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## Daily Issues

# The Key to a 30-Year Economic Boom... And Why It's in Danger Today

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**Part II of our recent interview with Larry Kudlow... His time in the White House... A big threat from China... The key to a 30-year economic boom – and why it's in danger today... Steven Mnuchin and cryptos... Bill Clinton as Ronald Reagan's third term... Free speech and social media... What should have happened on January 6...**

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**Editor's note:** [If you missed yesterday's \*Digest\*](#), we encourage you to read it right now...

In short, we've taken a break from our normal *Digest* fare over the past couple days. We're instead bringing you an exclusive, wide-ranging interview with Larry Kudlow.

Kudlow is currently the host of a daily show on Fox Business. And before that, he worked as the chief economic adviser to President Donald Trump from 2018 to January 2021.

In Part I of their interview, Kudlow and Stansberry Research managing editor Geoffrey Morris talked about the current economy, Trump's tax cuts, whether inflation is permanent, and more. Today, they'll touch on Kudlow's time in the White House, whether China is as big of a threat as many folks believe, the future of cryptocurrencies, and other topics.

With that said, let's get back into it...

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**Geoffrey Morris:** So what was it like working inside the White House?

**Larry Kudlow:** It was really wonderful. It was a once-in-a-lifetime job.

I ran the National Economic Council. I was involved in foreign-policy decisions. I sat on the National Security Council.

It was hard work. The days were long. But I felt it was wonderful work... I made a difference. I loved it. It was a fabulous capstone for my career.

**GM:** And what was it like to work for Donald Trump?

**LK:** I enjoyed working with him... I had unlimited access to the president. I saw him virtually every day.

He's a very genteel and gracious man in private. That may not show up in public, but it shows up in private.

And we argued, too... He loves a good argument based on facts and figures and logic.

**GM:** How about any foreign-policy achievements?

**LK:** Trump gave the whole country a wake-up call about China.

And by the way, I'm a free trader... And tariffs are not my favorite weapon.

But in order to bring China to the table, in order to hammer out a deal, in order to get some reciprocity on trades – tariffs and non-tariff services – he did what he had to do.

As a free trader, I might theoretically not have liked that. But as someone who was negotiating with the Chinese leaders... I think it was essential.

And it's not just trade... He gave the whole country a wake-up call about China's security threat, its economic threat, and its impact on the middle class.

Trump's other great achievement was the Abraham Accords in the Middle East. Fabulous... He broke the logjam in the Middle East and proved that you didn't have to go through Palestine to get the Saudis and the Gulf nations on diplomatic and trade terms with Israel.

**GM:** The Abraham Accords normalized relations between Israel, the U.S., and some Gulf states. He approached it like a business deal, didn't he?

**LK:** Yes, I think you're exactly right... He looked at almost everything as a business deal.

Trump saw himself as the "Negotiator in Chief." Whether it was China trade, taxes, the rescue packages in 2020, foreign policy in the Middle East, or the G7 or NATO... he was the Negotiator-in-Chief.

And you know what?

He was a pretty good one, if you ask me. He won far more than he lost. I mean, look... we got a trade deal with Canada and Mexico. And we got other smaller deals with Japan and South Korea, too.

**GM:** Is China as big a threat as everyone's talking about? And beyond that, is the real threat economic or military?

**LK:** It's a greater national security threat, in my opinion. It remains an economic threat, too... But the Chinese are going the wrong way on the economy.

Oddly, they're moving away from the Deng Xiaoping free-market reforms. Now, it's becoming a state-run economy. And the Communist Party of China is a totalitarian entity.

**GM:** Why do you think China is moving away from a free market when it has done wonders for the Chinese economy over the past 20 years?

**LK:** In the next 20 years, that will hurt their economy... Absolutely.

And the Chinese are falling behind in semiconductors and communications. But they've had a tremendous military buildup – an unbelievable military buildup. And of course, they spy all around the world.

