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Post-Bidenomics and what comes next

JARED BERNSTEIN GOES DEEP ON POLICY SUCCESSES AND REGRETS

CARDIFF GARCIA: Jared Bernstein is our guest today. For a long time, he's been devoted to public service and economic policymaking going all the way back, at least, to the 90s, when he was Deputy Chief Economist at the Department of Labor.

He's had various roles in the Obama and Biden White Houses. Most recently, he was chair of President Biden's Council of Economic Advisors, and he's been out of that role for only a few weeks. He's been writing a newsletter. He has joined the… Substackasphere?—the Substackaverse?—is that what we call it now? Something—

JARED BERNSTEIN: That sounds good. Yeah, I think I have. As a boomer, some of those movements get a little tricky for me, but yeah.

CARDIFF: Me too. And I'm not yet a boomer, sad to say.

But what I'm really hoping, Jared, is that you're feeling unconstrained, unleashed, maybe even a little loose in the lips, in the way that people can't be when they still work in the government.

So first of all, welcome to the New Bazaar. Is that the case? Are you ready to unburden yourself with some, I don't know, honest but maybe impolite thoughts about politics and the economy?

JARED: Definitely, I am. I feel like I should lie down on a couch and let it rip. But yes, to the extent that I'm comfortable—I definitely don't have the comms team looking over my shoulder, the way it was back then. Yeah.

CARDIFF: Complicated question: how does it feel to be out of the government now, and watching what's happening? Yeah, how are you doing? (LAUGHS)

JARED: Well, it's interesting because I think personally I'm doing well. I have time to exercise every day and I'm going to a lot of M.D. appointments that I wasn't able to do when I was in the White House.

But yes, watching what's happening is, of course, of great concern. It feels like the Constitution is kind of being shredded in front of our eyes, and the rule of law is being morphed into the law of rule in ways which I'm finding unsettling.

I worry about a lot of the economic policy that's coming down the pike. And then, you know, at the same time, I want to be careful not to sort of overreact. We have a $29 trillion economy. We left them a great economy and it takes a lot to knock it off its pace. But, yeah, a lot of competing vibes in that regard.

CARDIFF: I'm gonna say you're doing okay.

JARED: Yeah, I—

CARDIFF: A bit mixed. Like it sounds like your head is still in the moment, in the political moment.

JARED: I exercise every day now practically, and that's a big positive.

CARDIFF: That's a big change from when you were in the White House?

JARED: Just, you didn't have the time. Yeah.

CARDIFF: How many hours did you work each day when you were in the White House?

JARED: Well, they always say in the White House, someone says the meeting's at 7, and you say a.m. or p.m? And so, yeah, I worked from probably 7 a.m. to 8 p.m. Not always in the office, but— And sometimes later than that.

A lot of times we would have a data report that would come out the next day. So you'd get the CPI on Wednesday. We'd get it Tuesday night. We'd have to write a memo for the president. And that could take us into the late hours, trying to figure out what we wanted to say and how to compress that information into a coherent memo for him.

CARDIFF: And you were the Chair, so if everybody working there is taking their cues from you, and you were working 13-hour days, imagine what they're going through too.

JARED: Well, now I'm getting worried that some of our junior economists are listening to this—

CARDIFF: And are going to get pissed? (LAUGHS)

JARED: …and they're thinking like, "Dude, I was working until 11 while you were—"

CARDIFF: (LAUGHS) Going off to a nice little dinner, right?

JARED: Exactly, yeah. So there were those who worked harder than me. Let's be clear about that.

CARDIFF: Fair enough. Let's talk a little bit about your story before we talk about economics. You are something of, I think, an oddity. You've got a lot of credibility with the left, obviously, because of your past concern for the worker, and in some cases, for example, your skepticism of big trade deals, things like that.

But you do have a lot of admirers on the right, even if what they admire might be your character instead of necessarily your views. (CHUCKLING)

But you have worked across party lines before, including, I should note, and full disclosure here, you were one of the co-founders of the Economic Advisory Board at the Economic Innovation Group, which produces this show. The other co-founder was Kevin Hassett, who's now the Director of the National Economic Council for President Trump.

So you've done that before. I'm kind of curious to know if you have lost faith in the possibility that that sort of thing can still happen.

JARED: No, I haven't. Kevin is a friend and he's now one of the top economists in the Trump administration. I think he's probably pushing back against some of the bad ideas, but maybe losing some arguments. So, I have actually a fair bit of faith in his economics. Except when it comes to taxes, where we just, um—

CARDIFF: Will never see eye to eye?

JARED: Well, to me, his views on trickle-down or supply-side tax, that's just like religion, impervious to evidence. But I know he sees that differently. But on a lot of other things, including by the way, as I'm sure you know from your EIG work, what became Opportunity Zones, comes out of a white paper that Kevin and I wrote.

So I definitely believe—

CARDIFF: We should stop by the way to tell everybody THAT Opportunity Zones is an idea that was passed actually as part of the 2017 Tax Cut and Jobs Act. It essentially is a tax incentive to get investors to invest in some low-income neighborhoods throughout the country.

JARED: Correct.

CARDIFF: And it's looking pretty good right now.

JARED: You know, it has its critics, and I've been one of them in terms of if you don't put up guardrails, it can easily become a loophole. But with the proper guardrails, I think it can funnel capital into places that need it.

And so, yes, I totally think there are ideas that left and right economists can agree on.

And I don't think that's the null set at all. But, I guess one of the things I've tried to do is to listen to everybody who's arguing in earnest, regardless of their political sensibilities.

CARDIFF: What are the philosophical points of overlap, do you think, between your set of views and the sets of views of people that you maybe largely disagree with, but you do have those points of overlap?

JARED: I think there's some basic overlap on fundamental economic principles. Concepts of opportunity costs, if you're doing something here, then it's harder to do it there. The idea of fiscal sustainability is something I share with some folks on the other side. Although sometimes I worry that, for them, it's more rhetoric than actual policy intention.

I think running a very strong macroeconomy should be a pretty bipartisan thing. I think, and Opportunity Zones is a good example of this, that capital markets have value and should be attended to. I don't view profitability as necessarily a bad thing, by a long shot.

So I think there's some overlap there.

CARDIFF: Do you agree with the notion that's become quite widespread that we don't even really exist in a kind of left versus right environment anymore? That now, the lines are drawn between what you might call anti-institutionalist people who want to just fundamentally change the way we do everything versus people who think that institutions need reform but that the institutions themselves also have a lot of positives going for them. And I'm kind of curious to know if you think that that also applies to economic policymaking. That maybe you do have some overlap with the people who traditionally would have been on the right, you're on the left, because the divide is a little different. Right versus left doesn't even necessarily make sense anymore.

