

A Path Forward on Economic Policy

David Leonhardt: Um, so we, uh,

David Leonhardt: I'm obviously here with Bob Rubin and Melissa Carney. I'm an introduced them in a second. We're gonna talk, um, uh, for a bit about where our economy is and, um, then we're gonna open it up and try to get a couple of questions from you all. So, um, uh, Bob Rubin of course, is a former treasury secretary. He's the original head of the National Economic Council, right. First person to have that job. Um, he's helped Ron Goldman Sachs. He's helped on the city group. Um, and now he is senior counselor at center view partners. Is that right? Yup. All right. Um, Melissa Carney is a professor of economics and over schools with chairman emeritus with the council formulation. Sure. The council on foreign relations. Melissa Carney is a professor of economics at the University of Maryland. Uh, she is also the director of the Aspen Economic Strategy Group, um, which is this fascinating group that is modeled, you'll correct me if I'm wrong on the Aspen Strategy Group, which is a longtime bar bipartisan group that is tried to contribute to us foreign policy.

David Leonhardt: And now if the same sort of idea, I'm trying to contribute to US economic policy, Melissa previously around the Hamilton Project, um, with, with which Bob was very involved. So, um, uh, I'm going to try to, uh, give you a very, very short introduction to what's going on with the US economy right now and then give Bob and Melissa an opportunity to disagree and really add to it at more length than I'm going to do. But I think what's tricky about the US economy right now is that, um, there are some really obvious strengths and really obvious weaknesses. The strengths are that this expansion has just hit its 10th anniversary. Um, and since about late 2015 or 2016, um, it's been picking up in a way that helps ordinary workers on the unemployment rate has fallen quite low. Wages have started rising, um, including at the bottom.

David Leonhardt: Um, all that is good news. Um, I find it difficult to attribute any of that to either of the current or the most recent. Uh, the, the, the cyclical part of it, the current or the most recent president. Um, it started under Obama. Um, it's gotten a little bit better under Trump. The predictions that Trump would lead to an economic disaster have clearly proven wrong. On the other hand, the predictions that Trump's tax cut would lead to a flowering of business investment have also proven wrong and the economy's basically continued on the path that it was on under Obama. That's the good news. The much a, what I considered to be the bigger bad news is that the, the bounty of this economic growth is really not flowing to large numbers of Americans. Um, raises have matched economic growth only for roughly the top 10 or 5% of the income distribution raises have exceeded economic growth only for the top 1%. For the vast majority of Americans, pay is increasing more slowly than economic growth. And that's actually sort of the best news. When you look at net worth, it's still median net worth has still not returned to its level before the financial

crisis. Typical American is poor than the typical American household was more than a decade ago. Um, we can go through all kinds of metrics like this. The one that I find to be the most depressing and the one that's sort of

David Leonhardt: clenches the case, that it's not just the particular economic statistics that you're looking at or that um, life expectancy for the average American has declined over the last three years, which is not something that should be happening in a healthy economy or um, a growing economy. So that's my super short introduction and I now I guess with less like to ask both Bob and Melissa if there's anything in there that you disagree with, um, please correct me, but more importantly kind of take us to a deeper level and give us a sense for how you see what's going on with the U s economy. I think David is some measure. I agree with you and some measure, I think I look a little bit differently. We have good economic conditions for the moment, although I think I still have a job in investment banking for urban and you can get a sense at least I think the thing that may be slowing down, but that's the immediate and with troubles me and actually worried me very deeply, David, is that while we have great strengths for the longer term in our economy, and I would rather invest here or do business here in our economy than any other very much including China about which I think they're just a lot of under under REC underrecognized issues, we're only going to realize that potential if we meet usually concept critical, hugely consequential economic policy challenges.

Robert Rubin: And if you look back over the last 15 plus years, David, I think we have met virtually none of these. We had a a tax cut that was deficit funded. You can have your own view on what you think about that. I wrote in The Washington Post that was not bad. There was, I told her the fiscal tragedy, uh, which means I didn't like it. Uh, we had, you have the ACA, which I at least it's very good. You all may have a different view. We had the financial reform bill, but basically if you look at the great preponderance of our economic policy challenges, something that Melissa, I've spent a lot of time on with the Hamilton project. We have not addressed them. And what worries me as we go forward is that unless we do address all kinds of human capital issues, the income inequality that you mentioned, which I think will undermine our economy over time for multiple reasons, uh, infrastructure, basic research and so much else, our fiscal policies, which I think are leading us at some point.

Robert Rubin: And I know this is highly controversial issue, but I at least think it's leading us to petition eventually and then maybe not so eventually. So I think the real problem, David, as we simply have a dysfunctional political system that is doing virtually nothing that needs to be done. And I think that if we do what we, what needs to be done, and let me say the context of what needs to be done, I think there are two interdependent objectives and we're not going to achieve either without the other. We need strong growth and we need widespread economic wellbeing and reduced economic inequality. And unless you do both, I don't think you'll get either. And to look at her just for the point of view of the growth perspective, I've been focused on economic growth ever since I was in our

administration. I don't think that you will get public and political support for market based economics, which I think is essential for growth or for globalization.

