Tricia Johnson:

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Tricia Johnson:

It's Aspen Ideas To Go from the Aspen Institute. I'm Tricia Johnson. Former US Treasury Secretary Larry Summers says the economic recovery in the US from the pandemic won't be quick. Instead, he says it'll be tepid until a vaccine is developed. He thinks a pattern is emerging.

Lawrence H. Summers:

One way of thinking about it is that there are three stages of this. There was collapse, there was bounce back, and then there's going to be slog.

Tricia Johnson:

Right now, he says we're headed for a slog. Today, he gives an outlook and assesses the effectiveness of economic policies from Washington.

Tricia Johnson:

Aspen Ideas To Go brings you compelling conversations from the Aspen Institute. Today's discussion is from the Aspen Security Forum, presented by the Aspen Strategy Group.

Tricia Johnson:

When the US economy begins to recover, Larry Summers says there will be winners and losers. It will be more bearable for the rich than the poor. When July 4th rolls around next year, he says it won't resemble 2019's healthy economy, but it will be better than that of 2020. Summers, who serves as President Emeritus at Harvard, sits down with journalist Gillian Tett. She's US editor at large of the Financial Times. They discuss the recovery and how the economic situation is exacerbating social tensions. Their conversation was held in August. Here's Tett.

Gillian Tett:

There are a lot of big questions hanging over not just the economy but the political economy right now. So I'd like to start by asking you, if I can say Larry, are you happy with Larry or professor-

Lawrence H. Summers:

Larry.

Gillian Tett:

Larry. I'd like to start by asking you, Larry, since we are among friends, is it going to be an L-shaped, V-shaped, U-shaped, W-shaped, or Nike swoosh of a recovery? What's your favorite letter?

Lawrence H. Summers:

Well, to start with, there's going to be an important aspect of K shape. Because I think the kind of people who are on this call are, in many ways, going to benefit from it, and many others are going to have a very difficult time. So I think it's a mistake not to recognize both thinking politically and thinking economically and thinking globally, that K-shaped aspect, in addition to the fact that the richer within countries are likely to find this easier than the poor. I think the medium to longterm trend that we've observed for the last three decades, towards convergence, with emerging markets catching up with rich countries, is also at risk over the next five years.

Lawrence H. Summers:

In the terms, though, in which you asked the question, Gillian, I don't know what the right little pictogram is. I would use the reverse check mark model. One way of thinking about it is that there are three stages of this. There was collapse, there was bounce back, and then there's going to be slog. And I think what happened is bounce back came a little earlier than we thought and was a little harder than we would have guessed on April 1st. But time's been compressed, and bounce back fast is a shorter process than we envisioned, and I think we're now headed for a slog, where we're going to play mediocre whack-a-mole in the United States and other parts of the world, where there are going to be places where it's going to get out of control, and then people will try hard to bring it back into control, and then there will be other places that get out of control. So I think it's going to be pretty tepid until a vaccine returns us to normal. And my sense is that the prevailing estimate on that is actually optimistic estimate, that it's like authors completing books. If you ask them when they're going to finish, what they give you is not a best guess. What they give you is their current hope. And relative to that current hope, all the surprises are likely to be adverse.

Lawrence H. Summers:

So I think the way I've been posing the question to people is July 4th, 2021, when it comes, will it feel more like July 1st, 2019, when life was completely normal, or will it feel like July 4th, 2020, when life was very much affected by COVID? And I think it'll be somewhere in between but I don't think it'll be closer to July 2019 than it was to July 2020. So I think we've got real challenges ahead of us for quite some time to come, and there's a lot that we don't fully understand in the science. And so I think there will be more surprises.

Gillian Tett:

Well, so if I was going got sum it up, I'd say it's probably, in that case, a Nike swoosh, in your view, maybe with a downward... I read a column a few weeks ago, which pointed out that the short hand sign of a bank looks like a Nike swoosh, with a kind of flat bit at the end, which in some ways is quite relevant [crosstalk 00:06:36]

Lawrence H. Summers:

The what looks like a Nike swoosh?

