

## Episode 43 – Trumponomics with Steve Moore

- Speaker 1: Welcome to the Bill Walton Show, featuring conversations with leaders, entrepreneurs, artists and thinkers. Fresh perspectives on money, culture, politics and human flourishing. Interesting people, interesting things.
- Bill Walton: One of the fascinating things about Donald Trump's economic policies is that they were largely crafted by three of our most famous supply site economics, men who would not normally associate with Donald Trump's style, economic populism. Yet they found a lot of common ground and the result is what some call, Trumponomics.
- With me to talk about Trumponomics, is one of the coauthors of a recent book appropriately titled, Trumponomics. My friend Steve Moore is a former member of the Wall Street Editorial Board and a distinguished visiting fellow at the Heritage Foundation. His co-author, Arthur Laffer, is the father of supply site economics who joined me on this show last year.
- A third author who had to leave the project, I say had to leave, took a pretty good job, Larry Kudlow, recently joined The White House of President Trump's Chairman of the National Economic Council. Steve, welcome.
- Steve Moore: Hi Bill.
- Bill Walton: Hey, good to see you again.
- Steve Moore: You too.
- Bill Walton: So how did you three end up getting associated with the Donald?
- Steve Moore: Well, it was kind of a meeting that changed history, at least history for me, and that was about three years ago now Bill, that you may recall, at that time we had something like 16 republicans running for President in late 2015, everyone from Jeb Bush to Rand Paul, to Marco Rubio and John Kasich and a huge field of very qualified and talented people. And I tell this story in the book that of those 16 I Trumponomics I knew 15 of them.
- The only one I had never met before was Donald Trump, and I had a negative impression of Donald Trump, I didn't like Donald Trump, from what I had seen on TV he seemed like kind of a blow hard, I thought his run for presidency was frankly, I thought it was just a publicity stunt. And the first chapter in the book is called Meeting Trump, where we get a call from Corey Lewandowski who was the original campaign manager for Trump.

And he said Donald Trump would like to meet with you and Larry. Arthur had actually already met with Trump. And I'll never forget, we went into that room, and I came out an hour later with stars in my eyes. I mean I just, first of all, he's a winner. Donald Trump is a winner, he wins. And he had the look of a winner, he had the sound of a winner, and second of all, I mean he couldn't have been nicer, he couldn't have been more gracious, he couldn't have been more attentive.

Certainly we duked it out on some things. I don't agree with Donald Trump on a lot of things, but on the main things about how to grow our economy, how to put America first, how to put American businesses and workers first, I was in full agreement with them and so he asked us to-

Bill Walton: Yeah one of the surprising things about him is he listens.

Steve Moore: That is true.

Bill Walton: I mean you walk in-

Steve Moore: He does.

Bill Walton: And you think you're going to be-

Steve Moore: He doesn't always agree with you but he will listen, he likes to actually, you've been in some of those meetings, he likes to have exchanges of ideas, he's not surrounded as Obama was with yes men, who would just say yes to everything that he wanted, you're a former CEO, you know that's a pretty good characteristic. [crosstalk 00:03:47]

Bill Walton: It's unhelpful to have everybody around you-

Steve Moore: Exactly.

Bill Walton: Who already agrees with you.

Steve Moore: Right. And Trump doesn't.

Bill Walton: You can wander into some pretty nasty swamps.

Steve Moore: Now, so we signed on with him, and it was a hell of a ride, he, I tell the story in the book because Arthur wasn't at that particular meeting, that when Trump asked us at the end of the meeting if we would serve as senior economic advisors for the campaign, we were stunned and we didn't even know what to say really, and Larry broke the silence by saying well, we can't work for you sir, because we're for free trade and you're not and he said, well I'm not against free trade, I just want better trade deals and so on.

And then he said something very interesting, he said, look, we can, we're not going to probably agree on everything on the trade issue, but I still want your help on these other issues. And that impressed me, and we signed on, it was a great time. I mean one of the things I would just say, that if you really want to understand America and what makes this country tick outside of Washington D.C. and New York City, you go out on a campaign.

And we had the time of our life working with Trump, and just meeting people. That was the other thing Bill that really turned me onto Trump, is Trump was tapping, the Republican Party was clueless. They were clueless, they didn't know what was going on in their own party, among their own voters.

There was so much frustration with, and that's why Romney lost, he didn't understand the Republican voters and Trump for all, and look, again, there are things I don't like at all about Donald Trump but one thing I really do like is he has a finger on the pulse of millions and millions and millions of Americans.

Bill Walton: But since we want to talk about Trumponomics, how did he, I mean he's not known to read a lot.

