

# GIVE SMITH A CHANCE

**Paul Comrie-Thomson** talks to **PJ O'Rourke** about Adam Smith, France, Mustang cars, and much else.



**P**J O'Rourke's brand of conservative humour has been entertaining us for more than a quarter of a century in books such as *Republican Party Reptile*, *Parliament of Whores*, and *Give War a Chance*. In 2007, he added some humour to the otherwise joke-free works of Adam Smith in *On The Wealth of Nations*.

In April this year, he visited Australia to give the 25th anniversary John Bonython Lecture for the Centre for Independent Studies. His topic was the 'Invisible Hand Versus Invisible Fist: Securing the Future Wealth of Nations,' which will soon be published by the Centre.

While in Australia, he gave this interview on ABC Radio National's *Counterpoint* program. Interviewer Paul Comrie-Thomson is a former senior editor of the Australian edition of *Rolling Stone* and co-presenter of *Counterpoint*. PJ O'Rourke's latest book, *Driving Like Crazy*, which is discussed in the interview, is published locally by Penguin Books.

**Paul Comrie-Thomson:** In 2007, you published *On The Wealth of Nations*, an appreciation of Adam Smith. But in the thick of the global financial crisis, many have said that Smith is out and Keynes is in. So PJ O'Rourke, is yours a lone voice in the wilderness when it comes to Adam Smith?

**PJ O'Rourke:** Well, gosh, I hope not. You know, the funny thing is that I almost wish that I had been two years later with that book because it would have given me even more to talk about with Smith, because Smith was very familiar with the speculative bubble. People ask me, 'What would Adam Smith say?' I always tell them he would be so busy laughing that he wouldn't be able to say anything. While he was writing *The Wealth of Nations*, there was a run on the Scottish banks because of overvalued real estate assets—pretty much the same thing we're having now—and 30 out of 34 private banks in Edinburgh went under, so he knew this turf.

**Paul Comrie-Thomson:** That raises the question of self-interest and the pursuit of

self-interest. Adam Smith meant that as being an informed self-interest. In some ways, it is contrary to bubbles.

**PJ O'Rourke:** Oh, totally. One of the reasons that people tend to misread Smith as a cold, calculating avatar of capitalism is that Smith wrote two books, and the more famous book in his own lifetime was a book called *The Theory of Moral Sentiments*, where he talked about how we develop our moral sensibility, how we develop our morals. When I was writing about it, I said it's sort of the mechanical engineering of the Holy Ghost, if you will. He does this without reference to religion, but he shows the philosophy and the psychology behind the development of our moral sensibility. So when he goes to talk about the economy, he feels he's done it, he's already talked about morals, and everybody knew that book, and he presumed all the readers of *The Wealth of Nations* would have read it, and so he didn't have to go back and cover all the same territory again. We of course don't read that book.

**Paul Comrie-Thomson:** No, that first book has been forgotten. In the month of April or May, I think it will be 250 years since *The Theory of Moral Sentiments* was published. But of course Smith was talking about what we might call a civil society or a society of understanding that was, as you say, the architecture for the pursuit of self-interest. But there's of course the French famously saying *laissez-faire, c'est fini* ... President Sarkozy, he says that a lot. But could Adam Smith's invisible hand surprise us all over the next decade?

**PJ O'Rourke:** Well, I think it's already surprised us to an extraordinary extent. We don't have to go back very far in time, certainly not in our own time. As men over 60, we can remember when India was simply a basket case, when it was assumed that India would starve, and quite soon. All of the predictions in the late '60s and early '70s about the future of India were dire beyond belief, it was going to be sort of a giant Zimbabwe.

China was impoverished to an almost unbelievable extent. Gross National Product per capita was down in the low three figures. See what has happened to those two countries in historically

a blink of an eye. If we go back a little further to what Western Europe was like at the end of World War II, it was flattened, it was devastated. And then to see what happened by the end of the 1950s ... It's amazing what the invisible hand can do.

Of course 'invisible hand' wasn't Smith's way of saying that capitalism will make everything hunky dory. Adam Smith was simply using the 'invisible hand' as a metaphor for unintended consequences. What he was trying to say was if you leave people alone, if you let them pursue their own presumably informed self-interest, and you provide them only with a structure of law and property rights, and sort of get out of their way, you will be amazed at the things they can do for themselves.

**Paul Comrie-Thomson:** What would Adam Smith have thought about collateralised debt obligations?

**PJ O'Rourke:** Among the various bubbles that came up in the early 18th century, there's the famous South Sea bubble and there was the Mississippi Scheme, which was the French version of the South Sea bubble. But there were hundreds and hundreds of other bubbles. In one of them, a prospectus was put out in London for a scheme that would provide great advantage but no one must know what it was, including the investors. So Smith was familiar with this kind of chicanery. He would have looked at a collateralised debt obligation and he would have said what I think a few of the wiser investors did say, which was that at a certain point, complexity is fraud.