Robert Rubin: Withdrawals were contributed greatly to growth unless the great predominance of the American people feel they would benefit from these policies. And today, for the very reasons you cited, a goodly portion of our population does not. So the only way we get to where we need to get is to reestablish in some fashion or other a functionality in our political system that is sufficient to meet our challenges. So I think, and this is my last comment on this, I think the fundamental and dispositive question with respect to the future of our economy is not any economic issue. It's whether or not we reestablish sufficiently, not terrifically, but sufficiently effective government, constructive and effective government to meet our challenges. And as you all know, the empirical evidence at the moment, it's pretty discouraging. Most of the People Daily that you and Melissa, I know we're about political life, one way or another are deeply concerned. I'm also deeply concerned. Okay. But I kind of have a more affirmative view as I am deeply concerned. There's really no guarantees and we may not do it, but I have a somewhat more affirmative view about the probabilities over time. There could be a long messy process then I think prevails amongst the people we know. Good. Let's make sure we get back to your optimism. Melissa, how do you think about the strengths and weaknesses in the economy?

Melissa Kearney: I don't disagree with anything either of you have said. I think, um, I think a lot of what we're talking about, I think of in terms of sort of three specific challenges. The first is income inequality, which we all hear a lot about. And I am increasingly convinced that it really is a problem. It, you know, I used to be a bit more sanguine about it saying, well, as long as everyone was doing better, the gaps themselves didn't bother me so much. Um, but that's not the way our economy has worked for the past 40 years. Very different from the way it worked in the, from the forties to the 70s when growth really then meant that everyone did a bit better. Now, what we've seen since the 1980s is the, the growth, the prosperity that the nation has enjoyed, has gone disproportionately to the top.

Melissa Kearney: And, and increasingly to the very, very, very top right. So we're talking about the top 1%, the top 0.1%. Um, and too many people are being left behind. Um, it's, it's undermining our functioning as an economy because it is undermining a belief. And the reality of what we all thought used to be the case in the U s was that there was something approaching equal opportunities, something approaching a meritocracy, something approaching upward mobility and real prospects of upward mobility. But the gaps now are so tremendous that they're being passed on to future generations, right? The kids who are being born in the bottom half their childhood experiences look nothing like what the kids from the top end of the income distribution look like in a way that they just can't compete. And we're moving to a system where we're going to have really

entrenched classes in this country. So, so that's why I find income inequality at the top of the list of, of problems. Um, the other thing I worry a lot about and is the decline in employment among prime aged individuals in this country. So you talked about the recovery. We've had a great recovery. Unemployment rates are really low right now, but it's still the case that men in this country are working at levels far below what they've worked at in, in recent history.

David Leonhardt: And what is it, sorry to interrupt. It's like is it like somebody like 12% of prime age men are not working now?

Melissa Kearney: Yeah, but in particular it's men without a college degree that we've seen the largest declines. So right now 90% of men with a college degree or working as compared to only 80% of men with a high school degree, it's even lower. If you look at high school dropouts for women that differences 83% of women with a college education versus 61% of women with a high school degree. 40 years ago there was no difference. Men of all, um, education levels worked at about 95%. So we're really seeing everyone, but the highest educated Americans, their employment is down. And this, this is bad. At an individual level, it means lower levels of economic security for these people. But it's also bad for our prospects of growth, right? We need more skilled workers. And quickly, the third thing that is interrelated, and you talked about, um, mortality rates, this has gone hand in hand with really sort of social despair among these same groups of people, right?

Melissa Kearney: So the folks who don't have college educations were seeing deaths of despair up from drugs and alcohol and suicide. Um, and something that, um, you know, most economists don't want to talk about, but I'll throw it out there because I don't think we could avoid it, is the, is the retreat from two parent families among essentially everyone but those with college educations in this country. So 85% of kids born to moms with the college educated, I'll call it education, are still raised in two parent families. And all of the tremendous advantages that that family structure, um, yields to kids and the rate among those with some college or high school degree. So we're not talking about the teen moms, we're not talking about the high school drop outs in the Middle Group in the past 20 years. The rate at which kids in those families who are living in two parent families has fallen from 84 to 60%. Um, and that contributes again to these kids having different experiences, the men in those communities not being part of the workforce or family life and just contributes to this social despair.

David Leonhardt: Yeah. And um, I mean I, we may get a question about this. I know sometimes there are questions with yes, but if you slice the economic numbers just this way, things look better and we can have some of those debates. But to me, when you pile on the stuff that's not echo, uh, economic, right. When you look at the situation with the decline of two parent families, when you look at the deaths of despair, I mentioned the overall life expectancy numbers, or you look at the survey data. I mean, basically it hasn't been, Bob, we need, we may need to get you back in government. It hasn't been since Bob's been in government

than a majority of Americans have said the countries on the right track. So that's a 20 year period in which the economy has mostly been growing. It's a 20 year period where we've had republican and Democrat and Republican presidents again, and sort of no matter what happens, most Americans have said the country is not on the right track.

David Leonhardt: And um, and you look at one institution after another, right? I've gone around and given a lot of talks when I was in management at the time is about the state of the media. And people say, how can we restore trust in the media? And part of the answer is we in the media can do a better job. But the fact is the other things that have lost trust include organized religion, organized labor, large companies, the US Congress, the US presidency, um, essentially everything except the u s military isn't trusted by most Americans. Um, the biggest decline has been the US healthcare system. Uh, and so when you look at all of this data to me at are used quite strongly that there is no way to slice the economic data that actually make things look good. So I want to get back to your optimism, but you, you, it looks like

Robert Rubin: optimism. I said I have a more affirmative view, but the prevailing view amongst those who are concerned that's not optimum or it's relative, it's relative out. It's probabilities. And if their probably are here, minor here. Okay. So what do we need to do? I think the tragedy David, is this is a very rich country and I don't think there's any question. Marty Feldstein died recently to shame. Marty was a wonderful, wonderful man. You know, he was, he was a senior economist and head of there should be written on research and, and, and not want American. I said, Marty is considered very conservative Republican. And Marty said to me a couple of years and we, we're talking about our fiscal situation. And Marty said to me, you know something, you and I, Marty and me have quite different views what we should do. But if you and I, since we were both committed to effective government to principled compromise and to looking at facts and analysis with intellectual integrity, if we sat down in a room, we could solve this problem in an afternoon.

