

Episode 209: "The Money Confusion: Why Inflation Now?" with John Tamny

Speaker 1 ([00:05](#)):

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 ([00:25](#)):

Welcome to The Bill Walton Show. I'm Bill Walton. Well, I'm back in the studio. Glad to be back here and I'm especially glad to be back here with my old friend John Tamny, who's both brilliant and maybe one of the most contrarian men I've ever had the pleasure of working with.

[\(00:43\)](#):

And John's back with a new book and talked on one of my favorite topics, which is money. It's called The Money Confusion: How Illiteracy About Currencies and Inflation Sets the Stage for a Crypto Revolution. And it's a highly recommended book.

[\(01:03\)](#):

It builds on a lot of John's earlier works on the Fed, most notably his book, Who Needs the Fed, which means Fed Reserve, which is all features prominently in today's headlines, but maybe it shouldn't. So, anyway, I want to jump right into this. John, welcome.

John Tamny ([01:19](#)):

Thanks for having me.

Bill Walton ([01:20](#)):

So, what are we confused about with money? I mean, I thought we just need more of it. I'm not confused.

John Tamny ([01:28](#)):

No-

Bill Walton ([01:29](#)):

And it's becoming worthless.

John Tamny ([01:30](#)):

Isn't that true? See, you've lived it. But I think you know as a financier what the main theme of this book is, is that it doesn't matter where you are. You could be in a POW camp, a city, a prison. Money or a country, money always emerges. A measure of value that allows us to trade with each other always emerges, and it does simply because we want to get in return for our work.

[\(01:56\)](#):

And so, it's my way of saying stop focusing on what the Fed does and money supply and all these things. In any world, money will always be properly supplied so long as there's production to move around.

Bill Walton ([02:10](#)):

So, is this a policy question or is it a personal question? I mean, day-to-day, those of us that are going into the grocery store and buying things now that cost 10%, 15%, 20% more than a year ago, it's not really an... I'm confused. I mean, I would like to know what you think some of the root causes are for the fact that our money seems to be worth a lot less.

John Tamny ([02:36](#)):

Well, isn't it interesting there? So, we notice when we go to the grocery store or a restaurant as an example that a lot of things are more expensive undeniably. But at the same time, inventories are at a record level right now. Dell has too much, Nike has too much.

([02:52](#)):

There are all sorts of businesses that overproduced or added what the market doesn't want right now. And so, when you look at prices, almost by definition of prices are rising for certain goods, they're falling for other goods. And the reason for that is basic.

([03:07](#)):

If you have \$100 and you're spending \$50 on groceries when you used to spend 20, you have fewer dollars to buy other things. And so, undeniably, some prices are higher, but I reject that as inflation. Inflation is a devaluation.

Bill Walton ([03:23](#)):

Well, John, you may be right in theory, but all the stuff we buy in a grocery store is what we really need. I don't need another Dell computer, and I don't care whether their inventories are high. I mean, what's driving inflation in the supermarket?

John Tamny ([03:39](#)):

But let's call it what it is. And we've talked about this on your show before. Two years ago, the global economy to varying degrees was shut down, as in it was suddenly illegal to open your business. It was suddenly illegal to go into work.

Bill Walton ([03:54](#)):

March 2020.

John Tamny ([03:55](#)):

March 2020. In poorer parts of the world, hundreds of millions were literally rushing towards starvation because suddenly they could no longer work. That prices are higher today as a consequence of an evisceration of this global cooperation is to me a statement of the obvious.

([04:15](#)):

My concern is when we call it inflation, we're saying, "Oh, the Fed did this." No, no, no, no. Politicians robbed us of our freedom. They love us to talk about some other, the Fed. No, let's keep the focus on who robbed us of our freedom around the world.

Bill Walton ([04:31](#)):

But John, you're saying things that's... Rachel Maddow is telling us that... or who's the other woman on MSNBC would ever want... is telling Republicans made up the word inflation. There is no inflation. Is that what you're saying?

John Tamny ([04:47](#)):

I am saying that Rachel Maddow does not know-

Bill Walton ([04:49](#)):

I don't agree.

John Tamny ([04:50](#)):

... why there's not inflation.

Bill Walton ([04:51](#)):

I don't agree.

John Tamny ([04:53](#)):

There are higher prices. There's an ocean of difference between higher prices.

Bill Walton ([04:57](#)):

So, we're talking about a technical definition. You don't want call it inflation. What should we call it-

John Tamny ([05:03](#)):

I want call it a robbing of freedom. I want to call it what it is. They locked us down. And in locking us down, they broke up cooperation around the world among billions of workers that was logically going to lead to higher prices. Let's just use one example that I use in the book.

