

Bill Walton: It's called a teleprompter.

Richard Rahn: Actually, 30 years ago I looked pretty good in a tube. I don't know what happened over the years.

Bill Walton: Yeah, I've got the same issue. Oh well.

Kenny: We're ready when you are.

Bill Walton: Okay, so tell me when you want me to get going. Now, one of the things that I do, Richard.

Kenny: When he starts.

Bill Walton: Because I'm learning something new every week doing this, which is fun. But it's also ... I typically will re-shoot the opening after we finish, just because I inevitably stumble things, just like that.

Richard Rahn: Sure.

Bill Walton: So, I'll get us in to it, but I'm not aiming for an Academy Award necessarily. I'm just aiming to get us in, to get the content, to get you talking.

Richard Rahn: Yeah. I've done enough of this stuff, so I know.

Bill Walton: You've done it infinitely more times than I have. But, I just want you to know I do plan to re-shoot it, because last week I made a mistake in some of the stats, and we were going to do it anyway.

Richard Rahn: Yeah.

Bill Walton: All right, Kenny.

Kenny: All right, here we go. And of course disregard the cameras, and if I need to walk around, disregard me as well. Just your conversation.

Bill Walton: Conversation, okay.

Kenny: All right. Standby. It's the Bill Walton show, March 21.

Bill Walton: Okay.

Kenny: Marine, are you ready to roll that?

Bill Walton: Okay. I'm going to close this one down. Okay, are you ready? I paused this guy.

Kenny: Yes. When you're ready.

Bill Walton: The economy of Venezuela has collapsed as a result of growth socialist mismanagement. Their currency is essentially worthless. To start over, the next government of Venezuela must reestablish the rule of law, protect private property rights, and create a new currency. So writes Richard Rahn, one of Americas most brilliant economists. So, why when we have seen the brutal realities of socialism in Venezuela, are so many calling for socialism in the United States? They romanticize about a world without poverty. Where people have everything they need and everyone is equal. This has never happened anywhere, anytime, in human history.

Bill Walton: Moreover, these calls for socialism are coming when the world's governments are awash in debt, money, and monetary policies are teetering on the brink. And economic growth is slowing worldwide. I'm worried. But these problems have been mounting for years and life seems to go on. With me to sort this out is none other than Richard Rahn himself. Richard is an economist, syndicated columnist, and entrepreneur. Currently he is Chairman of Improbable Success Productions, the Institute for Global Economic Growth and Metal Convertibility LLC.

Bill Walton: He has testified before the US Congress on economic issues more than 75 times. Richard Served as the first Non-Cayman member of the Board of Directors of the Cayman Island monetary authority, which regulates the world's largest offshore financial center. And in the 1980s, Richard was the Chief Economist of the US Chambers of Commerce. If you enjoy this conversation with Richard, I hope you'll subscribe to the Bill Walton Show on YouTube, iTunes, or any of the other major podcast platforms. So Richard, today, let's talk about socialism, debt, money, you know the big topics.

Bill Walton: And I know you have a proposed solution of the problem of money that we'll get in to later on in the show. So, where should we start?

Richard Rahn: well you mentioned socialism. When I hear somebody say, "I'm a socialist." I figure right off they're either stupid or ignorant, or both. Because if anybody has read any history at all, they know that every socialist experiment failed. This is going back hundreds of years. The French Revolution, of course, is one of the famous initial experiments in socialism. We all know how that ended. But just in the last century, in the 20th century, socialist governments, whether it be the Soviet Union, China, people forget the Nazis were actually stood for National Socialism.

Bill Walton: Yeah.

Richard Rahn: Governments killed more than 100 million of their own people, estimate sometimes go up to 200 million. I was at the, I had been an advisor-

Bill Walton: China was 40-50 million.

Richard Rahn: Yeah. And I had been an advisor to the Russian Government after the collapse of communism, when Gaider became the first non-communist Prime Minister. And I remember in the summer of 92, there was a little press conference at the Kremlin, because Yeltsin had his demographer study the Russian population, what happened under Stalin. And their estimates were there were 63 million excess deaths under Stalin in the 30 years he was there. That included World War Two, of course. 35 million there. The Ukrainian Famines. Those were induced by the Soviets. That was nine million. The various Gulags and so forth. I mean, that was just one [crosstalk 00:05:32].

Bill Walton: Well part of this though was that Stalin, Mao, Hitler, Hitler didn't kill so many of his own people. I guess, if you were Jewish you thought he was killing his own people. But my point is, they were really bad guys. How much of the failure of socialism is due to the policies they enacted? I mean, what is it that doesn't work about socialism?

Richard Rahn: Well, socialism is based on coercion.

Bill Walton: Okay.

Richard Rahn: I mean, it is basically it is a few people at the top, they say, "Bill, we know better how to spend your money and what you should do with your life than you do." Well, people natural resist this. And if they resist, you have to stop it. Stalin was attributed to having a great line, a person or problem, no person, no problem.

Bill Walton: Yeah.

Richard Rahn: And that went all the way through. Then we had the Nazis who had this racist ideology. So, Jews, Gypsies and many others were considered inferior.

Bill Walton: Yeah.

Richard Rahn: Which was a little bit different than what happened in Eastern Europe and China. And there it was just, well let's say Ukraine is a good example. You had all these peasants of Gulags. People who were small land owners, had little farms for generations. Well, when the state came in to take all their farms, they naturally resisted. And so the solution was starve them to death by taking all their produce and nine million people died in those famines. And you just go through and China, was much of the same thing, the great leap forward. Take away people's property. Deny them a way to look out for themselves. And people resist, and so the state takes away everything, and you die.

Bill Walton: Well the question about socialism here, we haven't gotten to that point. But, we are getting to the point where you've got to ask, who's going to pay for all of this? Who's going to pay for medicare for everyone? Who's going to pay for

healthcare? Who's going to pay for free education? I mean, that's sort of where nobody is willing to admit who that's going to be.

Richard Rahn: Well, I do an experiment when I'm at universities and giving lectures.

Bill Walton: Yeah.