Robert Rubin: That's a little bit hyperbole in his part. But the point was basically, right? We were a very wealthy country. David, we could deal with these issues. But the problem is there has to be a willingness in our political system, which is now and the Williamson about dimension. It is virtually entirely absent to, to engage in principle compromise because our system could not work without principled compromise. You cannot work move forward, except on rare occasions unless you're willing to compromise with people who disagree with and maybe even do as repugnant and it can't work unless there's a willingness to ground decisions in facts and analysis and you approach them with intellectual honesty, not a focus on alternative facts. Recognizing the politics will always be involved. So the question is how we accomplish all of that. I have a friend who had been the deputy, what was the deputy chief of staff to vote no chiller step shake shack.

Robert Rubin: We built Gore and so he's kind of conversable all this stuff and he said to me the other day, we really are caught in a vicious cycle because everything that Melissa said and David of them is right, people have lost confidence. A goodly portion of our population has lost confidence in our political system because it doesn't perform for them. As a result, instead of supporting the kinds of policies that can get us back, we need to be there support, uh, what I'll call populism, but we can discuss what we think that means. Populism and nationalism. That is to say proposals that may be terrific in terms of the issues they raised. And I think these things, they kind of proposal really do raise critical issues, but they're not affect their responses to those issues. And what they're not supporting is what the social support proposals that can be put on bumper stickers and a politically appealing as opposed to the complex issue answers that we need to complex problems.

Robert Rubin: Then the conditions get worse and you're caught in a vicious cycle. And the question is how do we get out of that? And that then becomes right back to the same question again. How do we establish effect into our system? I'm going to, one of the things, if I'm mistaken, for those of you who are interested in for business or investment or other reasons in the future of our economy. Uh, Jason Furman was over with the council a couple of years ago when I was after. It was after Obama, the antibody, right? Jason was chairman. That is, you know, with the CA. And then after Jacen left, he came over with a little dinner with people and Jason estimate the CBO, as you probably know, projection longterm growth. The United States economy of give or take 1.9% 2% whatever it is. Jason estimated that if we really met our challenges, if we did all that we need to do so we can get the advantage of all this technological development and globalization instead of suffering from the pressures of crates on wages and jobs, we might be able to grow more toward 2.4% or something like that.

Robert Rubin: 2.5% conversely, a, we had a discussion and what happens if we don't meet our challenges? Not this was not what Jason with somebody else, but it was a group of very highly respected economists and their judgment was instead of having what I just described, we could have growth for below 1.5% increasing inequality, increasing social stress. So the stakes are enormous. David, the stakes that is to say, getting back our political stuff. So I, most of you, maybe almost all of you are involved in one way or another with our political system. You contributing to candidates, you meet candidates. Who knows? And I think I would, I myself do and I think all of us should do this, is urge them to do two things. Whatever your views may do, you may be conserved and they live or whatever it is. We want you to commit to effective governance. That is to say commit to gauging in principal, compromise with those you don't agree with and commit to focusing on facts and analysis, intellectual integrity, even though politics will always be involved because that is the key to getting back on track. Melissa, what do you think we need to do?

Melissa Kearney: So I'll, I'll answer to more granular level. You know, more than I have to do that as soon as assuming that assuming that um, this vision of policymakers actually

working together to affect useful policy happens. The number one thing I think this country needs to do at a massive level is invest more in the human capital of our people. And that means more investment in education. And I know there are people who are getting tired of that prescription and saying, no, no, no, we need to break up the big companies. We need to increase worker bargaining. And I don't disagree that there are others things we could do. But if you look at the data on where all the divides are in terms of who is doing well in the economy and who was doing not, there is no denying the fact that the single biggest divide is those with a college degree and without, and so both for reasons of expanding economic security. Um, and for our global competitiveness, we need more college graduates. But I'll be specific. So what I think, cause I know what you think.

Melissa Kearney: Well I know going for a long time, I think I know what you think. Maybe I don't. But in addition to college graduates, don't you, how would you think about people who are not going to go to college or shouldn't go to college? Okay, good. So, so yeah, I care about that. So let me say a couple things. So first when I say we need more college graduates, um, what I mean is we need a much larger federal and state investment in the institutions that are serving the majority of college students in this country. And that is public colleges and community colleges. So we have 20 million college students in this country. 15 million of them are at public universities. 6 million of them are at community colleges. That's a subset. Okay. Um, do you know how many are at Harvard? I'm going to poke a little bit of fun at New York Times right now.

Melissa Kearney: 7,000 right? For all of the less problems. Okay. Even from all of the attention that we give to Harvard and the other elite schools and for all the like hand wringing about how are we going to get more low income kids to Harvard or Stanford or Princeton. Those are not the engines of social mobility. The public colleges, the community colleges serving 15 million students, those are the engines of social mobility and they are wildly under resourced. Okay. Now I am not saying we need free college. In fact, I think free college would dramatically exacerbate the problem. We already have large numbers of students going to college in since 1990 we've had a 45% increase in enrollment, a 4% increase in state appropriations. Right? So now we have lots of students. They got the message, I need to go to college. But then they get there and they're not served very well by these cash strap public and community colleges.