JARED: I think there's something to that. Well, first let me start by disagreeing a little bit, which is that there are a set of policies that are still kind of more associated with left versus right. And if I were arguing with an economist like Michael Strain, a good right-leaning economist who's not, you know, a MAGA guy, we would argue about the minimum wage—and I don't mean just him—minimum wage, unions, union bargaining clout, probably some safety net kinds of issues. So there's still left-right divides between economists.

But yeah, I think your institutionalist point is well-taken, and I think the deterioration of key institutions is—I think that's a real threat to the economy and I think there's a lot of conservative economists who would agree with me.

Here's a good example: Fed independence. A lot of this stuff comes down to cases. I would say most good economists believe that central bank independence is really important, and you'll find left and right agreeing on that.

CARDIFF: You are also something of a throwback, if not in Washington, then maybe just in life I guess. Like you're very much a true gentleman, even towards the people that you disagree with. I've never or rarely heard you get personal when you disagree with somebody about policy or economics.

You have, I think, been unflaggingly loyal to President Biden, but I also imagine that you did not win every single policy argument inside the White House.

JARED: (CHUCKLES) You imagine correctly.

CARDIFF: It'd be great now to hear some of your more full, comprehensive views of various issues.

But let me first just ask what the process of economic policymaking looked like, the decision-making looked like, while you were in the White House, especially most recently.

Like when you had a big issue where there were various considerations. So there's the economic policy advice, which you provided. There were maybe political considerations. Maybe there were distributional trade-offs, like “If we do this, yes, it's good for this group of folks, but not good for this group of folks.”

Like who's in the room with you when you're advising the president on that kind of thing? Are the politics people there? Do you give your advice and then they show up later? Is everybody in the room simultaneously? How did that work?

JARED: Well, there are various stages. So a lot of times a policy process will start out with a group of, I think we would call them deputies. So folks who were kind of—I guess you have to start with the hierarchy.

So you have the President. Then you have the senior staff—the cabinet I would put at that level.

So President, senior staff, cabinet, and then deputies and folks who would help them do their work. So somebody would come up with an idea. It might be the president, it might be the senior staff, it might be one of the principals for an economic policy. And we would ask the deputies to scrum around and give us a memo or a little white paper on what that would do.

So, we're thinking about do we need to add tariffs on certain things that we're trying to subsidize so we avoid unfair traders capturing market share that we don't want them to have. So that would start with deputies doing the economic analysis, and it would work its way up that ladder until you're sitting with the president in the Roosevelt Room or the Oval Office, and he's looking at a decision memo. “Sir, should we do this or not?” And he kind of checks yes or no.

CARDIFF: Okay. And then, when you feel things tilting either in your favor or against you, do you do anything else, or do you feel like your job is done at that point? Like, “I've given the advice, the President has what he needs,” or if you hear somebody say, “Hey, well, I don't know, politically this might not play well,” even though you think it's the right thing to do in economic terms, do you say “Well, but Mr. President, don't forget about this” or whatever. Like, do you get back involved? Or are you like, “Nope, he's got what he needs now. I'm done.”

JARED: I typically wouldn't be in that meeting with the president and be fighting with my other principals and saying, “Sir, you know, I disagree with them. You should go my way.”

This kind of thing is usually resolved before you get to the President. So if you have a different view than your colleagues and your fellow principals, you try to work that out.

Sometimes you win, sometimes you lose. By the time you get to the president, at least in my experience, you're pretty well-aligned. Now, there have been times when Biden and I were together, and we might talk a little bit more informally about something and I might try to nudge him one way or the other.

And, you know, I've had a little success and a lot of non-success in those conversations.

CARDIFF: (LAUGHS) In the non-success situations, how do you process that? Like, how do you sort of still go out—for example, sometimes you have to go on TV or the radio and defend the overall economic approach of the President, that's part of your job—knowing that behind the scenes, you might not have gotten your way on something?

JARED: Yeah, that was hard for me. And, I'm thinking of concrete examples, and a lot of times the way I would talk about it would be, “The President has decided this, and that's what we're going to do.”

CARDIFF: What's your favorite concrete example?

JARED: I think the most recent one would be the decision to block Nippon Steel from purchasing U.S. Steel. I think that was one where I thought that deal made sense. And one thing that was interesting to me about that was, while the president was listening to the management of the U.S. steelworkers — and, to his credit, listening to them in ways that I think other presidents didn't, so I do give him a lot of credit for taking the unions and the management seriously versus just the banking sector. So I'm glad that he listened to them — there were rank-and-file folks who were saying, “No, we want this deal to go through.”

So it was a tricky one, and I was on the other side of that. You know, I would go on TV and I'd say, “Here's the statement from the President.” I'd sometimes even read the statement.

And that was true. I made a point of never saying anything I couldn't defend or didn't think was true. So I wouldn't go up there and say, “Boy, I fought for this because I believed it was right.” But neither would I say, “Hey, by the way, TV station, I was against this one.” I would never say that.

CARDIFF: You try to finesse it a little bit.

JARED: Well, it's really important to be a team player and to speak with one voice.

CARDIFF: You wrote about this on your Substack, which everybody should go subscribe to, by the way. Here's what you wrote. You wrote, "blocking the Nippon Steel bid is a better example for those who accused us (the Biden administration) of being too protectionist, and I'm sympathetic to that critique. But you can also read that as the President listening to and taking seriously the concerns of the steelworkers union."

And then you added in parentheses, "Though there was a dispute here between union management and rank and file."

This is why I think I give the President a lot less credit than you might here, in terms of listening to the union, because here, the pro-economy position was also very much the pro-worker position. Like, this seemed like a slam dunk to me. And, Japan is an ally. We're in the middle of trying to figure out trade policy towards the universe of our allies versus our adversaries.

JARED: That latter part. That loomed large for me. I thought Japan's an important ally, and so, yeah, I didn't like where we landed there.

CARDIFF: So obviously here, you know, the China trade war was, if anything, accelerated under the Biden administration. After President Trump essentially started it, right? I mean there have been tensions there for a while, but President Trump really amped it up, and then President Biden sort of doubled down on it, and that's still, I think, where we are, right?

Versus our [approach to our] allies. Do you think that there should be a lot more globalization with our allies than we have right now, if only to make sure that we bring everybody a little bit closer into our orbit? And do you think we've done enough of that?

JARED: I generally think we should have all the globalization we can with our allies. So I'm very pro that kind of policy with our trading partners. Like, when I think about resilient supply chains, which is something we talk about a lot—it's became very important, of course, in these years, in fact, I would kind of argue China's there right now—they would say resilient supply chains means produce as much as you can domestically. I think resilient supply chains means, definitely produce domestically in areas that are sensitive, but also, buddy up with a lot of friendly trading partners so you can expand your supply chain.

So I'm for that. I just want to be careful, Cardiff, about this, because a lot of this comes down, especially when you've been in the government as much as I have, a lot of this comes down to nuance, to cases.

So when I say we should have all the globalization with our partners, with our friendly trading partners, that we can, I'm also mindful of the fact that there are communities that have been really foundationally hurt by persistent trade imbalances, and we can't ignore that either.