Richard Rahn: Let's say you've got ... for some of your audience who also gives talks and things, try it out. If you've got a classroom, let's say of 30 students or so, ask them how many are in favor of free medical care or having a government provide medical care. And some number of hands will go up. And then you say to them, assume that the whole population of the country is the group here in the class. Say, 30 or whatever it is. I want you to look around and point out to me the person who should pay your medical care out of this group. And why they should do that. And of course they laugh and sometimes somebody will point to somebody. And I'll say, "Well, how do you feel about that? That you should pay for Joe's?"

Bill Walton: Somebody who looks like Bill Gates or Jeff Bezos.

Richard Rahn: Yeah.

Bill Walton: Or a wannabe.

Richard Rahn: And when you bring it down to the individual, if it's always nice they say, "Well, we're going to have the rich pay." Well, who specifically? And again, they might mention Bezos and Bill Gates. And then you point out, well the first year, let's say you take all their wealth. It might get you halfway through the year, but next year these people are going to be gone. You either have to kill them or they'll leave. And then what are you going to do?

Bill Walton: What do you do with the problem? It's the problem of democracy where we've seen as more and more different classes of people who have had to vote, I guess the founders originally had the vote set up so you had to own property. And then you had to be ... I can't remember all the restrictions against voting, and now we're seeing a democracy where politicians are increasingly appealing to people who don't have to pay taxes, or pay into the system. And so there's really no constituency to say, "No, enough."

Richard Rahn: Well, people forget the time of the American Founding, we're set up as a Federal Republic.

Bill Walton: Yeah.

Richard Rahn: We're not set up as a democracy. You don't find the words democracy in the Declaration of Independence or the Constitution. And our founding fathers feared democracies, because democracies always ended up in a collapse. Going

back to the first ones in Greece, and then in Rome, and so forth. And all these democratic experiments failed. And the reason was as Thomas Jefferson pointed out, he said, "Once the people realize they can vote themselves benefits, all is lost."

Bill Walton: Yeah.

Richard Rahn: And so the founding fathers solution was to restrict the franchise to property owners. At that point it was male property owners. And some people say it was just white. It wasn't actually. There was a number of black property owners who also had the franchise. Which was fine with the founding fathers, because they realized it didn't matter the color of your skin, but if you were a property owner was the key thing.

Bill Walton: Sure.

Richard Rahn: Not the color of your skin. And as we've expanded the franchise, and people keep saying, "Well everybody should vote." Well, everybody ought not to vote. You see these things on TV where they go ahead and interview, particularly young people, and say, you know, "Who did we fight in the Revolutionary War?" And somebody will say, "Canada or Germany." What year did we get our Independence? 1986. I mean, you hear these ridiculous ...

Bill Walton: Sure.

Richard Rahn: And we have these people saying, "Well, they should vote." Well, no. If you don't know the basics, if you don't know how the country is set up, if you don't know the basic issues, and even if your candidates, you know, ask people who were their elective representatives are, most of them don't know. They don't know the positions that people have. And so the struggle has been you want everybody to have the right to vote, but with the right comes a certain responsibility. And part of the responsibility is to be informed. And again, our founding fathers, and Jefferson who was particularly articulate in it, how a functioning republic depended on the ... the people being sufficiently well educated. That they understood.

Richard Rahn: And back at the time of the founding, we didn't have TV and all the other distractions, and video games, so people actually sat around and read serious works. They were aware and had read the works of the people of the Scottish Enlightenment, Hume, Smith, and John Locke. They were familiar with the Great Orders of Rome. [inaudible 00:13:07], Cicero. And they knew these arguments. And in the coffee houses at that time, people would actually debate these issues, unlike what happens today. So, in many ways you had a better educated electorate back then, then you do now.

Bill Walton: So the solution, and I like this one, it's not based on wealth, it's not based on skin color, it's not based on sex, it's just based on your understandings of the

principles of the laws of the United States, the Constitution, basic principles of democracy versus Federalism. And if you get that-

Richard Rahn: Yeah.

Bill Walton: Let's have at it.

Richard Rahn: When you first opened up, you mentioned who's to pay for these things?

Bill Walton: Sure.

Richard Rahn: And we hear these people say, "Well, yes that's sad. Everybody should get healthcare." And the young woman Congressman from-

Bill Walton: AOC.

Richard Rahn: AOC.

Bill Walton: Yeah. Alexandria Ocasio-Cortez.

Richard Rahn: Yeah. On her global warming thing, and people said, "How are you going to pay for that?" And she said, "Well, that's not important. It's a global crisis. We have to." It's like, where does she think the resources come from? Do they fall from the sky? I mean, it's just ...

Bill Walton: Well, my goal is to have them all watch this show so that they all learn how it all really works. If they're not going to read.

Richard Rahn: Well, maybe we make that a requirement. Before you can vote-

Bill Walton: You've got to watch the Bill Walton Show.

Richard Rahn: You've got to watch the Bill Walton Show and pass a quiz at the end.

Bill Walton: Yes.

Richard Rahn: If you pass, then you can have the right to vote.

Bill Walton: Well, democracies are dangerous. Victor David Hanson writes about the Peloponnesian War and the Athens at war with Sparta. And I guess the democracy would send a general off to fight the Spartans democracy in Athens. And if they lost, you what they did, they voted to have them executed.

Richard Rahn: Mm-hmm (affirmative). Yeah.

Bill Walton: So it was a pretty scary system. Well let's shift gears a bit towards the issue I raised about debt, because we've got a debt problem. The government, not just the United States, but throughout the world actually. There's been an incredible borrowing binge for the last 50 or 60 years. And our debt now exceeds, you know, is almost equal to our GDP. And if you look at the interest on our debt, at a certain point if interest rates go up, it's going to be a choice of the Defense Budget, or paying interest on the debt.

Richard Rahn: Yeah. The situation is terrible here. And elsewhere, well just for here for a moment, the debt number we have greatly understates it. Because there's all kinds of liabilities the federal government has that are not included in those measures. Again, those debt measures we use are published by the treasury department, which is just explicit recognizable debt. But let's say something like that World Bank, people don't realize the World Bank, there is no theoretical limit of how much they can lend. Well, those bonds that the World Bank has, and issues they get very low interest rates, and the reason they do is because the US Government guarantees those bonds.

