Welcome to FYI, the four-year innovation podcast. This show offers an intellectual discussion on technologically-enabled disruption, because investing in innovation starts with understanding it. To learn more, visit arc-invest.com.
Arc Invest is a registered investment advisor focused on investing in disruptive innovation. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions. It does not constitute either explicitly or implicitly any provision of services or products by arc. All statements may regarding companies or securities are strictly beliefs and points of view held by arc or podcast guests and are not endorsements or recommendations by arc to buy, sell, or hold any security. Clients of arc investment management may maintain positions in the securities discussed in this podcast.
Greetings, everyone. I am here with my dear friend, and I do still call him mentor, but friend and mentor, Art Laffer, who has a book out quite recently. Taxes have consequences. And as I was reading this book, and I've read versions before, they took me or it took me back to my early days with Art Laffer, 1976-77. At USC, Art was teaching in the business school and was bringing sort of a supply side school of economics into that school. And I took his class and was blown away by, well, first of all, he enters the class and starts with a joke, starts with a joke.
And then he starts talking about current events, political, economic, and so forth.
And so he pulls us more and more into the subject matter. And by the end of the class, the board is covered with equations. And honestly, as we're leaving, I don't know how we got there, but we got there. He just lured us in and made us a part of what was going on. And I was in awe back then. And I'd never experienced anything like it. And I would say that I would say that in reading the book, it brought back those memories because so much data in this book, so many graphs,
so many facts and figures that you're not going to be reading elsewhere. So I highly recommend it. It's a history book and a quite effective one as well. So welcome, Art. So happy you've agreed to join me again. I love it. I love it. I love it. Thank you very much for having me here.
And thanks for plugging the book. It's a fun book and it's the complete history of the U.S. income tax from 1913 to the present. Six months after the 16th Amendment, Woodrow Wilson put the
income tax in in the U.S. and the story goes from there. I don't know if you want me to describe it a little bit. Right. One of the phrases you used early on in the classroom was, government spending is taxation. And that stuck with me because government spending is so much throughout my career has been so controversial. And so this idea of the taxation, outright taxation or inflation or debt, what have you, government spending is taxation.
And then reading this book and delving into that a little bit more, yes, I think that would be great Art, if you could do that. Just a quick synopsis. For sure. I mean, governments don't create resources.
I mean, there are certain businesses that governments are in. We're not talking about that, the Postal Service and that there. They provide a direct service for the cost.
You buy the stamp, they proliferate. That's where they have a business there. The military is something very different where it's a useful service. We're talking about government spending outside of those realms. And you know, government doesn't create resources. It redistributes resources.
It takes from someone and gives to someone else. That's what the government does. And in that

sense,
the government spending is taxation. They can finance that taxation through inflation and decreasing the monetary base or they can do it through bonds or they can do it through the tax codes. And this book is on specifically on one of the tax codes, the U.S. income tax. We also look at payroll taxes. We also look at tariffs and quotas, etc., like that. But this is specifically the tax system. We have 1913, the income tax was put into effect. We have every single tax return from 1913 to the present, well, two years ago because they don't release the data for two years because of privacy. We have all the data. We know who the person is, not by name, but by which tax return it is, who is the highest income in the bottom 99 percent, the lowest income in the top 1 percent. The book focuses on the recent political structure of the top 1 percenters and the highest marginal income tax rate. And just for the record, the income tax was put in in 1913. At that time, the highest marginal income tax rate was 7 percent. 7 percent was the highest rate. It was graduated steeply from 1 percent to 7 percent. But it was on a very, very small base. There were 358,000 filers in 1913. That's out of an adult population of about 62 million. So it was a very little teeny, tiny group of people that were even subject to filing a tax return and then a very progressive state. That tax code lasted for about three years, 13, 14, and 15. But then, bam, they started the big rise in raising tax rates. By 1918, they'd raised the highest marginal income tax rate from 7 percent to 77 percent. And the number of filers were increased about 17 fold to about six and a half, 6.6 million of the adults. Now, the reasons, the logic was we had a pandemic course and we also had World War I. But there's always
something there to justify the rise we did. And then we had the immediate after the World War I period. Wilson was gracious enough to give the American taxpayers a little gift. He reduced the highest tax rate from 77 percent to 73 percent. You're welcome, America. And that lasted for three
years. We had a big election in 1920. It was between Cox, who was the governor of Ohio, and Roosevelt, Franklin Delano Roosevelt, his best friend who was undersecretary of the Navy. You'll come with that name again, by the way, versus Harding and Coolidge. Harding and Coolidge won the election in 1920 by the largest percentage ever. It was a huge landslide all on taxes. And they took office in March of 21. And so the beginning of the tax reform came in 21. So from 1920 and 21, the rate was 73 percent. All right. And then they dropped it all the way down to 25 percent during the Roaring 20. It was called the Roaring 20. The economy boomed. You see a great thing. Unemployment rates went way down. Employment went way up. Prosperity went there. The inflation rate dropped. We had 11 years of budget surpluses on the federal level. And then, of course, in the end of 1929, the last quarter of the House and the Senate passed bills called the Smoot-Hawley Tariff, which was, roughly speaking, a 60 percent increase in tax rates on traded products.