And I think that's the root of my, and I think CEA under my leadership, both-and trade policy, which means both recognizing the benefits *and* costs of globalization.

CARDIFF: You know, a funny thing happens when the mics are on here. And it becomes very easy, when we're talking about this stuff, to get a little bit guarded, right? I get that way too. I'm a little bit less myself when the mics are on, but it's a funny thing, and our listeners obviously couldn't see it, that when I brought up trade in an area where you disagreed with President Trump [sic, meant Biden], your body language totally changed, right? Like you started hugging your chest and getting—

JARED: (LAUGHS)

CARDIFF: So this is meant to be an expansive chat. This is not a gotcha chat. Like I have some questions about all these things, but I think this is all really interesting.

And I think our listeners are going to benefit from it. And in the case of trade, I was talking to a friend of mine yesterday about this and about how presidents, essentially what they do when it comes to the ability to start or accelerate trade wars or scale them back, they always kind of pass the gun off to the next person, the next president, right?

At no point is there an effort, for example, to devolve power away from the executive and make it harder to move trade and put that in the hands of Congress, right? So, in the case… and this goes back as far as you want, right? It always stays there. And one of my frustrations there is that you're always on edge, right?

So you might get relative stability, for example, under President Biden, but President Trump then gets elected. He's still got the gun. It's like we just handed off the gun. We didn't, I don't know, to extend the metaphor, put the gun into a vault, and give the keys to Congress, right?

It seems to me like that might be a good idea at some point. So that you don't get this extraordinary power to cite whatever justification you want to impose a huge trade war, which leads to a ton of uncertainty. And I think it's bad for the economy in the long term.

JARED: There's a lot I like about that argument, but there's a fatal flaw in it, which is Congress.

CARDIFF: (LAUGHS)

JARED: I mean, do you really want to hand that over to this Congress? I have no faith in their ability to do a better job, particularly, I would say the Republicans—so now I'm being partisan—who seem completely subservient to Trump and completely rejecting some of the basic benefits of globalization that I was just referring to. So the extent of Trumpian protectionism seems to have very much infected that party.

Does the President have too much power to set trade policy by him or herself? Yeah, I would agree with that. I think that's clear. And, when I kind of grew up, Congress had much more power to determine the direction of trade policy than the executive branch.

The Ways and Means Committee was supposed to decide things like tariffs, and that's been completely handed over to the executive branch. And as we see, not only is it a problem in terms of bad policy, it's a problem—I think this was implicit in your statement—in terms of lurching. The extent to which policy lurches from president to president, which I think is really, really bad for the framework.

I think on trade—which is one of the most interesting areas that I think about these days: trade or globalization, international policies—I actually think we were working towards a pretty good balance in the Biden administration. I know that we did some things that were maybe too protectionist.

And I know that people probably don't recognize the following, which is that we really valued trade flows, and trade flows stayed very robust. They didn't really go down at all. Foreign direct investment, FDI, was especially robust coming into this country. And if you look at exports and imports as a share of the economy, they didn't really change or go down much at all.

In fact, trade deficits as a share of our GDP was pretty stable over that period. So I think we believed in robust flows. We just maybe didn't talk about it that way very much.

CARDIFF: If we remember back in the Trump administration, the first one, the trade war with China started, but we also started imposing a lot of tariffs on our allies for some frankly quite dubious reasons. It looks like we're headed that way again, by the way. You've made the distinction between certain kinds of targeted tariffs for specific strategic reasons, whether it's national security, whether it's reasons of resiliency. Those things are all part of very vigorous debates—

JARED: It's not so much resiliency as like cheating. Basically, if somebody's dumping rubber tires grade four on your economy to grab market share there, you should tariff them.

CARDIFF: Yeah, by resilience, I meant something like having a homegrown domestic semiconductor manufacturing capability, so that it's here and so that maybe then we're a little bit less reliant on other countries. And, again, I want to say that none of these arguments is a slam dunk in either direction. They're still being debated now. I personally am not sure where I am on some of these topics, right?

But you draw the distinction between those kinds of tariffs and protectionist measures versus kind of willy-nilly, across-the-board—

JARED: Sweeping tariffs.

CARDIFF: …sweeping protectionism—that kind of thing. And one thing that I also don't see presidents do a lot, or Congress, or anybody else these days, frankly, because it's not a very popular thing, is reinvigorating the global liberal trading order. Rehabilitating, just for example, the status of the World Trade Organization.

And it seems to me like that was one of the big victories of the post-World War period. And it seems to be greatly diminished now. So even if we point to some measures like, for example, trade flows, that kind of thing, the threat that this incredible achievement will still be undone remains.

JARED: I see what you're saying, and I partially agree. But I think the WTO, as far as I can tell, has kind of devolved into a pretty sclerotic organization. Not at all nimble on its feet the way I think you need to be in this world. So I also think that one thing that's missing from our conversation on trade so far is this little thing called politics.

And I recognized under the Trump administration, Trump One, that thumbing your nose at the WTO was a feature, not a bug, was a sign of strength. And tariffs, even sweeping tariffs looked, again, like flexing your muscles and beating up on those who would take advantage of you. And so while I have come from a place of "Listen, folks, we need to have robust supply chains that are closely linked with trading partners whom we can largely trust as well as domestic production where we need to pick up the slack"—that's all very pragmatic kind of Econ 101—I think none of us have dealt sufficiently with the political implications. The fact that if you stand up and say, “I'm for tariffing the hell out of everybody,” apparently, there's a chunk of the electorate that really likes that.

CARDIFF: It’s interesting, because if you think of trade on a spectrum, where on one side of the spectrum is full protectionism or whatever you want to call it—mercantilism, autarky, isolationist, whatever—and then on the entire other side of the spectrum you have open season, no trade barriers whatsoever, I would say I'm probably a little bit further towards the open season side than you are, but I get the sense that you're closer to the open season side than President Biden, certainly way more over there than President Trump, that kind of thing.

How would you position yourself on that spectrum?

JARED: Closer to the open season, but very much suspicious of the way trade deals and relationships play out without guardrails. I mean, it's like we were talking about with Opportunity Zones. Without guardrails, this kind of thing can be taken advantage of. So one of the things that I did, that I wonder if even a scholar as deep as yourself has done is, I've read trade deals with a lawyer sitting next to me to help me understand them.

And trade deals are not—a lot of times people portray trade deals as at the open season part of the continuum. That's just BS. I mean, if that were the case, they wouldn't be 1200 pages. A lot of times they're handshakes between special interests. And so, I'm always suspicious of the power dynamics and how it's distorting something.

But the reason I'm closer to the open season, especially having gone through what I went through in ‘21, ‘22 with supply chain snarl-ups, is just how important it is to an economy to have a robust supply side. And you're right what you said a minute ago about globalization is a gift in that regard.

And we should treat it as such, but we should be mindful of distortions and corruptions by power grabbers.

