

## [The Bill Walton Show](#)

Why Talent Trumps Taxes

Bill Walton:

... three hours of Beltway traffic, and-

Maureen:

So, if you go to the camera and we can start whenever you're ready.

Bill Walton:

Okay. So, let's do a quick introduction-

Speaker 3:

Mike, mike.

Bill Walton:

Ralph, what ... Can everybody hear me?

John Tamny:

Yeah.

Ralph Benko:

Yeah.

Bill Walton:

John, you've written *The End of Work* and that's going to be some of the ideas we talked about here. What are your other ID pieces here?

John Tamny:

We could just go with Director of the Center for Economic Freedom at Freedom Works.

Bill Walton:

That's great. Let's do that. Because I'm not doing big intros anymore. We'll have your bio on the website and out there.

John Tamny:

Excellent.

Bill Walton:

The Center for Economic Freedom at Freedom Works. So, what do you want to plug? We're going to keep plugging your book. Right?

John Tamny:

Well, I guess we should try. Again, I can't thank you enough. RealClearPolitics ran your interview of me on the book recently. They loved it. And so, people keep loving the damn interview but no one will buy the book. It's just the most frustrating thing. But I loved that interview, so thank you very much.

Bill Walton:

All right. Well, more to come. We're going to build a cottage industry. We're doing our own intellectual dark web here, although I'm calling it the light web. Are you familiar with what's going on with Jordan Peterson and that whole crew on ... They're doing these extended podcasts that last ... It's like a Soviet meeting where speeches go on for three or four hours. These podcasts go on for three or four hours. Have you come across that?

John Tamny:

No. Wow.

Bill Walton:

Ralph, you know all about it. Right?

John Tamny:

[crosstalk 00:01:52].

Ralph Benko:

I was the one who told you about it.

Bill Walton:

What haven't you told me about? Okay. So, we can find-

Ralph Benko:

[crosstalk 00:02:01].

Bill Walton:

We can find "The End of Work" on Amazon. Highly recommended. Ralph, what do you want to plug right now? I think we ought to plug what your current business is. We're going to call you ... You wrote "The Webster's Guide. The Webster's ..." What do we call it? "The Webster's Dictionary?"

Ralph Benko:

Yes. It's "The Webster's Dictionary: How to Use the Web to Transform the World," which won the most prestigious international award in its sector. It's called [Foreign language 00:02:29] from the World in Democracy Forum in Paris.

Bill Walton:

How to Use the Web to Change to World?

Ralph Benko:

To transform the world.

Bill Walton:

What's the name of your website now?

Ralph Benko:

The Webster's Dictionary.

Bill Walton:

No, no, no, no. We're trying to get you paid customers. What's your-

Ralph Benko:

It will be ralphbenko.com. It will be up by October 1st, so, when are you going to be broadcasting this?

Bill Walton:

Probably next week.

Ralph Benko:

Great. So, go with-

Bill Walton:

That's all right. Let's push it anyway.

Ralph Benko:

Go with ralphbenko.com in terms of using online digital new media to effect transformation for businesses and for advocacy groups.

Bill Walton:

I'm going to ask you to explain that yourself when we get to it. So, the theme of this one is the Tamny ... What do you call it, Ralph?

Ralph Benko:

Tamny's Axiom.

Bill Walton:

Tamny's Axiom.

Ralph Benko:

Talent trumps, and it's derived from a point that he made in an incredible column in which he pointed out a rarely astute ... Not rarely for him but rarely from the public discourse. Given the world's supply-siders and committed to low tax rates and low taxes and so forth, how is it that he addressed the unspoken conundrum that's newly central to the future, in my opinion, if we're going to have a future. And that is, how come two of the most highly taxed places in the world are also the two wealthiest? And that would be Manhattan, New York City as a whole, and Silicon Valley.

Ralph Benko:

So, these people are in [inaudible 00:04:28] to appropriate a favorite phrase of John Tamny, "Nosebleed tax rates" and yet they are prospering more than any wealthy-

Bill Walton:

I don't want you to edit. Save that. We'll save that for ... Keep yourself fresh.

John Tamny:

I could work with that, actually.

Ralph Benko:

Well, that was a tee-on.

Bill Walton:

Are we getting enough mike on John?

Maureen:

No.

John Tamny:

Okay.

Maureen:

If John would turn his [crosstalk 00:04:58].

Bill Walton:

John, could you go into your settings and turn your mike up?

Maureen:

As loud as it [crosstalk 00:05:03].

Bill Walton:

As loud as it can go?

Ralph Benko:

John, you have earbuds or a headset that you can plug in?

John Tamny:

Yeah. I've got the-

Bill Walton:

We have time. We have time.

John Tamny:

I've got it up to 100.

Bill Walton:

Do you have a headset?

John Tamny:

No, not that I can think of, but I'll project my voice if that's-

Bill Walton:

Yeah, you've got a great voice. I want to get a lot of your mellifluous voice.

John Tamny:

That's right.

Bill Walton:

Okay. We're going to go and get started.

