

Chris Whalen: Equity markets overvalued but not ready to crash

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Erik: Joining me next on the program is Chris Whalen, and, Chris, thanks so much for joining us. I want to start with the US dollar because, you know, we've had quite a few guests talking up a secular bullish argument on the dollar and, boy, it really all sounds very compelling, but look at the chart. The dollar bulls—the chart is telling us dollar bulls that we're wrong.

So how do you see this playing out? What do you think is driving the weakness that we're seeing in the US dollar? And does it represent a secular change in direction, or is this just a natural pullback in an ongoing bull market?

Chris: Well, you know, it's hard for analysts to get their hands around the dollar because the old relationships, particularly interest rates and trade balances, which used to give you a good idea of where a currency was going to go don't seem to matter anymore. So the dollar was rising against major currencies after the financial crisis, and particularly over the last four or five years, in large part because people were fleeing whatever country they were in and going to the perceived safety of the United States.

So Russian oligarchs, members of China's communist party, they sent trillions of dollars to the United States over the past five years. Much of it went into American real estate. They also like Canada by the way, because both the US and Canada protect property rights, and they have a reasonable degree of confidentiality when it comes to investment flows. So if you're a communist party cadre in China and you've stolen millions of dollars, you want a safe place to hide it.

And so this all, this capital flight contributed to the strength of the dollar, really, apart from the normal considerations of trade deficits and interest rates and everything else. Now it's kind of reversing because there's been this narrative on Wall Street, particularly in among the private investment community too. That said, well, you know, places like Brazil, Europe, even Asia, even Japan are all of a sudden attractive.

And so you've started to see money flowing out again. Whether it's going to be

maintained or not I don't know. Because, as I say, the old measures for whether a currency was going to appreciate or depreciate really have lost their validity since 2008.

Erik: I want to follow on with a question that may be related, maybe not. You know, a lot of the dollar bulls have argued that President Trump's repatriation agenda ought to drive further dollar strength. I know that you wrote an article recently about a Supreme Court case that I wasn't even aware of, having to do with a lot of US corporations using offshore asset-backed security transactions effectively to avoid taxes. And you think that this Supreme Court case means that that's about to unwind. Give us the story there, because that's something that I had not heard until I heard about it from you. And then, does that affect the dollar or is it really independent of the dollar rally?

Chris: Well the Supreme Court case involved Dow Chemical. There was also another case involving General Electric. And what happened was the Internal Revenue Service had looked at some transactions that both of these companies had done years ago, and it decided that the sale of assets that the companies claimed and the related reduction in their US tax liability were essentially a fraud. And that the assets and the income were not proportionate.

In other words, if you try and get rid of, say, \$100 million worth of income, but you only move assets that are attributable to part of that revenue that you're claiming, the IRS looks at that. And they have limited resources so they only get around to this slowly.

There was another case involving a company called Overseas Shipholding Group which you might want to look at. The company had to file bankruptcy after the IRS disallowed some of their offshore transactions.

The money here is huge. We're talking about tens of trillions of dollars in taxes that have been avoided by US corporations. So when the politicians like President Trump talk about repatriation of taxes, they're only talking about a tiny, tiny fraction of that. Meanwhile, though, the IRS is slowly looking at all of these offshore transactions. And now that the Supreme Court looked at it but declined to review it, the case now has national effect.

And I think that companies that have used these sorts of tax shelters in the past basically are going to have to sue for peace when the IRS calls because they won't have a basis for arguing. And, interestingly enough, President Trump uses the same lawyers who were representing Dow Chemical. And his avoidance of taxes when the loan guarantees he had were forgiven in the restructuring of Trump Casinos in Atlantic City is exactly the same situation. So think about that.

Erik: So that's very interesting. So President Trump potentially can threaten these companies and say if you don't repatriate assets the way I want you to, I'm going to

go after you because I know your lawyer is shady because he used to work for me (laughter).

Chris: Because I know him too. Yeah, well, yes, he could. And, look, the IRS is one of the strange agencies. On the one hand, the Treasury needs them to keep everybody in line. But on the other hand, the Republicans always love to starve the agency for resources, because they really don't want them looking at every possible transaction. But, suffice to say, there's a lot of money involved here.