And of course, the market cataclysm. I think it fell in that one quarter, 30, 35 percent. And then it continued its fall down to about 7 percent of its previous high. It really collapsed. If I could, I'd love to actually spend some time. And I reread the chapter on the Roaring 20s. Because if you think about today, I often equate what we're going through today to something like what happened back in the late 1910s into the 20s. So we had World War I.
So we had a war. And we had a pandemic. The Spanish flew. And of course, we just went through a pandemic and a war. And this is an echo of that time. And I'm struck by the fact that, yes,

we were on the gold standard back then. And the inflation rates, because of supply chain and all of the other problems, went up to 24 percent. I think it was 24 percent in June of 1920. And by June of 21, it went down to minus 15 percent. Now, I'm just mentioning the similarities. We have been thinking that if we could get tax policy right here in the U.S. now, given all of the innovation that is evolving now, and would be incentivized even more, that we could enter the Roaring 20s again, 100 years later. And we can get back to the history in a minute. But what would you do that's realistic if, let's say a new administration came in? And there was, I don't know if these days we could get a landslide, but in today's terms, a surprise in terms of the acceptance of someone suggesting new ideas. What would you do if you were running for president? And this is all based on data, Cathy, as you know. And the reason I belabored and blabbered on is because we have all the data. This is not about, without data, anything is possible. With data, you know what happens. This is not about how you feel. This is data. Based upon the facts of history, based upon the responses and all of that, what you would want to have, covering the monetary as well, you want the lowest possible tax rate on the broadest possible tax base. So you provide people with the least incentives to evade, avoid, or otherwise not report taxable income. And believe me, if you read the book, you can see how much they do avoid through it. It's amazing. And you have the broadest base, so you provide the least places to where they can put their income to avoid paying taxes. So you have a low rate broad-based flat tax, just what I did for Jerry Brown when he ran for presidents. Number two, you would have spending restraint. That's the next North Star. You know, you would have, you wouldn't have all the stimulus spending, which doesn't help the economy. It hurts the economy. It causes people not to work. You give them gifts. They stop working the people you take it from, make them not work. You would stop that. You would have spending restraint, sound money. There is very little on earth that can bring an economy to its knees quicker than unsound paper currencies, unbacked paper currencies. We have a classic period now of exactly that. We had another one in the 70s, all of which we go through very carefully in the book. Number four, regulations. That's the fourth North Star. All we all know we need regulations, can't they? We do. I mean, can't, regulations are really, really important. But what you don't want to do is go beyond the specific purpose at hand and create a lot of collateral damage. I want to just point out the regulatory stuff on energy, fossil fuels, a lot of the regulatory stuff on other things. You, you, everyone's got their own regulatory stuff on healthcare. I mean, regulatory stuff that just out the wazoo that is really unnecessary needs to be brought back under control to allow the growth. And lastly, and this is one that a lot of my friends disagree with me on, but they're wrong. Just joke. It's free trade. It's free trade. Free trade has been the generator of economic growth through the United States up until the income tax by immense amounts, starting in 1640 on through, let's say, 1870. We ran a trade deficit. They provided, the foreigners provided the capital. Comparative advantage allowed us to specialize in the production of products and really jettisoned U.S. growth. We need to have free trade today, especially with those countries that we have the biggest problems with, with Russia, with China, with Iran, with Cuba, with North Korea. I'm not saying in nuclear weapons, Kathy, don't give them something that's going to hurt us. But what we need to do is have that so we do business with them, so we explain. So the interaction is there so we can create an influence in their countries to move away from

the bad totalitarian dictatorships that they have to win them back into there. Everyone loves his or her customers. No one wants to bomb their customers. If we are China's customers and they are ours, if they invest in our country and we invest in ours, that's a huge block to stopping war. China's going to be here 50 years from now. So are we. We need to learn how to work with those countries, not be at enemy odds. So low rate broad-based flat tax, spending restraint, sound money, minimal regulations, and free trade, and then get the hell out of the way and let markets solve it. Then we turn the world over to Kathy Wood and ARC and let them solve these things by providing capital to the places where it's needed most. And that's the solution. This administration, and unfortunately, is going exactly in the opposite direction. Each and every one of these pillars of prosperity. Yes, and I hope everyone sends this to those they think could actually help us with putting the right people into office.