[\(05:20\)](#):

Adam Smith walks into a pin factory in the 18th century and sees that one man working alone could maybe produce one pin per day. But several men working together could produce tens of thousands. And so, what does that tell us? When we're working together, we're working more productively and we're gradually pushing down the price of everything.

[\(05:40\)](#):

Is that deflation? No, that's just productivity. When you break up that cooperation among billions of workers, of course prices are going to be higher. But let's keep the focus on politicians who broke it up, not on central banks. The dollar is stronger today against the euro, the yen, the pound, the won.

[\(06:00\)](#):

It's rising against gold, the most objective indicator. Which means this would be the first inflation in the history of mankind in which the dollar wasn't in free fall or wasn't in decline.

Bill Walton ([06:13](#)):

Well, I'm not so sure that if you're the average American, you much care. I mean, what you care is that you can't buy what you could buy last year. And that by one count, I had Jeffrey Tucker on here last week. And if you take a look at the dollar value of the inflation now versus a year ago, Americans are about \$8,500 poor in terms of what their money can buy. So-

John Tamny ([06:39](#)):

Look, it's a fair point.

Bill Walton ([06:40](#)):

... that's real. That's real.

John Tamny ([06:41](#)):

It's very real. But let's talk about why this is. If it's the Fed, why is "inflation" at record levels around the world? Why is this a global concept?

Bill Walton ([06:53](#)):

Well, but inflation is at record levels in Europe.

John Tamny ([06:57](#)):

And it's record levels in all parts of the world. Is that inflation or did we lock down? And so, again, I'm not... to deny that a lot of goods and services are more expensive would-be fool hearty, I'm not here to deny that. I'm here to question the causes.

([07:16](#)):

You cannot break up global cooperation and expect prices to remain the same. And so, to me, let's keep the focus. And I've said this to Jeffrey several times, why are you walking away from what you've worked so diligently on for two years? You know what the lockdowns did? Do you really expect prices not to be higher today? And so, why would you make this about the Fed?

Bill Walton ([07:41](#)):

Does Jeffrey make it about the Fed?

John Tamny ([07:43](#)):

He does.

Bill Walton ([07:44](#)):

Well, he's not here to defend himself. So, I'll defend him. Actually, I don't want to quite defend him on the Fed. But I think what you're saying is something I believe is that what happened in March of 2020 and continued for a year, year and a half and still hasn't really abated, is the governments here and everywhere here, federal, state, local, whatever authorities there were locked down the economy.

([08:11](#)):

They declared certain businesses essential and other businesses essential. And it went so far as the governor of Michigan's declared one part of Home Depot essential and another part non-essential. I mean, who are these people that can decide that?

([08:29](#)):

And in doing that, they basically broke the economy. They broke the supply chain. They broke the set of relationships that have been built up organically over decades if not longer and you can't put that back together.

John Tamny ([08:43](#)):

Can't put it back together.

Bill Walton ([08:44](#)):

And that's your culprit for prices being higher.

John Tamny ([08:48](#)):

Yes.

Bill Walton ([08:48](#)):

But you're not calling inflation.

John Tamny ([08:50](#)):

No. Inflation's a devaluation of the unit to call higher prices. Inflation is like saying that red wet sidewalks cause rain, it reverses causation. With inflation, the devaluation-

Bill Walton ([09:02](#)):

Did I say you were contrarian when we opened this show?

John Tamny ([09:04](#)):

Yes. And I am-

Bill Walton ([09:05](#)):

We're going to get to the bottom of this.

John Tamny ([09:07](#)):

And this is one of those things that I am very much alone on. And so, I appreciate-

Bill Walton ([09:11](#)):

Yes, you are.

John Tamny ([09:11](#)):

... a chance to make an opposite case. And so, here we are.

Bill Walton ([09:18](#)):

But what about this? We had incredible fiscal and I believe mistaken responses to this, starting with Trump. In 2020, we showed trillions of dollars out for stabilizing the economy, set people payments, they had more money. Most of them saved the money.

([09:40](#)):

And so, we've shoved them, including the most recent bills, something like \$6 to \$7 trillion out. And the Fed financed that and they financed it by monetizing it, which is basically they bought up the bonds to pay for it. They didn't raise taxes. But so instead of getting taxes, we got inflation. And you're saying that that is not driving the rising prices?

John Tamny ([10:04](#)):

No, because all demand begins with supply. And to believe that the Fed financed it, that begs the question, why isn't the Soviet Union still here? If all it takes is just to institute a central bank to buy the debt of governments, why didn't GosBank just buy up Russian debt and keep the Soviet Union afloat?