Richard Rahn: Which means you and every other American tax payer is guaranteeing the principle and interest on the bonds the World Bank issues, and we know that many of the World Bank projects are nonsensical, they're subject to corruption and so forth. And there's no theoretical limit on it. Now, fortunately President Trump has nominated David Malpass to be the-

Bill Walton: Yeah, David is terrific.

Richard Rahn: Yeah.

Bill Walton: I worked with him in transition.

Richard Rahn: To be the new Head of the World Bank.

Bill Walton: Yeah.

Richard Rahn: And David told me that one of his first goals will be to put a limit on the amount of spending the World Bank can do, and limit this kind of liability for US taxpayers. But that is just one tiny example of all the liabilities we face. In that debt measurement is not medicare, medicaid, social security, all these entitlements. And the argument is, well, Congress can change it. Yeah, you know what the chances of actually making those serious changes are. And so you have all this. Okay. US, horrible situation. But the US situation looks good compared to Europe, and Japan, and many other places.

Bill Walton: Which are growing more slowly than we are.

Richard Rahn: Yeah.

Bill Walton: And so they've got even less ability to bail it out. Yeah, the total amount of all the unfunded promises the governments made is roughly 300 or 350 percent of what GDP is.

Richard Rahn: Yeah, I mean it's ... if it gets to there point where we can't measure. We're talking about such huge numbers, none of us have any idea. When you start talking about trillions, and I realize you were an investment banker, and that you may understand a trillion.

Bill Walton: I'm used to a trillion.

Richard Rahn: Yeah. I don't.

Bill Walton: Actually, we didn't quite get to trillions. But, as a businessman, financier type, I'm always looking for lines of action. And when we talk about some of these problems about people calling for socialism, a line of action is to figure out ways to get more educated voters and have them voting on things they know work and what doesn't work, and not try things that have never worked. I'd also require a little bit of a math section in that, where you ask yourself the question. You're making 30,000 a year. And you owe 200,000. So, how's your life going?

Richard Rahn: Yeah.

Bill Walton: And that's more or less where we are.

Richard Rahn: Yeah, in particularly you point out when interest rates go up, then how's your life going to be?

Bill Walton: Yeah. So if you boil it down to where we are, it would be as individuals, then I think it gets more understandable. But then we would need, I think, courageous and tough politicians to call for that changes in that, and even Donald Trump, who's our populist President now, has refused to call for any changes in entitlements. A, because he knows he could never get any changes through the Democrat Congress. And B, why should he spend political capital on something he knows nobody is going to do something about.

Richard Rahn: Yeah. And this of course happens, is every politician assumes it's a game of musical chairs.

Bill Walton: Yeah.

Richard Rahn: They're going to assume they're going to be retired or dead before the bill comes due. And one of these days the bill is going to come due, and the ones who up to this point bet they could kick the can down the street a bit longer have ... they've won on that bet. But we know it doesn't go on forever. And there's places where debt has caught up. We take a look at Greece. And the

Greeks for decades spent far more than they took in. And they were using the Euro, and finally the Germans and the others said, "We're not going to loan you any more money." And so what has happened is the Greek standard of living has dropped more than 30 percent over the last six years. And that's going to happen across the planet.

Bill Walton: What do you, this is not something I've dug in to much, but modern monetary theory, modern monetary policy, what it is, people are now saying it doesn't matter how much government debt there is, because governments can always issues more money to pay it back, so there's never a a day of reckoning. Does that ... did I capture that?

Richard Rahn: Yes. There is modern monetary theorists ... yeah. Eventually it shows up inflation or collapse. I mean, we take a look at Venezuela.

Bill Walton: Yeah.

Richard Rahn: I mean, we just go through country after country. Argentina is going through it again. As they have multiple times. It is this idea, you can't create wealth out of nothing. Wealth is created by productive investment and human capital, and work. And if you could just print money, it would be so wonderful. Everything would be so nice. But you go back several hundred years ago, there was the French had at one time brought a Brit over, John Wall, who was one of the first people to advocate the unlimited printing of paper money.

Bill Walton: He was a very popular guy with the King.

Richard Rahn: Oh, yeah.

Bill Walton: For a while.

Richard Rahn: They loved him because he started printing all this money.

Bill Walton: Yeah.

Richard Rahn: And everybody appeared to be rich. And then what happened? And this has happened time and time again. We have ...

Bill Walton: Well there are two ways you can destroy wealth. Well, more ways than that, but you can issue a lot of debt, or you can debase the currency. And those are foolish ways that people do it. And we've seen a lot of inflation in the past, it's a lower number. And yet we've seen tremendous inflation in education and healthcare. And I think you pointed out in your writings that that's basically because those two industries have been essentially government monopolies.

Richard Rahn: Yup.

Bill Walton: Education for a long time, healthcare increasingly. So what do you ... but is that, I think also you point out that the market forces at work are riding to the rescue. And the innovation you talked about in the private sector, even though we've got this as big inflation in healthcare and education cost, technology not be part of the solution. Do you want to amplify on that?

Richard Rahn: Let's take education.

Bill Walton: Yeah.

Richard Rahn: I say this as a former professor, I've taught at a number of schools, I have also been a college administrator. There's just incredible waste and lack of innovation at universities. But there's something happening basically because the internet, and you think about it that any smart person, any place on the planet, who has basic discipline, can now go on the internet and get themselves world class education.

Bill Walton: Mm-hmm (affirmative).

Richard Rahn: And let's say you've got a kid living in rural China. Who's learned English. Knows basic mathematics. And of course people all over the planet can pick this up, they can go on and get themselves an MIT education. And I actually tested this thing out at one point, because major schools, MIT, the Ivy Leagues, Stanford and so forth, have put many of their courses online. And they give you the syllabus, the readings, there's the lectures. It's all done on video. And so you have to have individual self discipline, but you can get the same education as the student who's actually going to MIT.