Gillian Tett:

The short hand symbol for bank, B-A-N-K.

Lawrence H. Summers:

There you go [crosstalk 00:06:43]

Gillian Tett:

Was rather relevant because the Fed has been one of the key things propping up the economy, along with fiscal policy, which obviously can only be afforded if the Fed keeps being supported. So I'm curious, Larry, if you were back in your old role as US Treasury Secretary today, what would you be doing? And is it any different from what Steve Mnuchin is doing right now?

Lawrence H. Summers:

I'd have been, for the last four months, all over supporting state and local governments, as a central priority for maintaining the level of demand. I'd have put more emphasis into protecting workers and less emphasis into protecting large businesses than the strategy that has, in fact, been pursued. I could not conceivably have imagined myself supporting the giving of grants to large airlines, without the complete dilution of their stockholders and without substantial restructuring of the debt of their high yield bond holders.

Lawrence H. Summers:

I would have done much more when I was supporting the debt of companies to... oil companies or tobacco companies or what have you, who have been supported, to take warrants in those companies, so if taxpayers were providing bailouts, and those turned out to produce stock market appreciations as they have, stockholders were taking a share in that. I would have invested much more heavily than they have in the basic infrastructure of government. It is absurd that in the middle of the first quarter of the 21st century, that the United States of America is unable to enact a policy of increasing everybody's unemployment insurance benefit by 25% because we're not capable of implementing the computer systems to do multiplication by 1.25. We can only handle addition. That is an absurdity, and I would be putting a lot of people to work, fixing that kind of absurdity and parallel absurdities in the tax system and other places.

Lawrence H. Summers:

I would be recognizing that if I was serious about helping businesses, that I needed to not judge my machismo by whether my bailout programs lost more or less money than my predecessor's bailout programs, but instead, recognizing that I was going to have to take risks that some loans would not be repaid, and hopefully, I would recapture more from the warrants that I would take, than I would lose on those losses, but I would never be putting myself in a situation where the Federal Reserve was more ambitious about being willing to take credit losses than I was.

Lawrence H. Summers:

And the last dimension, and this is a very, very important dimension that I think, when historians look back, this may remembered as the largest of his many errors, I would be focused on the global aspect, and the United States leading a global response, rather than the United States being a dragging anchor on support, at a time when heavily indebted countries were going to be in a very poor situation, both because of COVID, because of the weakness of their export markets, given the weakness of industrial countries, and because of the magnitude of their debt burdens.

Lawrence H. Summers:

And I would also be recognizing, and this is the last thing I'll say, I would be pivoting towards an economic strategy, based on heavy investment in the face of extremely low interest rates because that was the way to avoid excessively burdening our children's generation. So I'd have to say I would give the Fed quite high marks on the policies they have pursued, but I would have to give Treasury not such high marks, and frankly, falling marks over time, that after the initial decision to respond boldly with the CARES Act, it's been pretty much downhill, in terms of the economic decision-making.

Gillian Tett:

Larry, I'd like to go back to the Fed issue because a lot of people in this meeting are very curious about stock markets. And it's very hard to explain the stunning discrepancy between the stock market and the real economy through anything other the Fed action, which has been extraordinary. Are you not concerned that by having these ultra low rates, seemingly indefinitely, we are creating the mother of all [inaudible 00:12:48] bubbles?

Lawrence H. Summers:

First of all, the right answer for anyone concerned with economic policy, to all questions that begin, "Are you concerned," is yes. And so I am worried about all possible dangers at all moments.