Melissa Kearney: Um, and so we need to be putting more money there to increase the um, experience, the skill attainment and the graduation rates. So now let's talk about this, this other sort of, um, you know, often objection to this idea, which is not everyone needs to go to college or not everyone's going to go to college. So I have two thoughts on that. The first is a lot of that I think reflects what people in, you know, a lot of people in rooms like this, think about when they think about college, you think about a four year liberal arts education. But that's not what it is to most people. And in fact, what most people are getting when they go to these colleges is something that would look more like vocational

training. So I was in a room last week where somebody said this or not, everyone needs to go to college.

Melissa Kearney: We more vocational training. I said, do you think nursing is a vocation? He said, yes. I said, well, you need a four year college degree to be a nurse. Okay. And a lot of people who go to those four year college nursing program started at community college. So when I say people need to go to college, a lot of that is vocational. But to your point, we still have a quarter of people not even completing high school. And for them they need alternative pathways. And we can think about apprenticeships and other sort of career and technical education type programs.

David Leonhardt: I mean, one way I think about that as a college degree is still really valuable there. I mean, you know, despite the profiles you may have read in my publication and others about someone who has debt, who's working as a Barista, they are the exceptions. A college degree is extremely valuable. Uh, and the next time you hear someone say, not everyone needs a four year college degree, asked them whether they think their kids need a four year college degree because four year college degrees, you can disagree. But I still think that I still think we should be. Well, I still think when people are making decisions for their own kids, they still think it's a good idea and they sort of, when they think about the other stuff, they tend to be thinking of some sort of other, well that David, I had this debate regionally with it with a democratic governor who I like an enormously, as a matter of fact, I have great respect for it, but the fact that it's not everybody wants to do in college, not everybody is equipped to go to college.

Robert Rubin: Yeah. There are a lot of jobs that are massively important in our society that do not require it. No. You live in the point about the nursery that do not require a college education. So I, yes, do I want my kids to go to college? Yes. But I can easily understand if somebody had chose not to. And I think that if we think of our society as a whole, I think we have to think more broadly about education. I agree. I just like to see us producing more college graduates. I mean, there was a time where we had a debate in this society a century ago. Do we need more high school graduates? Right? And I'm really glad the people who were saying everyone should go to high school won that debate. And I think that if you sort of look at the sweep of history, it is reasonable to think that the baseline level of education in 2020 is greater than the baseline level of education.

Melissa Kearney: Can I add one thing to that, which is, um, of all the very important jobs that don't require a college degree. And that is, and that's true. So we know that the nature of work being done by non college educated workers has changed a bit in this country. So what we know from the data on jobs is that there's been a polarization in job creation so that there are increasing numbers of, um, jobs that pay very high wages and demand very high skills. And then there's been an increase in jobs that pay low wages and, and the middle has sort of hollowed out. And what you've seen is the workers who had college degrees. And we're

getting middle wages in previous generations now. They've mostly moved up and the middle skilled folks who were getting middle wages without a college degree, they've mostly moved down.

Melissa Kearney: So that that's, you know, a sort of move away from um, office secretarial work or blue collar jobs in manufacturing. Those folks have now shifted into low paying service jobs, labor jobs. Okay. So agreed. Those people need those jobs and we need those jobs to function. And so we do need also as a, as a policy measure, I think much more wage supports. Right? So we, I would expand the earned income tax credit for sure. And, and I would do the, you know, again in a functioning government, right? Um, much more support for childcare and rental assistance, low income housing systems for low wage workers.

Robert Rubin: No, don't do all of this to do any of what we need to do. We need to have fiscal resources. Nobody wants to discuss this in the present presidential primaries, debt to GDP in this country, the federal debt to GDP, the public held debt, the federal government, which is the way to measure this, not the total debt in the crew treasure if 78% the CBO projected go into 103% in 10 years under what they call current policy. And I think you've be studied this and know enough about it and you'd probably think that the odds are higher rather than lower. And at some point, and I think, well before we get to that point, I think with Emily, I think there are enormous risks in that the risks haven't for the most part materialized or they have in terms of our resilience and our reduced ability to engage in public investment.

Robert Rubin: And I think the risks will continue. The probability of the risk materialized in terms of interest rates, business confidence, our currency will increase as time goes on. And yet nobody in the political environment really wants to face this in a realistic fashion. So let me ask you a skeptical question about that, which is in the current presidential campaign, we've got Elizabeth Warren calling for a wealth tax that would raise an enormous amount of revenue. We've got Bernie Sanders calling for a very large increase in the estate tax would also raise revenue. I had t Buddha judge on the podcast I cohost. He talked about a top marginal tax rate easy. He liked the idea of 49.999999% so I guess I understand that you may not like them, you may have other criticisms of them, but I do hear people in this race I do here, it's not what we traditionally think of as fiscal conservatism, but they want to raise a lot of tax revenue.

Robert Rubin: Look, tax revenues are percent of GDP right now. David, as you well know, 16 and a half percent in full employment economy is in the past had been about eight and a half, 19% when we left office, they were a little bit 20% we had an excellent economy. We need to find revenue. The question is where do you find it and I think one of the tests of whether the business community goes, I know you have a view home and I'm about to say the business community in America really is focusing on urging government to be effective and really is focused on the need to reduce inequality and eliminate way to have healthy increases in wages without, which I don't think we will have the policies they need for

growth is will they support increases in taxes, included the taxes that affect them. Now let's go to the taxes you mentioned David.