Richard Rahn: So, I tested out the basic MIT introductory physics course. And I went out, looked it up, and saw all the material there. And actually listened to a few of the lectures, and wrote a little bit of stuff to make sure that actually could be done. Well, it can be. And this is what is going to happen, because the marginal cost of education is very low. And that is those of us who have been professors.

Bill Walton: Yeah.

Richard Rahn: And I used to think years ago when I was a student, why are we ... having to listen to a lot of really dull professors? When even back then we had videos and Milton Freeman.

Bill Walton: Sure.

Richard Rahn: And Walter Williams, and great classroom performers. And where every student could get that. Well, that of course is really happening, and now with the internet it makes it very easy. And so you have, let's say the best in every particular field. Again, Milton has passed, but still his old lectures are all there. All the stuff he did with freeing Jews and everything. And anybody can go on

and watch all this stuff. And all the great economists now, and physicists and everything else, so everybody can listen to the very best.

Richard Rahn: They don't have to listen to third year teaching assistant any longer, who really doesn't know his stuff in a very [crosstalk 00:26:12].

Bill Walton: What we've got to do though is we've got to get people to look past what Brian Caplin calls the signaling.

Richard Rahn: Yeah.

Bill Walton: Value of a diploma.

Richard Rahn: Yeah.

Bill Walton: If you've got a diploma from Harvard, that's supposed to be this.

Richard Rahn: But see, all this is now increasingly people are realizing this is nonsense.

Bill Walton: Well, when I ran Allied Capital, that was one of ... I don't want to say it was controversial, but people were surprised I'd rather hire somebody from Michigan State who had an engineering degree, who kind of did really well in that environment as opposed to somebody who necessarily went to Yale and had a degree in something studies, because the university label didn't mean as much as what the kid could actually do.

Richard Rahn: Yeah. I have an Ivy League PhD from Columbia. Well, when I was going to school I was also teaching at Poly Tech University of New York.

Bill Walton: Yeah.

Richard Rahn: And the people who went to Poly were usually very smart, first generation Americans.

Bill Walton: Yeah.

Richard Rahn: Italian and Jewish kids from Eastern Europe or South America. These kids worked really hard. They were very smart. And you want to hire those people. So what's going to happen? Increasingly employers are going to do what you did, and we find all over, they're going to hire, they're going to say, "Okay, this student got a degree in mathematics or physics." Versus, well there was a young woman I knew, I knew her parents well, and she had gone to Smith College.

Bill Walton: Sure.

Richard Rahn: Which is an Ivy League Girls Colleges. But they're sisters. And she had studied sociology. And the whole thing was in Women's Studies and Gender Things, and it was all grievance.

Bill Walton: Any major ending in Studies.

Richard Rahn: Yeah. And she was very smart, and she was a very nice lady, and I liked her a lot. But, I said to her, "I would never hire you, as smart as you are." And she said, "What?" I said, "Look at your degree." I said, "If I hire you, your degree tells me you're going to sue me over something." You've actually, I would've hired you before you went to the university, but you have negative value added.

Richard Rahn: And we're finding this-

Bill Walton: I'm sure she received that just, she thought that was ... you have negative value.

Richard Rahn: Oh, yeah.

Bill Walton: Thanks, Richard.

Richard Rahn: She was appalled that I said this to her.

Bill Walton: Okay.

Richard Rahn: But the thing was absolutely true, and they're increasingly waking up to it, because I think her and many of her classmates, you know, they have jobs, poorly paid jobs working for nonprofits. And fortunately their parents are well off, so they won't starve. But they're not ... you know, the kid who went off and majored in physics and mathematics 10 years later is making six figures, and the one's who majored in sociology from a leading school are still making low five figures.

Bill Walton: Sure. Well, you and I have done this repeatedly over the years. We've wondered off topic, discussing something even ever more interesting. Let's go back to money a bit and inflation, because I also want to get to your idea about the currency backed by a commodity called aluminum. But let's tie this up. We've got about a minute left in this segment. And then I think this might be time to say we're going to be continuing with a bonus segment after we wrap up the show. Where Richard is going to be talking about his idea for money backed by aluminum, and it's a form of crypto currency, and it's an extremely interesting new concept. And it gets us out of some of the monetary traps that the Fed and the other Central banks have gotten us in to.

Bill Walton: It also puts a free market element into money, which we all think we need. And the government should not have a monopoly on printing it. The ... but circling back to the topic we were on education, we're optimistic because we have

technology that can educate people, and you don't have to sit in class at Harvard.

Richard Rahn: That transitions are all painful, but employers 20 years from now, they're going to look at what you know.

Bill Walton: So there's reasons for optimism.

Richard Rahn: I'm very optimistic about the long run.

Bill Walton: Yeah, so am I.

Richard Rahn: Yeah, because people are going to come up with ... companies will just test people afterwards, after college, and say, "What do you actually know?" And then people will be hired on that basis. Not where they went, or where they got admitted to.

Bill Walton: What a concept. We're going to hire you based on what you actually know.

Richard Rahn: Yeah.

Bill Walton: Okay. Well, that'll be the last words for this segment. I hope you'll, if you like the show, I hope you'll sign up on iTunes, or YouTube, or any of the other major podcast channels. Richard, one of the most accomplished economists in America, where can we find you? Your website, email?

Richard Rahn: Well actually there's ... I do a weekly syndicated column in the Washington Times, it's the lead paper here in Washington.

Bill Walton: Mm-hmm (affirmative).

Richard Rahn: I think you just type in my name and all kinds of stuff pops up. And the Institute for Global Economic Growth dot org.

Bill Walton: I highly recommend people read your column in the Washington Times. Every week you've got something interesting.

Richard Rahn: I've been doing that for 20 years.

Bill Walton: Yeah.

Richard Rahn: And that sort of picks up my thoughts of the week, or whatever.

Bill Walton: Well, let's pick up your thoughts some more. We're going to be right back with a bonus segment in which we're going to get in to a new type of currency, and

reason for optimism there. So, thanks for joining, and we'll be talking with you in just a couple of minutes.

Kenny: Good. Excellent. All right, so do you want to keep rolling, or do you need a break?

Bill Walton: I can use some more water.

Speaker 4: Okay.