Steve Moore: Right.

Bill Walton: And I bet he'd not read your book or Art's book or Larry's book, but he probably watched Larry's show.

Steve Moore: Yeah.

Bill Walton: On CNBC.

Steve Moore: He watches a lot TV.

Bill Walton: Now how did he end up picking, because a lot of us were very concerned that he, since his background was not particularly political, he could end up being a political, economic liberal, he didn't. How do you think he found the three of you who are exactly, in my view, exactly the right three people to find to advise him on this?

Steve Moore: Well thank you for saying that.

Bill Walton: I mean how did that, how did that, was it an instinct, or?

Steve Moore: He'd been paying attention, I mean Trump pays very, for his whole adult life he's been paying very close attention to American politics and policy. And one thing that impressed Arthur and I and Larry was that he just, he knew this stuff. He did.

He said, when I said we had this dispute with him on trade, he said okay, maybe we're not going to agree on that but I want your help writing the tax cut, and he turned to Arthur and said, you wrote the Reagan tax plan I want you to put something together like that for me.

Bill Walton: By Friday.

Steve Moore: We put a plan together, one story that I tell in the book that's kind of a fun one is that when we showed him this chart, he does, he likes to look at charts and things like that. He's not going to sit, he's not going to read a 300 page book.

And we show him this chart, US tax rate is way up here, and the rest of the world's down here, and there's a 20% gap here, and we said, this is a 20% head start program for all the countries we're competing with. And Larry said and therefore, sir, we're going to recommend to you that you campaign for a 20% business tax rate. And I'll never forget, Trump sits back in his chair and he says no, I'm not going to do that. We're surprised he said no, he said no I don't want 20% I want 15. I want 15.

Now the reason that's interesting is that if we said, look, Donald, if you want us to sell 15%, business tax rate will do that. Every meeting Bill, from that meeting until we passed the law on December 21st of 2017, every meeting Trump's 15, 15, 15, he talked to members of Congress, I'm not talking one percentage point over 15.

Well at that last meeting, Mitch McConnell comes in and says, Mr. President, I'm so sorry, I failed you. I couldn't get you 15% on that business tax rate. Would you take 20%? And Trump says, I'll take that in a New York minute. And I'm convinced, he taught me and Larry something.

Bill Walton: He knew where to start, yeah.

Steve Moore: If had taken Larry Kudlow's and my advice and started at 20%, we would have probably ended up at 25 or 26.

Bill Walton: 25, yeah.

Steve Moore: So he's a great negotiator.

Bill Walton: So he also had the same point of view about economic growth. You came in and said, we think we can get at least three percent economic growth, and he said, no you're wrong.

Steve Moore: Yeah. He'd hold up his hand-

Bill Walton: Five.

Steve Moore: And he said one five. And that's a great point Bill, that you mention about Trump, is you've gotten to know him yourself, there's two things about Trump and Reagan that I think are the same. There's a lot of differences between them, and look, I think Ronald Reagan belongs on a Mt. Rushmore, but I do think there are two things that are in common about the two.

Number one, that optimism about America. And that's where liberals I think are so wrong about America. They are such declinists and they're so dismal and they're dire about the future. Trump is a total optimist about the American potential, I love that about him. And the second thing by the way Bill, that is similar about Reagan and Trump, is that both of them, are always, always, underestimated by their opponents.

And remember people said, oh Reagan's a dummy and he's just a grade B actor, he doesn't know anything and they say the same things about Trump and to their detriment, because both Reagan and Trump were winners. They knew how to win and I find that to be fascinating about the two of them.

Bill Walton: Well that brings us to the question that's really at the heart of the book, what is Trumponomics? And there's a great chapter in here and I'll put the book up for those of you on YouTube can see it. Trumponomics inside the America first plan to revive our economy.

The chapter is, what is Trumponomics, and it's really not a lot about what I think of as what I took in microeconomics or macroeconomics. It's more about people.

Steve Moore: Yup, yup.

Bill Walton: And the first one-

Steve Moore: By the way, this book is not really an economics book, really.

Bill Walton: Yeah, that's important.

Steve Moore: It's more about political science, how we came across these ideas, and how we did it, it's more of a political science observation by the way.

Bill Walton: Which is how economics should be.

Steve Moore: Exactly.

Bill Walton: It should be about people and what economics can do for them.

Steve Moore: You got it.

Bill Walton: Or what bad economics can do to hurt them. So number one, always put America first.

Steve Moore: Yeah. Bill that seems so obvious, right?

Bill Walton: Yeah.