Ralph Benko:

Bill, just one little tip for your civilian members, and that is, it's considered guest form to stare at the little green light rather than to look at the screen often if not always, because then you're actually looking into the eyes of the viewers.

Bill Walton:

Well, here's the deal. I'm not using this camera. I'm going to be-

Ralph Benko:

[crosstalk 00:06:02] John. John and me. It's just a-

Bill Walton:

This is for John Tamny. John Tamny, stare at that you ... Ralph is one of the top 100 hypnotists in American ... You're looking at a green light-

Ralph Benko:

The green light at the end of the dot. Don't look at the [crosstalk 00:06:20].

Bill Walton:

Welcome back to the Bill Walton show. We're going through a little pre-show routine, and as you can see, our new format has me here with two computers and I have two wonderful guests, and we're now learning to talk into the computer with the little green light, so we're looking in the viewers' eyes, and Ralph Benko who's an old friend and one of my guests, is training another old friend, John Tamny, who's used to working in regular studios on how to do this. And Ralph has John staring into the green light.

Bill Walton:

Now, one of Ralph's attributes that not many people know is he's been named as one of the top 100 hypnotists in the world, and he's saying to John, "John..." Would you tell John to look into his green light, Ralph, and practice some of your hypnotic magic?"

Ralph Benko:

Think of the Great Gatsby and gaze into the green light at the end of your dock.

John Tamny:

I just can't stop [crosstalk 00:07:18].

Ralph Benko:

And I'm Tamny and it will appear [crosstalk 00:07:21] away from the camera.

John Tamny:

If I can't look at myself I don't want to do this.

Ralph Benko:

John, there's only room for one narcissist in this relationship and I claimed that first.

Bill Walton:

Oh, my. This could be a threesome. So, let's get into what we want to talk about today. One of the things about economics that I think people don't understand is that economics is really about people. It's not about plants and equipment. It's not about tax rates necessarily. It's not about all the things you read about in the papers. It's not about GDP. It's not about aggregate macro economic monetary policy, on, and on, and on. It's really about people and about how people are participating in a system based on incentives that rewards work and rewards a lot of good things that we all want.

Bill Walton:

What I want to dive into today is a very interesting idea that Ralph Benko came up with when he was writing on something he calls and I call human capital, and he calls it Tamny's Axiom. And it's in honor of John Tamny, who's with us as a frequent guest and friend. John authored *The End of Work*, which you can find on Amazon. A terrific book about the future of the workplace and your role in that workplace. And he's also the director ... Heads up the Center for Economic Freedom at Freedom Works.

Bill Walton:

Ralph, who you know, probably needs no introduction but I'll give him one anyway. He's written *The Webster's Dictionary*, which is the guide to use the web to transform ... What are we transforming, Ralph? We're transforming-

Ralph Benko:

The world. How to use the web to transform the world, and this applies both to commercial enterprises to build market share and to convert leads into clients, but it also has to do with advocacy in terms of ideas and working in the political and policy sector.

Bill Walton:

And Ralph also works with clients at [ralphbenko.com](http://ralphbenko.com), where he helps people get their messages out. He's a terrific writer and copywriter, and I urge you to avail yourself of his services because he can help you be successful. So, Ralph, let's start with you. Talk about what Tamny's Axiom is.

Ralph Benko:

Well, the purist's version is talent trumps. The original version that I used in my article drawn from his article, my article in the Conservative Review was, "Talent Trumps Taxes," because, look, I'm an old-guard supply-sider. I was a junior member of the team that dropped the top marginal tax rate from 70% to 28%, so I'm a true believer. I watched Kemp formulate this under the guidance of Nobel Prize winning Laureate, Bob Mundell and his colleague Art Laffer, and I helped by forming the Prosperity Caucus into helping to turn it from heresy into conventional wisdom.

Ralph Benko:

I watched it raise the Dow Jones Industrial Average from 814, 8-1-4, on the day that Reagan declared for the presidency in November 1979, to over 25,000 today. I watched this policy formulation raise the world GDP from \$11 trillion to \$83 trillion as this formula was adopted by the world. So, I'm no slouch when it comes to being a low-tax guy. That said, I believe that the Republican Party has turned into what I call cold-war reenactors. They're like Civil-War reenactors. They are busily trying to refight the fights of the '80s.

Ralph Benko:

In the late '70s near the misery index, it was up around 20%, which was a combination of inflation plus unemployment. We have a different situation now, and John, in one of his columns at [forbes.com](http://forbes.com) made a really, really important observation about how two of the most heavily taxed places on the planet are two of the wealthiest ones, and that is Manhattan and Silicon Valley. And they are subject to what John likes to call, "Nosebleed tax rates." Forgive me for stealing your line, John, but it's a great one. And good artists borrow, great artists steal, and I think of myself as a great artist.

Ralph Benko:

So, he looked at this conundrum and it was like, "How come these supply ..." "Let's be honest among ourselves, we supply-siders, how come with the highest tax rates in the country and maybe the world, these are two of the most prosperous places in the world?" and he said ... And I think I'm quoting from you here, John, not just paraphrasing, "Talent trumps taxes." And this plugs right into the Nobel Prize-winning work of Gary Becker and Ted Schultz called, "Human Capitalism," which is to say that innovation ... The human mind is the engine of prosperity.