I did want to go back to, since your book is about the history of taxation, the Laffer Curve, you're famous for the Laffer Curve. What is that perfect point when you lowest rate possible, broadest space? What is that rate? Well, I don't know what that rate is. It depends on the rest of the taxes and all that. There are a lot of things in there that does, but let me tell you what it isn't. It is not a 91% tax rate on the rich. It's not a 70% tax rate on the rich. It's not a 37% tax rate on the rich. It's much, much lower than that. What you have been doing here with ARC, and I'm just so proud of you, it's bursting at the seams, but you have been discovering that it's the innovations in America that has made America different from the rest of the world. It's the Elon Musk, it's the George Soros, it's the Bill Gates, it's all those people.
We want to not go after those people. We want to encourage those are what make America different from all these other countries. What we have found out in this book is every time you raise tax rates on the rich, every time you raise that highest rate on the top 1%, the economy underperforms. It does. Facts. This is not opinions. This is what actually happens. Whenever you raise
those tax rates on the rich, the rich do much less well. Their dividends, their capital gains, and all of that are less. The economy underperforms. But what they also do, Kathy, is they also shelter their income. They spend all their time worrying about taxes and not about producing products, not been enough to avoid having to pay these high taxes. What also happens, by the way, is the poor, the minorities, the disenfranchised, the lowest echelons get hammered. The Great Depression and World War II were not friends of poor people. Let me just say that fragment.
And lastly, every time we raise tax rates on the rich, and you'll see it in the plots in there, it's every time you collect less revenues from the rich. You do. I mean, you know, it's a boom when you cut tax rates on the rich, they feel much less inclined to shelter their income, and they earn a lot more. And so they pay more. And it's just amazing. Those are the consistent facts. How they do it is fun, delicious, and fun. We've got all the tax shoulders that were done there in Chapter 2 for the last 100 plus years. I mean, they're really cool, but everyone does it. And if you look at Bill Gates, you look at Warren Buffett, you look at any of the people today, they still do it. Warren Buffett, I go through this in the book carefully. Warren Buffett in 2010, according to Economics, the Simon, Hague-Simon definition of income, earned about $12.5 billion, his appreciation in assets, his spending, and his gifts, all of that included in his income, earned about $12.5 billion, and he paid about a little less than $7 million in income taxes. And this is his own letters to the New York Times. I wrote that in the journal. Because of high taxes, he used all the legal, very proper, very good tax shelters and paid only.