(10:26):

Well, it couldn't because no one accepted Rubles. The notion that the Fed, a creation of Congress can finance Congress is a little bit odd, isn't it? I mean, if it were true, why doesn't Haiti have lots of government spending? Just start a central bank.

Bill Walton (10:42):

John, walk me through it. Look, I used to be an accounting major and I used to teach accounting and I'm trying to work through the math here. Congress shoved \$7 trillion out the door, where'd that money come from?

John Tamny (10:56):

It came from rich people like you.

Bill Walton (10:59):

They didn't raise my taxes.

John Tamny (11:00):

Doesn't matter.

Bill Walton (11:01):

Not yet.

John Tamny (11:02):

They don't need to raise your taxes. As long as you-

Bill Walton (11:04):

How did it come from me?

John Tamny (11:05):

As long as you're... you pay a lot of taxes, don't you? We've talked about Steven-

Bill Walton (11:11):

But we paid for it with a rising deficit. We didn't pay for it through taxes to pay for it.

John Tamny (11:16):

They borrow it from the rest of... the whole world wants to buy US debt because we're the... the American people are the most productive people on earth.

Bill Walton (11:22):

But the treasury's been buying most of the debt.

John Tamny ([11:24](#)):

Implicit, but-

Bill Walton ([11:25](#)):

Or not. The Fed has been buying most of the debt.

John Tamny ([11:27](#)):

But the Fed is just an arm of treasury. To pretend that the Fed can finance actual demand, it doesn't stand up to reality. Now, think, wouldn't-

Bill Walton ([11:37](#)):

John, I want to know how we got the \$7 trillion we shoved out. The checks went out of the treasury. They went to people's houses. They put them in the bank. Where'd that money come from?

John Tamny ([11:47](#)):

It came from productive people. Where else would it come from?

Bill Walton ([11:51](#)):

I'm not following the chain.

John Tamny ([11:53](#)):

Well, why didn't Great Britain spend \$7 trillion? Why didn't France spend 7 trillion? If it's as simple as printing money, why didn't other governments do it? The Fed can only buy debt insofar as demand around the world for US debt is pretty vast.

([12:10](#)):

Where did the money come from? It came from the most productive people on earth. If it hadn't, then every government would've subsidized lockdowns forever. Modern monetary theory would be real, but in fact it's not. There's got to be production first.

([12:25](#)):

And so, there's this idea out there, well, they handed trillions of dollars to people and they went out and spent it. Well, how about I go up your wallet upstairs and take out \$100 and go spend it? I would go increase demand in Chevy Chase, but you would've \$100 left to spend.

Bill Walton ([12:42](#)):

This is The Bill Walton Show and I'm talking with a very contrarian, and I think wrong in this case, John Tamny about whether there's not inflation and whether the Fed financed our spending. You say no.

John Tamny ([12:54](#)):

How could it?

Bill Walton ([12:55](#)):

Who else is in your camp? I'm interested. I mean, I need to be outnumbered here.

John Tamny ([13:00](#)):

Who else is in my camp? I can't find too many, but let's just ask the-

Bill Walton ([13:06](#)):

It doesn't mean you're wrong, it just means you're lonely.

John Tamny ([13:10](#)):

I love being lonely and I'm quite happy with that. Again, if central banks that are a creation of government can finance government, why-

Bill Walton ([13:22](#)):

Well, they can only up to a point.

John Tamny ([13:24](#)):

Well, but that's important. I mean, let's think about this. So, Russia in total, its total debt is 190 billion, total. Ours is 30 trillion. Is that because Vladimir Putin is secretly a classical thinker who recognizes that government spending is a tax? Is that because he lacks a central bank that would do his bidding?

Bill Walton ([13:44](#)):

No, it's because he lacks a reserve currency.

John Tamny ([13:47](#)):

Why does he lack reserve currency?

Bill Walton ([13:49](#)):

Because everybody's denominating all the transactions in the world and the dollar-

John Tamny ([13:52](#)):

Why are they doing this?

Bill Walton ([13:53](#)):

... which gives us the ability to float debt that Russia can't.

John Tamny ([13:56](#)):

Well, then why did... if that's true, why were interest rates on treasury so high in the 1970s? If we can just create dollars and the whole world wants them. But we know throughout history that when we have bad policy, when we have inflationary policy, what we see is that the debt, the cost of raising debt rises. We haven't seen that much this time, it's certainly higher. Now, but again, if central banks can just finance this, Vladimir Putin-

Bill Walton ([14:25](#)):

We're saying something different. I'm not saying what they can do is sustainable. I'm saying what they can do is they can do it for a while before the game is up.

John Tamny ([14:34](#)):

We've been doing it for decades. And so, you're-

Bill Walton ([14:36](#)):

But we've gone from 10 trillion to 30 trillion in about seven or eight years. I think we're really pushing the accelerator in a way that's not sustainable.