Ralph Benko:

And I think that John has triggered something that is terribly important for the future, so we're not just doing reruns of '80s policy. Yes, it's good to keep taxes down. Yes, it's good to cut spending. John has made a point that spending is the true tax rate of federal spending. Having a stable dollar, preferably defined by a sixth grain of gold is the optimal monetary policy. But at the bottom of things it's just as you said, John, it's people. It's the human mind that is the ultimate engine of wealth, human innovation, and I think it's important that we adopt and sell Tamny's Axiom, talent trumps taxes, as the compass to take us forward policy-wise to make America great again.

Bill Walton:

John?

John Tamny:

Yeah. Thank you very much, Ralph and Bill, and let me say in my case that I am a supply-sider, I believe it's a tautology. I wrote a book, "Popular Economics," saying that economic growth is a function of refusing the barrier of production, tax, regulatory trade tariffs, and unstable money. But my dispute with supply-siders in modern times is I think that they have made what is a great argument ridiculous. Let me be clear. I'm for tax cuts no matter what. I'd be for tax cuts even if it were proven that they led to slower growth, simply [inaudible 00:14:24] for freedom.

John Tamny:

And so, when supply-siders make it an outcome-based argument they kind of defeat the purpose. Because if we're going to make it about outcomes, Ralph alluded to it already, California and New York are the highest-taxed states in the U.S. They're also the richest states. 50% of all of global venture capital flows to California. Now, to cordon the supply-side model that wouldn't be true. It would be flowing to Tennessee, it would be flowing to Orlando, Florida, because there's no tax rates.

John Tamny:

But what we see is that it's probably ultimately going to [inaudible 00:15:00] be treated best we all know that from Walter [Reston 00:15:02], and we know that it's treated best when it's matched with the greatest talent. And I think one of the major problems with the supply side today, in making a tax-based argument they set themselves up for easy rebuttal. Okay. So, Tennessee is booming because of its zero tax rate, but if you've driven through Memphis recently, because that looks nothing like New York City, it looks nothing like San Francisco, it looks nothing like Los Angeles where the taxes are rather high.

John Tamny:

Jack Kemp, a hero of all of us ... I think I can speak for all of us on ... He oversaw wonderful tax cuts. He quarterbacked those tax cuts, but it didn't change the fact that tax rates are theoretically ... Because there's no city tax, lower in Buffalo than they are in New York City, yet Buffalo is still a monument to an economy of the past, one of a failed economy, whereas New York City, where taxes are highest, are blooming. And so, I think we've got to re-think our argument. Taxes-

Bill Walton:

So, what's keeping people in New York, what's keeping people in Silicon Valley? I have a theory. My theory is people like to be around other people who are pursuing the same things they're pursuing. And what is it? Michael Jensen of Harvard came up with this idea of talent clusters where people in industries would want to be together because they can learn from each other, and his early example of that was Italy in the 1600s or 1700s where Italy dominated metalworking throughout Europe, and all the great metalworking came out of Northern Italy.

Bill Walton:

And we see that in California. You've got Silicon Valley in the north and you've got Hollywood in Los Angeles. If you want to be in the film business, and I was in that for awhile, quite an experience, you've really got to be in Los Angeles, because that's where all the ... That's where you get to sit in the poker games on Thursday night, and get to know how the movie deals are getting made and you can be part of that, but if you're not there you're not really in the game. Theory? Idea? What do you guys think?

John Tamny:

I think you hit on it exactly. You talk about talent clusters. Enrico Moretti at CAL Berkeley made the same argument, that people want to be around like-minded people. And so, California in the north has a history of technological advances, to your point about the movie business, but we can talk about the beauty ... Sorry, but you're not going to move Baltimore just because they lowered the rate to zero, assuming they did. You're not going to move to Memphis to start your technology company just because they moved to zero base. You would not have the talent around you to make the business great. And so-

Ralph Benko:

If I could take it off of you brainiacs and your academics, Vin Cerf, who was the co-inventor of the internet with Bob Kahn, gave a speech in which he mapped out exactly how this started in Silicon Valley. How Silicon Valley began in its very earliest day, and it was a guy ... I'll find the article for you, gentlemen if ... Bill if you want to post it.

Bill Walton:

[crosstalk 00:18:15] I do. Send it along [crosstalk 00:18:18].

Ralph Benko:

We have to [crosstalk 00:18:18]. Ask Maureen to send me an email because I've got the attention span of a goldfish. But I will send it to you. And there was one man who said, "We need to attract talent." And he systematically went around doing that, and then it compounded, it cascaded, and the talent attracted more talent and more talent. And this is documented not as an academic theory, but this is documented specifically in the words and in the experience as attested to by Vint Cerf [inaudible 00:18:51] the internet. This is exactly what happened. So, not only is it true in theory, it's true in practice.

Bill Walton:

Well, describe what he said happened. Was it one person, two person, 12 people, 50 people?