At a low-rate, broad-based flat tax, he would have paid $1.5 billion or more in taxes, and he would have been happier. We would have been happier. The world would have been better. So, Art, why is it so difficult for people to understand this? In our own lives, each one of us does try to minimize taxes legally. I mean, just as common sense, you would try to do that, right? Why is it so difficult to convince policymakers that this is the right thing to do? Because it diminishes their role. I mean, you remember that Earl Long said, don't tax you, don't tax me, tax the guy behind the tree. Every new tax code thing, I can raise another $20 million in my campaign. These are the wrong people there, because they don't have any skin in the game. It's fun spending other people's monies, because you don't bear the consequences. And what we have to do is make sure these things get to the voters. I did Jerry Brown's flat tax in 1992 in the Democratic primary, which was exactly the tax plan I proposed to you there, all right? And we went from eighth in the race to second in the race. We were coming into the final against that blue-eyed guy sucking his lower lip. You remember Billy Clinton from Pope Arkansas. We there were coming into the New York and California primaries, having just one Connecticut and just one Oregon coming into there. We were coming in that in the Democratic primary, the voters love the low-rate broad-bass flat tax and the liberal Democratic primary. So we don't have any problems discussing voters, convincing voters. We have a problem making it happen through the political process. That's where the clog occurs. That's where the sclerosis happens. And what you need to do is have a good vote, like a Reagan vote, like a Harding-Hoolidge vote, like a John F. Kennedy vote. By the way, that was this. Kennedy was the pro-growth agenda back then, and find someone. The Trump vote, I think, was to a large extent responsive to the bad economics that had been done prior under Obama. And I hope 24 is the same thing. Yeah. We mentioned the Roaring Twenties. That would be very good news if we got this right, and policymakers adopted some of the policies that you think are so important. Obviously, the Depression was a disaster, and you talk about the role of taxes there. You mentioned... It's shocking. It's just shocking. ...smooth holly, and then all the other insidious taxes that evolved and made things worse. So maybe you could go through that a little bit. Sure. I mean, the smooth holly was a 60% increase in tariffs. As I mentioned, it passed the House and the Senate in the last quarter of 29. The market was collapsing. Hoover signed it into law, and I think it was June of 1930. We went down. The Depression was on. At that time, taxes weren't collected on a cruel basis. You didn't have an estimated tax. So the revenues came in in 31. In 31, really bad, a huge drop in revenues. That's when Hoover responded, we have to have a solvent government. He put through the tax increase of January 1, 1932, raising the highest rate from 25% to 63%, collapsing the black ball, and it went really bad. The election was lost to Roosevelt. Roosevelt came in in March of 1933. The first thing he did was a wealth tax. He confiscated all the gold in the U.S. at $20.67 cents an ounce, and then six months later, raised the price of gold to $35 an ounce after confiscating criminal penalties, and the Great Depression happened. So it is exactly a story of taxes. We put in the payroll tax in 1937 with three taxes, 37 a 1% tax, an employer and employee, 32 a 2% tax, a 2% tax, an employer and employee, 39 a 3% tax, an employer and employee. That was the scheduled bill that happened. The secondary crash was so horrible that they rescinded the second and the third increases in the payroll tax. It's just incredible. Like Japan did with their collapse when Japan did it in 1989 and then on to their payroll tax. So that's exactly the story.

I could go through individual ones. They had a 12.5% per annum retained earnings tax. Imagine that. They raised the death tax to almost 90% on that. They had a gift tax. All of these were new, just they piled up. If it swam, they taxed it. If it flew, they taxed it. If it crawled, they taxed it. If it ran, they taxed it. If it dug holes in the ground, they taxed it. If it just sat, they went, they taxed it. It was just amazing. And of course, you can see the thing. The highest rate went from 25 to 63 to 79 in 1936 to 94% in 1944, 45. You wonder why there was a problem. It was a tax-driven thing. The Great Depression was taxes, taxes and more taxes and nothing but taxes. People argue like Milton Friedman and some of the others as monetary policy. Monetary policy
was a consequence of that. There was a run in the bank because everyone knew they needed gold as a shelter. I mean, gold is the first refuge of the cautious. When they all pulled the reserves out of the banks, the banks' money to multiplier shrank, the money supply shrank, that was a consequence of the taxes, not a cause. I'd like to pull the discussion around that to today, which here, again, we have deposits leaving the system and they are moving into government-backed