John Tamny ([14:45](#)):

You could be right, and the markets will tell us.

Bill Walton ([14:47](#)):

I am right and the markets will tell us.

John Tamny ([14:50](#)):

But look, can we agree that the market... that prediction has been being made for decades. All of my life, I've heard we're going to hit the point that the world's going to stop buying the debt. It hasn't happened yet. And I'm just saying Vladimir Putin, does he have more control over his underlings than Joe Biden or Donald Trump?

Bill Walton ([15:11](#)):

Different economies, different currencies.

John Tamny ([15:13](#)):

Precisely. It's the fact that we've got the greatest economy on earth, that of course people are going to buy our debt, but that's not inflation.

Bill Walton ([15:21](#)):

For a while.

John Tamny ([15:23](#)):

Sure. Governments can choose socialism. As George Gilder, someone who does... there's someone who agrees with me that this is not inflation. Governments can choose socialism and hand off and basically devalue on the people. But our market's that stupid?

([15:39](#)):

Would you buy debt knowing that they're going to devalue the income streams from it? Would you just say, "Oh, well, the US is going to devalue soon and I don't think would." These are the deepest markets in the world. It implies serious information, asymmetry that somehow everyone knows that the debt's going to cause inflation.

([16:00](#)):

Well, why does the world line up to buy our debt if that's true? And to be fair, the Chinese own a lot of our debt, the Japanese own a lot of our debt. Why would they do that if we just inflated it away?

Bill Walton ([16:14](#)):

Well, I'm saying that is true up to a point. And then, at that point, things... people change their minds. One of the things is the dollar is the one-eyed man in a kingdom of blind men.

[\(16:25\)](#):

I mean, there are no other currencies right now that really are as ubiquitous as the dollar or is backed by an economy as large as the dollar. You've got China. I would make your argument a little differently. Why isn't China reserve currency?

John Tamny ([16:41](#)):

It may someday be because the people-

Bill Walton ([16:43](#)):

And China's economy is as large as ours. It seems to me like with your argument that we ought to be buying one.

John Tamny ([16:49](#)):

Eventually, we probably will. But to be fair, their economy's not nearly as large as ours and it's certainly on a per capita basis. But you just explained why the world buys our debt. We've got the largest economy in the world. Would the US have 30 trillion in debt if our economy was the size of Italy's?

[\(17:08\)](#):

I think we know the answer. And so, of course we have lots of debt, we're a rich country. If we weren't, we wouldn't that much debt. And over time, I imagine that the Chinese will. Let's look at Japan. Have they run up massive amounts of debt over the last several decades?

[\(17:25\)](#):

Yet during that time, the yen has largely crushed the dollar. Inflation, actually the opposite of it. The yen during parts of that time literally tripled versus gold. Inflationary? No. Did it cause prices to rise in Japan? Certainly not.

Bill Walton ([17:40](#)):

Well, Japan's economy has been flatlined for about 10 years. I mean, I'd hardly use Japan as an example of somebody we would emulate.

John Tamny ([17:49](#)):

I'm not saying let's emulate. But what I am saying is, if government spending causes inflation, why hasn't it happened in the countries that are spending the most? Where's the inflation been in Japan?

Bill Walton ([18:00](#)):

So, what you're saying is we can continue to shovel out trillions of dollars from the Fed, write checks. And you're saying the Fed's not financing it, so it doesn't matter. I'm still not sure where the money comes from. What's going to stop this? Why don't we do 60 trillion?

John Tamny ([18:18](#)):

Well, for one, I'm not saying that. I think government spending's a bad tax.

Bill Walton ([18:23](#)):

Well, that's a different argument. But I think that's a good one.

John Tamny ([18:26](#)):

But it's a crucial argument. And my point is, let's assume that the Fed's abolished tomorrow. Do you think that suddenly currency devaluations will end? Will bad bank regulation end? Will government seize trying to manipulate interest rates?

Bill Walton ([18:43](#)):

I think I'd like to get rid of the Fed today, because if the Fed weren't there, the treasury couldn't issue all that money and have it paid for by the Fed.

John Tamny ([18:52](#)):

But it could. You think that they wouldn't create... the Fed is a creation of treasury. You think they couldn't create a different bureaucracy between breakfast and lunch that would buy up the debt? I mean, that's simple. Imagine if the Fed's not there.

([19:06](#)):

You think that the rest of the world wouldn't continue to buy up US debt, the debt of the most productive people on earth? I mean, why is it that Great Britain, Japan, China owns so much of our debt because they like us. But no, they feel that we're good for it. And conversely, why does Russia have so little debt? Because no one trusts-

Bill Walton ([19:25](#)):

So, John, where are you going with this? What's the policy implication?