Ralph Benko:

One guy said, "We need to attract talent and people into this industry," and he went around recruiting them, hiring them, bringing them in, providing the resources to attract them, and they in turn ... Their existence, just as you said, Bill, attracted other bright people who wanted to work in this sector and they wanted to be around the other ... The best and the brightest because they aspired to become the best and the brightest, and they realized that the only way they could become that was exactly what you said, Bill, by being there.

Ralph Benko:

And then this continued to grow, and grow, and grow. And then it became the high-tech capital of the world. And it continues to grow, and as high tech evolves from ... It evolved from silicon wafers, computer chips to software, and now it's evolving to black chain and evolving to advanced materials, prostheses and so forth, and so it becomes a virtual circle. But just to keep it really on point, it's Tamny's Axiom. We need to ... I can't tell you how few people understood the Laffer curve, but now the phrase, and they didn't really understand that it meant cutting marginal tax rates.

Ralph Benko:

They thought it was tax cuts, but you need that fulcrum on your lever. And what really drove the supply-side revolution was the phrase that Jude Wanniski came up with, the Laffer curve, which helped people talk about it. And instead of all of these extended erudite explanations, we need two words: Tamny's Axiom. Talent trumps. To repeat them over, and over, and over again, so that people will then start to adapt their policy prescriptions in light of the Axiom, because everything else derives from a proper grasp with the Axiom. We've lost that grasp, and John has made an intellectual breakthrough that gives us the hope of regaining it, in my opinion.

Bill Walton:

Well, let's break this down, though. You wrote this in 2015, and that was before Donald Trump was president. Should you choose another verb besides, talent trumps ... taxes trump talent?

Ralph Benko:

Probably. [crosstalk 00:21:32].

Bill Walton:

[crosstalk 00:21:34]. Let's work with that then.

Ralph Benko:

[crossalk 00:21:35]. Let listeners write in and come up with a nice ... Let's get out Roget's Thesaurus and find out a good-

Bill Walton:

We'll work on it.

Ralph Benko:

... synonym for trump that is not politicized.

Bill Walton:

John, jump in.

John Tamny:

Yeah. And you see it everywhere. Let's not forget, we all know that Seattle was at one time Detroit in the 1970s, and it wasn't a tax rate that changed it. The State of Washington in all that time had a zero tax rate, but it wasn't some lure for the talented. What happened was, Bill Gates happened to be born there. So did Paul Allen. They bring "Micro-Soft" back from Albuquerque, New Mexico, and they transform a city. And so, I think the mistake is ... I won't name his name. He's not ... Several years ago there was an oped in the Wall Street Journal saying, "Baltimore's problem is tax rates."

John Tamny:

Are you kidding me? No. Baltimore's problem is talented people left, and it's evidenced by the fact that they cluster in New York and California. Taxes aren't everything to them, and when we make our argument about just taxes, we kind of look ridiculous because if we have a clue we can say, "Well, why

are all these people in these places where taxes are high?" We've got to talk about talent. Talent is what saved Seattle, not a tax rate, and talent is what has California and New York soaring today, despite a high tax rate.

Bill Walton:

So, let's say you're mayor of Baltimore, God help you, and you've got to deal with Baltimore's problems. Is there a way to attract talent except by having low taxes? Can we do something like Ralph suggests, which is a bright guy that starts bringing in friends and they create an industry or create a business and-

Ralph Benko:

I'll tell you a story that might be apocryphal but I believe it to be true. And that is, the story of the Twin Cities, Minneapolis/St. Paul. And this was told to me by somebody from Milwaukee. And somebody on the city council ... Minneapolis and St. Paul were a pit. They were like Detroit. They were hollowed out. And somebody on the city council said, "You know, what we need ..." According to my friend from Milwaukee, is, "We need more gays. We need more gay couples or individuals to set up boutiques, set up restaurants."

Ralph Benko:

"And we are going to simply go to Milwaukee and raid them of all of their gays, and tell them that they're welcome ... Not just welcome here. They're desired here. They don't care about the crappy school system because they don't have kids, and we're going to give them ... We're going to point out our great real estate values and we are just going to become a magnet for gays to come up shop. Whether it's antique stores, or hair salons, or [crosstalk 00:24:33] decorate or whatever."

Ralph Benko:

And they went out to Milwaukee and they went to all the gay guys' shops and they said, "We want you in Minneapolis/St. Paul. We're going to pave your way here. Come on in." And you know what? They felt so loved. It was so weird to feel desired and recruited, that they came to Minneapolis/St. Paul in droves, they filled up all those empty storefronts, they created thriving little businesses, and then this created a virtual circle, and now Minneapolis/St. Paul are little treasured jewels economically, as well as culturally, and in any other way. Just to give you one example of human capitalism at [crosstalk 00:25:16].

Bill Walton:

I've seen it work elsewhere. My in-laws lived up in Kennebunkport, and if you drive down the coast of Maine you run across a town called Ogunquit. I think it's Ogunquit. And basically the only people who live there are gay, and it's the most gorgeous town on the coast, and the best restaurants, the best boutiques. And I don't know if it was on purpose, but you certainly want to spend a lot of time there because it's a great place. So, this strategy is working. And you said ... What town should we go visit the next time we're out there?