You know, the folks at Goldman Sachs and their structured finance team are very good at constructing tax shelters. And, you know, I think it's good that the IRS is looking at these things, because in many cases they're fraudulent. And there really ought to be further taxes paid by these companies. It's not fair to American individuals and businesses that don't do business offshore if these large multinationals can get different treatment for their taxes.

Erik: Let's move on to the US equity market. We've had a lot of people on the program arguing that the market is way overvalued, this thing is overdone, it just has to crash here, the top has to be in. Yet it continues to march higher. And we've also heard the other opposite argument, which is that there's so much new liquidity in the system in terms of the feds supporting the market, even if we're supposedly talking about shrinking the balance sheet now it's shrinking very slowly. Which way do you see this, or where do you think it's going? What's your outlook for short, medium, long-term in the equity markets?

Chris: Equity markets are clearly overvalued. They're very much like what you see in the residential real estate market in the United States and also in commercial real estate. The Fed manipulated the credit markets, they took four trillion dollars' worth of securities out of the market, and they've essentially forced all of us to invest in something else. And so you've had a situation where low interest rates have driven money into stocks.

You've also had companies buying back their stock because debt is so cheap. Look at IBM. They've a negative book value for the company now, because they've levered up so much and bought back so much stock. And so you have a scarcity of supply. And so I would not disagree at all with your other guests that the stocks are overvalued.

The Street keeps coming up with rationales why that's not so, but I think it's clear that it is. But on the other hand, do I expect the market to crash? No. Because, remember, the constraint here is supply. And there's so much money looking to invest that it's going into all of the possible asset classes and in some cases into surreal asset classes like bitcoin and all of these digital currencies.

It's very much a function of the central banks. And I think that's a problem, because when we "normalize" interest rates we're going to see a lot of credit losses on the

books of banks and bond investors because crappy companies are able to go out and borrow money like they were good companies. Thanks to Janet Yellen.

There is a cost to the social engineering that the Federal Reserve Board engages in, and, you know, I think it's going to—over time the history is not going to be kind to Yellen and her colleagues. Because they have created the next problem. We just haven't gotten there yet.

Erik: I want to go a little bit deeper on this subject of corporate buybacks, because I couldn't possibly agree more with you. And I know you've done a lot of work on this and written quite a bit about it. That, you know, corporations basically looking at the cheap credit market saying, you know, forget about what's good for our business. What's good for the executives is to pump the stock price up. Let's borrow a bunch of money, buy back our own shares; it may not make business sense, but it makes sense for my pocket if I'm the CEO.

You know, you just have to go back to the old adage of what could go wrong here? It seems to me a lot could go wrong but what I can't get my head around, Chris, is how does this actually end? Because it seems to me like if we do see interest rates start to back up, they're going to back up slowly. There's still going to be more opportunity. Where we saw, you know, oh bottom, bottom, bottom prices on money, let's buy more stock, well now it's going to be a little bit more expensive. It's going to lead to let's do some more stock buybacks before it's too late. When does this eventually end, and what could happen?

Chris: One scenario I've been pondering is, you know, companies are not very good at predicting the movements of financial markets. They're very short-term in their thinking. And if interest rates were to rise significantly—let's say we got the ten year bond up to three-and-a-half, four percent, which is a lot given where we are—companies might have to start rotating out of the debt that they incurred to buy back their stock and start issuing stock.

In other words, they have those shares, they're sitting in Treasury on the books of the company. They can reissue that stock and raise money. But they may be forced to do that at a price that's lower than the price they paid to buy the stock back, in which case they'll take a loss.

So I think there are a number of scenarios that could unfold when you look at the balance sheet of corporate America and the huge amount of debt that they've taken on. But the one saving grace is that deflation is still a dominant tendency in the market today. So, while the Fed can push short-term rates up (by brute force in this case), the ten-year bond is still dropping. You know, mortgage rates have been falling for the last two months. And I think that the secular demand for paper—that hunger on the part of investors for what we call duration, which is another way of talking about the bond market—is quite profound.