CARDIFF: Let's change topics now. Answer this question in whatever direction you want: what's a single thing that you're most proud of having accomplished during the Biden years?

JARED: Maintaining full employment labor markets for almost the whole period.

CARDIFF: Unemployment went low and it stayed low the whole time, okay. And then the other side, what is the thing you'd say is your biggest regret?

JARED: Well (LAUGHS), how much time do you have?

CARDIFF: (LAUGHS)

JARED: I think the messaging of which, I was a part of, and I regret, some of what I—

CARDIFF: The messaging?

JARED: Yeah, some of what I did there. And then I think there's a critique on inflation that we need to get into that I've been doing a lot of noodling over.

Yeah, so on the messaging. There were a lot of times where—I can picture myself sitting there, we called it WHNL: White House North Lawn. That was when we would stand out there and talk to the TVs.

Where I can picture myself talking about a positive report, and we had a lot of positive reports. A good GDP report, a good CPI report, a good jobs report. We had killer jobs reports where we were just creating gangbuster jobs. And kind of talking past people by emphasizing the strength of the overall economy.

Now, I give myself some forgiveness there, because there was a view, and I think was correct, that if we didn't tell our good news story, nobody else would. The media was really tilted against us in this regard. And I know if it bleeds, it leads. That's kind of a traditional thing. But the negativity on the economy was really excessive.

And so we had to tell our good news story, but there's a way in which I feel like I talked past a lot of people who were really struggling with high prices, which by the way, we all—the President, always said that. It was a paragraph in there.

But I do think people thought we were gaslighting them at best and clueless at worst, when we were talking about the true and positive things about the overall economy.

CARDIFF: But what could you have done differently in the messaging?

JARED: Well, that's the right question. And A) I'm not sure what I'd have done differently. I have some ideas, but B), probably more importantly, I don't think it would have made any difference. I don't think if we had better messaging, there'd be some cosmic change or electoral change that would have occurred.

I think it would have made sense to probably do the following: You get a great GDP. GDP came in at 3%, which is an actual number I remember from one of the recent quarters. And that's above trend. That's a really strong indicator. It's really important, as you well know, for the overall economy to be growing at a rate like that.

And I would go in front of the cameras and I'd say, “Good news folks, this morning GDP came in at three percent. Now I know a lot of you are still struggling with high prices, but we're doing all we can to help.”

I think it would have maybe been useful to flip that and say, “Yeah, we got a good report this morning. But hey I know that everybody out there is really struggling with the price level right now and that folks have a lot of concerns about this, and we do too and we're working at it. A good thing happened this morning. GDP came in strong. Now you can't eat GDP and it doesn't change the price of eggs at the grocery. I get that. But this is a movement in the right direction.” And maybe try to explain to folks how that kind of economic dynamic is important and how it can help in the longer run. So maybe it was sort of flipping the script a little bit.

CARDIFF: So, if you look back at what happened in those post-COVID years, GDP got back to trend, back to its trend line of growth, right from before the pandemic, that's a big deal. I think the separation with other countries was really impressive. Unemployment getting low, staying low. That I think is an achievement you can point to with a lot of pride.

But people also struggle with counterfactuals. They struggle with comparisons, too. I mean, most of us do, right? In our day to day lives, we don't think in terms of, “Oh, things could have been so much worse.” It's hard to appreciate that or to give people credit for that. And simultaneously, there were some real problems. Like, people hate inflation. They *really* hate inflation. And one of the things that I noticed last year—I mean, I didn't notice it, it was reported, it was released by the Fed—was that real median household incomes were still slightly below in 2023 what they were in 2019.

So this isn't just about, “Okay, we got back to trend growth, that's amazing.” It's not just that unemployment was low.

A lot of people still really did not feel a sense of improvement. And that I think is part of the con side. If you do a pro and con of what happened during the Biden years, that definitively, real wages, real income, I think has to go on the con side. And that was partly a product of the very high inflation eating into higher wages. But it's also something that then people experience directly. That sense of stagnation across three or four years.

JARED: Yeah, I totally agree with that. And again, I think that some of the things that I was saying at the time and messaging context weren't respectful enough of that truth that you just shared. You're right about that. Now it gets a little tricky because, we actually had quite strong real wage growth starting later in the game than was enough to make up for the gaps that you just mentioned.

So if you look at real wage gains, and there's lots of different series, but starting in ‘22, ‘23, through ‘24, when inflation was coming down and the job market was staying strong. Remember that it didn't take me long to tell you what I was most proud of: it's that full employment labor market.

And the reason we like that is because—and I say we, because I had many partners at CEA who came from a similar place—it is because it does give workers more bargaining power. Biden talked about this in February of 2021 in his first economic speech. He talked about getting back to full employment. He said the word five times because it was important to him from this bargaining power perspective. And that started to kick in as inflation eased and we started to see strong real wage growth.

But it was too late in the game to make up for the gaps that you were talking about. Still, this is kind of what I was saying a minute ago. That we're moving in the right direction. We're on the right path. We're not where you need us to be yet. But we're making progress.

CARDIFF: There was an article, which you are in the process of responding to right now, by Jason Furman, who was one of your predecessors, actually, as chair of CEA. Also, again, to bring out the gentlemanly side of you, you said, “All that said…” in your response to Jason, “Jason's a great economist, and he gets some important things right. Mistakes that we should learn from.”

These were your comments after Jason's article in Foreign Affairs was released. You and I are talking on Tuesday, February 11th. You have not yet released your response to Jason, but I know it's coming. So let me just stop and ask though, when you say mistakes that we should learn from, what were those mistakes as you see them?

JARED: Well, I've already talked about one of them in terms of messaging. And then, I think one of the points that Jason really leans into, and others have as well, is that the rescue plan contributed to inflation. The American Rescue Plan made a tough inflation situation worse—

CARDIFF: This was Biden's policy from 2021. And I think it was about a $2 trillion spending package, something like that.

JARED: Right. The critique is that that was too large, unnecessarily so, given that the economy was already recovering and that, by passing such a large package, we contributed to economic overheating. And, I think there is some validity to that critique. I also think that 20-20 hindsight is a luxury we didn't have then.

I was just looking at some numbers as I was working up a response. And the last jobs report we saw when we came in was a negative, with employment down 140,000 and the unemployment rate stuck at 6.7 percent. COVID deaths were peaking back then. The vaccine wasn't out. We were worried about business failures and evictions. So there was a real motivation to punch back hard against the impact of the COVID-induced recession.

But with hindsight, I think there's a credible argument that the rescue plan contributed to the inflation problem.

However, and this gets to your counterfactual point, what I feel very firm about, and I think Jason gets quite wrong, is the idea that inflation would have been pretty close to what it was, even without the rescue plan. He very much seems to deny that there was a supply shock in the economy. I think that's unequivocally true.