Ralph Benko:

Minneapolis/St. Paul or Ogunquit.

Bill Walton:

John, in your work you've written about a lot of different industries and different ways people create their own jobs. How do you see this translating into your ideas from The End of Work?

John Tamny:

Well, I think it's a very clear correlation. Where are the towns that people go? That's where the investment goes, and where the investment goes that's where the companies and jobs are created, and that frees people up to be very creative in the way they do things. I'm so glad that Ralph brought up Minneapolis. It's another classic example. Again, none of us here are defending high rates of taxation, but Minneapolis is a booming city. The visitor is to be blown away by all the people there.

John Tamny:

But all the talents of people there, all the people that I know from growing up and from college who moved back Minneapolis after college, that's where they wanted to make a life. And so, they're there despite the taxation. And so, when you have that, the range of ways in which people can earn a living is great, but we have to understand this. We can be for high taxes but that's not enough because people will bring up California and New York.

Ralph Benko:

No, no. We can be for low taxes, John.

Bill Walton:

We'd be for low taxes. Yeah, we're going to-

John Tamny:

Yes. Right.

Ralph Benko:

Yeah, we are for lower tax rates. But you are absolutely right, John. We've ... Have either one of you heard of something called the Cargo Cult?

Bill Walton:

The Cargo Cult? Yeah. I think that was ... Again, this is probably something you wrote and I read, Ralph, but I think it has something to do about an island in the South Pacific that was abandoned after World War II.

Ralph Benko:

A series of islands in the South Pacific.

Bill Walton:

Yeah.

Ralph Benko:

We built a bunch of military bases on a bunch of South Pacific islands, and they were Air Force or Army, Air Force bases, and they would provide the canned goods, and knives, and forks, and all kinds of high-

tech stuff to the natives. And then after the war we abandoned them because we didn't need them anymore. Apparently, for some reason we need 800 military bases around the world today, but don't get me started on that.

Bill Walton:

The truth is we don't.

Ralph Benko:

The natives of these South Pacific islands, they created effigies of airplanes on the landing strips, and they went through rituals of the people doing flags, takeoff flags and whatever, in hopes of bringing back these beneficent abundance from nowhere. By the way, there's a ... A Cargo Cult still exists on a few of these places. There's the John Frum Cult, which is still active. But the point is, people saw the outcome but they didn't understand the mechanism.

Ralph Benko:

And so, my view is that the Republican Party has become one grand Cargo Cult. It is worshipping at the abundance that they created with their policy successes back in the '80s and '90s, but frankly the economy has been in the pit since the year 2000. It's been growing at one-half of gold standard trend rates for 20 years, which ... One and a half percent a year instead of three-

Bill Walton:

You're not talking GDP ... Are you talking about GDP growth adjusted for gold prices, not for inflation?

Ralph Benko:

No. I'm talking about actual GDP ... Real GDP growth for the gold standard is north of 3% since the year 2000. We had a good run when Volcker stabilized the dollar, when Greenspan emulated the gold standard, as he admittedly did in an interview two years ago. And then he went off ... He fell off flag and we got the boom and bust cycle, and it's been hell and stagnation. It's been hell and purgatory every since.

Bill Walton:

John?

John Tamny:

Yeah. Look. There's no doubt about it. I tend to think we overrate the Fed's role [crosstalk 00:30:03].

Bill Walton:

So, you're over 20-year-

John Tamny:

As I see it, presidents get the dollar they want. I don't think Greenspan changed [crosstalk 00:30:08], and I think the change was that George W. Bush was elected and he decided to retreat from the Reagan/Clinton strong dollar policies that [inaudible 00:30:19]. But the fact that Ralph brings this up is crucially important, and it's a reminder, once again to our side, we're very much for low rates. But low

tax ... Big tax cuts do not [inaudible 00:30:32] through if you're devaluing the dollar alongside it, because investment is what drives economic growth.

John Tamny:

I don't think Jeff Bezos really cares that much about tax rates, but he certainly cares about ... He's too busy innovating, but he cannot innovate without investment. And so, when you're devaluing the dollar you're putting a bull's eye on the very investors who author all the economic growth. So, it's no surprise that in an 18-year span in which the dollar is quite a bit weaker than it was in the '80s and '90s, why are we surprised there's very little economic growth relative to the past?

John Tamny:

And it speaks once again, we all love tax cuts, but they're about one thing, and I would say a dollar policy is more important, and then after that let's go back to the talent thing. [crosstalk 00:31:26] and that's where the growth is. The top five most valuable companies in the world, three of them are in California. Is this a state in decline? I think not.

Bill Walton:

Well, that part of it certainly isn't. Let's zero in on this case of the Cargo Cult Republicans and what case they do make. I think we need to make a moral case for capitalism. And as I said at the outset, capitalism gets confused with a lot of other things. And we talk about monetary policy, gold standard, tax rates and things like that, and most people's eyes glaze over. They don't glaze over when you talk about doing things that make people's lives better and how people can make their own lives better, We're talking about talent trumping taxes and I agree.