Robert Rubin: Most people who have landlines a little bit warranty wealth tax, and I've talked to a lot of people who've done this and we're not biased either ideologically or politically, they're just people do this for a living. How they spend their lives. I think there's a very substantial, in extra a 50% probably going to be declared unconstitutional because of the direct tax requirements that comes through. Okay. If you think that's true and you think could only be one bite at the apple, you're not going to have a long period of time. Most likely, I mean anything could happen most likely where it's politically possible to get tax increases because there's so, I think it is exceedingly unwise to spend it on something, the probability, which is more likely than not to be declared unconstitutional, particularly with this supreme court. Secondly, it is very hard to figure out how a well tax is going to work when so many assets are illiquid and also when markets go up and down, et cetera.

Robert Rubin: Uh, I think people would've, yeah, I've been with Mayor Pete too. I think it's 50% pack bracket may be right. One, I don't say that's wrong. It may very well be the right one for those of you interested in the subject. There was an APP, a two part up editing the Boston Globe about a month or two or three ago. I don't remember by Larry Summers and a Natasha can their last name, very capable woman penciled. It meant Benjamin Pennsylvania. And what they said was that if we, and if some intelligent cost, benefit, manner reform the deductions and credits so that we reduced them down to the point where we no longer have them except to the extent that we think they're really worthwhile in terms of economic benefit and if we raise the corporate tax rate to at least 25% or rate that most CEO's would have died for me for this, this tax bill, we eliminate stepped up basis at death.

Robert Rubin: We decide we want to do about the state tax itself and we do a few other things. They, I don't remember the exact number, but they had about two point 7 trillion over 10 or two point 5 trillion over 10 some number like that. It's a large number of David. You can get a lot of money in ways that would be very controlled. Most estimates say Warren could collect, their number is higher. It is higher than the absolutely were correct Melissa. Now every tax, every effort to raise taxes has all kinds of opposition. But at some point, our society is simply going to have to face the reality that we do not have enough tax revenues to do all the kinds of things that Melissa was talking about. Now the alternative is to say we're only going to cut spending. We're not going to worry about taxes.

Robert Rubin: But if we do that, we're also not engaged in any of the programs, won't be able to fund the programs that we need to get ourselves back on track, both in terms of growth and widespread economic wellbeing and a reduction in inequality. And was, it'll be interesting to see, had the business community reacts to the need to get government function effect. You can't, if you believe in market based economy, then you have to support strong government and effective

government and you have to support reducing inequality and why it's been economical big or you're not going to have your market based economy sooner or later.

David Leonhardt: You mentioned my view on that. So I've been reading some history lately. I've been reading some history from the 1940s, um, a lot of fortune magazine and boy was Fortune Magazine, a beautiful magazine in the 1940s. I mean, just reading through it at the library of Congress has a pleasant experience just aesthetically, but it's remarkable to see the views of the business community in those years because there was a real fear born of the great depression born of the rise of in Germany. And the, um, what seemed like, and actually at the time was the strength of the Soviet Union and the appeal of communism. There was a real sense that we need to make sure that American capitalism works better for workers and we need to make sure that we come to some kind of peace with labor unions and that we have rising wages and we are in the right place to be talking about this because the Aspen Institute from Walter pep key came from that sense, from that sense that American business has a leadership role as a patriotic role.

David Leonhardt: It is not simply about lobbying for tax changes that get our taxes as low as possible in our profits. That we basically have to be passionate advocates for capitalism that works for the large numbers of people. And what I worry a little bit about is what got us there as a society was the combination of war and depression. And uh, what I worry, what I don't see, to be honest, is how do we get back to an America where ordinary people think institutions are functioning, including my own institution, but it's not the most important one. Um, and, and where businesses see that they have a stake in something larger than their own tax bill. How does that happen?

Robert Rubin: Yeah, but you know, I, I'd like to deconstruct that comment. Okay. One thing before that, I know pretty much all of the Democrats who were running this time, and I think we have a lot of good candidates. We'll see what happens. But when you watch what the Democrats are talking about, they're talking about widespread economic wellbeing. They're talking about reducing couldn't quality. But I think there's far too little talk about growth because without growth, you're not going to have the fiscal resources to do all the rest. And, and that's what President Clinton used to say. President Clinton used to say you need to have both. If you have growth then you'll have tight labor market is tight labor market with higher wages and you'll have the fiscal resources to do all this stuff that Melissa correctly and you correctly, you said it used to be done and there's very little talk about growth right now unfortunately at least.

Robert Rubin: Yeah, there's very little growth in coming from those who are very focused on what I think desperately needs to be focused on the other two objectives widespread and what can just inequality. Let me deconstruct something though that you said, David, you talked about business. I think there are two different ways to look at this. One is so called social responsibility. I think that is a

different question than the one I was trying to raise and and that I think is a very complex question. I which one could have at least I have a mixed views. What I was saying is I think with business needs to do is say, if I want my market based economy, tech economy, I also have to have a strong and effective government. And my strong and effective government has to promote not only growth, but it has to promote widespread economic wellbeing and reduced inequality. And that is gonna take more taxes. And those were taxes are going to fall in some fair measure on well in very large measure probably on corporate America and an affluent individuals.

David Leonhardt: So what do you see government doing that it could do less of? So one way is to get resources for these things we've talked about. We haven't even talked about climate change, which I think is actually the number one threat. One of the ways is to raise taxes. Um, another way is to have government do less of something so it can do more of others. What are some things that you see government at the federal, state or local level, um, uh, doing now that it could do less of?