securities, treacheries, money market funds. It seems to me, and you do mention this in the book as well, that we could be in another crowding-out situation here, right? Because money, M2 is negative on a year-over-year basis. We haven't seen that since the Depression. Deposits are leaving the banking system for higher yields. It seems mind-boggling to me that to hear people say, well, I took my money out of the banks, especially around the regional bank crisis, March and perhaps we're still in it. I lowered my risk and increased my return with these government-backed securities. I think, could you comment on that just as-
Sure, I'd love to. Let me go right in. You're hitting right on the full throttle on the top speed. It's the Fed balance sheet. The Fed, starting in 2008, 2009, decided they wanted to stop everyone from having losses. If you eliminate losses, you also eliminate gains and profits. Whenever you do a zero-interest rate policy, you're trying to underwrite losers. Markets don't create that. The Fed increased its balance sheet from, I think, $830 billion in 2008 to maybe $8 trillion today. There's been a huge expansion, a lot of it in the recent period, more than doubling. Now, I have a slightly different view of M2 than you do. I view M2 as reflecting more the demand for money than the supply of money. Once you allow these interest rates to rise, that reduces the demand for money. People want to hold non-interest-bearing securities. They want to move out. You have this huge increase in the supply of money. This is what I believe has led to a lot of the inflation problems that we currently have. It's not over. Then, of course, what the inflation does is they hire interest rates. These banks, once they've lived and built their whole portfolios on a zero-interest rate world, they have to go way out with their assets to get any type of yield. All of their liabilities are short-term and they're all interest-sensitive. When the interest rates go up, you have unrealized capital losses on the long-term balance sheet. You have higher expenses there in places like Silicon Valley Bank and Signature and Republican. All the ones you and I have talked about are length. All of them are effectively, if marked to market, would be underwater. Obviously, bank people pull out of banks like that. They're the fastest growing banks. We have that situation today. I don't think it's over, Kathy. I think what we really need is what you would like to see and what I would like to see is making the dollar sound and bringing interest rates down correctly down because of market anticipations being right. We have had a decline in the expected real return on a unit

of capital over the last 20 plus years, 25 years, that has been cataclysmic. At the end of Bill Clinton, the difference between the one-year yield on a bond and the rate of inflation, which is pretty high then, that's a high yield, has gone to where it's negative today. That negative real yield is the senescence of America. We need to stop that with sound money and sound tax policy and restrained spending and free regularity and free trade. We can do it quickly, by the way. We can reverse this overnight if you put the policies in quickly with regular interlative, which was the mistake. I was going to go to that next. What was so interesting about that time, very early in my career, and as a laffer disciple, I believed that the Reagan tax cuts were a really good thing and that they would ultimately help accelerate growth and actually lower the deficit. Of course, at the same time, we had Chairman Volcker strangling inflation. As you just said, we had the phasing in of the tax cut. I guess this history would have taught us this. You shouldn't phase in because people will just delay recognizing income until they get that lowest rate, which was 1983. We had Volcker strangling inflation out of the system, and this deferral of activity, which really caused a recession. I remember in my early days in New York City, I couldn't even talk about the laffer curve because everybody was so sure it was wrong until after that period, it was, oh, so right. You got the credit you deserved, but I think that's such an important understanding, this idea. Don't phase these things in. Do them quickly, right? Exactly. It's amazing how tax cuts don't work until they take effect. Yes. If you know they're going to cut tax rates next year, what do you do this year? You defer all the income you can until next year. In 1981, we passed a bill where the tax cuts really began in full on January 1, 1983. We caused the deep recession, depression, whatever you want to call it, of 81, 82. I don't think it was Volcker. We have had good monetary policy historically that did not leave two crashes, but it was the deferral. The same thing they did with Harding and Colitz, the same thing that with Kennedy, and then the same thing with Reagan as the deferral. From January 1, 1983 to June 30, 1984, that's 18 months casting. A year and a half, six quarters. US real GDP grew by 12% during that period. That's an 8% per annum compound rate. That's Chinese growth rates. Inflation went down not up with the boom. It was no Phillips curve. It was boom. We won the election with 49 out of 50 states. Mondale was a great guy. He was a good candidate,