Lawrence H. Summers:

Then I would say two things that are sort of nuanced, relative to each other. And I'd ask anybody thinking about this to consider both. I do not think the available evidence suggests that the stock market is in some kind of massive bubble, just because the real economy is in trouble and the stock market is relatively high. The stock market is now very much a bifurcated market. The big tech companies plus healthcare represent more than a third of the stock market, and they're up by something like 30%. And so if you take them out, the remainder of the stock market is meaningfully down, perhaps by 10 to 15%. The remainder of the stock market is meaningfully down by 10 to 15%, even though real interest rates, which presumably influence the discount factor that's supplied to future rates, are also down very substantially. The 10 year index bond, that's the bond that controls for inflation, is paying negative 1%.

Lawrence H. Summers:

So you'd expect, just from what's happened to interest rates, there to be a substantial increase of perhaps 15 to 20% in the stock market. 15 to 20% down already, for the non-tech stock market, plus a 15% tailwind from interest rates is 30%. So how much would you expect earnings to be down over the longterm? I don't think 30% is a particularly massive estimate.

Lawrence H. Summers:

So I don't think that in the sense that there's some obviously failure of market psychology, like there was in 1929, or some obvious failure of market psychology like there was in 2000. I actually think if you bring a bit of rigor to it, that's not the right analysis. People who are going, "Oh, this is nuts," and converting all their pension assets from stocks to bonds are, in my view, making a mistake, on a best guess basis.

Lawrence H. Summers:

That said, I think we have a deeper problem, and this is where it goes to your question. We are increasingly, as a country, in part because of our concern about democratic processes like the Congress, we are increasingly turning to the Federal Reserve as an overall economic engine. That's there in the idea that the Fed should be bailing out tobacco companies by buying their bonds, and that the Fed should be buying high yield exchange trade funds. That's a kind of conservative manifestation of this view. There's an idea on the left that the Fed should be taking responsibility for racial differentials in economic performance. I think that's a huge and critical problem.

Lawrence H. Summers:

But whether the Fed is the right agency to take it on is a question. And here's the big question. What the Fed does is the Fed lends money. That is its basic activity. Fed doesn't buy equity. The Fed doesn't tell people what to do. The Fed intervenes in financial markets by lending money and buying and selling debt securities. That's the core activity of the Fed, along with some regulatory activities.

Lawrence H. Summers:

If you have Fed-centered solutions to problems, they are going to be debt-centered solution to problems, almost by definition. Because that's what the Fed does. And in a world where we've got substantial issues of being over leveraged, households having borrowed too much money, particularly corporations having borrowed too much money, relying on Fed-based solutions is relying on more leverage. And so I think we need to change the balance of who we look to when we have major economic problems, from monetary policies to fiscal policies. And in that sense, I am concerned that our tendency to respond to challenges with central bank-centered solutions, does run the risk of exacerbating the secular stagnation problem that I've talked about. And with it, the risks of financial instability down the road.

Tricia Johnson:

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Gillian Tett:

On that point, there's been remarkably little concern expressed about the rising levels of American debt, which of course was a top issue just a few years ago. Are you concerned that rising leverage could be sowing the seeds for a new financial crisis? And in particular, that maybe you could have Asian buyers who'd been propping up the US treasuries market, take fright in the coming years or even for geopolitical reasons, stop buying US government bonds?

Lawrence H. Summers:

The answer to all questions, again, is yes, I am concerned. That having been said, I think the question you asked, Gillian, was not about overall debt. It was about where I do have substantial concerns about the excessive leveraging of American businesses. I think the concern that you asked was about the leveraging of the public sector and the excessive accumulation of government debt. I do have that concern for the state of Illinois, and I do have that concern for a number of local jurisdictions, and that's one of the reasons why I emphasized the important of support for state and local governments earlier.

Lawrence H. Summers:

I am pretty constantly monitoring this, and if this was a growing problem, there are things you would expect to see. You would expect to see a pattern where there were... like an emerging market, where there were days when everybody got nervous about the future of the country, and you saw the currency go down, the longterm interest rate go up, and the stock market go down, all on the same day. That pattern of correlation isn't one that we are observing to any appreciable degree in American financial lines.