Ralph Benko:

Let's say talent topping taxes until we come up with a better word.

Bill Walton:

Topping taxes. Trump tax ... Tops taxes. Tops works. But we're not really ... We're talking about investment, John, and what conjures up is building new factories and buying new computers, or investing in software, whatever apps, whatever to build up your business. We don't think ... Talk in terms of investing in people. And we talk about talent, but can you take our investment dollars and talk about investing in people? Can you create talent that would bring a lot of people into the economy?

Bill Walton:

Right now we're back in ... This is the fall of 2018, we're back to a situation where there are more jobs available to be filled, but you can't find people to fill them because they lack the talent and the training to take those jobs, and so we've got a mismatch. And I don't know if that's [crosstalk 00:33:06].

Ralph Benko:

Bill, that is so wrong. They don't lack the talent. They lack the motivation. And I have people who work in the inner city with gang members, who tend to be very entrepreneurial but we have put up so many barriers to their success, whether it's licensing, regulatory, or whatever, that the elders, the Great White Fathers, have forced them into a life of crime.

Ralph Benko:

There is an enormous unexploited talent there and I can prove this, because they've developed systems to incentivize, to motivate some of these gang members to turn straight, to turn into constructive activity. And under the right policy conditions they do, and they become enormously productive members of society rather than agents of crime and destruction.

Bill Walton:

Well I think of ... I stand corrected on the term, perhaps, but you're really talking about the value system, the desire to participate in the economy, and that's something that has not been hip in the inner city and you're considered [crosstalk 00:34:20] to participate.

Ralph Benko:

No. It's backwards. We have destroyed the incentive system. And by the way, this was done intentionally and-

Bill Walton:

Who's the "we?"

Ralph Benko:

Up until the 1930s, high school was not mandatory. You didn't go to ... You didn't have a truant officer to pick you up. They made high school mandatory in order to shrink the labor pool and keep young men without dependents from undercutting the wages of heads of households. And that was done intentionally and specifically to shrink the labor pool. We still have this policy in place, and in the inner cities it is crippling to the ability of young men and young women to find productive work by getting unskilled working up to semi-skilled working up to skilled. And by crippling the organic process we have created these hell holes.

Bill Walton:

And they look like it too. I had a couple of businesses in the education field, and you go into high schools in these areas, and it's easy to confuse them with prisons and it's really ... I think even the suburban high schools are a lot like prisons in a way, because you waste so much time in there, you could be doing something interesting instead of [crosstalk 00:35:47].

Ralph Benko:

But the difference in suburban high schools is, the parents can subsidize the kids. They can buy them good clothes, they can give them an allowance, they can give them a car. And the parents in the inner city do not have those resources to provide those subsidies, and therefore you get ... In the suburbs you get purgatory, in the inner city you get hell. And we created this. This is not natural.

Bill Walton:

John?

John Tamny:

I would disagree with ... I don't like this notion that we created something. Let's not forget that we're a magnet for the world's poorest. People still risk their lives not knowing the language to get here and

figure out a way to make it. If you're already in the United States you are legal to go to all 50 states. You're only a bus ride away or infrequently less away from prosperity, when you consider what people perceive of us had to go through to find prosperity.

John Tamny:

I don't feel sorry for anyone who's here, and I reject the notion ... I think government policies are awful, but I reject the notion that they cause poverty. I think bad decisions cause poverty. But I do think one of the ways in which these things can be fixed is that we've got to stop trying to engineer good outcomes. This notion of, "We're going to bring back manufacturing jobs," and, "We're going to be back these jobs," well, think about that. Do the talented, do they want to work in factories? Do they want to work in cities defined by factories? No. They reject them.

John Tamny:

The talented want to go to cities like New York and San Francisco where there is no manufacturing. And so, in trying to bring back the past we're actually holding or we're attempting to hold certain parts of the country in place in ways that the talented will continue to leave. The better way to do it would be to allow these cities to hit rock bottom and the talented potentially see ... As they're seeing in Detroit right now, as I've heard they're seeing in Baltimore, office space is cheap, we can get ramped up at a relatively low cost.

John Tamny:

That's what will improve outcomes and that's what will improve job opportunities. I think the focus on jobs is usually the problem. The [inaudible 00:38:03] always be freedom, the talented will take it from there.

Bill Walton:

You said it's not a function of policy, it's a function of bad decisions. But if you've got a government policy that says you've got to stay in high school or they're going to arrest you, which is what they're doing in some cities now because kids are bailing out of there every chance they get. It's not exactly your own decision. It's something else going on there that ... There's an awful lot of this that's been inflicted on people, and it's very hard for people to make changes.

Bill Walton:

And I think also there's a ... What is it? A mobility, a geographic mobility in the United States is at an all-time low now, and for some reason people feel like they're trapped in some place. I don't think they should be, but nevertheless that's what they believe and that's how they act.