And I've been telling people I think the ten year treasury will go back to two percent, which is another half point in yield. That's a lot. So in the near term I don't think that medium to long-term interest rates are going to go higher. The markets are very keen. Look at the last treasury auction. It went extremely well. They want the paper.

But the real issue to me is why aren't these companies investing in their businesses instead of buying back their stock? You know, people always—in the economics profession they're always talking about how can we get companies to invest? How can we increase productivity? Which is their big thing obviously, because at the end of the day growth is a function of population growth and how productive your workers are. How much is that increasing? And productivity hasn't been increasing in over a decade. It's flat.

So that's why you're not seeing GDP growth much more than about one-and-a-half, two percent annually. That's not good, because when you look at all the debt these countries have, public sector debt, they need to grow faster (laughter).

You know, the low interest rate environment since 2008 was meant to help debtors. It was an explicit transfer from savers to debtors. And, instead, all of these countries continued to go out and incur more debt. So, you know, we have a fundamental problem in our society with governments that can't live within their means. They can't say no to the voters because the politicians will get voted out of office.

And private sector investors and companies have to live in this same environment. And that's, you know, that's a difficult thing going forward. I don't know how we're going to preserve value for our families and our future if governments are borrowing from everyone every day with no intention of repaying. There's not even a discussion of repaying.

When I was a kid a billion dollars was a lot of money. Now nobody cares. They just kind of say, oh well, it's okay. But I think that's really the issue. I'm not worried about a short-term crisis for companies that have, you know, levered up to buy back their stock. But if rates pop you could see quite a scramble from corporate America to try and rebalance their capital structure back to something that makes more sense.

Erik: You made a couple of really excellent points I want to come back to in a minute, which was both bond yields as well as this explosion of private debt around the world. But before we leave equities, I also want to touch—you know, one of the arguments we've heard is that this is largely a so-called Trump rally about expectations in the market that seem to be based on Mr. Trump's campaign promises that he's going to reduce taxes and have a big infrastructure spend and all these things.

It seems to me—and I know you follow politics more carefully than I do—it seems to me like we're kind of coming up to a moment where maybe the market's about to

figure out that Donald Trump's personality may not be what sells Congress most effectively on actually doing these things. So, do you think that this Trump reflation rally could maybe be in for a significant correction if there is a political realization that maybe Mr. Trump's agenda is not going to happen?

Chris: The Trump trade, or the Trump bump as I like to call it, was certainly a factor behind the rally from, say, November on through March. And then I think most people in the marketplace realized the tax cuts and spending increases and all the rest of it were not going to really happen this year because the government is still pretty closely divided, the Senate in particular.

And, so what was interesting was, during that period the ten-year treasury actually rose to two point six percent yield but corporate bond spreads continued to tighten. It was rather extraordinary to see these two normally closely correlated relationships diverge that way. And what that told you was that investors are still very, very hungry, very much demanding paper, especially investment grade corporate bonds.

But having said all that, you know, I don't expect the markets to sell off precipitously. You may see a five or ten percent correction, but then they're all going to rush in and buy it again. I mean, if you really listen to managers and watch the financial media, that's all everybody's hoping for. They're looking for a five or ten percent pullback so they can go in and buy more. So I think we're in a strange place. Whether you're talking about home prices in affluent areas around the US, mostly on the periphery, or stocks or bonds, the buying pressure is so intense that any selloff I think is going to be relatively transitory.

And, again, I think the Fed is the reason that the stock market has been going up. You know, you can attribute it to President Trump. But I think, other than financials like, you know, Bank America—Bank of America moved sixty plus percent in four months. That's not normal for a money center bank. But they did, because, you know, they had been working very hard on trying to get their costs in line and clean up the mess from the crisis. So the stock rose very dramatically and now it's at book value, hooray. Okay?

But there's not a lot of upside in financials because they're all pretty fully valued right now if you look at their earnings and their revenue potential. A lot of the rest of the stock complex is the same way. There isn't a whole lot of upside potential unless you're willing to believe that earnings multiples and other indicators really are too conservative and that earnings will be better next year and then thereafter.