Lawrence H. Summers:

In a broader sense, Gillian, I think we are in a situation where there's an extraordinary desire to save because more of the income has gone to those with high incomes, because of extreme uncertainty. And there are fewer and fewer outlets for that saving, in the form of productive investment. That's the essence of the secular stagnation idea. It's got many reasons, the fact that we've got the Apollo program's computing power in a $600 phone is at the core. The fact that we're sharing cars through Uber sharing, houses through Airbnb, that we're all working at home and using Zoom, rather than in large office buildings. There are many, many reasons for this deep trend.

Lawrence H. Summers:

But when we have that excess of saving over investment, which is being generated by the private sector, there is inevitably, it has to flow somewhere. And if the private sector is going to run an excess of saving, then as a matter of accounting, a public sector is going to have to run some kind of deficit. And the fact that bonds are priced at epically high levels suggests to me, and it isn't because there's been increasing foreign flow into bonds. The fact that bonds have been priced at epically high levels, even when there have been some concerns about the dollar, suggests to me that the worries about fiscal sustainability should not be the primary worries facing the United States. I am much more concerned about the debt we are taking on by deferring maintenance on everything, whether it's water that doesn't have lead in it, whether it's the capacity of the IRS to enforce taxes, whether it's the quality of the nation's airports, whether it's the set of people who are providing education to the next generation of Americans, I am much more worried about the deficit in the form of deferred maintenance of a civil progressive society, than I am about borrowing money for 30 years, at a rate a little above 1%, in a currency we print ourselves.

Lawrence H. Summers:

I think the [inaudible 00:25:42] mentality was a substantial error, and I said so at the time, in the early part of the last decade, and contributed to a needlessly slow expansion. And I think if it were to stop us from responding adequately, going forward, that would be a tragedy.

Gillian Tett:

Larry, what odds would you give right now to Joe Biden winning the election? And how different do you think his policy would be? Do you hope to join that government, and if you did, what policy recommendations would you suggest?

Lawrence H. Summers:

I'm very, very happy being able to speak freely in interviews with people like you, Gillian, so my time in government is behind me. And my time as a free speaker is ahead of me. I think the consensus view, which is that no election is over until it's over, and many of us learned that lesson in 2016, is right. But certainly, President Trump looks to be in a very weak position, and Vice-President Biden looks to be in a very strong position. At the prevailing prediction mark at odds, which are somewhere in the low 60s for Biden, I would, if I were a person who gambled, would be a buyer of Biden in significant scale.

Lawrence H. Summers:

I think there is a quite good chance that this will be what I call a repudiation election. It defines a repudiation election, if I say there have been two in the last century. 1932, when Franklin Roosevelt was elected after Herbert Hoover, and 1980, when Ronald Reagan was elected after Jimmy Carter, along with a dramatic change in the composition of the Senate. A repudiation election is not just a defeat for an incumbent, it is a defeat for an approach and an ideology. And I think the Reagan/Thatcher, it's a lie to say I'm here from the government, and I'm here to help you. I think that ideology is at substantial chance of being repudiated in this election.

Lawrence H. Summers:

I think that there will be two broad categories of changes. I would say first, that you'll have a return to normalcy. There are many, many things where in fact, I'll say this even though I'm a partisan, a President Bill Clinton and a President Mitt Romney, a President Barack Obama and a President Jeb Bush, a President Al Gore and a President Marco Rubio would behave the same way. They would mourn when Americans die. They would condemn racism. They would seek to unify the country. They would value American alliances and the leaders of allied nations, more than the leaders of adversarial nations. They would behave in civic and courteous ways at international meetings. They would seek to govern with integrity, rather than for their own financial advantage.

Lawrence H. Summers:

And so moving past all of that, quite apart from any issues of ideological or policy difference, I think is a very, very important thing. I also think that you will see a move to a serious investment in renewal strategy with a Democratic Presidency. I think you will see a move towards serious concern about bringing the country together, in terms of differing racial groups, and in terms of income inequality. And I actually think there are very substantial benefits to be had, that will create very substantial momentum for a new administration, simply from ending the blundering and the natural evolution of events. And so I think people will have a feeling of confidence to a much greater extent. And so I am not nearly as pessimistic about the American prospect at this moment, as many of my friends.