Ralph Benko:

Bill, this is John Tamny [comeupmistic 00:39:03]. This is John Tamny, in Calvinism on DMT. He's a genius, but we have to remember when we're dealing with geniuses that there's a thin line between genius and madness. And occasionally, even the great John Tamny steps over that line. The main thing is, Tamny's Axiom, talent tops taxes, is absolutely crucial. It is the Copernican insight of heliocentricity for the future if we only have the wit to see it, grab it, exalt it, and somehow manage to prevent, to avoid being burned at the stake by the Republican curia for committing heresy by embracing the truth.

Bill Walton:

Ralph, I'm going to come back to this notion of what we've got to do to help save Republican [crosstalk 00:39:57].

Ralph Benko:

Bill, John has got to defend ... You've got to let John defend himself of this hideous attack I just launched against-

Bill Walton:

No, I was-

John Tamny:

No, Ralph. You don't-

Bill Walton:

Was that an attack?

John Tamny:

No, Ralph Benko doesn't live in Aliquippa, PA. He doesn't live in Flint either. Sorry, but you don't, and you know why you don't. Are you saying that these people are somehow subhuman that they can't do what-

Ralph Benko:

Not at all.

John Tamny:

... everyone else would do, and say, "Very little opportunity in Flint, but there's tons in Grand Rapids. Very little opportunity in Aliquippa but there's lots in Pittsburgh." [crosstalk 00:40:33].

Ralph Benko:

Not at all, John. This is when you go into Dr. [inaudible 00:40:32] mode, which is to say, "All is for the best and this is the best of all possible worlds." This is not an indictment. Mine is not an indictment of the people who remain behind in Aliquippa, Pennsylvania. Please look up Orange City, Iowa, and you'll see how the small cities and small towns can absolutely get it right, which you already know, but it's useful to actually see it embodied in an actual thriving small city. Orange City, Iowa. It was written up in The New Yorker, and it's just ... It's awesome. It's human capitalism at [inaudible 00:41:10].

Bill Walton:

Let's stay with human capitalism. Ralph, talk about ... You've written about Gary Becker. And where I'm trying to push this a little bit is towards the idea of investing in people, which I think would be very politically popular, and also would be great economics. And I've said that capitalism is not about things, it's about people. And Gary's theory of human capitalism is ... I guess he was one of the early people to think about it that way.

Ralph Benko:

He wrote the book, "Human Capital," for which he won a Nobel. But I think you should really be addressing this to Tamny, because he's an expert [crosstalk 00:41:51], a better-

Bill Walton:

John, you've got to answer for yourself.

Ralph Benko:

... a better economist than I am. I'm not an economist. Tamny gets the mechanics of this stuff.

Bill Walton:

Please elucidate.

Ralph Benko:

Why don't you address the question to John, because he's more likely to come up with a useful answer than I am on how to invest in people.

John Tamny:

Well, first off, I'm not an economist, don't insult me like that, Ralph. He's [crosstalk 00:42:20] me, I think, way too clearly to be an economist. But in terms of investment in people, I think we're already seeing it. It's not something that can be decreed. The reality is, the U.S. is a magnet for global investment. And why is it? Because we've got the most awesome people on earth. We've been a magnet for the world's drivers for centuries and it's no surprise that the wealth comes this way.

John Tamny:

And so, we're already seeing the ... It's not something a politician can decree, as much as a politician can say, "Okay. How do we make it so that it's possible for investment to flow into the United States?" And so, I think we know the answers. You don't want to have a dollar that's constantly being devalued because that would be a deterrent to investment. You don't want to ... Why would your tax capital gains that take place in this country? That is a penalty placed on investment success. There are no companies and no jobs without the investment.

John Tamny:

Why on earth would you tax corporations? That's just taxing the investors who put the money to work. Isn't it funny we don't tax municipal bonds that fund government waste, yet we have the temerity to invest in people in the private sector. You're whacked with a tax rate if you actually succeed. And so, it's got to be ... We don't have to worry about the investment. It's going to find the talent here. What we have to say is, "Is there anything we can do to make it even more exciting for money to flow here and ..."

Bill Walton:

I don't seem to be communicating with you guys. We're talking about investment dollars and it's going into the typical way to build a new facility here to make some [crosstalk 00:44:05].

Ralph Benko:

Don't indict me. Okay?

Bill Walton:

Okay.

Ralph Benko:

We should treat-

Bill Walton:

Let me bring something else up. The World Bank just came out with a study. It's absolutely impenetrable, but if you spend some time with it you can get some useful things out of it. It's called, "Measuring Human Capital: A systematic analysis of 195 countries and territories from 1990 to 2016." And it gets into things like, are people healthy? Are they living alone? Bubbles of education, skills, etc. And it points out that the United States was number seven in terms of their ranking, and we've fallen to 27 from 1990 to 2016.

Bill Walton:

And they also make the point here that ... I'm not sure how to think about this. Only 1% of the World Bank monies granted are for health, and only 1.9% for education. The rest of it is going for dams, and roads, and infrastructure projects like that. And these people are making the case that the World Bank ought to be investing more in people directly and less in what we think of as investment capital. I'm interested in what you think about that.

