and white instead of colorful stuff. But anyway, if that stands, that's going to change. But more importantly, it'll remove a huge burden on business.

Let me just give you one example how stupid these regs are. Several years ago, The New York Times, of all things, ran a story about an apple orchard in upstate New York. And this simple apple orchard was subject to 75,000 different rules and regulations from 17 different programs. And one of the rules and regulations

stated that when they took apples off the tree and put them in the cart, they had to cover them with a tarp, cover them up when they were as they took them to the shed to wash the apples. Now why did they have to cover the apples? Because the regulators said you might get bird poop on them. Now think about it. The apples have been on a tree for five months. Hello. And the apples are going to the shed to wash them. Hello. But they had to put up so. And that kind of thing adds up. That kind of thing adds up. So, in terms of regulations deregulate and that'll go a long ways to reviving American manufacturing, especially with AI. Now in terms of the trade deficit. Again, trade deficit in and of itself tells you nothing about the health of an economy. America has had trade deficits for most of our history. What it ignores is capital that comes in. It's all intermixed. Forbes has had trade deficits with its paper suppliers for 108 years. They never buy enough. And subscription adds to make up for the for what we pay them for the paper, for a magazine. But every time you buy something, you have a trade deficit. It tells you nothing. And so, in terms of the one time we had surpluses was in the 1930s. In the 1930s. we had surpluses, trade surpluses during the Great Depression when unemployment was 25%. So is no correlation between trade deficit and the health of an economy.

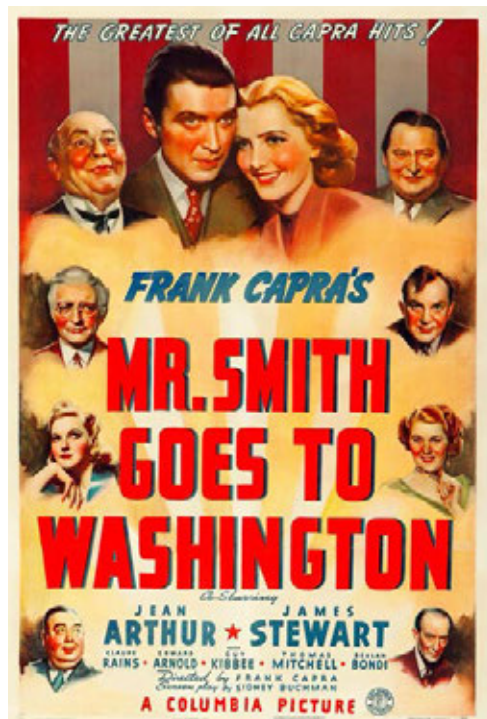
Now, what about the discrimination we face abroad? Well, we've been fighting that since World War Two. You don't take a broad approach applying tariffs each day willy nilly. What you do is you, as we've done until this century, we did it fairly successfully is laser like and reduce trade barriers, which we did a pretty good job of. But now we've lost it for 20 years. So, in terms of tariffs, I hope they get this thing settled out. One thing that will happen, I think, is the Supreme Court is going to rule that many of these tariffs are unconstitutional. Why? Because since a tariff is a tax. You have to go through Congress according to the Constitution to oppose the tax. So, hopefully in the next few months that gets all sorted out and we can get back to moving ahead and doing good things like getting this economy moving. As for those who are worried about spending,

I think some progress is really being made. But the key thing is to grow the economy, and the way you get growth is low tax rates. It sounds simple. Less regulation or more, you know, I think sensible rules of the road and a stable currency is seemingly simple. That's the way it's worked for thousands of years. And when you start to move away from those things, bad things happen. And the unfortunate thing like something about inflation, it's a tax and it brings out the worst in people. You look for scapegoats. You're wondering why is this happening. And it undermines what you might call social trust. Thank you very much.

# Editorial Board’s Movie Recommendations

## Dr. Scott Niederjohn:

The 2025 film *Nuremberg* reframes the postwar reckoning through the intensely personal exchanges between U.S. Army psychiatrist Douglas Kelley (Rami Malek) and Nazi leader Hermann Göring (Russell Crowe). Rather than retelling courtroom proceedings, the film explores the psychological roots of tyranny and the fragile foundations of liberty. Kelley’s effort to understand how an entire nation surrendered its freedom to authoritarianism becomes a larger meditation on how liberty dies—incrementally, through obedience, fear, and the seduction of ideology. The film argues that restoring freedom requires more than military victory; it requires moral clarity, honest confrontation with evil, and the willingness to scrutinize the systems that enabled it.



## James Schultz:

Frank Capra’s classic *Mr. Smith Goes to Washington* (1939) is a political comedy-drama centered on the naïve yet principled Jefferson Smith. Mr. Smith leads a youth organization in his unnamed Western state when he is appointed Senator to replace a deceased former Senator. Upon arriving in D.C., Mr. Smith is enthralled by the history and splendor; however, he soon finds himself embroiled in machine politics and manipulated by powerful forces. When his home state and beloved youth organization are threatened by a corrupt bill, Mr. Smith begins thinking for himself and decides to take a stand for liberty. The film examines the source of authority for our Constitutional Republic and portrays what even one brave man can accomplish when he stands on the truth.

### Michelle Gain:

The 2024 film *Cabrini* follows the life of Francesca Cabrini (Cristiana Dell'Anna), an Italian nun who travels to New York City in the late 19th century with a mission to serve impoverished immigrants. Her faith drives her to challenge political authorities, social prejudice, and economic barriers in order to create hospitals, schools, and orphanages. Through Cabrini's relentless advocacy, the film suggests that faith can be a force that expands liberty for those who have been denied it by both prayer and concrete actions.



### Athan Shaltanis:

*Gran Torino* (2008) views Christian charity through the eyes of a bitter Korean war vet who must reconcile his cultural differences within a growing Hmong community. The underlying theme, sacrifice, is portrayed by the main character's unwillingness to serve others, despite his Christian faith. Ultimately, the main character reflects how we should act towards those we disagree with, as his faith slowly brings out a Christ-like display of sacrifice and genuine love.



## Jonathon Weir:

*A Few Good Men*, a film from 1992, is centered around the search for truth and liberty in a scenario where it's difficult and crucial. The film is centered around a military lawyer, Daniel Kaffee, who, throughout the film, incrementally gains confidence in his abilities to defend his clients, two Marines accused of murder, in a Navy court-martial. This long-time favorite has won numerous awards, including the Favorite Motion Picture award from the People's Choice Awards, and was nominated for four Academy Awards.

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## Mikiah Poock:

*Hacksaw Ridge* (2016) follows Desmond Doss, a Seventh-day Adventist, who enlisted as an army medic during World War II. Despite vowing never to use a weapon, Desmond insists on enlisting as a medic to help his fellow soldiers. This decision brings scorn and torment from his peers, Desmond persists despite these hardships and continues on to singlehandedly save the lives of many of his own unit and other units. This movie is a testimony to how powerful sticking to one's faith and convictions is. It also highlights how people have to fight for ideals, not only religious ideals, as is the case with Desmond, but also the broader ideals of liberty that are core to the United States.





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