Steve Moore: But the left think that, that's somehow like a racist, bigoted term to put America first and as Trump is, of course a president should put America first, just the fact is, a lot of our recent presidents haven't put America first, they believe-

Bill Walton: Well the french, the french-

Steve Moore: That the president, I mean Barack Obama wanted to be president of the world, not president of the United States.

Bill Walton: Yeah.

Steve Moore: And that was the essence of what trump was about. By the way, put America first means-

Bill Walton: Well when you think about it, you think about a China, would definitely put China first.

Steve Moore: Yeah exactly.

Bill Walton: And France would definitely put France first.

Steve Moore: Well you would think so.

Bill Walton: And the list is pretty long, anyway.

Steve Moore: And here's the thing that, putting America first means, what does that mean? It means, every decision Donald Trump makes, it's about, how is this going to affect the American worker? How is it going to affect American businesses?

One of the reasons he pulled us out of this dingbat Paris Climate Accord thing, is it wasn't in America's interest. We were going to pay all the cost and none of these other countries were going to abide by it. All the liberals were so indignant that Trump would do something, I said look, I'm not doing this because it's not in the country's national interest.

Bill Walton: Well and your second point, corollary to that, is that you no longer blame America first.

Steve Moore: Exactly.

Bill Walton: There are a lot of people who think we're responsible for all the sins of the earth, and he doesn't do that.

Steve Moore: And he understood I think a key point again that Reagan understood was that, our key role in the world is, if we get it right in the United States, the rest of the world will learn from our example.

Bill Walton: Exactly, exactly.

Steve Moore: When we get it wrong, the rest of the world gets it run. That happened with Reagan, I Trump, because he's rebuilt the American economy, you know what's happening?

All these other countries are looking at, how'd they do that? How come we're booming and the rest of the worlds slinking? It doesn't mean that somehow, economics is not a zero sum game. It doesn't mean just because we get richer the rest of the world gets poorer.

Bill Walton: No, it's especially not a zero sum game.

Steve Moore: We lead by example, yeah.

Bill Walton: Yeah it's a growth game.

Steve Moore: Yeah.

Bill Walton: And your third point is one that I think is incredibly important, is empower, and this gets back to the people, empower Americans to make decisions for themselves.

Steve Moore: Yes, yup, isn't that, I mean again, how is that even controversial?

Bill Walton: Well the left doesn't believe you can make health care decisions.

Steve Moore: Of course they don't.

Bill Walton: Education decisions, whatever. And you believe that we can. And he does.

Steve Moore: It's not that I do, it's that Donald Trump does.

Bill Walton: Okay he does, okay.

Steve Moore: And you raised the perfect example of that. Donald Trump, you know the left loves to call him a racist and bigot, bigoted and so on. Wait a minute. This is a guy who wants to give five million minority kids, blacks, mostly blacks and Hispanics, 90% of them would be blacks and Hispanics, a voucher so they can

send their kid to any school that they want to. I mean that would be revolutionary.

I can't think of anything, even I'm a big tax cut guy, I don't think there'd be anything that would help the American economy in the future more than that program. And the left just totally rebelled against that because they want the elites to decide where kids go to school, not the parents.

Bill Walton: In all the conversations I've had with people on this show, we always end up leading back into, well what's the fundamental solution? It's, get education.

Steve Moore: Absolutely. Absolutely.

Bill Walton: And obviously, point five, secure and protect our borders. [crosstalk 00:13:15]. That's much in the news.

Steve Moore: And we're having a little dispute about that right now.

Bill Walton: A little disagreement.

Steve Moore: By the way, I think Trump is going to win that fight, I mean, I'm a very pro immigration person, I think Trump is very pro immigration too, but it's got to be legal. It's got to be through an orderly, legal, lawful process, and this idea that anybody can just come in if you can get across the border, as Trump likes to say, a country without a border is not a country.

Bill Walton: Well immigration, smart immigration that's based on attributes, based on skills, based on education, based on whether you're bringing any wealth into the country, that kind of thing.

Steve Moore: Yes, absolutely.

Bill Walton: That could do an awful lot to help every American.

Steve Moore: Oh, yeah, I think there's no question. I mean, that's why I want to get-

Bill Walton: So, it's not a nativist thing, it's an attribute.

Steve Moore: It's a putting America first and by the way, I used to tell Trump, build the wall, I'm in favor of your building this wall but I used to tell him, make sure it has big gates, so people can come in legally through lawful channels.

Bill Walton: Did he hear that? Do you believe he, was that part of his-

Steve Moore: I think he does, I think he wants to move toward a system-

Bill Walton: Because we're not hearing that.