Plus, you see what they're doing "saber rattling" over Taiwan. They're pretty rough customers.

**GM:** You've had a long-distinguished career as an economist. How has the conventional wisdom changed from your early days in Reagan's Office of Management and Budget ("OMB")?

**LK:** I was 30 years old when I worked for Reagan as the OMB's economics deputy.

Reagan's economic strategy – which was to cut taxes, deregulate, and keep the dollar strong for low inflation – unlocked a 30-year prosperity boom...

That boom carried from 1980 – let's say, as a baseline – through the 1990s and through the aughts. It may have ended with the financial crash of 2008.

**GM:** That's a long run, isn't it?

**LK:** Some policies were modified, but basically President Bill Clinton kept it going. When Clinton cut the capital-gains tax in his second term and had a welfare reform deal with House Speaker Newt Gingrich, I really saw that as Reagan's third term.

Whenever I see Clinton around, I hit him and say, "You were Reagan's third term."

**GM:** What does he say to that?

**LK:** He doesn't necessarily like that. And, you know, we had basically a 30-year boom... We had two recessions that were very short and very mild.

Now, if President Biden gets his way, that marks the departure and that moves you back away from Reagan's free-market capitalist model.

Since 1980, we have had, for the most part, a free-enterprise capitalist model. We've been rewarding success and providing incentives for growth.

**GM:** You think Biden's policies will end that?

**LK:** Yes, Biden is trying to reverse that. He says so openly... And his plan is a big-government model where the incentives now are to not work, higher taxes, and heavy, heavy government regulation.

So that's a totally different model. Trump was very much in line with Reagan's thinking.

**GM:** Please say more...

**LK:** That's why, for me, it worked so well... The Reagan-Trump model was really the classic supply-side model that was in place for 30 years.

Now, President Obama tried to curb it... But he really didn't succeed very much. Biden wants to completely reverse it and go back to "FDR+" – basically an extension of what Franklin Roosevelt did in the 1930s and 1940s.

What Biden is trying to do is really much more than what FDR did – much, much more.

**GM:** To what extent?

**LK:** Biden wants government control of health care and government control of energy. They want a massive entitlement state.

And he wants to reverse the incentive model of growth... He wants redistribution, not growth. On the other hand, Reagan wanted growth, not redistribution.

**GM:** Changing the subject a little bit – what's your thought on cryptocurrencies?

**LK:** Well, first, I think they're here to stay. And I think as the technology improves, as the blockchain stuff improves, it will become more widespread.

The government hates it because they can't control it... The Federal Reserve and the U.S. Treasury hate it. It's one of the few disagreements that Steve Mnuchin and I had.

**GM:** What did you disagree with Treasury Secretary Steve Mnuchin about?

**LK:** I was pro-crypto... He wanted to be the great regulator. The Treasury Department and the Fed institutionally oppose cryptocurrencies. They want to issue their own digital money or digital currencies... But they want to control everything.

**GM:** So crypto is here to stay?

**LK:** Yes, I believe so. Look, I know cryptocurrencies bounce around... But look at how more and more stores and transactions are being done in cryptocurrencies.

The wild price swings should moderate... They probably need much more reliable market-making. But overall, the blockchain stuff will be used more and more.

**GM:** Yeah, I think many of our readers will agree with you. Are you a social media user?

**LK:** Not anymore. Before I went to Washington, I was a big, big user of Twitter.

I ended my account when I went into the White House, and I have not reopened it. And frankly, I don't intend to reopen it... It's too malicious, it's too distorting, it's too aggravating. I mean, I just don't care.

**GM:** Do you think these big social media companies are going to be reined in or broken up?

**LK:** Well, the big thing is the debate over Section 230 of the Communications Decency Act. They are publishers, they are editors, and they should not have a liability shield – or at least, there should be a much different liability shield.

To me, that's the single-biggest thing... Their violation of free speech is horrible. Horrible. And at some point in the next few years, I believe there are going to be big changes there.