And I think that you can see that by looking at inflation evolution around the world, where inflation went up close to as much as it did here. Sometimes even more. And they didn't do the same fiscal policy, so maybe we would've—maybe inflation would've peaked at 7.5% instead of 9%, and I think we would've had a lot of the same problems.

But I think the argument that our (plan) contributed to the inflation problem is one that we should take seriously and learn from.

CARDIFF: I've seen a lot of the estimates from economists about how much of the inflationary episode was the result of the rescue plan being too big. Those estimates are kind of all over the place. Some people, I think like you, say it was maybe negligible. Others say it was as much as three percentage points.So if inflation went from two to nine percent or whatever, it would have only gone to like six or seven percent, if not for the size of the rescue plan.

I don't know which of those estimates is right. The argument that it would have been the same, the one that you brought up, I think, is that a lot of European countries who also were dealing with supply chain issues also had *cumulative* inflation that was about the same.

On the other hand, I also see the argument that Europe was dealing with a way worse energy shock. So if cumulative inflation was the same, there's still a gap there to be explained in the U.S. You see what I mean?

JARED: I think that's right. And I'm trying to be, you know, upfront about that in both our conversation and my response to Jason. You're right, the quantitative estimates go from zero to 100 percent really.

And so the ones that I think are most compelling—I know Bernanke and Blanchard did some nice modeling of this. We at CEA also did similar work, and we came up with something in the range of one and two percentage points, so maybe one and a half.

So, again, I mean, I think if we'd had inflation that was seven and a half percent peak instead of nine percent peak, that would have been better.

Would it have changed, say, electoral outcomes, or would people have felt, you know, much better about their economic outlook? I'm not sure. That's that counterfactual you mentioned earlier. But that's something we should learn from.

CARDIFF: And there was one other critique that Jason included in his piece that I wanted to ask you about, because this was something I was paying a lot of attention to in real time as it was happening and I just want to get your thoughts. Here's what Jason writes, "Adding to the trouble, the Biden administration's laser-like focus on the demand side came at the expense of addressing impediments to supply, such as excessive obstacles to permitting processes related to building infrastructure."

And then he goes on to support that argument afterwards. This was something that, I have to be honest, frustrated me too. It seemed like there were a lot of really good ideas embedded in some of those big policy packages that ended up being passed under Biden: the infrastructure bill, the inflation reduction bill.

But, it seemed like there was also, maybe just for political reasons, some catering to, I don't know if it was unions or environmentalists or whatnot, and not enough movement on undoing some of the bureaucratic obstacles to making things, to getting things done, to building things. Is that a critique that you disagree with?

JARED: No, I don't necessarily disagree with that critique, but I do very much disagree with the statement you read from Jason. And I think there's more wrong than right with his article if we go through a lot of the different points, and this is one of them.

We were very focused on the supply side. It was clear to us, in fact, and it seems to be to him from reading his piece, that supply chain snarl ups were extremely impactful. Now, look, we knew some stuff that others didn't know, so one of the things that didn't really come out until later was there was a point where a couple—I can't remember if it was one or two—semiconductor producers in Malaysia shut down because of COVID, and lo and behold, basically North American auto production shut down for at least two weeks.

I mean, that is a clear supply chain shock. And we put together something called the Supply Chain Disruption Task Force. I was a member, and we worked really hard to unsnarl those chains. We were quite successful working hand-in-glove with the private sector, the unions, the management side of the ports in helping to unsnarl.

So, let it be known that we worked hard on this and to dismiss that or to not acknowledge that is, I think, a real oversight. But yes, we could have and should have done more on the permitting side, and it was politically blocked in ways that were above my pay grade, but I agree with your critique.

CARDIFF: We're gonna have to have Jason on at some point to respond to your—

JARED: Well, actually—

CARDIFF: We'll just keep you guys coming back in for—maybe I should have had him in here today.

JARED: No, no, here’s what I’m going to do, if I can figure out how to do it. I think on Substack you can like do a video.

CARDIFF: You can, yeah.

JARED: I was thinking, I'm going to see—Jason's my good buddy.

We are like this. (I'm doing the good buddy sign with my fingers.) So I'm going to get him to do a video with me. And we can go back and forth and I'll try not to—

CARDIFF: That's a good idea. Tell everybody. That'll be fun to watch. I have a question about unions. You're kind of a long standing supporter of unions, labor, and so forth.

JARED: Founding member of the Economic Policy Institute Union, by the way. (CHUCKLES)

CARDIFF: There you go. Union membership, as a share of the workforce, has been declining for many decades now. We're down to about six percent of private sector workers.

I think it's 10 percent of workers overall because there's a much higher share of public sector workers that are in unions. And something that I gotta say has always frustrated me about the way that everybody talks about unions is that we seem not to apply the same kind of nuanced analysis that we do to companies, businesses, non-profits, whatever.

It seems like the debate very often breaks down along, “Are you pro-union? Are you anti-union?” As opposed to saying, “Well, there are some specific circumstances in which we definitely know that unions can do a lot of good.” Let's say in an industry or in a place where there's a lot of monopsonistic power. Then you can point to what unions do and say, “Well, this gives workers a way to get what they deserve because the excess power of their employers are sort of keeping their wages down almost artificially,” right?

But then there might be other circumstances where there are real trade-offs to union activity, or at least we can apply scrutiny to specific unions. Unions are run by human beings. These are the same kind of people, like anybody else, that can be seduced by the trappings of a very powerful, prestigious, perhaps in some cases even highly remunerative job, right?

And we don't seem to apply that kind of scrutiny to unions. Very often it is: unions good or unions bad. That is my frustration. But I'm kind of curious to know—as somebody who's much more an instinctive supporter of unions than I am—I'm curious to know what you think.

JARED: I think a couple of things. First of all, in both this topic and other topics you've raised, Cardiff, I think that you're often asking, and I'm very much sympathetic to this, for governments to operate in a far more nuanced way than they're good at.

CARDIFF: That is the dream, isn't it?

JARED: Yeah. If you could run the show, then perhaps we could find the right positioning—

CARDIFF: Oh boy, would we be in trouble.

JARED: —the optimal positioning on those continua that you keep citing out, and I don't disagree with you but one of the reasons why I think everybody should work for the government, including you at some point, is that you learn that being pro- or against is just really the default position sometimes. And so, while your nuances are well-taken, they're hard to operationalize because you've got strong forces that are pro, there are strong forces that are against.

And meanwhile, you're dealing with a war in Ukraine. So, there's a lot going on.

CARDIFF: That's fair, but I'm partly, by the way, applying this almost as a self critique, right? I was a journalist for many years before I joined EIG, and it seems to me like that is the way that, not just policymakers and people in government, politicians, talk about unions, but the way almost everybody talks about unions.

By the way, I'm as bothered by reflexively anti-union sentiment—

JARED: So here's—

CARDIFF: …as I am by reflexively pro-union sentiment. I just want people to better understand where there are trade-offs, what those trade-offs are. Is a given union doing a good job or a bad job?