Steve Moore: No, I wish he would talk more about it. There are some people in his camp who are-

Bill Walton: If he believes it, people should hear it.

Steve Moore: Yeah. I mean, because that's, look, I mean immigration is one of the great attributes of the United States, we do get the best and brightest and hardest working people from all over the world, they have to come in an orderly fashion and I've been convinced, Trump convinced me of this, you're not going to get, we haven't reformed our immigration system in something like 35 years.

So it's antiquated. Let's get the border secured, then I think the American people would be very open minded to a system where we let more people in, for agriculture workers, service workers, high technology workers, people want to come and build a better life. My only position on this, and I think Trump would generally agree with this. Immigration yes, but welfare no. You can't come into this country and go on food stamps.

Bill Walton: You can have one but you can't have both.

Steve Moore: Yeah, right.

Bill Walton: You can't have an open ended entitlement system and open borders otherwise.

Steve Moore: Exactly.

Bill Walton: Well I don't think he emphasizes that enough. I think he's doing-

Steve Moore: I wish he would.

Bill Walton: I think he's, he really-

Steve Moore: Because one of the problems we have with the economy right now Bill, is the constraint, I'm very proud of the fact that for 2018, we grew the economy, I think the final number will be about 3.25%. Obama never got anywhere near that in eight years.

And all these liberal economists said oh, it's impossible, Larry Summers, and Paul Krugman, Donald Trump is lying to the American people, he can't get to three percent growth. Guess what? In his second year in office we growth. Could we get to four or five? I think one of the constraints is, do we have enough workers to provide that momentum?

Bill Walton: Well I was going to jump to that later.

Steve Moore: Okay.

Bill Walton: Let me jump to it now. One of the pieces written, somebody who is a pretty smart guy I can't remember who it was. He said there are three factors in economic growth, there's labor supply, there's productivity, how much that labor is used to produce things.

Steve Moore: Yeah, exactly.

Bill Walton: And then the third piece is intangible called innovation.

Steve Moore: Yes.

Bill Walton: And they're very, the pessimists say, well you can't change labor supply, you can't change innovation, you can't change, what was the third one that I-

Steve Moore: And productivity.

Bill Walton: Productivity.

Steve Moore: And they're wrong. They're 100% wrong about that. I mean that's why we told Trump we can get you to three to four percent growth, and he'd say, I want five. Productivity, I believe this gets to the Trump optimism because I believe he believes this as well. We're in the beginning stages of a productivity boom like we've never seen.

The digital age is just getting going. And that's going to lead to massive improvements in terms of productivity. Robotics, artificial intelligence, driverless cars, all of this stuff that's going to change the economy in a radical way. All you have to do is just get the government out of the way and Trump is doing that through his deregulation policies.

Bill Walton: So that's the productivity piece, and the population, and the pessimists say we've got an aging population, the answer's what we just talked about, smart immigration.

Steve Moore: Number one, smart immigration. Number two, we still have ten million Americans. Remember, under Obama, America's left the labor force. We estimate there's ten million able bodied Americans in that age group between 20 and 65 that could be and should be working, and as you provide a more prosperous economy we think we're going to push them into the workforce.

Bill Walton: Now we're the beginning of 2019, is that turning around, are more people coming back into the labor force?

Steve Moore: Yeah, not as quickly as I'd like to see, but this is what we call the labor force participation rate. It went way down under Obama, way down.

Bill Walton: It was like 63, it went from 68 to 63, something like that.

Steve Moore: Yeah, it was huge, and now it's starting to climb up again, and by the way, one of the things we always told Trump is look, he cares, the one thing people have to understand about Donald Trump, you know what he cares about? Those blue collar workers who voted for him, in Michigan, Ohio, Pennsylvania, Wisconsin, West Virginia, Kentucky.

And those were the people, this is where the left and the right just disconnect. The left doesn't understand the Trump voters. These are people who, when I go to places like West Virginia or Kentucky or Michigan with Trump, and I enjoyed it so much, just meeting people.

And I'd say, how is that Obama Recovery going for you? You know what they'd say? What recovery are you talking about? There's no recovery here in Bethlehem Pennsylvania, or Flint, Michigan or Rockford, Illinois. There's no, what are you, there's no recovery.

The factories are leaving. Trump spoke to those voters and those are the people he cares about, which means he wants A, to restore the jobs, I'm very proud of the fact, I know he is, we have created one million new manufacturing construction and mining jobs in two years. Those were declining under Obama. They're back. We're making things again. So, it's all about the middle class.

Bill Walton: Which industries has he created manufacturing jobs in?

Steve Moore: You mean, well, all, everything. Auto jobs, chemical jobs.

