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Markus Brunnermeier: Welcome back everybody to another webinar organized by Princeton for everyone worldwide. We're very happy to have today with us Angus Deaton and Larry Summers, from Harvard. We will talk today about the topic: is economic failure a failure of economics? And this is based on a recent book which came out by Angus and that just came out to Princeton University Press, called *Economics in America*, and it goes more about Angus's life. But the last chapter deals with the topic we're discussing. So let me open the floor immediately. So the plan is that Angus will talk for 8 min, and then Larry will follow up. And we will cover several blocks of different topics, and the first topic is on life expectancy and the broader point of the last chapter in the book as well. Angus, the floor is yours.

Angus Deaton: Oh, thanks very much. Markus, it's a real pleasure to be back here. Let me start by just saying that I was trying to think back, but I think I've known Larry for more than 40 years. If it was much longer than that, it would be his teenage years, and I think he was just a very young 20 year old when I first met him. I mean, we've been friends for a long time, admired Larry, and learned from him. I think that it would be fair to say that we shared similar views about economics and economic policy for almost all of our lives. And I'm delighted that today we have the chance to talk and for me to share with him some of my recent concerns about economics and indeed, many of these are aired in my new book, *Economics in America*. So Markus has this graph behind him which actually comes out of a Brookings paper that Anne Case and I gave in Washington about 2 weeks ago, which has gone sort of pretty viral, the *Economist* reprinted in this third chart of the day, and it's in an op-ed piece in the *New York Times* too. So what this shows here is life expectancy calculated at age 25, sometimes called adult life expectancy. And the blue line shows the adult life expectancy between 1992 and 2021 for people with a 4 year college degree or more. The red line shows adult life expectancy over the same period for people who do not have a 4 year college degree, that includes people with some college. The other shaded lighter lines in between are other rich countries in the world, mostly European, but also Korea, Canada, and Japan are in there, too. In fact, the very top line is Japan. So this is an unusual set of events, and I know that I'm not the only one who's worried about this, and Larry has come to this in the past too, but this is a reflection of something very unpleasant going on, something that we should really have to worry about. We know of no other place that's documented where life expectancy is going in different directions. For people with and without B.A., except during the collapse of the Soviet Union in Eastern Europe in the late '80s, early '90s. And you know that is not a period, a set of events that Americans or America would seek to emulate. So that gap which at the bottom is 2.6 years, is 6.3 years on the eve of the pandemic, and goes up to 8.6 years in 2021. So then, the question is whether economists have any responsibility here. Did we do stuff? Did we think stuff that made this situation worse than it might? But I wanna make it very clear that what I'm not doing here is what is often familiarly done, which is, "I'm right and Larry is wrong," or "I'm right and other people wrong." I was wrong, too, by my current ranking. So it's just that this is, I find myself among those who I now think got this wrong, and I'm talking about mainstream profession.

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Angus Deaton: Let me say a few more things about this graph. The causes of that are actually an important clue here. The biggest single one is cardiovascular disease, mortality that's heart attacks and strokes, and those are going opposite. This is the great thing that increased our life expectancy from the last quarter of the twentieth century onwards, and it's reversed, but it's reversed only for people without a B.A. For people with the B.A., cardiovascular disease mortality keeps falling. But it's rising for people without. The opioids, everybody knows about this huge epidemic going on. People often say, well, it's just an epidemic. We know what that's about. It's, you know, bad behavior by Pharma, but it was enabled by Congress with very poor regulation and an industry, much too tight with its regulators, and it didn't happen in Europe. More than that, these opioid epidemics which have occurred throughout human history tend to only happen in societies where the societies are really sick in some sense for sort of disintegrating. One example would have been China in the nineteenth century when the Chinese Empire was falling, our U.S. civil war. In the years after that, another example, a huge epidemic that only died out in the early years of the twentieth century. The other thing that's been very important in our work here is there's a rising suicide rate in the U.S., overall. It's only rising among people without a B.A. That rising suicide rate is almost unique in the world. The countries that used to be the champion suicide countries where Eastern Europe and China China's now better than us. We're above where Hungary is and we'll soon be like Russia. The other thing that's happening is alcoholism paying a huge amount. Now, these are all self inflicted things in some sense. Though, of course, the social environment and the huge difference between economists and public health people, the economists tend to say, well, that's people's own choice. Public health people focus on the environment which they have. I don't have time to talk about it here, but there's a huge increase in pain going on behind this disintegration and marriages and the real incomes not doing too well. And again, they're huge, increasing divisions between people with and without a four year B.A. So why might economists have anything to do with this? Charlie Shultz has this quote, who said "economists should fight for efficient policies even when the result is significant income losses for particular groups." We found that it was ethically indefensible since the 1950s. And we sort of used it to abandon whole passes of people, and when they complained, or their representative complained, we branded them as Luddites or people who were opposing the national interest. They were not victims, but unpatriotic saboteurs. At the same time, trade and hyperglobalization cost them many jobs and weakened and destroyed communities which didn't get prepared. The financial crisis with this vast distributional inequalities exposed, the whole idea of trickle down as sort of scam. And on immigration, I'd be happy to talk about this more, but I'm beginning to wonder whether we were really right about that, and whether immigration has not been as harmful as many people in the populace think it is. We've been very keen on automation, partly because we were brought up to believe that automations the source of our progress, so all automation is good. But it doesn't necessarily have to be that way. And it's this community and social construction that's playing this role in rising suicide and opioid deaths and alcohol deaths, too. It may or may not be obesities, but a part of this. But if it's obesity, then it's one more sort of self-inflicted thing, reflecting a lot of unhappiness by a lot of people. So you know, I think we have a tendency to prioritize efficiency, the national interest, GDP, without warning too much about who was getting