JARED: It's a really important question. And let me help you in a workaround, which is the way I operate in this space. What you want to be concerned about is less "What's the percentage of union density?" and more about "What kind of bargaining power do workers have to get a fair shake?"

That's what you want to worry about. The reason you want union power to be in the mix—I think I can speak for the President (Biden) in this—is because he recognizes that if workers are going to get a fair slice of the pie that they're helping to bake, they need more bargaining clout. Your monopsony example is a good one.

I don't know how many pure monopsonies are out there, but I think it's a pervasive problem. I think that the average worker sitting across the table, metaphorically, from the average employer just doesn't have enough clout to get their fair shake. And so that's why we like to see full employment. We like to see union power.

We like to see rules like minimum wages to ensure that people have more bargaining clout. And when unions act in ways that don't promote bargaining clout, when they act in ways that are overly protectionist or something, we should oppose that. But they are one of the most enduring and last-standing institutions created to fight on behalf of worker bargaining clout.

And that's one reason why I'm a longtime supporter.

CARDIFF: What about what happened with the port workers union? Those guys straight up said, "We don't want any automation." This is nuts, right? We are supposed to favor an economy that does evolve over time, and that is good for workers over time because of rising, fast productivity growth. And these guys were… I mean *come on*!

JARED: Correct, but no, you come on! (LAUGHS)

CARDIFF: (LAUGHS) Ok, fine.

JARED: And I'll tell you why. Because look at what happened in their contract. They accepted some degree of automation, maybe not as much as you like, or frankly, not as much as I'd like, but to criticize their out-of-the-gate bargaining position is to kind of miss the dynamics of what they were up to.

It may sound nuts to you, but to them and their membership in that kind of an argument, it made sense to them. So, again, I agree that there can be an anti-technology or a protectionist dimension to this that gets into this collision between bargaining clout and good economics, and that's a hard place to resolve, but I do appreciate the bargaining power point.

CARDIFF: Here's something you and I've talked about in the past. This is a conversation that goes back years, which is the idea that when you have full employment, it not only is good for workers because they have more bargaining power, they can get wage growth, but also it incentivizes companies to start investing in equipment, buildings, the kinds of things that lead to faster productivity growth over time, that that can be a real incentive.

It's also something that's been very hard for economists to study. It's a tricky methodological challenge to figure out if that relationship really does apply. It's something that, to me, seems to make a lot of sense.

During the Biden years, we had full employment for a few years, and as far as I can tell, investment did not quite get back to that pre-pandemic trend, but productivity growth has been impressive the last few years, which itself might be kind of an interesting disconnect there, so I'm kind of curious to know what your views are on this idea now.

JARED: It's very similar to what you said. I mean, I do think, and I hope, that there is a linkage between full employment and productivity improvements through the kind of chain that you just articulated.

If firms want to maintain their profitability in a full-employment climate where there's upward wage pressure, they have to discover new efficiencies that they were leaving on the table otherwise. Now, you and I came up in an economics that said, “If you're leaving efficiencies on the table, you're kind of going to instantaneously go out of business.”

But that's wrong, and there are a lot of companies that operate with all kinds of slack, and full employment sort of forces them, again, if they want to maintain profit margins, to find ways to produce more efficiently. And there's some correlation, but it's very hard to measure for technical reasons. That said, and I always try to be mindful of confirmation bias, things I want to be true, I do think there is some evidence on behalf of that connection.

By the way, on the investment front, I actually think we did pretty well. And I thought that real business investment at least did get back on trend. And of course, if you look at some of the areas where we incentivized more investment, the construction of a lot of new factories, for example, we did very well in that regard.

CARDIFF: What do you think about manufacturing in the U.S.? Because one of the things that actually some colleagues of mine at EIG were looking at was that if you look at manufacturing employment — so let's not talk yet about manufacturing output — manufacturing employment, this was the first recovery from a recession [since the 1970s] where the absolute level of manufacturing employment actually did get back to where it was before the recession started.

So that part of it, so far so good. I think, for the last couple of years, it's been pretty flat, and as a share of the economy, it does continue to fall.

JARED: You mean as a share of the employment?

CARDIFF: As a share of the labor force, right, manufacturing employment continues to fall. Simultaneously, the places where manufacturing employment has recovered are not actually the places where it had been collapsing for all those decades.

It wasn't in the Rust Belt. It was actually in the parts of the country where the economy was doing well anyways. You see what I mean? Like places in the Sunbelt where the economy was doing great, manufacturing jobs are coming back there, but not in those communities where it had fallen in the first place.

And then there is the huge boom that I think is still ongoing in factory construction. And we don't yet know what the eventual outcome, we might not know for 10 years or something, what the eventual outcome of all that building will be. Will it work? It could, you know? So there's a kind of an interesting picture emerging of manufacturing inside the U.S. What is your sort of take on where it is and where it's going?

JARED: Well, first of all, one piece that I think you left out of the analysis you just shared is that the latter thing you said about those factories being constructed, those do seem to be occurring disproportionately in geographical areas that have been historically left behind.

CARDIFF: Yes, but the employment recovery in those—

JARED: I take your point—

CARDIFF: Has not gone all the way back to where it was before.

JARED: And you got to build the church before the people come in this, you know. I'm sorry, you packed a lot into your question, what was your—

CARDIFF: I did. I just wanted to get your sense of manufacturing in the U.S. Is it even a big deal? Should we be spending a ton of time making *services* jobs better instead—

JARED: You know, people—

CARDIFF: As Paul Krugman has argued recently, what do you—

JARED: Definitely yes, Paul's right about that. I wrote a piece about it and I'll say a little bit more about that in a second. People accused us [in the Biden administration] of having a manufacturing job fetish, and I'm somewhat sympathetic to that critique, but I do think that sector is disproportionately important, both in terms of supply chain resiliency.

And if you go back to the earlier part of our conversation, I was very clear that such resiliency doesn't just mean the domestic route. It does mean obviously being open to global trade with trusted partners.

But I do think that more domestic production, both in terms of economic and national security for things like chips and some of the clean energy production, is important. But I worry that you can overemphasize, and perhaps we fell into this, the importance of manufacturing employment over service employment.

Because if manufacturing is eight percent, then everything else is 92. And that's where so much of the job growth is occurring. Healthcare, education, those kinds of services—really important. Again, I wrote about this recently and I tried to be very forthright about this point.

And Paul was spot on. There's a lot more we need to do to improve the quality of service jobs. I think union can be helpful there, and full employment as well. But basically, just as a society, valuing childcare workers and teachers and healthcare workers way more than we do, strikes me as a really important and forward-looking goal.

CARDIFF: Where are you on immigration as economic policy?

JARED: Well, I think it's really important to have a secure border. If countries are defined by borders, and if your border is thoroughly porous, then it's hard to argue that you have a country. So we make a distinction between legal and illegal or undocumented immigration. I think that's a relevant one.