Bill Walton: But I think the answer though is that they are new type manufacturing jobs, it's not like people are returning to the steel mills necessarily.

Steve Moore: Great point.

Bill Walton: It's not-

Steve Moore: It's new manufacturing.

Bill Walton: It's new style, it's 21st century style manufacturing.

Steve Moore: Right, yeah. Even like steel, we have fabricated steel now.

Bill Walton: These are not the jobs that their grandfathers had.

Steve Moore: You're so right about that. In fact, you go into, I was just in Detroit and I went to some of the modern auto factories. I remember when I was a kid, when I was like 12 years old in 1972, my parents took me to the auto factories, those were sweat shops back then.

You go to the current factories, there are people walking around with diagnostic equipment, with white coats on, and you're right, they're not sweat shops anymore and they're highly paid. Highly paid workers.

Bill Walton: Well that's another thing, I think he could do a better job articulating, because this is not a return to 1956, this is something that's different. We're really talking about keeping-

Steve Moore: Well I'll give one example where we are, coal mining. Hilary Clinton ran around the country saying, I'm going to put every coal miner in America out of a job. And then she's going gee, how did I lose West Virginia, and Ohio and Virginia, states like that, because people don't like that too much.

And we've rebuilt the coal mining industry, we've rebuilt the oil and gas industry, I mean that's a huge part of Trump's agenda is to make America number one in energy. And Bill, three months ago, the Wall Street Journal had a piece saying that for the first time in 50 years, the United States is now producing more oil and gas than we're consuming.

Bill Walton: Well this, I'm going to skip a couple of your points, I want to come back to one, but I want to get to your tenth point in Trumponomics, which is, growth is everything.

Steve Moore: That's the core of, that's the core of I think what Trump is about. That almost, I'm trying to think if there's, maybe a few exceptions, but virtually every social economic problem we have in this country, whether it's drug abuse, whether it's poverty, income and equality, low wages, whatever the, the budget deficit and the debt.

All of those problems are made so more easily solved, if you have economic growth. Economic growth is a precondition to solving these problems, and it's bringing home, drug abuse. Drug abuse is happening in a lot of these middle class towns across America because people feel hopeless in their life.

You create a burgeoning economy with a lot of jobs and a lot of opportunity, people will turn away from drugs and they'll get into the labor force and they'll work.

Bill Walton: Well one of the conservative complaints about President Trump-

Steve Moore: One of them? There's so many.

Bill Walton: That came in, well. Let me count the ways. Entitlements, social security, Medicare, he came in saying I'm not going to touch it. And some of us think that's a problem, yet you say-

Steve Moore: I think it was brilliant, I think if Donald Trump had run like Romney-

Bill Walton: He wouldn't have been elected.

Steve Moore: He would not have won.

Bill Walton: It was smart politics.

Steve Moore: Conservatives were so furious with him.

Bill Walton: I know it's smart politics, but is it smart economics?

Steve Moore: Well look, you can't get, the things that we've done in two years, I say we because I'm on his economic advisory board, I'm completely proud of it, we've turned around the American economy.

We have the fastest growing economy in the world today, we've seen this, we're out of this rut, that we took over one and a half percent growth, now we're growing at three percent. We couldn't have done any of these things if Donald Trump had not won the election.

And I would say that if he had said, I'm going to cut Medicare and Social Security benefits, he would not have won. And Bill Clinton, who is often times a wise guy said look, you can't do anything in American politics, if you don't win in the elections. And so ultimately do we have to reform these things? Of course we do.

But show me, Bill. Show me one single democrat, seriously, one single democrat, I think they've got 30 now that want to run for president. Do any of them talk about reforming these programs?

Bill Walton: Well and now that I'm on Medicare, don't touch it.

Steve Moore: Yeah, right.

Bill Walton: No but you have an economic argument, I think you or somebody associated with you-

Steve Moore: I'm making a political argument.

Bill Walton: Made the economic argument, is if you can get economic growth averaging 3.3% for 20, 30 years, we can grow our way out of the entitlements.

Steve Moore: Yeah, no, and that's not to say we shouldn't fix them, I mean these are old fashioned programs, we should, you and I have talked about this any times over the years, Bill, I mean it's obvious that every young person should just be getting a 401K plan.

We should just treat social security, you just put your money into an account that you personally own, and you let that money rise in the stock market and your kids and my kids and our grandkids will be pension millionaires. They'll get benefits that are three times higher than social security.

One of my problems with, sometimes people on the right, they say, we should be cutting social security benefits. No. We shouldn't be cutting. The problem with social security isn't that the benefits are too large, they're too small.