**GM:** How's the TV show?

**LK:** I love my new Fox Business show. Our ratings are great... We're killing the competition. And I love going back on the radio Saturday mornings, too. I love that stuff.

**GM:** So you essentially spend your day prepping, figuring out your topics, getting your guests, and then, by the end of your day, there you are on TV...

**LK:** Yes. I have a number of other outside activities, but the meat and potatoes is all about the show.

**GM:** I'd like to hear what your opinion is about what happened at the U.S. Capitol on January 6.

**LK:** The way I would put this is: I had hoped after the election the president would have pivoted to trumpeting his great achievements, which were numerous. So that didn't happen, and I wish it had. I had a certain amount of disappointment.

**GM:** Well, Larry, I just wanted to thank you for taking some time out of your busy schedule to chat with us. I hope our *Digest* readers find value in this discussion...

If there's anyone who can offer a glimpse into the inner workings of the White House, as well as what's going on in the economy, it's you. So thank you again for the conversation.

**LK:** Yes, absolutely. Thank you for the time.

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**Editor's note:** We hope you enjoyed our chat with Larry Kudlow over the past couple of days...

And whether you agree with his viewpoints or not, we'd love to hear from you. Send us your thoughts, comments, and observations at [feedback@stansberryresearch.com](mailto:feedback@stansberryresearch.com).

Remember, we can't offer individual investment advice. But we do read every note that we receive... And we'll run as many responses as possible in the *Digest* in the days ahead.

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 New 52-week highs (as of 11/3/21): Automatic Data Processing (ADP), American Financial (AFG), Atkore (ATKR), Bath & Body Works (BBWI), Biotricity (BTCY), Cameco (CCJ), Costco Wholesale (COST), Cintas (CTAS), CVS Health (CVS), iShares MSCI Singapore Fund (EWS), Comfort Systems USA (FIX), Flowers Foods (FLO), W.W. Grainger (GWW), Harrow Health (HROW), SPDR S&P Regional Banking Fund (KRE), Liberty SiriusXM (LSXMA), Martin Marietta Materials (MLM), Microsoft (MSFT), Motorola Solutions (MSI), Cloudflare (NET), New Residential Investment (NRZ), Nestlé (NSRGY), Novo Nordisk (NVO), ProShares Ultra QQQ Fund (QLD), Construction Partners (ROAD), ProShares Ultra Technology Fund (ROM), Rayonier (RYN), Silvergate Capital (SI), First Trust Cloud Computing Fund (SKYY), ProShares Ultra S&P 500 Fund (SSO), ShockWave Medical (SWAV), Thermo Fisher Scientific (TMO), AMERCO (UHAL), ProShares Ultra Semiconductors Fund (USD), ProShares Ultra Russell 2000 Fund (UWM), Vanguard S&P 500 Fund (VOO), and Verisk Analytics (VRSK).

 In today's mailbag, we're sharing a comment on our colleague Dan Ferris' recent response to a Stansberry Alliance partner about free speech. Plus, judging from the range of reactions we've received on this interview with Larry Kudlow, it's clear that our Alliance partners come from many different backgrounds and belief systems. As always, you can let us know what's on your mind at [feedback@stansberryresearch.com](mailto:feedback@stansberryresearch.com).

 "Dan, [your rebuttal to AI was spot on perfect](#). Great job of expressing what a lot of us feel/think. We need more people like you to stand tall and speak some truth. Keep it up. Bravo! Thanks!" – Paid-up subscriber Mark D.

 "Awesome! I learned and re-learned more about common sense economics in four minutes than I have in a long time. Thank you, Larry Kudlow, for serving our country." – Stansberry Alliance member Brian H.

 "Lawrence Kudlow has one of the worst track records of any 'economist' in recent history. I'm appalled that Stansberry Research would feature him in the *Digest*." – Stansberry Alliance member Peter S.

Regards,

Geoffrey Morris

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