Melissa Kearney: So I think there's been a lot of attention in recent years and in a positive way on, on regulations and people are starting to look under the hood more at the types of regulations, um, regulations that hamper small business development and business growth. Then also, um, working right occupational licensing is finally sort of out there as a top policy priority, which I think is a really good thing for, for those who don't know what I'm referring to. It used to be 30 years ago, 5% of the workforce needed a license, like actual license from their state or local government to hold their occupation and that is now exceeding 30% right. Far beyond doctors and dentists and people like that. So I think examining those regulations and bowing, some of them back would be good for both w, you know, labor market outcomes and um, business outcomes.

Melissa Kearney: The other thing that comes to mind, which I really shouldn't say the government should do less of. Um, so take this with this with a grain of, with a grain of salt. But I teach public finance. I see. Look at the federal budget. I tell, do you know what I'm going to say? I'm going to get myself in all sorts of trouble and I show the students, we spend a lot of money taking care of the elderly and less than 1% of the federal budget goes to kids. So you know, and our, and our debt to GDP ratio is on a projection to continue growing in a way that it's almost entirely about giving money to the elderly. Social Security, Medicare. I'm not saying that those aren't important programs, but what I'm saying is we have very little money left to make the investments we need to make in kids, in education, in infrastructure, in basic science, the things that are going to lead to growth and make us and keep us competitive. Yeah.

David Leonhardt: Global economy. Jean Shirley says we have a budget for a declining nation, which is a version of that. Yes.

Robert Rubin: Yeah. Well, okay. Okay. I didn't, I didn't. Okay. Well we don't have to be declined nation. We can be in a sending nation. If we'd get get our act together, the two

more plays you could split, you could save a lot of money. David. Uh, we spend roughly 18% of GDP on healthcare. The average developed countries, about 10% we have a mess or the notice, we have a terribly dysfunctional healthcare system and you can debate what it should be, but in a serious country with a serious government, we would be having sitting down with the right kind of people of all kinds, different views and we would maybe experimentally in different states, one thing another we would be figuring out how to get that percentage down and a, that percentage comes down. Then our Medicare, medicaid expenses go down without changing benefit benefits at all.

Robert Rubin: And the second thing we could do, which I tried to do when I was treasury secretary and I got clobbered for doing it. I said, we shouldn't, we shouldn't, I don't want to, I'm not saying this is what I said when I was there. I'm not saying anything about our national security objectives. Every objective, if you want to shoot mermaid attack. But nobody ever reviews the defense establishment. As a McKinsey would review a company to see what, how efficiently are we achieving those objectives and could we achieve those objectives more efficiently. And I raised that in the Roosevelt Room of the White House with everybody sitting around, not the president, but the deputy secretary of defense, all kinds of other people. And Deputy Secretary Defense, a wonderful guy looked at me and he said, if you try to do that, we will send all the uniform people up to the hill and you've got absolutely destroyed. So we would suggest you withdraw that idea. I actually didn't withdraw and I didn't get destroyed

David Leonhardt: last night, so I'm here. So I wouldn't totally photo, they put the CIA after herself. But the idea got destroyed yet. Last question from me. So there's all wing of the Democratic Party, Bob That's associated with your name, right? I'm sure I've been accused of being sympathetic to it. The Rubin wing of the Democratic Party. And what pray tell is that, and so I think people think of it as centrist Democrats, market friendly Democrats. I also think that the idea you mentioned from Larry Summers and others on raising taxes is a version of this, which is their ideas that when you kind of analyze them technically look very good. So I would actually put a carbon tax in this category. I would put much of the ACA in this category, right? Trying to create a market expand market based healthcare and a lot of these things have proven politically problematic. I would, I would say for a couple of reasons.

David Leonhardt: One, they are designed in part to win. They're they're designed is compromises to bring republicans to the table, their market friendly ideas. Healthcare famously took an idea of Mitt Romney has tried their conservative economist who like carbon taxes, but the fact is the actual Republican Party as opposed to Marty Feldstein doesn't have any interest in any of these and so you don't get any votes from the Republican Party for climate things. You got none for the ACA. I don't think you'd get Republican votes for the Larry Summers package of tax increases. The other problem with these ideas is to a lot of Americans, they don't necessarily make sense. They sound complicated, they sound difficult. Um, and Americans tend to like simple ideas. And so people prefer the idea of

expanding medicare over, um, private exchanges where you will be able to buy healthcare with subsidies depending on your income. And so I guess what I would ask you is, I've reflected a little bit on this and I've changed my mind a little bit on this and I would guess you have not, um, which doesn't make me right, but I in fact, if you had the view it's arms correct.

David Leonhardt: Um, but how do you think about that? That a lot of these ideas are technical ideas that are designed in part to when Republican support, they don't. And then they also don't tend to win over Americans. And so might it be better just to raise the top marginal tax rate 50% and triple the estate tax rather than do this whole package of things.

Robert Rubin: It taxes about 40% now as you've a trip would be 135%. It's a good, you're a journalist, not okay, but triple the revenue that raises, oh, triple the revenue. Right. David, you're not, your chances of doing that with all due respect are in the neighborhood of zero. Okay. So I think the, I think the problem you said is exactly right. Well, I think it's right in this room, first place my views on exactly what you just said they are, but that's just being a journalist. Um, but, and a carbon tax, which is absolutely the right way to get at carbon at Clemson is not realistic now, but the alternative that we have. But fundamentally I think what I've set out is probably at least I can tell substantively, the only way that's going to get us where we need to go. As you correctly say, the Republicans as they're currently operating in the Senate with Mitch McConnell, I've been unwilling to engage in any principal compromise anything.