You worked your whole life and put in social security, can you imagine how much money you'd be getting in social security today if you had been able to invest that money?

Bill Walton: I really don't want to do that calculation.

Steve Moore: You'd be getting five times as much money, and think about the average person. So there are certainly ways we should reform these programs, but I don't think that the political system is ready for that yet.

Bill Walton: Now you three took a lot of heat-

Steve Moore: Oh my gosh.

Bill Walton: Supporting Trump, I mean this is-

Steve Moore: I've got the scars on my back, you want to see them?

Bill Walton: For YouTube viewers?

Steve Moore: We did take a lot of grief from, we were seen as traitors, we were seen as unprincipled people, even to this day some of the never Trumpers in the republican party say that and my view was number one, he gets most of it right, we called him out when we thought he was wrong, on things like some of his trade protection policies.

I will say, I've been praising Trump, I think his steel and auto tariffs bill are a disaster. I think they're counter productive. They're not even, I know his heart is in the right place, he wants to save jobs in those, but it's not working, we're actually losing jobs because of those tariffs.

Bill Walton: But is the happy, we talk about politics, is the happy answer, this is a lead to get something else and when he gets that something else his tariff goes away?

Steve Moore: Well I think the big, big issue for our country right now, that the overhang on the economy, I would make even the case that Trump has rolled the dice and staked his whole presidency on getting a new trade deal done with China. China

is a bad actor, they are, the way I like to put it, we're in an abusive relationship with China.

China has been taking advantage of us, they steal, they cheat, now they lie, we know there's espionage, you saw the hacking stories. I mean this is the new Soviet Union we're up against. And by the way, God bless Donald Trump for being the first presidential candidate in a long time to recognize that and call them out for this.

Bill Walton: But it's a new Soviet Union run by a 145 IQ engineer.

Steve Moore: Yeah, exactly. This may be even a bigger threat.

Bill Walton: What they've done to build their leadership in China is astonishing.

Steve Moore: It is, and the problem is, in the last ten years they've moved away from freedom and become much more mercantilistic, militaristic, they're a threat. And Trump has basically said, we're going to take the kick me sign off the United States, you're going to start playing by the rules or we're going to hurt you.

And we'll see how that turns out. I'm optimistic Bill that Trump is going to prevail here. Because China, as Trump used to say to us all the time, if we can't trade with China, we catch pneumonia, we sneeze if they can't trade with us they're going to catch pneumonia. So he's got the leverage and I think he's going to win.

Bill Walton: I've got a lot to talk to you about, about Trumponomics. This is a highly recommended book. Of course, I like to think I don't have people on here unless I think their books are wonderful.

Steve Moore: Thank you, thanks for saying that.

Bill Walton: This is a great explanation of why this is working. But not everything is working. The trade deficit is still high. Highest it's been in the last ten years, so his nominal objective of reducing the trade deficit, that's not happening.

Steve Moore: You know, we used to tell him, we said, if your economic program works, the trade deficit's going to go up, it's not going to go down because you're going to make America more prosperous, Americans are going to have higher salaries, they're going to have more money to spend, guess what? They're going to go to Walmart, and they're going to buy more things from China and Japan and so on.

Bill Walton: I have an assignment for you.

Steve Moore: Pardon?

Bill Walton: I have an assignment for you.

Steve Moore: Okay.

Bill Walton: Can you make him understand that?

Steve Moore: I've tried. I don't know if I can. He's hyper obsessed about the trade deficit. We have a chart in the book that shows that when the economy booms, the trade deficit goes up, and when the economy goes into recession the trade deficit goes down.

So we used to say, only half kiddingly, said Donald, do you want to get rid of the, well, we now call him Mr. President, but Mr. President if you want to get rid of the trade deficit, have a good long recession. That will get rid of the trade deficit. But we of course, we don't want that.

Bill Walton: Now one thing that's not much in the book but I do want to talk about, you wrote a piece recently, last week, called Fire the Fed. And Federal Reserve you believe is sort of taking, well anyway, explain your position about why we want to fire the fed.

Steve Moore: Well we didn't cover it in the book because it wasn't really a major issue at the time, the monetary policy. And I'm a believer that the fed should have one goal and one mission and one mission only. And that is to create a stable price system.

It gets to why we have a monetary policy. We have a monetary policy, we have a dollar policy, so that the dollars that you have in your wallet right now will be worth, five and ten years from now pretty much what they're worth today. You want, we have a currency because it's a means of exchange and a store of value.