John Tamny ([19:28](#)):

The policy implication is that government spending is bad. And of course, it's a tax on growth. The policy implication is stop focusing on the central bank. If you-

Bill Walton ([19:40](#)):

I'm not focusing on the central bank. I don't care about the mechanism. What I care is, if you're going to shove seven trillion out the door, you got to pay for it somehow.

([19:49](#)):

And you're saying somehow, theoretically, I'm paying for it. My taxes have not gone up some but not in aggregate, 7 trillion of taxes have not gone up. That would be something they used to call pay for. This hasn't been paid for. So, where-

John Tamny ([20:10](#)):

Again, I don't like it. I'm a libertarian. I want our government to be very small. But to focus on deficits versus is to make a distinction without a difference. The government spending is the problem. That the US can borrow, that the world lines up to borrow from us, and we're just going to have to disagree.

([20:33](#)):

I reject the idea that the Fed is the source of this financing. Again, if that were true, the ECB, euro is a globally used currency. The yen is a globally used currency. The Swiss franc is a globally used currency. If

it's that simple just to spend with abandon by telling the central bank, anyone can do that. The reason we have-

Bill Walton ([20:56](#)):

John, they don't have a reserve currency. We are the reserve currency. They have fewer degrees of freedom than we do.

John Tamny ([21:04](#)):

Well, more and more the euro is a globally used currency. Certainly, the yen is.

Bill Walton ([21:11](#)):

Well, I don't think we're going to agree because I just don't see the mechanism through which this... I think you and I can agree the Fed may not be necessary. But somehow, we're either going to have to spend the 7 trillion and find a way to finance it. You think the world's eager to finance our consumer spending. I don't think that's going to last very long.

John Tamny ([21:36](#)):

It may not. In which case-

Bill Walton ([21:38](#)):

Because you talk about the most productive economy, that money wasn't put to productive use.

John Tamny ([21:42](#)):

Of course, it wasn't.

Bill Walton ([21:43](#)):

And about the other half, it wasn't going into people's checking accounts. By the way, it increased savings and those savings are beginning to get drawn down, down, I think we're going to pay a price for that. The other half went for climate change, subsidies.

([21:57](#)):

And I think there's about a trillion dollars of tax subsidies that have been handed out to wealthy investors to finance power transmission lines for an example, and windmills and solar. I don't see all that going out. It seems like that's a dead weight on the economy.

John Tamny ([22:14](#)):

Let me be clear. And I think I have been, government spending is a horrid tax. It is the worst tax of all. It's more problematic than an income tax. Because Jeff Bezos might work at all sorts of levels of tax rates. But what he can't do is prosper without access to capital.

([22:33](#)):

All entrepreneurs need capital and government spending consumes it. All I'm saying is that the government... I'm not saying that it expands the economy by definition. As I make clear in the book, the government spending shrinks the economy. Of course, it does.

([22:52](#)):

But there's a lot of ability in the richest nation on earth to do a lot of stupid things. And I'm merely saying this spending wasn't globalized. Most countries can't spend as we do because they're not as rich of a nation as we are. It doesn't mean that the spending isn't horrific for the economy.

[\(23:10\)](#):

Think how much bigger our economy would be if the government weren't consuming so much of the wealth produced here. And so, there's a difference, I think, and it's an important difference. I hate the government spending. I'm merely saying if central banks could finance it, they'd be doing it not just here but around the world.

Bill Walton [\(23:31\)](#):

Well, what I'm saying and I think you make this case in the book, and I know Steve Ford makes it in their book is that countries and empires have been using fiat currencies for century after century, after century. And every time you use a fiat currency, and that's what ours is, it's not backed by anything except the full faith of the federal government.

[\(23:54\)](#):

It ends badly. I mean the Roman Empire, many empires in China, this is not just a western phenomenon. India, same thing. Almost every ruling class or ruler that attempted to finance their spending by creating fiat currency in and badly. And that seems like exactly what we're doing now.

John Tamny [\(24:16\)](#):

I would just say that it's not just fiat currency. Governments have been clipping money even gold back currencies for as long as they've been involved in money. Governments devalue, period. They always have. And they always will. It doesn't matter if it's fiat or gold standard.

[\(24:33\)](#):

We had a gold defined dollar of 120th of an ounce in 1933. FDR, just between breakfast and lunch, devalued it to 135th. In 1971, President Nixon severed the link altogether. And so, fiat or gold, that's what governments do. That's why I think gradually what we're going to get from this is that private money is going to push out government money simply because governments can't be trusted on this.