Robert Rubin: But that would be true to what we said. And yet you've got to find some way to work with those who control the other party. Since the probabilities are they, who knows what'll happen. But the chances are they will continue to grow the Senate. And some of the things like a wealth tax couldn't pass in a democratic senator. I don't believe so. I think the answer to so now to get back to what I think the answer to that is, I don't think one needs to be extremely realistic politically, but I also think you have to have things that are going to be effective. Subsitively so when people say Medicare for all, I don't know how many of you all spent time studying that, but firstly it's, it has no specifics in a student what it means, right? Mean six different things. Yeah. To all kinds of different people.

Robert Rubin: Secondly, the politics of that where you have 180 million people roughly who have there, who have their, their healthcare through their corporate system, which for the most part they liked not too little. And you're telling them we're going take it away. The government's gonna decide what you get. We will greatly increased taxes cause we have to, and we're not going to get away. And this was a really good point. Mates in the Washington Post, you're not getting away from the fact that people, somebody's gonna have to decide who gets healthcare, who doesn't. It's not as if we're doing away with that. Right. So I think the politics of that are probably terrible. I think we should, I think you all kinds of things we should do are kind of running out of time. But, so I don't know anything about, you know, identity part of democratic, if anything

identified with me, and I don't think there is, it would be to be, to, to be Steph seriousness of purpose about what exactly what President Clinton stood for, serious of purpose about policy and intellectual integrity to the Spec, to facts and analysis.

Robert Rubin: Figure out what you think is the best way to go forward. Try to, as President Clinton said to me, once you do the Pr, all the good policy thinking, it doesn't matter unless the politics work, then figure out the politics and go forward. And so I think if we go on a sort of a, a bumper sticker, populist direction, firstly I don't think it happened politically. And secondly, if it did happen, it's not going to work. But I think the world has changed a lot and I think we all have to change our views on policy and so forth. But certain fundamentals remain the same. For example, we need to have a sound fiscal regime. I think our best hope, David, is that political emerge as they have in the past in this country.

Robert Rubin: And that

Robert Rubin: support for constructive government, including principal compromise begins to work in some places. And then other politicians, we do business recalibration their politics and eventually you get a virtuous cycle. Not a vicious cycle. Melissa, any last words before we open it up?

Melissa Kearney: I was like, we're done. Um, I just, I would just add that, you know, this is why I'm not a political strategist and as an economist, so I mean the, the sort of the populist rhetoric of this campaign that calls for these bumper sticker ideas, I get why they're so appealing. Right? Universal, basic income, medicare for all free college, every one of them. When you study it is a terrible idea. Right. And so I get that incremental changes, expansions of existing safety net programs, right. Closing loopholes in the tax code. These are not as sexy and, and you can't just pound them out on a podium, but we, you know, we have a lot of combined expertise across both parties. And Bob said this, people could come together and make a real difference with things that take more than three words to describe

Robert Rubin: one. One. I'm going to put one, one, one sentence. Yep. Not in a semi colon, but these populist ideas do have one great merit. I think they're raising issues that need to be addressed. Yeah. And that I think is a great virtue of them. Okay. Where are the microphones?

David Leonhardt: Let's come right here.

Audience Member: Hi. Uh, my name Annissa Esparza. I make markets

David Leonhardt: we're leaving. We don't find it interesting enough to stay.

Audience Member: I am a uh, aspen kip fellow. I just first I want to say yes to the investment in education. Um, because of the investment that was made. It's a kit, which is a

charter school. I was able to at 26, I make more money now than both of my parents combined. And that's all because of the education that was provided to me. So I'm okay, uh, with just so I have this love of learning and I'm trying to understand more of our economics and I know it's unprecedented what having our president trying to manipulate interest rates. And I'm interested in your thoughts on, do you believe Trump is at times tweets about tariffs and does just really focuses on tariffs to put pressure on the Fed to lower rates and yeah, just your thoughts on rates and should we stay stagnant? Should be killed downs we go up, what do you think?

Robert Rubin: Well, let me give me one sentence answer.

Speaker 5: Okay.

Robert Rubin: For eight years we never commented on the Fed and the reason we didn't was that the political independence of the Fed seen do us imperative because he just started having fed decisions made for political reasons. It can lead to terrible places. And secondly, the credibility of our markets has benefited tremendously from the of the Fed.

Robert Rubin: But I think when you have a leader who understands nothing about anything, it tends to unfortunat influence a little bit how these things get dealt with. I shouldn't have said at that time, and I take back, there we go.

Audience Member: Oh thanks. So this idea of carbon tax, I love, I love taxing things that we don't want taxing bad behavior, maybe not taxing income cause it's good and we want it, um, sort of, uh, like a loaded MMT question. Why can't we just tax things that we don't want and if we're credible as a government and people believe we're making good investments, spend the money, borrow the money for positive Roi investments, why don't we, we should briefly define him empty. Um,

Melissa Kearney: but I'm not gonna try to fit [inaudible] answer to that, but the only, we have 40 minutes. I think I read the read the op Ed that Larry Summers Road on, on, on modern monetary theory, which he called a disaster. That was his word. I found it quite persuasive. I help. I will. I mean, it's the theory that we don't need to worry about deficits. Yes. We don't don't wherever the devotees, but there was another part of your question which is why can't we essentially just rely on these Peruvian and taxes or tax and things we don't like as opposed to income, which is good. And the short answer is there is because you can't, you can accomplish like, you know, a carbon tax is really good because then you discourage this behavior that we don't want and it's good for climate, but you can't accomplish what you need to in terms of redistribution with just those booby and taxes. You need a progressive income tax to adjust for some of that.