And what's happened is, that we created this growth agenda. Lower taxes, less regulation, promote American energy and American businesses. All these things. So they're creating this huge economic revival in the United States, we're increasing our output, and wages are finally starting to rise, you can sense the frustration in my voice, and we finally got everything cooking. Great growth, low unemployment, lowest unemployment rate in 50 years, no inflation, just like the perfect economy, what is it that the fed is trying to fix here? Just leave it along.

And by the way, Trump, the populist got this. As soon as the feds started raising interest rates, they said wait a minute, this is going to suck the options on the economy and that's been the case. Since the feds starting raising rates in September of 2018, between September and December there were those two rate increases that the Dow lost three thousand points. Maybe they should get a clue that they're not doing the right thing here.

Bill Walton: Well you've got three thousand PhD monetary economists at the fed.

Steve Moore: And they're idiots. No, I mean this is elitism, right?

Bill Walton: Oh yeah.

Steve Moore: All you need is a computer. What I advocate in that piece is fire the fed and just all the fed has to do is follow the commodity price index, which is 38 commodities and just follow them.

Bill Walton: Just to review how much mission creep has occurred at the fed, we've got now maintain stable money, although they consider that two percent inflation, and I don't know-

Steve Moore: Which is fine. Two percent, I mean I could live with that.

Bill Walton: I don't think that's stable money but that's just me.

Steve Moore: Okay.

Bill Walton: Jobs.

Steve Moore: Yes.

Bill Walton: Economic growth.

Steve Moore: By the way, stop right there Bill. The fed can't create jobs?

Bill Walton: I know that.

Steve Moore: I mean it's so stupid, right? I mean you know that but they don't know that. Larry Kudlow says this very well. The fed can print money but it can't print jobs. Printing money is not the way you create prosperity. Sorry to interrupt but it just, it irritates me.

Bill Walton: Well I-

Steve Moore: People say that.

Bill Walton: No, I agree.

Steve Moore: I know.

Bill Walton: I'm just telling you that-

Steve Moore: And that's what they believe that their objective is, now the way they can create jobs by the way in a healthy labor market is to keep prices stable. And my problem is, prices are not stable right now.

If you look at commodities, steel, wheat, cotton, soy beans, copper, gold, silver, these kinds of, they're falling in price. When you have falling commodity prices,

hello? That means you've got deflation, there's not enough dollars in the economy. The fed should be lowering interest rates now, not raising them.

Bill Walton: Well the fed's worried about a recession.

Steve Moore: But if they're, but even there. Okay, if they're worried about a recession why are they raising rates?

Bill Walton: Well I've got a statistic, some people have looked at this-

Steve Moore: I am so damn angry at these people.

Bill Walton: We're in the midst of watching the stock market fluctuate up and down.

Steve Moore: But the fed is causing the very turmoil that they say they're trying to solve.

Bill Walton: Well can I violently agree with you?

Steve Moore: Please.

Bill Walton: The stock market, evidently, according to people that study this, is correctly predicted on average five out of the last nine recessions.

Steve Moore: Right.

Bill Walton: So you follow the stock market, you can get a sense of whether we actually are falling, because you get millions of people investing and they're looking into individual companies, and they're looking, shipment data and profits.

Steve Moore: Of course.

Bill Walton: And blah, blah, blah, blah, blah.

Steve Moore: And those people, this is the arrogance of the fed-

Bill Walton: They're in the real economy, they're in the real economy, these people making these-

Steve Moore: Yeah, exactly. This idea that these three thousand economists at the fed can make better decisions about the economic than the millions of actors that are making decisions every day is on the face of it absurd, but it's all about what liberalism is about. Liberals believe they are smarter than the market is.

Bill Walton: Well how many recessions has the fed correctly predicted in its last 105 years?

Steve Moore: I don't know how many of those they predicted but I would say at least three of the last five recessions were caused by the fed. And you and I are old enough to remember hyper inflation in the 1970s, remember?

Bill Walton: Yeah.

Steve Moore: That was the fed. The fed just kept cutting rates and putting money out in the economy, and it created 15% inflation.

Bill Walton: That's when I was a lender at a commercial bank and I was charging borrowers 20% interest.

Steve Moore: I remember that, I remember that.

Bill Walton: Which was crazy. Well anyway, the answer-

Steve Moore: How did that happen? How did that inflation happen?

Bill Walton: The answer to the question though, the answer-

Steve Moore: Because of the fed.

Bill Walton: Because of the fed, but the answer to the question, how many they predicted? Zero.

Steve Moore: Wow.

Bill Walton: Like in 2007, 2008, they were predicting, 2008 they were predicting 2.3% growth.

Steve Moore: And they were the ones who inflated the bubble in the housing market that caused this crash.