Gillian Tett:

Right. Just one thing, before I [inaudible 00:31:28] the questions. Do you think that the fiscal policies or the fiscal support that's currently being unveiled should be actively trying to promote green infrastructure and green spending? And in that context, do you think that, in fact, public institutions or universities like Harvard should be actually trying to embrace the ESG, Environmental Social Governance, agenda in their own use of money? Because you said earlier that all the Fed can do is basically lend money. What we're seeing is the government use money as a tool to revive the economy. But should that money, and should investor money be directed to ESG purposes right now?

Lawrence H. Summers:

So I think there are a lot of different parts to that. So should we have some kind of green new deal, in which the US government makes very substantial investments in the infrastructure of renewable energy? Yes. No question. Should we have regulations that spur demand and promote the environment, such as greatly accelerating the transition from coal fired power to other forms of power? Yes. Absolutely. Will enlightened businesses see substantial opportunities in a variety of environmental investments, both in renewables and in energy efficiency, and should they be strongly encouraged to make those investments? Yes. Are there failures of monitoring and measurement that have led to both wasteful energy use and to economic inefficiency? Yes.

Lawrence H. Summers:

When I was president of Harvard, we put in a program that looked for opportunities to insulate our buildings and do things of that kind and achieve energy efficiency, and it achieved much higher returns than the Harvard endowment achieved. So the answer to all of those questions is yes.

Lawrence H. Summers:

Should the endowment of a major university or the endowment of a substantial foundation or the endowment of a pension fund, on which millions of teachers from a state, they should be invested so as to earn the best return for their fundamental purpose. And they should not be turned into a tool of social action. So the answer is yes, I'm all for the green program, but I believe in what the Aspen Institute does. The Aspen Institute has an endowment. It should invest that endowment in the way that will achieve the highest return, which often will include green investments. But should the Aspen Institute turn itself into using its endowment as a tool of social pressure for what its current CEO and its current board of directors believe? No, I think that's quite bad business, and I would not support it. And I think there are many, many other ways, through its programming, through shrewd investment with managers who can find high return investments in the renewable energies, there are many ways for the Aspen Institute to contribute to sustainability. But turning its endowment into a tool of political pressure, I think is a mistake.

Gillian Tett:

Right. Well, we're going to try an experiment now. We're going to see whether some of the people watching who've raised their hands can indeed ask a questions. I'd like to try, in that case, [foreign language 00:35:43] would you like to ask a question? I see you've got a hand raised as well, so just wondering if you'd like to ask a question.

Speaker 4:

Yes. Thank you. Thank you, Mr. Summers. Thank you for the opportunity to ask you a question. I'm [foreign language 00:35:58] from South Korea. I am a journalist. You mentioned K shape as the prospect of the world economy during the pandemic. Can you elaborate that, in terms of each nation's economy, like which countries can get ahead, which countries will have a hard time because of the pandemic? Thank you.

Lawrence H. Summers:

I'm hesitant to make predictions for particular countries. I think in general that countries where there is a more hierarchical culture and a more community-oriented culture are more likely to fall in line with the kind of community standards that are likely to maximize effectiveness through this period. And countries with less hierarchical and more individualistic cultures are likely to have more difficulty during this period. And so I think there has been some general tendency towards the center of economic gravity, moving towards the east in the world. And on current facts, I think I'd expect COVID to accelerate that movement.

Gillian Tett:

Well, we're going to try again, to see whether Ambassador Korologos would like to ask his question.

Tom Korologos:

The thing that worries me is the unemployment money's going to run out or has run out, so what is the unemployed guy going to do? He's going to go back to his old job at a restaurant or a barber shop, and discover that all the tables are now spaces out, and instead of 14 tables, there's six tables because of separation. And the restaurant discovers gee whiz, we've already filled your job. And besides that, you're an economist, how can a country or a business function with 50% capacity because of the cut back in the tables at bars and filling grocery stores, and anybody that has an organization that requires people there?