The Street always has wonderful earnings estimates in the out years, you know. And then they walk them back because the actual earnings are in the outs. We saw that with banks. When we started the year, banks were supposed to see earnings up twelve percent this year, which is extraordinary. Revenues are flat. And now we're talking six to eight percent. So the analysts had to walk back their estimates before

the second quarter earnings came out. It's a—it's a game.

And I think, you know, as they say, the overall theme today in the markets is scarcity of investable assets. And until that changes I really don't see the prospects for precipitous and sustained decline in stock prices, or bond prices for that matter. They're both correlated.

You know, that's another relationship that's broken down. Stocks and bonds are now correlated. That shows you how extraordinary the situation is in the financial markets and how much the manipulation by the Fed has caused a breakdown of the normal indicators that you and I would normally use to look at the market.

Erik: Let's come back to treasury yields, because, obviously, a little over a year ago Jeff Gundlach made this big profound announcement that the 35-year bond bull market was over and that's it. The top is in on price, the bottom is in on yield, it's all the other direction from here.

We've heard quite a few views in the opposite direction. Lacy Hunt on this program made a very compelling argument that if you just look at the over-indebtedness of the world and of governments, it's impossible to get to what we think of as historically normal rates. Now, you just said a minute ago you definitely see a move back toward two percent. Does that mean that you think that Gundlach is right and this is just a correction towards two percent? Or do you think that the jury's still out on whether or not the 35-year bond bull market is over or not, or how do you see this in the longer term?

Chris: Well I think Gundlach is right, but he's way early. You know, in order for you to have a selloff in the bond market and really see interest rates move higher, especially medium and longer-term rates, that money has to have somewhere to go. There isn't an obvious outlet or venue for the funds that are currently invested in US treasuries, US corporates, US high-yield debt. Where else is it going to go in the world?

We've created so many pieces of paper with pictures of presidents on them that they all want a home and they all want a positive return. And you're right. The indebtedness of the world, especially the public indebtedness of countries, I think is the real driver behind central bank action. The reason is the dropping interest rates has ceased to be an effective way to get economies moving.

You know, back in the 70s and the 80s you dropped interest rates a point or two and the economy would increase, quickly. Now there's nothing. In fact there's an argument that says that deficit spending is actually bad for growth. It's almost like the old crowding-out argument from economics which had been dismissed long ago. So I think that the secular tendency of markets has not yet changed.

You know, the hedge funds would love to go and make some money on a rising interest rate trade, and many of them have tried over the last couple of years, and

they've all gotten annihilated. So I think people have to realize that the weight of debt, and also the posture of all the major central banks, is such that low interest rates are going to be with us for a while. And until you see a change in demand so that treasury auctions are not as successful and yields in fact have to rise to attract investors, I really don't see that changing.

Erik: Let's move on to a closely-related subject, which is the explosion of both public and private debt around the world. We had Professor Steve Keen on the program saying, look, you know, we've just got this exponential growth of private debt until something happens, you know. We can't ignore this. It's an exponential growth problem.

We had a similar argument from Lacy Hunt who said because of this explosion of debt we're headed for basically turning Japanese for secular stagnation. Now, you wrote a book called *Inflated* back in 2010 with Nouriel Roubini, and, in addition to talking about this growth of debt, you make, I think, what's a very profound point, which is: Whether it's responsible or reckless or good or bad, this behavior is culturally ingrained. People are used to borrowing and spending what I would argue is beyond their means. It's not likely to change.

So if it's not likely to change, how does this eventually end? And, I guess, maybe we should start by giving our listeners a quick rundown of what the book *Inflated* is about. And from there, you know, how do you see this exponential growth of private debt? It can't go on forever. How does it end?

Chris: Well, *Inflated* was a book where I tried to relate the financial history of the United States with the monetary history. In other words, the growth of central banks and banking in general. Historians tend to ignore economics. They kind of go off in separate silos, and economists do the same thing.