[\(25:00\)](#):

I think a focus on the Fed is to miss the point. Our major devaluations, for one, occurred well before we had a central bank. And our major devaluations in the 20th century occurred against major protest from our central bank. Eugene Meyer begged FDR not to devalue.

[\(25:19\)](#):

When FDR ignored him, he resigned his post as federal reserve. He was perilous to stop him and bought the Washington Post as an Oregon to criticize this inflationary president. President-

Bill Walton [\(25:31\)](#):

So, he was an early Jeff Bezos?

John Tamny [\(25:35\)](#):

He was early on that and he was horrified by what they were doing.

Bill Walton [\(25:38\)](#):

Interesting history.

John Tamny ([25:40](#)):

Arthur Burns begged President Nixon to not de-link the dollar from gold. And so, my point is, governments devalue. It's not a central bank thing.

Bill Walton ([25:51](#)):

I want to keep pinning this thing down though. If you devalue, isn't that inflation?

John Tamny ([25:55](#)):

Yes.

Bill Walton ([25:56](#)):

Aren't that what we're doing now?

John Tamny ([25:58](#)):

Show me where the dollar. Is the dollar weaker versus all foreign currencies? Is it weaker versus gold?

Bill Walton ([26:04](#)):

For some reason we seem to be on a highwire and we're still up there, but I don't think it's inevitable that it'll stay there.

John Tamny ([26:12](#)):

Of course not. And-

Bill Walton ([26:14](#)):

I think it's because there's no clause of alternative because most of the other central... the European and Japan and UK have had equally reckless fiscal in monetary policy.

John Tamny ([26:25](#)):

But during George W. Bush's presidency, the dollar went into free fall versus the euro, the yen, the pound, you name it. The Aussie dollar, the Canadian dollar. And I'm merely saying that we haven't seen it this time. And the dollar in terms of gold, gold quadrupled, the price of oil sex toppled under George W. Bush.

([26:46](#)):

That to me is a devaluation of the currency. It was policy. Joe Biden is an empty suit that he's not all there is a statement of the obvious. But this would be the first inflation in the history of mankind in which the currency that they say is up against all the foreign currencies and it's up against gold.

([27:11](#)):

That's not inflation. Are prices higher? Yes, they are. But again, to blame higher... say higher prices cause inflation is like saying wet sidewalks cause rain. Let's get the causation correct.

Bill Walton ([27:26](#)):

I'm not saying higher prices cause inflation. I'm just saying there are higher prices and we've deemed... we've determined that we're going to call that inflation.

John Tamny ([27:35](#)):

But why was-

Bill Walton ([27:36](#)):

So, is this a distinction without a difference?

John Tamny ([27:38](#)):

No, it's a very important distinction because I've been coming on your show for years specifically to join you in dismay about the lockdowns. And so, now, we're going to just excuse what happened, which eviscerated the cooperation of people around the world, which brought on the lower price-

Bill Walton ([27:57](#)):

I'm not excusing what's happened.

John Tamny ([27:57](#)):

So, if you're not excusing-

Bill Walton ([28:00](#)):

But I think there's going to be more than one bad thing. The lockdowns were a bad thing.

John Tamny ([28:03](#)):

Of course, there can be. Do you agree that generally though inflation is a devaluation of the currency? Do you agree that that's what happened in the 1970s? And in this case, we haven't seen that. And so, I'm merely saying I want to keep the focus on the political class and what it did. They would love us to talk about inflation because that allows them to blame someone else. And I'm not ready to blame someone else.

Bill Walton ([28:27](#)):

This is Bill Walton. We're on The Bill Walton Show with John Tamny and we're having a disagreement about money and what causes, what I'm calling inflation. And John is simply calling higher prices. I'm not sure we totally disagree, but I'm trying to figure out where we get out of this.

[\(28:50\)](#):

Let's do this. Let's change the subject. You've got a title here for your book, How Illiteracy About Currencies and Inflation Sets the Stage for the Crypto Revolution. So, the next chapter for this is crypto.

John Tamny ([29:06](#)):

Let's call it private money. Why? Well, for one, if you look throughout history in the early part of the 20th century, 2000 car makers were incorporated, just about every single one of them failed. The end of cars. No, a signal of the maturing market pushing out the bad cars are a fact of life.

[\(29:29\)](#):

In the late 20th century, the early part of the 21st, internet companies failed on mass. The end of the internet, fact of life today. It strikes me that crypto and private money is the logical consequence of what you and I have both talked about right here.

[\(29:50\)](#):

That governments have always devalued. Whenever they've gotten involved with money, they've always devalued. And in so doing, they've robbed people of the fruits of their labor. It strikes me that out of this wreckage in crypto, we're going to get private money that we trust and imagine what we can do if money pushes out government money. If money that-

Bill Walton [\(30:18\)](#):

If crypto money pushes out.