Lawrence H. Summers:

So I've spent the last several months in a small town on Cape Cod. And where things are pretty healthy here, so there's a certain amount of going out and eating outdoors. One of the things that's happened is that it's harder to get into our first choice restaurant or our second choice restaurant because they only have half as many tables, and therefore we're more likely to go to our fourth choice restaurant than we were in normal times. But that means our fourth choice restaurant is more crowded than it used to be, and so it ends up hiring more waiters.

Lawrence H. Summers:

So to some extent, the demand that's suppressed spills over to other places, and that leads to extra employment. That said, look, I think it is nuts. One of the things the doctor says, when you have a strep throat, and the doctor gives you penicillin, they say take it for 10 days, no matter what, even if you're starting to feel better after five. Relapse will be much less likely if you take it for 10 days, and it's dangerous to cut it off after five days. Complete the full regimen, no matter what. That is a core bit of medical advice. And its economic equivalent is being ignored right now. It is madness that we are cutting off the unemployment insurance.

Lawrence H. Summers:

On the other hand, when I always have a two-edged view of egregious stupidity. On the one hand, egregious stupidity is terrible. On the other hand, egregious stupidity represents low-hanging fruit. Aren't we fortunate that there's some really low-hanging fruit, easy to figure out things, that we could do, that would be substantially availing? If things were terrible, and policy was as smart as anybody could figure out how to make it be, that would be the moment to be most scared. So yes, you're right, Tom, but there is some opportunity in the ineptitude for the production of improvement.

Gillian Tett:

Thank you. Going to try another question from Evan Marks.

Evan Marks:

Secretary, Professor Summers, Mr. Summers, thank you and welcome from Aspen, Colorado. I have two quick questions. First is related to policy, and the other is a request for some prognostication. Do you foresee, with respect to the first question, the possibility that with the significant acceleration of debt buildup on the Fed's balance sheet, that there may be a debt jubilee, where the Secretary of the Treasury and the Fed get together and that debt, which is wholly owned by the Fed, is canceled because the fund flows are completely circular? It seems like elementary algebra might argue for that, aside from what happens on the reserve's, the banks' balance sheets. That's question number one.

Evan Marks:

Question number two is Pitkin County, of which Aspen is the county seat, its unemployment peaked at 27% in June, where the latest statistics are available now. It went down to 16, still trails the rest of the state. Obviously, the county itself has a very high concentration employment in the leisure and hospitality business. What do you foresee as the shape, the pictogram shape, of the Pitkin County recovery?

Lawrence H. Summers:

I think a debt jubilee is unlikely, and if it were to take place, it certainly would not be called debt jubilee because those just aren't the kind of words that central bankers and finance ministries are likely to use. And precisely because it would be an internal transaction to the federal government, I'm not sure it would be as consequential as many suggest.

Lawrence H. Summers:

I can't forecast what will happen with Pitkin County. My guess is that because you're dependent on leisure and hospitality, it's going to be soft until there's a general normalization. And as I said earlier, I kind of think if that has happened a year from today, that will be a good outcome, and it's not likely to have happened eight months from now.

Lawrence H. Summers:

I think in general, part of what we're seeing in the wake of COVID is what one might call the [Aspenization 00:43:53] of America. The most affluent are increasingly looking for more space and lower density. The markets are increasingly involving the more affluent, hiring people who are much poorer to do much more dangerous and difficult things, to serve the affluent. That's leading to a variety of social cleavages and social tensions.

Lawrence H. Summers:

And so the kind of challenges you have in Aspen of $14 million real estate and 23% unemployment, they are indicative of the kinds of strains that I think are increasingly appearing in many parts of our country.