But all that said, and I've always thought we should be welcoming in that regard, and immigrants are tremendously important part of this country—both economically, culturally, and in every other way I can think of.

CARDIFF: I'm gonna throw you one that I think you like. I was talking to Andrew Selee of the Migration Policy Institute for this podcast last year. One of the points he made that is underappreciated was the extent to which Biden helped fix the legal immigration process.

And in particular, there were some technologies that we started using during COVID that ended up being resilient that we ended up continuing to use. And so legal immigration ended up rebounding quite strongly during the Biden years. I don't know what's going to happen now, but this is something that I look at a lot.

And in terms of undocumented immigration, what's fascinating to me is the extent to which a lot of what happened at the border during the Biden years might have also been driven by the fact that the U.S. economy was outpacing almost every other advanced economy.

And so it just was a much more attractive place for immigrants to get to. In other words, it was in large part an economic story and not just a story of collapsing security or whatever. That was not a message that I heard a lot from either the Biden folks, because I think it would have been a politically toxic argument, and certainly not from the Trump folks either.

But it was an argument that seems to have a lot of truth to it. And I thought I should just mention it here and also give you some props for helping fix legal immigration.

JARED: Well, thank you. And the credit goes to folks on our staff who worked really hard, and I don't mean CEA, I mean within the White House, who worked really hard on that with exactly those goals in mind. So thank you for recognizing that. This is one of those issues where when you go on TV, you're sort of crossing your fingers and hope that they don't ask you about because—

CARDIFF: You get aggregated, man. The bloggers and the people on Twitter come after you.

JARED: It's so hard to talk about. I have a congenital, favorable view towards immigration. And again, as I said a moment ago, the contribution that they've made to America is huge and ongoing.

I think that you make a good and I think well established empirical point about the economic pull factor. What I think we also have to recognize is that the message that sort of presidents and administrations send about how open or welcome your border is also seems to have a really significant impact on flows. That's something I think we should also be mindful of.

CARDIFF: Where are you on housing?

JARED: I think that one of the biggest pieces of unfinished business in our administration was our inability to get Congress to deal with the depth of what I would call a crisis. Just housing affordability, a housing supply crisis. It's something I worked on every week in our time there.

I think we did as much as we could without Congress, but that and childcare are two areas where the affordable supply was something we needed to do more work on.

CARDIFF: On housing in particular, what should be the approach of the federal government to housing? Because so often, I see this very kind of, I don't want to say defeatist, but certainly very pessimistic attitude about what the federal government can do. Just to talk our own book for a little bit, but at EIG we're trying to figure out ways that the federal government can incentivize good behavior from local and state governments to get more housing built, to rezone, to do things better. What do you think?

JARED: I totally agree. We tried to implement some policies. We had some success in that direction. But what does the government do? One of the things we do is we write checks to localities. So putting conditions on them in terms of pushing back on exclusionary zoning makes a ton of sense. I don't know that we can make anywhere near the progress we need to make unless we can see less exclusionary zoning. That has to be opened up.

But look, I think the federal government can do a lot, maybe more than you just suggested to help solve the pencil out problem. One of the biggest problems we have, and it's related to zoning, but it's not the only force, is that if you're a developer, and you have resources to build, it's almost completely outside of your interest to build affordable housing.

The only thing that makes financial sense for you to do is build upper-end housing. And that's what we mean when we say these projects don't pencil out. Our housing team came up with lots of good ideas that we think would have added millions of affordable units by helping to subsidize the building of affordable housing.

By the way, I think the GSEs, Fannie and Freddie, can play more of a role. They've actually been pushing in the right direction. I think they can play more of a role there and it's something that a colleague who worked on housing, Daniel Hornung, and I are writing a piece on that right now.

CARDIFF: I think in either the most recent, or one of the recent, Economic Reports of the President that CEA puts together, there was a lot in there about AI and its potential effects on the economy. What do you think is going on right now in terms of its current effects on productivity, versus what the future might hold?

That's an impossible question to ask almost anybody, but I'm wondering if you have any kind of leanings.

JARED: I gained some leanings. I think our chapter was very strong. So the following critique I'm about to make doesn't apply to our chapter, which really framed out the kinds of things you'd want to look at if you wanted to answer that question.

AI is the thing that we say most about but know least about. So I don't want to spend a lot of time on this. Again, I'm concerned about confirmation bias. That is, saying what I want to happen is happening. I like to think that it may end up being more of a complement than a substitute. I think there's some evidence for that in terms of labor.

The idea of these technologies is that, "Are they going to replace people? Substitutes? Or are they going to complement workers by making them more productive?" We've seen a little bit of evidence for the latter, but we have to be worried about the former too.

CARDIFF: You mentioned at the very start of our conversation that you're very worried about some of the things that are happening now from the new administration, from President Trump. You mentioned—what was it? "Rule of law versus the law of rule"—is that how you phrased it?

JARED: I'm stealing that from somebody I saw say that. Yeah.

CARDIFF: What are you most worried about? In terms of the economy in particular, since that's what we're here to discuss. I'm sort of wondering, what are the big concerns you have?

JARED: Well, right now, I would say my biggest concern, maybe it's not quite the economy, though the economy is in there, is that there's no institutional blockages to illegal activities. So that, to make it more concrete, we now see courts starting to block them. What happens if they ignore that? That, to me, strikes kind of constitutional crisis territory, so that would be my biggest worry.

On the economy, I've made the same points that everybody's made about sweeping tariffs. They do exacerbate inflation, and that's the last thing we'd want to do right now. I think one of the problems facing the incoming administration is, I worry that some of those folks, maybe not the economics team, but some of those folks think that 2025 equals 2017, in terms of some underlying dynamics.

Like back then, you were missing inflation from the downside. Now, we're still trying to get back to the inflationary target. Back then, interest rates were very low and very steady. Now, we've seen upward pressure on interest rates. So, almost everything they're doing strikes me as potentially inflationary and increasing of the term premium, which is the part of the interest rate that goes up, making investors want a higher return to lock up their lending, to lock up their credit.

So I worry that they're going to exacerbate inflation. And I think an even deeper concern is the potential—I think it's probably small, but it's not zero—to de-anchor inflationary expectations. This is the idea that if you screw around with price setter psychology enough, they won't believe that the Fed has a credible plan or ability to get inflation back to target.

And those anchored expectations, they've actually been a national treasure in terms of our economic policy. Screwing around with that is really playing with fire.

CARDIFF: In terms of debt and deficits, I think we're now running the biggest, I think, peacetime non-recessionary deficits ever. And if you look at the trajectory of future deficits and the trajectory of the debt in the future, so much of it comes from things like Social Security, Medicare, things that we essentially established to help people in old age. Because the country is aging.

And stabilizing that trajectory somehow without addressing those things seems awfully tough, but that is politically, obviously, super toxic and difficult to get into. So I'm kind of curious to know what you think about the debt and deficits? What are some realistic, but really good solutions there?