Bill Walton: And the other thing is, is the teleprompter I couldn't get it out. Did you shut it down?

Kenny: I shut it down manually.

Bill Walton: Okay. Because I tried, it didn't scroll up far enough.

Kenny: Yeah, no, it's okay.

Bill Walton: That was good. That was good. You've got a big brain. You're interesting. Are we good to go?

Kenny: Not yet.

Bill Walton: No? Okay.

Kenny: I'm going to sync the cameras. Bill Walton Show, March 21 bonus.

Bill Walton: Welcome.

Kenny: No, no, no, sorry. I didn't say go. I'm the Director. Wait a minute [crosstalk 00:33:23].

Bill Walton: But, I'm the CEO.

Kenny: No prompter on this, right?

Bill Walton: No prompter. No, no, no.

Kenny: We're still waiting.

Bill Walton: Wait for Kenny. Okay. All right. You're in charge, Kenny. I can handle that. [crosstalk 00:33:33].

Richard Rahn: When I was doing those films in Europe.

Bill Walton: Yeah, you've been through all this. Yeah.

Richard Rahn: And you sit there and I guess there's a saying, [inaudible 00:33:44] no you're not.

Bill Walton: No you're not, yeah. You're paying for it. I was in a ... I financed a movie, in part, I was a little piece of it. But I was kind of a, I pinched above my weight. I got invited onto the set and all that stuff. And we were shooting in Monte Carlo. And we were breaking for lunch every day. And we were shooting at the estate or the house that Eileen Gray, the Irish designer had. It was right next to Kabuzia's place. Kabuzia was obsessed with her. Anyway, we're shooting in her house. It's kind of a wreck. But we break every day to this lunch. With muscles, and french fries, and all the pate's and everything like that. [inaudible 00:34:30]. Isn't this lunch great? And I'm thinking, yeah, I'm paying for it.

Richard Rahn: Yeah. Yeah. It's a wonder what you can do with other people's money, isn't it?

Bill Walton: It is. And they were happy. They were happy, and I lost all my money. Oh, well. Kenny's made a movie too. So we've all been making movies. Okay, can I get going?

Kenny: We're totally ready to go, but I'm getting a warning here. Hang on.

Bill Walton: Okay.

Richard Rahn: It's going to explode in 30 seconds.

Bill Walton: Okay. Yeah, the movie business, I might get back into it, but with other people's money. I need more of an investment banker.

Richard Rahn: I never [crosstalk 00:35:13]. I couldn't do anything like that. But I wanted to just tell these stories of the successful countries.

Bill Walton: Sure.

Richard Rahn: We did that. We got it on major ABC, CBS, NBC and Fox stations. 42 stations. We had more than six million viewers on major broadcasts. And now they're of course all over the internet. So, I accomplished my goal there.

Bill Walton: So do you want to do any more movies? TV?

Richard Rahn: Afterwards I'll tell you about one thing, I want to pick your brain on, because I've been filming all these things for people who worked on economic transitions around the world with me.

Bill Walton: Sure.

Richard Rahn: I just wanted to get it on tape before they died.

Bill Walton: Yeah.

Richard Rahn: And I'm trying to figure out how we might fashion it into a documentary. But, I did this backwards, because I had, well the Bulgarian Transition Team, half the people died. And I thought, I've got to get the rest down before they're gone, and their memories are gone. And so I've got all these rolls of tapes.

Bill Walton: Where are they, in Bulgaria?

Richard Rahn: No, they're here.

Bill Walton: You've already shot the tapes?

Richard Rahn: Yeah.

Bill Walton: Okay.

Richard Rahn: We've done that. We did this starting this past summer. And I just have sort of finished that up.

Bill Walton: Kenny's a good editor.

Richard Rahn: Well, I've got to talk about how we turn it into a real movie.

Bill Walton: We had a real movie, Jerry Lewis, I don't know if you saw the poster. I produced, help produce Jerry Lewis' last movie. And it was directed by this young guy who had written the screen play. It was based on his grandfather, and it was a really piece of pretty Hallmark Card soft stuff. And it was ... and we ended up with this, and we were thinking, gee, and then we discovered that we had interviews of Jerry Lewis on the set. And he was talking about his career, he was talking about the movie, he was talking about his family. And it was just great. And so we said, "We're in heaven. We're going to take these interviews, we're going to cut them into the story. The story will go on for five or seven minutes and then cut to the interview with Jerry to kind of comment on what's happening."

Bill Walton: And that'll make the story move along more quickly. It'll seem less sentimental, because he's not sentimental.

Richard Rahn: Yeah.

Bill Walton: We had a great movie. And that's what I learned about final cut, which I didn't have. And so another director, a producer came in and said, "No, no, no. We've got to have the original sweet story." And so what we've got on Netflix now is a really sweet story that nobody's watching.

Richard Rahn: Right.

Bill Walton: But if we'd had the interviews with Jerry, I think we would've had a real hit.

Richard Rahn: So, I just ... because I was by accident in a unique time, in a unique way.

Bill Walton: Are we filming?

Kenny: We're rolling.

Bill Walton: So, we might even use some of this, who knows. Let's go.

Kenny: Well, we don't have any kind of-

Bill Walton: Hook? All right.

Kenny: Yeah.

Richard Rahn: But just basically I had run the Bulgarian Transition team and worked in Eastern-

Bill Walton: Transition from what? From Communism to freedom?

Richard Rahn: Yeah.

Bill Walton: Okay.

Richard Rahn: This is 1990.

Bill Walton: Yeah.

Richard Rahn: When all these places collapsed, and I was the economic advisor to Gaider when he was the first non-communist Prime Minister. Well, we had teams, and I put together these teams to work in these countries. And the question is how do you rebuild the economy? What do you do? They have a total economic collapse, like Venezuela like we talked about.

Bill Walton: Sure. Yeah.

Richard Rahn: And I brought in some really smart economists, and business people, and lawyers, and other specialists. And all what we did, like with the Venezuela thing, what do you do? Well, we already have a history of what worked and what didn't. And so I had been thinking about it for a long time in the most, all these people were dying, who had this historical record. So I thought, I've got to hurry up and just get everybody's on tape. So I went around the country and interviewed key people who had been a part of our teams. And I would ask them, each one I did was a conversation like this. Said, "Okay, how did you get

there?" All cases, because I brought them in. And what did you do? What did you find? What were surprises? What lessons did you learn?