Ralph Benko:

I'm interested in telling you what I think, Bill, but I'm about out of electrons, so I'm going to have to disappear from the screen for 30 seconds while I plug this baby in. Over to you, [inaudible 00:45:30].

Bill Walton:

That's the best dodge I've heard yet. John?

John Tamny:

Well, if you're investing in people, I think implicit in the World Bank's viewpoint is that there should be more investment in education, and my view is that's nonsense. China didn't become a rising country because its people were educated. In fact, they're the most uneducated people on earth. Freedom is what leads them enough to prosper. South Korea used to be one of the most illiterate countries on earth, and those illiterate people built it into a global power. Education is an effective prosperity, it's not a driver of it.

John Tamny:

And so, I think it once again goes back to, if you want to see investment in people you've got to ... You just try to remove all barriers, all costs associated with investing in talented people, getting it to the vital few. So, I wouldn't want the World Bank to do this. The World Bank directs money without the possibility of failure, which means it misallocates precious resources. So, it's got to come from the private sector. It cannot come from the government. If there were one other thing, let's always remember, it's the vital few, it's the rare people who drive prosperity.

John Tamny:

If I wanted to make the U.S. even more of a magnet for talent, I'd be of the mind to make it even quite a bit easier for the world's talent to come here without harassment. I would want to open up the borders a bit more. I know that's a touchy subject, but we are a magnet for talent because we have the world's best people. We should do more of it.

Ralph Benko:

And I would like to say something that I hope is complimentary that John will find it [inaudible 00:47:22]. And that is, the tax code allows you to deduct either expense or depreciate ... Or salary and depreciate, invest in some fixed plant and equipment, but you are not allowed to deduct, for instance, your college tuition expenses, which are an investment in your intellectual capital. And so, there is a prejudice and a privilege here.

Ralph Benko:

The way the tax code is written ... One of my economist friends told me many years ago, it might have even be true even though he was an economist, that while two thirds of the national income accounts go to labor and one third go to capital, three quarters of the taxes fall on labor and only one quarter on capital, thereby prejudicing labor and privileging capital. And so, there are these invisible and, I would say, insidious preferences built in toward fixed capital, and to the advantage of fixed capital, but to the detriment of human capital.

Ralph Benko:

And following Tamny's Axiom, we need to take a hard, comprehensive, and overall look as to all of the different ... Which is, in accord with John's general approach, to look for the invisible barriers that either inhibit or prohibit ... Prohibit in the sense of mandatory high school, inhibit in the sense of giving better tax treatment to fixed capital with better deductions and so forth, than to intellectual capital. And to level the playing field at a minimum, so that human capitalism is not prejudiced to fix capitalism, to old hard-wired capitalists.

Bill Walton:

I quite agree, Ralph. The whole tax code is built ... You could even take it to where health club memberships should be deductible, anything you do to take care of yourself to make yourself healthy rather than a patient would be something that would be investing in-

Ralph Benko:

Yeah. Becker said exactly that and won a Nobel Prize for it, so you're in good company.

Bill Walton:

Who did that?

Ralph Benko:

Gary Becker.

Bill Walton:

Yeah, I like ... Okay. What was it from the Dick Tracy movie where Al Pacino's character playing one of the bad guys said, "I say and Socrates agrees with me."

Ralph Benko:

Well said.

Bill Walton:

So, as I say and Gary Becker agrees with me, God bless you, Gary. We're winding up our time to talk about this. I want to have you guys back on to talk about this some more. I think the takeaway I have is that there is a ... We oversimplify things to think about taxes, and rates, and things like that, and we need to look at freeing people up to be mobile, we need to attract talent to the United States. We're doing that. We need to reduce those barriers, and it's essentially about people, and the Republicans, if they want to be a more popular party than they are, they need to understand that and make that part of their rhetoric.

Bill Walton:

So, John, thanks for joining, and Ralph, thanks for joining. You guys are great, I love talking with you. And so, I hope you all join me next time and we'll talk about some more interesting things like talent topping taxes. Ralph?

Ralph Benko:

Yeah. Tamny's Axiom. Don't forget, it's the new Laffer curve. You heard it here first.

Bill Walton:

And once again, everybody's got to go buy John's book on "The End of Work." Find it on Amazon. And I'd encourage you also to go to Ralph's website, [ralphbenko.com](http://ralphbenko.com), to learn about what Ralph is doing to help people be more successful and promoting their business using the web and social media. So, thanks, guys. Talk soon.

John Tamny:

Thank you.

Bill Walton:

That was fun. Thanks.

John Tamny:

Thanks for having me.

Ralph Benko:

Thanks, Bill. Thank you, Maureen.

Maureen:

All right. Bye!

Ralph Benko:

Is this the same number for the [inaudible 00:51:47]?

Bill Walton:

Yeah.

Maureen:

Yeah. We'll see you next time.

Ralph Benko:

[crosstalk 00:51:51]. Lots better than Skype. [crosstalk 00:51:53].

Maureen:

Bye.

John Tamny:

[inaudible 00:51:55] upon us.

Bill Walton:

Yeah. Zoom is great. We'll figure out something else to get on about. I'm going to be doing more shows a week, two or three shows-