Speaker 5: That is the problem with the carbon tax. Yeah.

Audience Member: Thank you Sam. Critic. Um, the house of representative is gerrymandered. You have the left way off the left and the right way off on the left or right. And they never agree with anything. And with the Democrats in control of the House, Republicans have crawl the Senate. Nothing is getting done. You have, you have the Iowa caucus system, which is so frigging crazy. I can't believe it. We need the public to demand proper representation and we need the political parties to compromise on things to get things done, in my opinion.

Robert Rubin: Yep. Absolutely. Yeah. I think you've got to record. You've got it right. Um, yeah, I agree

David Leonhardt: so far I've called only on male questioners. Is that, help me out here?

Robert Rubin: I'm not going to comment on that.

Audience Member: Uh, one of my concerns is that there's more oversight in our legislative bodies than legislation.

Speaker 5: Okay.

David Leonhardt: Care to comment on that. Say you're thinking of the fact that the house has spending all the time investigating Trump specifically now. Whoa. Yeah, yeah, yeah. I, and, and everything else that they can, I mean, you know, they're not legislating, well, that's not true because they have passed 600 bills and now nobody really knows about that because the press doesn't do its job of informing us that our institutions are working because they're too busy reporting on the oversight. Yeah. So help. Yeah. And that's fair. Look, I think, I do think we should do more job writing about policy and, and the things that, that they're passing. Um, uh, I tried to write a fair amount about it. Um, I mean there's HR one, um, which is this bill to expand voting rights, which gets to each of your last two questions, right? Which is a bill.

David Leonhardt: It's designed to make it easier for people to vote. It's a bill to address some of the corruption in politics. It's also bill that has absolutely no chance of getting through a Republican controlled Senate. So it's a little bit hard to think about, um, how to write about it if it has no chance of happening. I guess what I would encourage all of you to do is those of us who were in the media, no. Um, uh, when we write about scandal or rewrite about conflict, more people are going to read it. Then when we write about policy, many of us still right? Lots about policy anyway and we say, I don't care if fewer people are going to read this article because I think it's more important. But one of the things that we can ask of the public is spend more time reading about policy than reading about investigation and scandal, which will then create the incentives for us to continue writing about policy, which many of us would actually really like to do. There was one in the back.

Speaker 5: Yeah,

Audience Member: I am Lisa Gill. I'm a reporter with consumer reports and I'm, I'm, this is a terrific session. Thank you very much. One of my real concerns is the American debt load up and in terms of personal finance, and I'm hoping maybe you could say a little bit about sort of the resiliency issue of, of the American household, uh, to withstand small, uh, whether it's a flat tire or other sort of small issues, but the, the debt load is pretty substantial continuum thinking about student loans and mortgages, even credit card debt. Thank you.

Melissa Kearney: Yeah, I mean you, you're right in, this gets back to something that the panel started with, which is just the most households have close to zero wealth. Um, and, and building up wealth is a hard thing to do, especially with these folks having, you know, low incomes now or low wages. Um, there are some sort of really bold proposals out there like baby bonds, let's give every American \$50,000 that they're entitled to with their 18th Birthday. Um, I'm not ready to endorse that type of a proposal, but to an earlier point, I think it's great that we're having this conversation. Um, and, and, and the point is well taken an entirely

Melissa Kearney: right that too many households are sort of living just one negative shock away from a brush with poverty. And the, I mean the combined net worth of the bottom 50% of Americans, depending on which survey you read is either slightly positive or slightly negative, but it's essentially zero. And I, to me the baby bonds proposal, I haven't read all the analysis of it, but I put it in a different category from universal basic income, which I don't like at all. The idea of essentially saying we're going to have every child in this country, um, automatically come with some wealth to me is a much better idea than the idea of we're going to pay you in perpetuity, not going to pay for it. Dude, I'm gonna raise taxes. Yep. No, I agree. There go one sentence please. You get the last word, one of America

Robert Rubin: better known Po. This is a slight ray of hope and would not have been a totally uplifting conversation. Um, did my thing too. One of America's best known pollsters and I at least think perhaps the one I would most high. Well, their number I think are really good and he's certainly one of them. Uh, and I'm not gonna say his name because that would be unfair, but he said to me the other day, we're talking about this, and he said, you know, it's interesting. He said, the noise is on the left and the right. You've written about this actually the noise is on the left and the right. But he said, I have a feeling, even though I can't prove it yet, that a very large portion of the country actually wants discovered to work. They're willing to engage in compromise to make it happen. And maybe if that, so that will start to manifest itself in such a way that the people who are running for office, I'm not suggesting people going to office and it'd be saints because they're not, but the people running for offices will begin to recalibrate their politics at some point.

Robert Rubin: And that over time could get us back to where we need to be. And I don't mean it like I guess I'm being critical. Somebody says when when President Obama

was elected, Mitch McConnell said, my objective is to make sure he doesn't get reelected, but he could have said is my objective is to work with the president to get everything done that we need to get done. But I'm also gonna do everything I can to elect a Republican. But it's that, that totally total rejection of effective government that has been so horrendously destructive to our country. But if my friend, who really is, if somebody, David Mills, who know well is right, then maybe at some point that can begin to shape our politics. Yeah,

David Leonhardt: and it's, look, if you look at the polls of Democrats, there is a very large base of Democratic primary voters who are centrist, which is exactly what he's saying. So on that note, Bob, thank you, Melissa. Thank you. Thank you all for doing it.