Richard Rahn: So we have all of these raw tapes. And I have no idea how we're going to turn this in, but I noticed on News Max they still have all the old Hitler Films. So, I figured at some point these will become useful.

Bill Walton: Yeah.

Richard Rahn: And how to make it useful, I don't know yet. But at least I've got the historical record down before all of these people died.

Bill Walton: Get a YouTube channel going.

Richard Rahn: Yeah. And I can do, I actually can do a lot more in Eastern Europe, because a lot of the people are still alive there. And I've thought about doing that. I mean, I have fun doing all of this out of my own pocket at this point, but I just want to get the record down, because I felt it was important.

Kenny: I'd be happy to chat with you.

Richard Rahn: Yeah.

Bill Walton: Good. Okay, well-

Kenny: Okay, hold on. Let's quiet down here. All right, set up.

Bill Walton: You're in charge.

Kenny: Okay. [crosstalk 00:40:39].

Bill Walton: Okay.

Kenny: And Marine, are you ready to start the clock? And when you're ready.

Bill Walton: Welcome, I'm here chatting with Richard Rahn, brilliant economist about one of the pieces he wrote called The Future of Money. And it's how crypto currencies with real backing will become the ultimate disruptive technology. Richard.

Richard Rahn: Well, I should go back for a little history. First off, what is money? We talk about it all the time. And historically as economist we've put down what was store value, medium of an exchange, and a unit of account. But there's no reason why governments have to produce money. And you go back through history and governments didn't produce money. The private sector produced money. But we had gotten used to the fact over the last, actually it's only been about 150 years that governments have really had a monopoly on money. Well back in

1976, to me the greatest economist of the 20th century, F.A. Hayek, wrote a wonderful book called, Denationalization of Money. And at the time I read this thing, and it knocked off my socks, because it got basically to the essence of the thing.

Richard Rahn: And at that point I was a young economist. I was also advising one of the commodity exchanges. And I saw a huge potential here. And unfortunately I was lucky and a few years later I got to know Hayek, and knew him for the last 10 years of his life. He died in 1992. Anyway, he had laid out the arguments of how you could have private currencies. And he thought they would probably have commodity backing. And people have been searching for the idea of private money outside the control of government, and that's the whole movement behind crypto currencies and Bitcoin.

Bill Walton: Yeah.

Richard Rahn: And so with Bitcoin the great innovation there was not the idea of the crypto currency, it was the blockchain. And the blockchain solves what we call the double spinning problem. Now, I have been on the board of the Central Bank and have overseen a currency board, and a currency board is ... it's basically you find them, well, a lot of places in the Caribbean, Eastern Europe, and it's basically where the government holds other countries currencies and gold, which is the backup for the currency.

Richard Rahn: And so basically I knew how the mechanics of all this worked. And we have with any currency, if you pull out a dollar bill, you'll notice there's a few little watermarks and things. You pull out a hundred dollar bill and you look at it carefully. And you're going to see amazing things in a hundred dollar bill. They'll be little threads, and it'll be things written on the threads, and what we think are watermarks are all put in the cotton fabric. Currency is made out of cotton, not paper. And these things are quite elaborate. And so you spend more per dollar depending on the denomination, you might only spend five cents if you're trying protections for a dollar bill, or for a hundred dollar bill, maybe 20 or 30 cents.

Bill Walton: So what you're saying is that the hundred dollar bill has more value, so they spend more money making the hundred dollar bill.

Richard Rahn: Precisely.

Bill Walton: To protect it from being counterfeited.

Richard Rahn: Yeah.

Bill Walton: Because counterfeiting dollar bills doesn't, you know, that's a lot of counterfeiting.

Richard Rahn: Constantly, there's a war between a counterfeiter and a bank note printer.

Bill Walton: Yeah.

Richard Rahn: And they constantly get better and better on both sides. Well, with a digital currency, as we've gone into the digital world, you have the same problem of how to prevent counterfeiting. And the blockchain is the way you prevent counterfeiting.

Bill Walton: For those of you who don't understand blockchain, and that's most of the world, what is blockchain?

Richard Rahn: If I knew one simple sentence to explain it, I would. And I can't.

Bill Walton: Okay. That's why none of us understand.

Richard Rahn: It's basically a method for tracing each transaction, but you can do it in ... in a totally transparent way, which is also anonymous, so you don't know who.

Bill Walton: And isn't it kind of like a virtual spreadsheet where you're keeping track of the ... of everybody's entries? And so it's all in one place?

Richard Rahn: Well blockchain, the ideal for things like recording land titles.

Bill Walton: Okay.

Richard Rahn: And you go back to the title of let's see ... we're here in Maryland today. This was from a land grant from probably King Charles the Second to Lord Voldemort or whoever.

Bill Walton: Yeah.

Richard Rahn: And you probably trace your title back to that. Well, with a blockchain, you can trace all this electronically, and there's no way to alter it. Once the record is there, it's permanent, and you can trace it all back.

Bill Walton: Okay.

Richard Rahn: But it gets into advanced mathematics. But the key thing, the problem has been solved, and there's simpler ways of doing blockchains.

Bill Walton: Okay. All right.

Richard Rahn: So I'm saying, "We finally have the last solution." I had done a book back in 1999 called the end of money, and the struggle for financial privacy. Where I had laid

out the case for basically the electronic digital money, but we still hadn't solved the double spending problem.

Bill Walton: And the double spending problem is?

Richard Rahn: Is counterfeiting.

Bill Walton: Okay.

Richard Rahn: Yeah. See, if you have, it's easy enough to have a ... let's say we issue the Walton Bills.

Bill Walton: I like that.

Richard Rahn: Yeah. Walton Money. And you have that in your computer.

Bill Walton: We need to talk.

Richard Rahn: Yeah, we have that in your computer. And you send it off to your friends.

Bill Walton: Yeah.