A great example of that is why do we have national banks? If you read the history books, it says that they were created to strengthen the currency. No, that has nothing to do with it. They were created to fund the Civil War. Because when Abraham Lincoln took office, the government was broke, they didn't have an army. And most of the banks in the US were state-chartered and they didn't want to support the war. Especially the big banks up north. They did not support the Civil War at all because they didn't want their business to be disrupted.

So Lincoln created banks that could essentially double-leverage treasury debt that they held as an investment, and that gave them an advantage. And, over time, that was another layer of leverage, if you will. It helped the US economy grow.

Later on you get to World War I. Again, you had a strain on the banking system financing all of the sales of goods and armaments that were shipped off to Europe, and so we created the Federal Reserve system in 1913. And, again, you could argue that that was to strengthen the currency and do a variety of other things. But what it

also did was it enabled the US to finance World War I.

J.P. Morgan essentially made a market in dollars until they couldn't do so anymore, and then the Fed in New York under Ben Strong stepped in and picked up the ball. So Inflation talks about layers of leverage.

And in the 30s, same way, the Great Depression. You had a government that had no debt, and so they levered up to try and eventually deal with the depression. And then you had World War II. World War II, again, you had almost no private capital formation in the US, it was all government. Government dominated everything: big banks, big corporations, and the US government.

So over time, what you see in the US is that, when the natural rate of growth is insufficient to meet everybody's demand for gratification today, credit is used to pull tomorrow's sale into today. And the great example of that is the—we'll talk about it more—but the difference between General Motors and Ford. Henry Ford ran his company on cash, didn't believe in credit, always wanted to push the cost of his product down, but he assumed people were going to pay cash for it.

Alfred Sloan at General Motors on the other hand understood credit. He offered his customers credit. He also financed all of his inputs to make cars. So General Motors grew enormously and much larger than Ford by World War II, and it was because they understood credit. They would pull that sale into today by giving the customer credit. And that's really an allegory for the entire US economy in the modern age.

Erik: And what does that mean in terms of this massively-growing trend of credit expansion, private debt expansion around the world? It can't go on forever. So does it eventually end with some kind of crisis or panic, or do we just get into a Japanese style of economic stagnation? What happens next?

Chris: In the case of the US, we've already crossed a Rubicon by having the Fed purchasing government debt. Other central banks have gone even further and they've been purchasing private debt and even stocks. The Swiss National Bank, for example, has been purchasing stocks from all over the world. Same with the Bank of Japan.

And I think, ultimately, when you think about an asset, the question is can it throw off enough cash flow to service the debt you have on it? So let's look at an apartment in New York City. Most high-end apartments in New York City cannot be rented for enough money to cover the debt you would need to buy it, say, with 20-30 percent down. In fact, even if you put half of the cost of the apartment down as a down payment, you still couldn't generate positive cash flow. And in a classical sense that tells you that the asset is not going to work, and eventually the debt has to be restructured. You're starting to see that.

Now, with public sector debt, unfortunately I think what will happen is that the central banks will buy it and monetize it. And that's a direct act of theft from

investors. Because, instead of seeing interest rates rise when a government's credit comes into question, the central bank will just buy it and monetize it and essentially use inflation to get rid of the obligation for the government. You're definitely going to see that in Europe. I think eventually you're going to see something even more grotesque in Japan, because they just don't have enough growth to catch up with the debt they have. The cash flow is insufficient.

So the old classic measure of solvency, which is how much can I generate in income from an asset, is still very applicable. But the trouble is that the politicians and their enablers at the central banks are now willing to do anything. You know, as Mario Draghi at the European Central Bank said, "I will do whatever is necessary." And he sure will. He'll monetize all the problems of the European community, in part because he helped create them.

If you look at the mess in Italy and their banking system, that's Mr. Draghi. And how ironic, now, that he's buying debt of insolvent Italian banks using the collective funding from the European community. So I think there's a certain delusional aspect to what you see from our public officials today, because they look at the numbers and the numbers are so scary that they don't know what to do. And so they turn to the central banks, and the central banks say, okay, we'll make it better. And that's what they've done.