John Tamny [\(30:19\)](#):

As I point out in the book, if you go back to the 7th century in China, the fight was, should private industry create money, a stable measure or a government? And the Confucians were saying, well, of course you should have the private sector because they won't devalue.

[\(30:35\)](#):

And so, think about this. You weren't a trader, you were a financier, which is the most important work in the world. But presently, there's 10 trillion of currency trading on a daily basis. What does Jeff Bezos always say? Your margin is my opportunity.

[\(30:53\)](#):

I believe private money sees an opportunity here to take away that margin. Would you rather, at which point, private money that can be trusted will push out dollars and-

Bill Walton [\(31:06\)](#):

Well, how much currency trading was engaged in before we got off the gold standard?

John Tamny [\(31:12\)](#):

There weren't currency markets.

Bill Walton [\(31:13\)](#):

None. That says everything.

John Tamny [\(31:16\)](#):

It says everything. And what does it also say? It verifies the-

Bill Walton [\(31:20\)](#):

Now, we've gone off gold. We're unmoored from anything and you've got massive currency trading and it's a casino.

John Tamny [\(31:28\)](#):

And what does that tell us? It tells us, it verifies what markets... we're saying for millennia that gold isn't used to define money because it's shiny or because of we're religious about it. It just is so stable. And so,

market actors have been fighting for the stability of gold for years. And the only way to get it is the constant hedging of money in the currency markets.

[\(31:57\)](#):

That's a lot. That's a big piece of business. It's not as lucrative as investment banking because trading profits are ephemeral. Well, won't private industry come along and say we're going to wipe out that aspect of Wall Street's profits. And I think they're going to. And I think the crypto boom and carnage and all this is the first step of them doing that.

Bill Walton [\(32:20\)](#):

So, the carnage is good news because out of it is going to emerge something that works?

John Tamny [\(32:25\)](#):

Yeah.

Bill Walton [\(32:25\)](#):

I buy that. So, John, normally, you and I are in violent agreement. The title of your book though is Money Confusion. And this is not my... I'm not steeped in this world, but it just strikes me that I'm still confused about money. So, what are we going to learn?

John Tamny [\(32:44\)](#):

No, you're not.

Bill Walton [\(32:45\)](#):

What are we going to learn about... well, I'm not-

John Tamny [\(32:47\)](#):

You've lived it.

Bill Walton [\(32:48\)](#):

Let me make a distinction that I think we maybe should have made in the [inaudible 00:32:51]. There's the real economy, which is the economy I've mostly worked in private equity where you're looking at a business that's got a product or a service and you're trying to figure out to finance or buy it or build or something like that.

[\(33:03\)](#):

In the real economy, I didn't really worry about the exchange rate or "inflation" or higher prices. All I cared about is that we could charge higher prices because we were selling something everybody wanted, which is the real economy that I think you and I both think we ought to be focused on.

[\(33:20\)](#):

And we've got the money economy. And I think we're in agreement that if less we can take the money confusion out of the whole economic equation and make it more about the real economy and people developing, making things more productive, developing goods and services.

[\(33:39\)](#):

People want increase in real wages, increase in prosperity, that's where we want to be. And so, the other way I would think about what you're saying is we've got to take money out. And by doing that, we ending up with crypto because governments have failed their job of maintaining stable currency. Is that a fair-

John Tamny ([34:02](#)):

Capitalism requires trusted money. And as I point out in the book, if you go to Pyongyang today, if you go Caracas, if to Terone, you better have dollars if you want to get things. And are those dollars there because the Fed put them there and put money supply? No.

[\(34:26\)](#):

Money always, always, always finds goods and services to move. It's as though it's an invisible hand where there are goods and services, money mirrors it. And why is that true? Well, you've lived it. Were you competing with others to buy certain companies?

[\(34:44\)](#):

Were you competing to buy where you were courting sometimes the board and the heads of those companies, we've got a better plan for you. Money finds the good ideas. You don't need government to do it. People like you are always going to find the opportunity and get it there.

Bill Walton ([35:02](#)):

Well, if there's no competition, you got to wonder why you want to invest in it.

John Tamny ([35:06](#)):

That too. That too. Or maybe-

Bill Walton ([35:09](#)):

Our company, we were based in DC and we'd have these private equity "opportunities" show up on our doorstep and they'd be safe from Texas. And there's trillions of dollars in Texas of investor money. It's a wash in money that wants to put it to work to make a profit.

[\(35:28\)](#):

And these deals would show up from Texas and nobody else was interested. And I'd say, well, if it made it out of Texas and it's in our doorstep, what do we see that everybody in Texas missed?