Richard Rahn: Well how do we keep other people from creating the Walton Money? Let's say your Walton Money, you have something behind it. But how do we keep other people from counterfeiting that?

Bill Walton: In my case it would be collateralized with terriers or something.

Richard Rahn: Yeah.

Bill Walton: Dogs.

Richard Rahn: Whatever. You can collateralize it with anything. You can monetize anything.

Bill Walton: Yeah.

Richard Rahn: But the blockchain solves that particular problem.

Bill Walton: Yeah.

Richard Rahn: So any organization essentially could issue money. And governments are around the world, Singapore and other places, are all experimenting with doing digital money. Because it saves a lot of problems. And it's costly to print bills, and so forth, and so on. We don't have time today to go through all of that. But, I have been struggling ever since I wrote this book to try to figure out what the ideal backing would be. And back when I was Chief Economist [inaudible 00:47:59]

we had computer power back then. And I ran a lot of regressions on various commodity baskets. Ultimately I decided it was no better backing than aluminum. Which people say, "Aluminum, you're crazy. Aluminum is very inexpensive." It's about a dollar a pound.

Richard Rahn: Well, the reason we use gold because we used to carry the gold around with us. And you're not going to carry a ton of aluminum with you, or even a pound of aluminum with you. But, with gold you could carry great value as small bits. But in the digital age you don't have to carry this around. And aluminum, like gold-

Bill Walton: So gold had value as a currency because it was scarce, and it had great value-

Richard Rahn: Scarcity, people think that's important.

Bill Walton: Okay.

Richard Rahn: It's not. It is ... well, when I say scarce, it's got to have some price to it. But actually aluminum can be used for most anything. Substitutes for all kinds of plastics, wood, it's the most useful of all metals. It is seven percent of the earth's crust is made out of aluminum. And if you've got a claim to a large amount of aluminum, in many ways it's almost more useful than gold. But, like gold, you can recycle aluminum endlessly. And that's why with cans, you have aluminum can drives. In fact, that's probably the only thing that's worth recycling in your normal garbage, because the cost of primary aluminum is primarily energy ... it's called electrolytic process to take the raw materials bauxite and aluminum, and turn it into the metal.

Richard Rahn: But to remelt it, to take aluminum cans and turn it into aluminum is very inexpensive. It only uses five percent of the energy that the primary does. Because of that characteristic most of the aluminum that we use is secondary aluminum. And that ratio will increase in the same way it has gold. That's not true with other metals. See, with steel, copper, and so forth, you lose every time you recycle, you lose some of the basic material for a whole variety of reasons. So with aluminum you have something that'll always have value. You can debate how much value, because it's so useful for things. So, our notion was let's have the aluminum back currency, the aluminum can be in warehouses or any place. Let's just assume you have a fleet of jet liners. There's a lot of aluminum there. You can monetize-

Bill Walton: Yeah, I was thinking Boeing is now in the money business.

Richard Rahn: Yeah. You could monetize those jet liners. You can still fly around with the aluminum, but it's that aluminum is always valuable. And those, when they take those liners out of service, after 30 or 40 years, they don't just throw them away. They're going to be recycled. Let's take power lines. Power companies have huge amounts of aluminum in those major transmission lines across the country and the towers. And so forth. That will be there for many years, both in

use and recyclable. That is ... as a finance guy, you know it's an asset. And you can monetize it while it's still in use. So, I have been working on how to mechanically do all of this.

Richard Rahn: And I found some very smart guys based on Miami, where we've created a company to actually issue tokens ... a token would be one kilogram of aluminum. Roughly two dollars. And all of this is digital. And it could be traded around the world. So somebody who's in Taiwan, if they want to buy aluminum from somebody in Pittsburgh, they can do it all over the internet. Totally secure. And down to units as small as one kilo, or two dollars. And it can be aluminum producers, users, people who just want to speculate. And it is something the Government can't really do much about, because it's an industrial commodity. Governments can mess with precious metals like gold and silver, and so forth, and they have. And governments own a large share of the amount of gold above the ground.

Richard Rahn: Probably 25 percent of it or so. So they can affect the price by buying or selling them. Aluminum, they can't really. Aluminum has a one world price. The price differentials are all based on shipping cost from one place to another. But the basic cost of aluminum is known every moment in time on the metals exchange, commodity exchange, global. And so it's a way of getting away from the government monopoly. And giving people individual freedom, and it's not a currency that can be debased like the US dollar, or any government issued currency can debase from inflation.

Richard Rahn: If all of it's based on real aluminum you can't debase the currency. You can't just ... because each token will be tied to some real piece of aluminum some place on the planet.

Bill Walton: I'm struggling to visualize. And I'm thinking about these airplanes. And I'm thinking I'm the airliner, I'm these airplanes, and I've got I don't know how many billions of dollars worth of aluminum in my planes. How do I go from owning those planes and the value of the aluminum to translating that into a currency?

Richard Rahn: Okay. Let's start off with one plane.

Bill Walton: Okay. Let's do one plane.

Richard Rahn: Let's say we've got a plane of 10 tons of aluminum.

Bill Walton: Yeah.

Richard Rahn: It's not much. So, we've got ...

Bill Walton: What's aluminum now? A buck a-

Richard Rahn: A buck a pound?

Bill Walton: Yeah.

Richard Rahn: And aluminum's the most stable prices of all metals.

Bill Walton: Yeah.

Richard Rahn: Because it's substitutable for everything. Silver, copper, and nickel, and steel, I think bounce around a whole lot more than aluminum does. But with your plane, you've got this, and you've got an asset that, yes, you're flying around. But it is also if you provide it to a company, give the title to the physical plane to a company that will issue aluminum tokens against it, and you can say, "Well I want to hold on to my plane for 30 years." And that's fine. But, the ... we make a 20,000 tokens out of this one.

Bill Walton: So you've got 20 million units of value in an airplane.

Richard Rahn: Yeah. Whatever.

Bill Walton: Okay.

Richard Rahn: And so it ... in theory, a person could go ahead and claim this. In reality when we have our company and the people that we license, if somebody wants to redeem their aluminum, we're not going to take down the airliner. What we're going to do is they'll go off and buy aluminum on the free market out of these warehouses around the world.