Bill Walton: Yeah. So we're going to need to write another book about the fed, because we've accomplished a lot on the fiscal side.

Steve Moore: Here's my frustration, this is the frustration. I feel like everything we've done with a few exceptions has worked. Everybody said oh you can't the three percent growth? We got it. You can't create more manufacturing jobs, we've done it.

You can't get wages up, we've done it. We're doing all these things, we're creating this prosperous economy and the fed is, here's my problem. They believe there's a limit to growth. And that if the growth gets too high that causes inflation. Well Art Laffer says this so well in the book, Bill it's very simple, I'm going to keep these comments very simple.

If the economy produces more apples, the price of apples goes down, it doesn't go up. If you have an increase in supply, prices go down. But the fed believes that growth causes inflation, it's completely wrong.

Bill Walton: Okay I think you make, I think-

Steve Moore: Am I missing something?

Bill Walton: I think the next rule for you guys is to spend some time at the fed. So let's summarize, we haven't covered much of all that I wanted to cover, but let's get to the future.

We're now on, he's entering his third year of his presidency, forgetting the political stuff that's going on, what do you see happening in the next year or two economically?

Steve Moore: Everything's going to be, this 2019, is going to be all about the trade war with China. I really believe that it's the huge overhang about the economy, he's got to win here, Trump will at the time that we're sitting down right now which is what is it, January 3rd, 2019, we don't know, I think there's like 40 or 50 days left that Trump is given the Chinese a 90 day deadline to come up, to meet his conditions.

I'll tell you this, if they don't come up with a deal, he's going to slap them with those 25% tariffs. He ain't bluffing here. I know Donald Trump. He doesn't bluff. And that, here's the story that nobody in the media's reporting. Do you know what's happened to the Chinese stock market in 2018?

Bill Walton: It's cratered.

Steve Moore: 30%. Down 30%.

Bill Walton: From its high, it's fallen further than any other market I believe.

Steve Moore: Yeah, exactly. So they're getting crushed by these, Trump is, I love watching him because he's a master negotiator, he really is. And he understands the concept as you do having been a CEO of leverage. We have leverage over China.

He's using that leverage now to get a deal, I think at the end of the day, you can write this down, I think China will capitulate, they will start to make some real concessions, which by the way, are in their own interests. Yes. They should buy more of our products, yes they should stop stealing out intellectual property, yes they should stop arming the North Koreans, all of these things.

And if Trump can get a deal there, Bill, you think the economy's strong now, wait till he gets a good trade deal with China.

Bill Walton: Steve.

Steve Moore: I'm optimistic.

Bill Walton: I know.

Steve Moore: I mean, Art Laffer is my co author how could I not be optimistic on this stuff?

Bill Walton: Well I think you have reasons to be optimistic and I hope, I agree, China's the pivot point.

Steve Moore: Yeah it is.

Bill Walton: For the next year. Trumponomics, author Stephen Moore, Arthur V. Laffer PhD, father of supply side economics, I whole heartedly recommend this and Steve, I'm looking forward to it.

Steve Moore: Foreword by Larry Kudlow the most important economist in, I'd say he's the most important economist in the world today, Larry Kudlow, how cool is that?

Bill Walton: That's very cool. Because we were pushing to get him in all along.

Steve Moore: You got it.

Bill Walton: Very cool outcome. See you next time.

Steve Moore: Well thank you for all you did. I mean you were part of the economic transition that put a lot of these great people in those jobs and it's people are, one of the great things Trump has done has put really good people in a lot of these positions, who agree with him on deregulating, lowering taxes, getting rid of the barriers and this is what Trumponomics is all about. Getting government out of the way so private American businesses can succeed and win.

Bill Walton: Well and the economic point, we need to wrap up, I'm really happy that you brought in the OMB director to be chief of staff in the White House.

Steve Moore: I am too.

Bill Walton: I think he's got the-

Steve Moore: Mulvaney is fantastic.

Bill Walton: I think he's got the grit to do it.

Steve Moore: Me too.

Bill Walton: And he understands economics, so that's a reason, another reason for optimism.

Steve Moore: And he's got to be able to say no to Trump. I called Mulvaney, I said, like I love Donald Trump but he needs guard rails. And I hope Mulvaney, if Mulvaney can do that, Trump will be a big success.

Bill Walton: Okay, final word. Steve, thanks. See you again.

Steve Moore: Thank you Bill.

Bill Walton: Thanks for joining and we'll be back next week with a show about China.

Speaker 1: Thanks for listening. Want more? Be sure to subscribe at [thebillwaltonshow.com](http://thebillwaltonshow.com), or on iTunes.