a good person. Everyone liked him, but we cleaned his clock because you're running against God. I mean, Reagan really did the job on it. It's worked in every other country as well, and you can just see it. People don't worry about taxes until they have to pay them, then they really do. You're still right. It's like the state movement. Why is everyone moving to Tennessee, Texas, Florida, and Nevada? It's not because taxes are higher there. Right. That was the next topic. I love this idea that the states are competing. Actually, I think COVID, it was a terrible tragedy, but this idea of understanding, maybe we can work remotely, productively. Some can, some can't, but it is possible. I think it's accelerated the movement towards these zero or low tech states. Yeah, it sure has. I live here in Tennessee because it is the single lowest tax state in the nation. We have no income tax earned or unearned. We have the lowest, arguably the lowest sales tax in the nation. We now have no gift or estate tax. I mean, we have the no tax in the Constitution. We have right to work in the Constitution. We have a part-time legislature, all of that. We are arguably the fastest growing state in the nation. We're the only state that attracts capital net income from Florida. 48 states lose it. We're the only one that gains it. If you look at that, we have the biggest improvement in public services

of any state in the nation, especially education. We have the biggest surplus in our budget of any state in the nation. We have fully funded pension funds, both state and local, fully funded. We've got the highest credit rating of any state nation. Other than that, it's really a lousy state. Working here is so much more fun with lower taxes. You found that by moving from New York to Florida. I wish you to come here. Come here because I'd love to have you be an extra neighbor, Kathy. Thank you. You were a big inspiration behind my career and I definitely couldn't have done it without you. I didn't know that statistic about Tennessee being the only state attracting people from Florida because we know Florida, the net migration, is roughly 1,000 people per day still. It's been astonishing to see St. Petersburg, the Tampa Bay region, just boom. Even the time we've been here, I've noticed it changed. That's only 18 months. Again, this idea of making decisions quickly and being decisive from a policymaker point of view is important. It really is important. We attract AGI, adjusted gross income using tax returns. I don't know what the number of people a number is, but we attract, and the reason I use that is because that's where the tax rates bite. We attract adjusted gross income net from Florida. Every other state loses it. The rich people go to Florida. The really rich ones come here. That was a joke, Kathy. Oh, sorry, sorry. That's okay.

You've not changed since you were a student. Let me just tell you, one of the most literal people I've ever met in my life is Kathy Wood. Yes, I don't get jokes. Here, I just told everybody, you started the class out with a joke and it was a moment for me to say, am I going to get this one or not? Everybody else would. Anyway, so, Art, is there anything else you would like to share about taxes or your book? Yes. I would like to share one thing that I think is really important here, and this is the liberal critique of supply ciders and of conservatives, is how do you deal with the racial injustice of this planet? The inner cities, the predominantly black inner city neighborhoods, and there's other ethnic groups in there, but the poor, the minority, the disenfranchised that have so missed out on the benefits of prosperity, and they have not shared in the beneficence of the of the U.S. for years. The reason is because of welfare payments are withdrawn as you earn more income. If you have a welfare system, if you get a job, if you get a higher pay, you lose all your social welfare benefits. The example I use is the single mother of two in Philadelphia. If she earns $29,000 a year, you can take all the after tax income she gets from that pay, and then you can get all the social welfare benefits and the value of that, you add them together, and this is the total spending power she has. If she, through gumption and initiative and drive, makes $58,000, doubles the pay, you can go through that same calculation, look at all the social welfare benefits, and the net spending power she would have making $58,000 versus $29,000 is the exact same. That is effectively a 100% tax rate. That's why you've got to solve the inner city by getting rid of that, what it's called the poverty trap, is because you all of a sudden face these 100% tax rates, and everyone stops, and you never break through to the hop. You've got to solve poverty by making a tax-free zones on the inner cities. Now, obviously, you need some welfare there to make sure that people can survive and go through, but you want to make it no payroll tax, no income. I wrote this in 1978, I wrote it called enterprise zones, maybe even earlier, maybe 74, I think it was 74 while it's still in Chicago. Enterprise zones where you have no payroll tax, other employer or employee for people who live in the enterprise zone and who work in the enterprise zone. To no income tax, up to $50,000
year income, either employer or employee, again, with the same, thorough review of building codes,