John Tamny ([35:42](#)):

It would make you wonder. But it's a reminder that people like you-

Bill Walton ([35:48](#)):

When we did, it was to our regret.

John Tamny ([35:51](#)):

But it's a reminder that people like you are constantly moving resources to their highest use. As I point out in the book, the two foremost financiers of China's growth in the 20th century were two Jewish men of Iraqi descent who didn't speak a word of Chinese.

Bill Walton ([36:14](#)):

That was Sassoon and-

John Tamny ([36:15](#)):

Sassoon and Kadoorie.

Bill Walton ([36:17](#)):

Great name.

John Tamny ([36:17](#)):

And so, money finds the productive. If you fast forward to the 21st century, China's increasingly prominent as a technology center. And what's fascinating about this is that it's illegal for Americans to own Chinese companies that have a website, yet who's financed China's technological boom?

([36:44](#)):

Americans. Private equity, venture capitalists, they've largely financed it. They finance it in ways that you would know much better than I. But through offshore vehicles, money always finds the productive. And so, we live in this world in which we say to this day, well, Milton Friedman said the Fed tightened money in the 1930s and caused a great depression. Oh, come on.

Bill Walton ([37:05](#)):

Well wait-

John Tamny ([37:06](#)):

Resources-

Bill Walton ([37:08](#)):

... you've just disagreed with Milton Friedman.

John Tamny ([37:10](#)):

That's right. That's right. And-

Bill Walton ([37:14](#)):

Well, I don't feel so badly then.

John Tamny ([37:15](#)):

No. I know people say, "Well, who is this guy?" But no, but seriously, you've lived in a world-

Bill Walton ([37:23](#)):

So, Milton Friedman was wrong too?

John Tamny ([37:25](#)):

Yes, he was. Think of the idea that the Fed could put a stop sign on resources reaching their highest use. The Chinese quite literally make it illegal for Americans to own companies there. Yet Americans broadly finance China's economic boom, certainly, in the technology space.

[\(37:45\)](#):

We talk about sports a lot. It's always been illegal for college athletes to get money, but they've always gotten money. They've always driven fancy cars. We talk about politics first and foremost. McCain-Feingold, different attempts to limit capital flows to politicians, limits of \$2,700.

[\(38:07\)](#):

Yet somehow these elections invariably cost billions and billions of dollars. Money always finds what it needs to find. And to pretend that a central bank in the US could keep credit out of the United States insults reason.

Bill Walton [\(38:22\)](#):

That was Milton Friedman's argument. That's the last word. You get it. Well, this has been a little more lively than usual. Because I honestly don't understand, John, how you can think that we could find \$7 trillion. And my wife is working one of the cameras here. Sarah, did we lend the Fed that or the treasury that money to pay for it?

Sarah [\(38:48\)](#):

No.

Bill Walton [\(38:49\)](#):

And I just missed it?

Sarah [\(38:50\)](#):

No.

Bill Walton [\(38:51\)](#):

John, see? Let me consult with my terriers. Anyway, we need to dig into this because what you're saying is really interesting. And if it's true, then it should cause everybody to rethink everything.

John Tamny [\(39:05\)](#):

Let's hope. It's a dangerous world when everyone agrees and-

Bill Walton [\(39:11\)](#):

Well, here's the plug The Money Confusion by John Tamny: How Illiteracy About Currencies and Inflation is Going to Set the Stage or Going to Set the Stage for the Crypto Revolution. Very interesting thesis. And we shouldn't just be reading things that we agree with everything that's in it. And I think what John's done is created a, I think, an interesting place to start a good debate.

John Tamny [\(39:37\)](#):

That's right. Yes.

Bill Walton [\(39:39\)](#):

Well, we're all done for today. This has been The Bill Walton Show and thanks for joining. And as usual, you can find us on all the major podcasts and other platforms, YouTube, Rumble, et cetera. And also, the show, airs on Monday night on CPAC Now.

[\(39:56\)](#):

And also, I hope you'll catch me on Frank Gaffney's show on Mondays where I'm arguing that maybe we shouldn't spend any more time financing China, John. Anyway, great fun. Glad to have you here. So, thanks for joining. I hope you enjoyed the conversation.

[\(40:16\)](#):

Want more? Click the subscribe button or head over to thebillwaltonshow.com to choose from over a hundred episodes. You can also learn more about our guest on our Interesting People page and send us your comments. We read everyone and your thoughts help us guide the show.

[\(40:34\)](#):

If it's easier for you to listen, check out our podcast page and subscribe there. In return, we'll keep you informed about what's true, what's right, and what's next. Thanks for joining.