I mean, Janet Yellen has monetized trillions of dollars' worth of US treasury bonds and also obligations from Fannie and Freddie and Ginnie Mae. And what's the point of this? Did it help growth? No. Not at all. It was a subsidy for the United States because now the US government doesn't have to make good on those obligations. I think you'll see more of that.

Erik: There's an old joke among historians, you know, if you ask a historian what's the most important lesson we can learn from studying history, they'll tell you the answer is people don't learn from studying history. And it seems to me there's an analog there, which is this demographics issue that I'm told—although I was not in the industry at the time—in the late 80s, if you went to an investment committee meeting and said, "Hey, here's an investment theme: Japan demographics," people would laugh you out of the room. We've heard that before, that's an old one, everybody knows that, we're not going to take it seriously.

And, of course, what happened was people assumed it was priced in and it wasn't priced in. Exactly as could have been predicted decades before, we got to the point where the aging Japanese population caused a major change in that economy. It seems to me—and I know that you're a historian so I really am looking forward to your view on this—but it seems to me like we're repeating that chapter of history in the United States.

Everybody is ignoring the fact that the baby boomers are turning 70. And that they're retiring and that we're getting to the point where all of the baby boomers

will be retiring in the next few years. That has to lead to a pension crisis, I think. It has to lead to a lot of changes. And it seems like everybody just assumes it must be priced in since everybody knows about it. Do you think it's priced in? And what do you think could happen?

Chris: No. No, it's not priced in. It's like the former CEO of Citigroup said: You're going to keep dancing until the music stops. And I think if you look at Illinois, if you look at Puerto Rico, if you look at the restructuring of General Motors and Chrysler, in each case what you see is that the people who are in charge of these enterprises gave away a lot of benefits to their employees—pension benefits, health care, etcetera, etcetera. But, given that the demographics in the country have slowed down, and, instead of having one-and-a-half or two percent annual population growth, we have point five today.

And so you have fewer workers working to support all of those obligations that were made to their parents. And what will happen is that slowly, over time, many of those promises are going to be repudiated. In fact, I would tell you I think there's a good chance that General Motors will have to go through bankruptcy again just to deal with the continuing burden of supporting the benefits to United Auto Workers and the various other employees and companies that are dependent on General Motors. Because the numbers still don't work.

The whole restructuring of the US economy that occurred from World War II on to today came about in part because many companies in the 50s, 60s, 70s were still running like they had cost-plus contracts from the federal government. And they still had the overhead and the employees and the benefits programs, but they didn't have that business anymore, and over time they had to be rationalized.

The aviation business and many other industrial businesses in the US were really geared for war and for the wartime years. But once we were back in peacetime they had to compete, in many cases, with countries that we had helped to rebuild. So, you know, the whole dynamic of the world is in a lot of ways back to where we were in the 1920s when you had an oversupply of labor, you had extensive and increasing competition among nations in terms of trade flows. And a lot of people were very frustrated and even downhearted because they couldn't see a way forward to deliver the growth that people wanted to see, given the big factors which are productivity and demographics.

So what should we do? Well, we could go out and make a lot of babies. That's probably not going to happen, because as societies become more affluent and more stable, they tend to have smaller families. You see this in extreme ways in Japan, even in China because of the one child rule, the disastrous rule for China, but they have stagnant populations now. And the US, likewise.

You know, we still have a relatively young country, we still have reasonable immigration. But, you know, it could be better in the sense that if you want growth

you have to have open borders. You have to let people in, you have to let money in. And so I think that the countries that understand that and gear their policies towards openness and towards encouraging business are going to do better than those that do not.

But, having said all that, there is no magic wand that we can wave, because a lot of the technological changes that occurred a hundred years ago—electrification and, you know, the whole advent of the radio and the semi-conductor and everything else—that's already baked in. And most of the inventions you see today are really incremental add-ons to these existing new technologies. They're not new anymore, in fact.

So I think that's the challenge, is how do you get growth that could help you manage your debt load if most of the major factors are against you? And the answer is, you can't. You know, population is the most important single factor when it comes to estimating future growth for a country. And, as I say, the US is at point five now.

After World War II we were at two percent growth, which is enormous. All those soldiers came home, they got married, they made babies. So, you know, that spike and the baby boom was a function of war and, unless you think we're going to have another war sometime soon, I doubt you're going to see that again.