Bill Walton: So, how would your company hope to make money out of this?

Richard Rahn: So, tiny fees of doing the issuance, doing the redemption. It's just like commodity exchanges and stock exchanges.

Bill Walton: Okay.

Richard Rahn: So the fees are, we're talking fractions of basis points.

Bill Walton: Right.

Richard Rahn: Sort of like with credit cards.

Bill Walton: Sure.

Richard Rahn: And so it's all a fee based business. And the nice thing about our business model is we don't require a lot of physical hardware's. It's basically all software. I was once in the semi conductor business where we actually made a type of semi

conductor, that was a scary business, because you needed so much capital to actually build these things. In this case it is basically just information software, and again, it's akin to these currency boards that governments run, and commodity exchanges. And you don't need the much in the way of physical space. You need a few smart people. You need computers. But these days, of course, you can do everything in the cloud.

Richard Rahn: You don't even have to own your own computers. And you just have to have the software and the systems to make sure that people don't do the double counting.

Bill Walton: How do you keep it from fluctuating in value? I mean, the value, aluminum fluctuates between 50 cents, a dollar, a dollar 50. That's pretty dramatic swings.

Richard Rahn: Well-

Bill Walton: And we had this experience in all the Bitcoin billionaires or ex-billionaires.

Richard Rahn: Well, it'll fluctuate in value, but over time less and less as it's used more as a money. If you look at the history of the price of aluminum, decade by decade it fluctuates less and less in value. Particularly as you have more secondary aluminum. It's going to fluctuate in value and some people use that as a speculation. But it's not going to be like bitcoin, because aluminum will always have value. There's a minimum ... you're not going to have the price of aluminum much lower than the primary production cost for very long periods of time.

Bill Walton: So people tell you about going back to a gold standard, which doesn't seem like it's going to happen. How does an aluminum standard compare to a gold standard? What's the pros and cons?

Richard Rahn: Well, obviously would work just perfectly fine.

Bill Walton: Yeah.

Richard Rahn: In most ways they work the same. The problem with the gold standard is so much of gold is owned by governments. And as you know, the prices of gold are really in certain ways controlled by governments. That they sell a whole lot as we've seen it at times in the past. Price plunges. And or if they buy a whole lot, like the Chinese have done, the price goes up. But it's not really a free market price in gold. And the question is how do you get back to that gold-

Bill Walton: So this is essentially for people who don't trust governments with keeping the store value, and money, and this is a way to keep, to keep the value of your financial assets away from the manipulations of government. Is that the-

Richard Rahn: Yeah. It has, first, the way we've designed it, it's got great usefulness for people in the industry. Including users, producers, and so forth.

Bill Walton: So instead of buying aluminum futures, or-

Richard Rahn: Yeah.

Bill Walton: Okay.

Richard Rahn: Our whole system is much cheaper than doing aluminum futures.

Bill Walton: Okay.

Richard Rahn: So we've got the ... just because we made a more efficient global market in aluminum. And then the other thing is for people who want to have a store of wealth, which will go up and down some. And they can speculate if they think the price of aluminum is a little bit low, or high, or whatever. But the fluctuations relative to other commodities and financial instruments, they're not that great. And they also used to have a negative correlation with financial instruments.

Bill Walton: Yeah.

Richard Rahn: It's a way of just hedging your bets.

Bill Walton: Sure. Okay.

Richard Rahn: And if something, it's going to be harder for government to steal from you, because you'll buy tokens, and there's warehouses all over the world. We'll just piggy back on the London Metal Exchange. And there's about 87 warehouses around the world where they keep this stuff. And it could be kept any place.

Bill Walton: So, from now on the cry is not there's gold in them there hills. It's, there beauxite in them there hills.

Richard Rahn: Well, it's just, the beauxite, primarily is found in tropical areas, but you can get aluminum out of any beach sand.

Bill Walton: Yeah, I know.

Richard Rahn: It's just, and that's another nice thing, because nobody can get a monopoly on aluminum.

Bill Walton: Yeah.

Richard Rahn: It is ... it's no one government can suddenly say, "We're going to seize the aluminum thing." In times when people have tried to seize the silver or gold. It just can't happen.

Bill Walton: All right. I want to dig into this some more. We don't have enough time right now. But thanks for getting me started into this very interesting idea. Richard, thanks.

Richard Rahn: Thank you. It's been a great pleasure being here with you today.

Bill Walton: Yeah. Smart man. Thank you. Thanks for joining.

Kenny: Good? All right. Very good.

Bill Walton: Okay. I still don't understand it. I'm trying. I didn't want to look too dumb.

Richard Rahn: Well, it's only taken me almost 40 years to work it out.

Bill Walton: There we go. I've got 40 years to go.

Richard Rahn: Unfortunately, I had gotten to know the great man Hayek, and all these other people.

Bill Walton: Yeah.

Richard Rahn: But once people sort of get it they say, "You know, this would really work." but I haven't found anybody who has found a hole in it yet.

Bill Walton: So, I've got to find a hundred dollar bill. I was reaching into my pocket to pull out a hundred dollar bill. And guess what? I didn't have one.

Richard Rahn: Well, it's real interesting when [crosstalk 01:02:13].

Bill Walton: There's a movement afoot by governments to ban hundred dollar bills, because that's the [crosstalk 01:02:17].

Richard Rahn: Yeah, except for now. The Swiss have come up with a new thousand dollar Swiss Note.

Bill Walton: Yeah.

Richard Rahn: Or 1,500 dollar one. But, now take a look there versus a single dollar.

Bill Walton: Yeah. Oh, yeah. There's all sorts of extra stuff in here.

Richard Rahn: And if you put this under a microscope, you're going to find a lot of stuff there.

Bill Walton: Yeah.

Richard Rahn: And it's very interesting when you go to the houses where they print this, because when I was on the monetary authority, that was one of my responsibilities.

Bill Walton: Yeah.

Richard Rahn: And I actually went to [inaudible 01:02:57], England when they published the, or print the Cayman dollars. But people don't realize that is not paper. It's all cotton.

Bill Walton: There we go.