**Paul Comrie-Thomson:** Which is another way of saying in financial matters, 'keep it simple, stupid.'

**PJ O'Rourke:** Let me tell you a little story about that. I have a friend who's a financial guy, manages investments down in Washington, and he and I are hunting buddies. We were off shooting birds someplace when Enron came apart. And I said, 'Michael, did you get burned in Enron?' And he said, 'No, I didn't, but it wasn't for lack of trying.' I said, 'What do you mean?' He said,

‘I’ve got these young analysts that work for me, and I’m watching Enron go through the roof, and I called the analysts in and I said, “Go do the due diligence on this and come back to me and give me a plan for us to get involved with this Enron stock or Enron bonds or whatever it is that looks good, because these people are going through the roof, they’re doing wonderful things.”’

A week goes by and nothing happens and another week, and he calls them and he says, ‘I told you to look into Enron,’ and they say, ‘Yeah, yeah, we’re doing it, we’re working on it.’ Another couple of weeks go by and finally he gets really mad and he calls all these guys in and he says, ‘What are you doing? Enron is going through the ceiling and we’re not on board!’ ‘Michael,’ they said, ‘do you remember what you told us when you hired us?’ And he said, ‘No.’ ‘You told us that if you can’t understand how somebody is making their money, stay the hell away from them. We’ve looked and looked. We’ve spent a month doing due diligence on this and we can not figure out how Enron is making its money.’

**Paul Comrie-Thomson:** President Barack Obama’s just returned from a standing-room-only European tour. I don’t think the *Rolling Stones* generated crowds like this ...

**PJ O’Rourke:** I don’t think if the Beatles got back together and had the Pope singing lead, I don’t think you could get the crowds ...

**Paul Comrie-Thomson:** It’s unbelievable. President Sarkozy and the French nation seem to love America now. As a Republican, does that make you feel good?

**PJ O’Rourke:** No, it makes me worried. I’m always worried when the French like anything, you know? I consider France to be a great treasure to the world because a moral compass needle needs a butt-end, and whichever way the French are facing we can go in the other direction and feel good about ourselves. They’ve been in love with all sorts of stuff: communism and existentialism and Nazi collaboration, you know. I’m not saying that Obama is as bad as any of that, except maybe the existentialism, he may fall in there. But also

you’ll notice that as much as the Europeans and everybody else in the world love Barack Obama, and a loveable guy I think he is, they’re not listening to him, they’re not doing what he says. There’s a world of difference between adoration and leadership.

**Paul Comrie-Thomson:** Let’s bring it back home. Rush Limbaugh stated that if Obama’s agenda is too socialist, he hopes that Obama fails. What do you hope for the Obama administration?

**PJ O’Rourke:** I take Rush’s point. I think there might have been a more diplomatic way of putting it, but I think what Rush was trying to get at was that Obama’s solutions to the economic problem, and I’ve got to say most of the solutions that are being offered these days, do seem to fall into a socialistic pattern. And if they were to have a temporary ameliorating success, if it looked like they were going to work, it might cause us to have more of them.

We know, of course, that socialism doesn’t work in the long haul. We don’t have to go back very far in history or very far away in geography to find that out—a little visit to Burma will do. So we might as well wish for a failure of his policies lest they lead to worse policies, but I wouldn’t have been quite so rude about it myself. I would simply say ‘I wish him well’ and keep my thoughts a little more to myself.

**Paul Comrie-Thomson:** This raises a broader question. The Republican Party and the Fox News channel, which we get here in Oz, are ringing the alarm bells: socialism, treason, the end of civilisation as we know it. Are they using the wrong language? Is this going to be counterproductive?

**PJ O’Rourke:** Probably, because I don’t think that anybody knows what socialism is anymore. My own approach would be to say they’re falling for the fallacy of central planning, and we’ve got the whole twentieth century to show us the kind of results you get from central planning. Maybe it did help alleviate the effects of the depression in Nazi Germany, but Lord, what a price to pay! I think I’d rather be poor, thank you very much.

And of course in the Soviet Union it didn't work at all, and it didn't work in the pre-free market India, and it didn't work in Mao's China. Central planning has been an unmitigated disaster. And the core idea of central planning is, 'I am so smart, I've been to Harvard and I am so smart that I know what you need better than you know what you need.' It doesn't work.