Erik: We touched on your first book, *Inflated*, which you wrote with Nouriel Roubini in 2010. You wrote another book called *Financial Stability* with Frederick Feldkamp in 2014 which is a roadmap that uses history to sort of explain what we can expect from future economic events. Those are both very contemporaneous books. They're history-driven, but they're about what's going on right now.

It's curious to me, your latest book, which I'd like to focus on next—*Ford Men*, written this year, in 2017—is not really a reflection on current economic events, it's this history of Ford Motor Company going back almost a hundred years ago. Why the change in direction? And give our listeners a rundown of what they can expect to find in the book.

Chris: Well *Ford Men* was actually my first book. But when I completed most of the research and the writing twelve years ago, Ford was in a lot of trouble. Bill Ford had to fire Jacques Nasser and take over the company, and he really wasn't an operator. He represented the Ford family, which still controls the company, but in no way, shape, or form was he qualified to run the firm. But, fortunately, in 2006 a couple of members of the board helped him hire Alan Mulally from Boeing, and Mulally wasn't a car guy but he was a really good operator and a great leader. And he was able to come in and turn the company around. So I figured, okay, I have a decent endpoint for the book, and the book runs through the end of last year.

But it was intended primarily to remind Americans that there are many, many other people in the Ford story besides Henry Ford. You know, Henry Ford did not do all of

this on his own. In fact, he was a lot like Steve Jobs. He was a brilliant but dysfunctional human being and—you know, people like James Couzens, who really turned Ford from an inspiration into an enterprise. And Charles Sorensen, the great engineer who was at Ford for 40 years, and he invented the assembly line, not Henry Ford. But you don't see any of this at the Ford Museum, because the PR department at Ford had airbrushed a history so you just think it's all Henry.

Henry wasn't even an officer of the company when it was founded because he had such a horrible reputation in the business community in Detroit at the turn of last century. So I thought, you know, let's go remind everyone of the biographers and the people who used to track Ford, people like James Galbraith who loved to write about Ford. He called Henry Ford an appalling mechanic and had a lot of other interesting things to say.

But, you know, more than anything else, the real takeaway, I think, from Ford is that deliberate purpose and design are fine in business, but luck is really important too. Because, if you think of it, you know, Ford Motor Company was run like a plantation. Henry Ford ran the place for almost 50 years. When the family took over after his death there were no financial records. They had to hire Robert McNamara and the whiz kids to come in and try to reconstruct a financial picture of the company.

And on the other hand we have General Motors which was held up as the prototypical corporation, rational management, the whole bit. They filed bankruptcy three times in the last century. Ford has never filed bankruptcy. And I think part of the reason is that the Ford family are tough. Billy Ford is a very tough, very focused individual. And I think it's also luck. I mean, how on earth could Ford have survived were it not for the fact that they were lucky?

Erik: Chris, we're just coming up on our time limit here, so we're going to have to wrap this up. But before we go, please let our listeners know where we can follow your work. I know that you did write a piece on bitcoin recently. We've got a link of that in the Research Roundup email, or I'm sure people can find it from following you on Twitter. Give us your Twitter handle and where people can find out more about your work.

Chris: My website is rcwhalen.com and the Twitter handle is the same: [@rcwhalen](https://twitter.com/rcwhalen). I also have a number of papers up on the [Social Science Research Network](https://www.researchnetwork.org/) (that's where I put the longhaired stuff), and I write for [ZeroHedge](https://www.zerohedge.com/) and a variety of other publications, [National Interest](https://www.nationalinterest.org/) and the [American Conservative](https://www.americanconservative.com/). The [American Conservative](https://www.americanconservative.com/), I do long articles for them. I have a piece on the big banks and crony capitalism which is going to come out in September, so that'll be a lot of fun.

Erik: We'll send a link to your website to our registered users in the Research Roundup email. So, folks, you can look for it there. Chris, thanks so much for a fantastic interview. Patrick Ceresna and I will be back as Macro Voices continues right here at Macrovoices.com.