regulations, restrictions, requirements, all of these to make sure that they're not anti-economic growth. Some of the work rules that are put through by unions and all that. Lastly, the critical one here is for kids in the inner city, no minimum wage. These kids can't find jobs at $15 an hour. They can't find jobs. Therefore, they don't get that first job. After being unemployed for a year or two, Cathy, they become unemployable. They don't get the work skills. They don't get that. After being unemployable for a couple of years, Cathy, they become hostile. You have to protect yourself from them. We need to make sure that they get that first job. They get the requisite skills to work up the ladder. That is done by tax rate reductions in the enterprise zone. You obviously have to make them time-dated. You can't have it last for a thousand years, but you have it reviewed maybe every five or 10 years to make sure that we're making headway. That's what needs
to be done. Growth is the answer. Benjamin Hooks put it so beautifully when he said that blacks are hired last and fired first. For blacks to do well, we need so damn many jobs out there, they've got to hire us. Kennedy said it. I know you're a fan of Kennedy as I am. A little bit of Irish in us both. Kennedy put it so beautifully. He said the best form of welfare is still a good, high-paying job. We have not done that. We need to have not this fancy tax deduction tax, credit offsets omission. That's all fancy stuff. We need no payroll tax, no income tax, thorough view of building codes, regulations, and then have no minimum wage because that kills these kids in the inner city. You and I get all this fancy education, and then we can earn above the minimum wage. They don't get that fancy education. They need to get the requisite skills through apprenticeship programs. That's where we need to go. Wow. This has been fantastic. I honestly hope that all of the potential policymakers out there or candidates listen to this because it's so important. I know from taking your classes that you can go throughout the world and you have advised many leaders around the world on tax policy, on monetary policy, and those who have followed your advice have benefited. I know thatcher in the UK, but many other countries, maybe you can just rattle them off. Well, Chile was one. Argentina was one. I was down there in Chile
in 1973 for the first time after Fidel's visit. Then in the late 70s, we did all the reforms. Chile was the best-performing country, supply-side economics all the way. I remember that. Sound money, tax cuts, funding-funded pensions, spending restraint, all of that. It was done there then under Menem with Rocky Fernandez and Pedro Poe and all the other guys there. I mean, Domingo Cavallo
and all the team there, supply-side reforms there. Now, that one didn't last as long. You got some low-pesmer. If you got a change in the government, it went back to the old ways. Even five years of prosperity. Cathy is better than no years of prosperity. When none of us win this war for 1,000 years, for a billion years, forever, all of its ballots, like Reagan always said, America's prosperity is one generation away from being lost. Each time we have to go and it is true. We had the
great prosperity under Reagan, but it was lost under W and Obama and was regained a little bit under Trump and then now really being lost by Biden. The prosperity of Harding and Coolidge was lost by Hoover and Roosevelt and then was regained by Kennedy for a very short period. I think they called it the Camelot Era. If you were too young to remember it, but he was my commencement speaker.
Jack Kennedy was President Kennedy. That's where I got all the phrases. I brought all these phrases

to Reagan. The one I love most of all is, no Americans ever bait better off, Cathy, by pulling a fellow American down. We just aren't. Every one of us is made better off. If one of us is made better off. Then the next line, which I took to Reagan, which we used in the campaign of 80, a rising tide, it raises all boats. Balance up, not down. This is, we can do it. We can't do it by attacking the rich. The rich are not the problem. The rich are the answer. The poverty is the problem. We need so jobs. We need to grow that. Making poor people rich is much better than making rich people poor. You and a couple of others, Cathy, might make my life worthwhile. I've got to tell you with my kids and grandkids and great grandkids and you guys, you know, you make me feel almost immortal because of the wonderful things you've done and I'm such a big fan of yours. It's hard work. It's getting facts out. You're not going to be great every day. No one is, but let me just tell you what you have done with ARC is just spectacular. I'm so proud to be part of it. Thank you. Oh, thank you, Art. Couldn't have done it without you all those years ago. Yes, you could have, but I'll take credit. I'll take all the credit I can get. Thank you. All right, Art. Thank you so much and everyone. Great history book and it's fun too. ARC makes economics and history fun. So thanks. Thanks again, Art. My pleasure, Cathy. Thank you. See you the next time. All righty. The deal. ARC believes that the information presented is accurate and was obtained from sources that ARC believes to be reliable. However, ARC does not guarantee the accuracy or completeness of any information and such information may be subject to change without notice from ARC. Historical results are not indications of future results. Certain of the statements contained in this podcast may be statements of future expectations and other forward-looking statements that are based on ARC's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events that differ materially from those expressed or implied in such statements.