Gillian Tett:

Right. [inaudible 00:44:56] different question, I'd like to ask Laurie Garrett, that's been sent in through the Q&A function, which is this. You were very critical of the World Bank pandemic bonds when it came out a few years ago. It looks like those programs haven't work with COVID-19. Do you have any comments about what you think should be or could be the role of World Bank, in terms of pursuing that kind of financial innovation, going forward?

Lawrence H. Summers:

I think there are many people who are not financial people, who hear any idea that involves getting the private sector involved, and they think that means that there are going to be billions of dollars rained down on causes they care about. And that it was an extraordinary display of naivete on the part of the bank, that fundamentally, you weren't going to get the reinsurance industry to participate in something unless it was profitable for the reinsurance industry, and that meant that the premiums paid by governments were surely going to be much less than the amount of money that was going to be paid out to governments.

Lawrence H. Summers:

I think there's a lot that the World Bank can valuably do. One of the lesser but still egregious errors of the Trump administration has been to... and the person that's appointed as the CEO of the World Bank, David Malpass, has been to try to move away from what was the generally accepted idea that the bank needed to take a much larger role with respect to global public goods. The bank should be financing the surveillance systems. It should be financing the inventory and stock building. It should be financing the research and development. It should be financing the movements away, changes in animal handling practices that are necessary to reduce pandemic risk.

Lawrence H. Summers:

Look, this is not a surprise. I was one of many people who wrote papers that said that the odds were 1% or 2% a year that an event like this would take place, and that the present value was in the same broad range as the present value associated with climate change. And so the bank needs to take on as a central part of its mission the protection against global risks. Needs to be cooperating much more aggressively with the WHO.

Lawrence H. Summers:

I've written, at some length, Laurie, about global health budgeting and global health assistance. Too much money is still going in support for ongoing regular health programs in countries that can afford to raise taxes. And too little money is going for things like pandemic protection, protection against antibacterial resistance, that is what is scope for what could only take place with an international effort because it's not worth it for any one country to make the necessary investments.

Lawrence H. Summers:

So we need, in the wake of this, to take a pretty comprehensive look at the global health financial architecture and organize it on the theme, international money for international problems. And I suspect you can be a very important voice in achieving that.

Gillian Tett:

Thank you. I wanted to just quickly summarize what we just heard because I think there are at least three important themes that have come up from talking to you. Firstly, the bad news, if you like, is that you are not optimistic about a V-shaped recovery. In fact, if I read you right, we've already had the post-crash bounce, and from now on, we have a long slog. It's a Nike swoosh. I happen to strongly agree with you on that. I also, by the way, share very strongly your concern that we are over optimistic about the outlook for a vaccine. I think there's so much riding right now on the vaccine being found that I think we are setting ourselves up for potential disappointment on a big scale on that front. But that's my personal view.

Gillian Tett:

Secondly, you are, however, if you like the good news is you're not that concerned about an impending financial crash. You're arguing that the equity market is not necessarily wildly overvalued because so much of it is driven by tech stocks, and you don't appear to be expecting a huge debt disaster any time soon. So that's the good news for all of you holding assets out there.

Gillian Tett:

But meanwhile, perhaps the most important point that I think everyone on the call is very interested in is what the potential for policy change could or should be, if indeed we do have a Biden government in just a few months' time. You've laid out pretty clearly, a potential set of policy ideas. I think many of us listening to you, Larry, this morning would feel sad that you say your time in government is definitely over. But as with everything else, we can watch this space.

Gillian Tett:

But thank you for being so provocative, for making us think, and for your mixed pessimism and optimism, of course. So thank you, Larry.

Lawrence H. Summers:

Thank you, Gillian.

Tricia Johnson:

Larry Summer served as Treasury Secretary under President Clinton. He was director of the National Economic Council for President Obama. Gillian Tett shares the editorial board at the Financial Times. She covers a range of economic, financial, political, and social issues in weekly columns. Their conversation was held in August at the Aspen Security Forum, which is presented by the Aspen Security Group.

Tricia Johnson:

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Tricia Johnson:

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