JARED: I'm worried about them, more so than I have been in the past. I don't think we're in trouble in the near term. One thing to do in this space is to look at the auctions for U.S. debt, they tend to continue to go very well. It's a very desired asset. We have large global markets with strong demand for that asset to this day.

So, I'm not predicting a problem any time in the near future. But the way you teed it up is exactly right. We are on an unsustainable trend and everybody knows that and nobody wants to do anything about it. In terms of the solution, I think we're thinking about it kind of the wrong way. I'm doing a rethink myself.

I've always said—Scott Bessent, I heard the treasury secretary on TV saying, "We don't have a revenue problem. We have a spending problem," and I counter, "We don't have a spending problem. We have a revenue problem." And I think I'm more right than he is, but I think that both of those framings are not really helpful.

I think the problem that we have is one that economists call revealed preferences, which is, "Don't believe what I say, look at what I do." And I think that both the country and the politicians who represent them want X amount of goods and services and want to pay one-half X for it.

And that is unsustainable. And the thing that nobody seems to want to just admit is that we want X, dammit. We want Social Security. We want Medicare. We want all that stuff, and we don't want you to cut it. And politicians keep telling us, "Oh, well, you don't have to cut it. And then we can go on our merry way and spend and cut taxes."

That's not true. What we have to come to terms with is the things we want and just be comfortable with admitting that we really like social insurance and we really like it and if you like it then you have to pay for it. And so it's not so much a spending problem as it is a "stop bullshitting yourself on revealed preference" problem

CARDIFF: Okay. And if you do that though, you still run into the problem of trade-offs, right? Like the idea of if you want these things, you have to pay for it, presumably you mean you gotta raise taxes, right?

JARED: Absolutely. And you know contrary to my friend Jason, we think about trade-offs all the time and we did in the administration. And in fact, we did—

CARDIFF: To be clear, Jason does think about trade-offs. He accuses the Bidenistas of not thinking about trade-offs. He does think about trade-offs—

JARED: Well, so do we!—

CARDIFF: I'm not saying you don't, I'm saying I want to be accurate [about what Jason said]—

JARED: That accusation is fully inaccurate. And so, look at our budgets. Now, did they go far enough? Probably not in the spirit of our conversation, but they were directionally correct. We tried to raise trillions of dollars through tax increases, and we cut hundreds of billions of spending particularly in the area of what I would call pretty inefficient healthcare.

Getting Medicare the ability to bargain for prescription drugs is a small example—that's a couple hundred billion—a small example of what I'm talking about. But we wrote budgets that started to move in the right direction, but of course they had no political traction. So, we're very much aware of those trade-offs and recognize, as I said in the beginning of this conversation, we have more of a revenue problem than a spending problem.

So, yes, if you look at where our revenues are relative to where they should be, there are a couple of points of GDP below that. And that's what you get when you just keep cutting taxes on a one way ratchet. But I do think the more fundamental problem is just admitting to ourselves, through revealed preferences, what it is that we want. And, arithmetic being what it is, you have to pay for what you want.

CARDIFF: I want to close with a few personal questions, if I may. And I want to keep that same animated spirit that you just showed there.

What do you think is a big thing that in your decades of public service you've changed your mind about?

JARED: Okay, I've got one.

CARDIFF: Yeah? (CHUCKLES)

JARED: So, when I came up being a good progressive economist through the Economic Policy Institute, which is where I really learned so much about how the economy really works, I thought about market failures all the time. I saw ways in which markets fail people, people of color, communities in which power imbalances leave large swaths of folks behind, fueling the inequality. All things that I think are very familiar to you.

I didn't appreciate enough *government* failures. So my assumption was, “Markets failing here, government can fix it there.” I've learned a lot more, part of this has to do with working for the government all these years, ways in which governments also can fail. So that's something that I think has informed my thinking.

CARDIFF: What are you most hopeful about?

JARED: Hmm.

CARDIFF: Even if it's personal and not necessarily for the economy at large. Are you excited about your next chapter, whatever it's going to be? I know you've got something more cooking than just Substacking, but it seems like you're at least having a lot of fun doing that.

JARED: I think I’m hopeful about my personal future in the sense that I have a lot more time now to exercise and try to get my health back on track, things like that.

Look, I engage with a lot of people, you said it earlier, from both sides of the aisle. And I get the sense when I talk to people, especially people with different sensibilities or different political views—I get the sense that there's more of an urgency to have good conversations about this stuff than there used to be.

Maybe it's too late, maybe the Visigoths are in the building in ways that will bring us all down. That looks like a distinct possibility. But the extent to which people of different persuasions are starting to talk to each other represents a kind of urgency that if we don't figure this out, we're all screwed. And I like that. That gives me a little bit of hope.

CARDIFF: You started out as a musician. Your undergraduate was in music, it wasn't in economics, and I'm kind of curious to know what your experience is as a musician in the 1980s. I think you were a jazz musician, if I'm not mistaken. How did that sort of inform what you went on to do with your life?

Was it a matter of just doing something you loved? In some sense, getting it out of your system or was it something that you sort of still carry with you and carried with you throughout all these years?

JARED: Well, there's a lot of dimensions to that question. Let me start from right now because there's another area where I'm a little hopeful, which is I bought a new electric bass and I really love it. I play the upright bass but I'm getting a little long in the tooth to handle that and so I got this very cool electric bass.

I'll show you a picture of it later. (CHUCKLES) And I'm having a ton of fun with that. I play in a dad rock band called Blue North. We have a lot of fun.

I think the answer to your question, sort of going back to my own personal history. Look, if I was a much better musician, we probably wouldn't be sitting here talking right now. (CHUCKLES)

So, there's partly that, but also New York City in the 1980s. Yes, I was a jazz musician then, but it was also the case that there was terrible inequality, homelessness. I saw so many economic problems and so much suffering back then. And I would argue that the conversations I was having with my musician colleagues were not particularly instructive in terms of figuring out what to do about that.

And I was raised with the view that if you're not part of the solution, you're part of the problem. And that motivated me, along with my lack of talent (CHUCKLES) to move into another direction.

CARDIFF: Too self deprecating, man.

JARED: Well, you've never heard me play. (CHUCKLES)

CARDIFF: That's true. Fair enough. But it's interesting then that you arrived at what you wanted to do with your life through observation in some sense, through experience, rather than learning about something almost more theoretically as an undergrad or in your studies.

JARED: I did get a PhD in social welfare from Columbia University where I had to basically major in a discipline, and of course it was economics. So, you know, I'm a card carrying guy in that regard. Another thing about music, Cardiff, is that to this day, and I mean every day, it is my salvation.

I'm talking about everything from Bach and Mozart, to Jimi Hendrix and Ray Charles and Kendrick Lamar. (CHUCKLES) So, I feel really blessed by the ability to dig into that daily.

CARDIFF: Jared Bernstein, one of my favorite people to talk to. Thanks so much for doing this.

JARED: My pleasure.