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**Paul Comrie-Thomson:** Moving from central planning, PJ O'Rourke, you've got a new book out and it's titled *Driving Like Crazy*. On the cover (I've got a copy of it in front of me) is a car with personalised numberplates. I love these plates, WRECK2. Tell us about the car. I want to know the make, the model and the history.

**PJ O'Rourke:** That is a 1966 Mustang 289 V8, and it was indeed a wreck. There was a company in those days; in fact, they still exist although they're kind of corporate now called Rent a Wreck in Los Angeles. The guy who ran Rent a Wreck picked this car out for me. It was actually the second car he'd bought for his business. He loved old Mustangs, and this thing was indeed beat to heck. All the finish was gone off it from sun and sand, and it leaked oil from every place that oil can leak from, and it rumbled and it roared, but it went like a bat. I had so much fun in that car, it was hard to give it back.

**Paul Comrie-Thomson:** Yes, you're conjuring up wonderful memories. The subtitle of your book, it reads a bit like a Gonzo speed rave, and I'm going to try and say all this without fluffing my lines: *30 years of vehicular hell-bending, celebrating America the way it's supposed to be, with an oil well in every back yard, a Cadillac Escalade in every carport, and the chairman of the Federal Reserve mowing our lawn*. Crikey, PJ O'Rourke, what's worth celebrating in America now? Has it all gone?

**PJ O'Rourke:** I'm afraid a lot of it is gone. For a guy like me who grew up in the car business and grew up in the car part of America, in Toledo, Ohio, which was basically an industrial suburb of Detroit. My family had a car dealership ... cars define my family. My grandfather was one of 10 kids born on a little dirt farm in a place called Lime City, Ohio. They lived in a one-room unpainted shack. I've got a picture of them lined up in front of the shack, and they're staring at the photographer in amazement because he's got shoes, you know.

Grandpa got through about the fifth grade and he went off to the bright lights of Toledo and he worked as a wagon mechanic. This is at the end of the 1880s. When motorised wagons came along, he worked on them too, and it wasn't long before he figured out that you could make more money and have cleaner hands selling the things than you could fixing them. So he had a series of car dealerships and he did quite well. We were all in the business, and so the car really defines the life, for me, of America. But now they're just toaster ovens.

**Paul Comrie-Thomson:** Would it ever be in PJ O'Rourke's self-interest (thinking about Adam Smith) to drive a hybrid car?

**PJ O'Rourke:** Not until they make one big enough to put all those kids and dogs into and get through the snow. I mean, I live in a ferocious place. For instance, we could have a minivan and get a lot better mileage and stuff, but a minivan ... they have only six inches of clearance or so whereas the Suburbans have about 10. One winter, we got an accumulation of six feet of snow. We can't mess around.

**Paul Comrie-Thomson:** A couple of final questions. You talk about you and me, the boomers ... those who shook things up in the '60s are now in their 60s, but both you and I are younger than Mick Jagger and always will be, so that's fine.

**PJ O'Rourke:** That's right, let him eat his heart out.

**Paul Comrie-Thomson:** What sort of legacy is this generation going to leave?

**PJ O'Rourke:** A pretty embarrassing one is my opinion. Our parents had it rough. Our parents lived through the Great Depression, they lived through World War II, they had a hard time, and when we came along at the end of the '40s and the beginning of the '50s, they were going to make everything right for us. They were going to make sure that we didn't have to go through the things that they went through. I'm afraid that the mushy and cosy and coddled existence that they gave us turned out to be a fairly useless and flimsy tool.

I think we've been a very naughty generation is what I think, and as the bulge goes down the python headed for you-know-where (you know what part of the python it's headed for), the next thing we're going to do to all the people that came along after us is raise medical and social security pension costs through the sky. For poor generation X that comes after us will be one of us retired for every two of them working.

**Paul Comrie-Thomson:** It's not a happy prospect.

**PJ O'Rourke:** Not for them, it's a happy prospect for us!

**Paul Comrie-Thomson:** I was thinking of the greater good.

**PJ O'Rourke:** Oh yes, there's that.

**Paul Comrie-Thomson:** You've had an encounter with cancer and you've come through ...

**PJ O'Rourke:** I did last year, yes.

**Paul Comrie-Thomson:** Are you allowed to enjoy the occasional fine cigar and scotch on the rocks?

**PJ O'Rourke:** Indeed, I am. I don't know about the cigar, but actually when I was being treated for cancer last year my oncologist (who is a good guy) said, 'PJ, you can have one measured drink a night,' but he forgot to specify the measure. So I thought to myself, well, a pint is a fine old measure, but the litre is more up-to-date and cosmopolitan.

**Paul Comrie-Thomson:** PJ O'Rourke, thanks for talking to *Counterpoint*.

**PJ O'Rourke:** You're very welcome.