it, and assuming that in the end it would all sort of sort itself out, and everybody would be better off.

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That may or may not have been true in the past. It sometimes worked. It sometimes worked very slowly, but it's really not true now, and it doesn't seem to be resulting in an acceptable situation. So I'll stop there. Thank you.

Markus Brunnermeier: Thanks a lot. So that was like a shocking development to be experiencing here. And I'm sure that Larry can put this in context and give us some idea where essentially, perhaps, economics can help. Or perhaps you have to refocus our economic thinking in order to improve the situation. I know that Larry has focused a lot on the global health aspects as well. So, Larry, the floor is yours.

Lawrence H. Summers: Thank you very much, Markus. Angus, it is very, very good to be with you, and to have this conversation. There's a great deal that I have learned from you, and a great deal of warmth that my family and I have experienced from you over many years. For which I am grateful. I decided to become an economist at a very young age, it occurred to me that a doctor saw a certain number of patients in a lifetime, but if an economist could think of something that contributed to the unemployment rate being one tenth of 1% lower for one month, that was a 160,000 families in which breadwinners would have their children see them go to work rather than be discouraged at home, and that that would make an enormous contribution. So I, too, am seized with the moral importance and significance of what we do, and I, too, am seized with the magnitude of the social problems. The poverty, the distress that is felt within American society. But I find myself in almost complete disagreement with everything you say, placing blame on the economics profession for all of that. Let me make 4 points. First, on the question of deaths of despair, there is much doubt about just what the causes and patterns are. For anyone who's interested, I'd refer them to Matthew Yglesias' recent sub stack. That raises a variety of questions about the chart that's displayed before you. For example, the non-college population is not a constant population, but a shifting and increasingly lower end population over time. There are a variety of distortions associated with Covid, the pattern of gaps between college and non-college. The United States is a little bit, but only a little bit, worse than average across all European countries, and crucially I would note that of all the regulatory agencies, the one that is the least inflected by economic analysis and the influence of economists is the FDA, which has responsibility for drug regulation. So I would agree with the magnitude of the social problems, and I would agree that the health statistics are there. Second, I am frankly astonished that, Angus, you do not pay more attention to the moral significance of what is happening in the rest of the world. I, for one, think it is an immense human accomplishment that the probability that a child will die in their first 5 years is half of what it was in 1990 and study after study – look, for example, at Lance Pritchett's work shows that that is directly linked to the rapidity and speed of economic growth, that the correlation between measures of health status across countries and their economic growth is, remarkably rapid. And that the extent of their growth is remarkably related to the extent of their openness to the world,

so I would think that as economists, we should take a perspective that is oriented to the globe as well as to America.

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One of the things that I've had a chance to do in my professional life, of which I'm most proud is to lead the World Development Report in 1993 of the World Bank that focused on the importance of global health assistance, and if it didn't do anything else, it is by this report, the report that got Bill Gates interested in that topic to, I think, enormous human benefit, and I might mention that I would dissent sharply from your stated view that foreign aid to the poorest countries is ineffective and ineffectual in promoting the welfare of their citizens. Third, I have to record, and it gives me no pleasure to do so, my sense that you are throwing haymakers in your attempts to criticize economics outside of the areas that you've worked for certain failures of the American economy over time. For example, you suggest that my action— you suggest in your book very explicitly, that my actions as Treasury Secretary between 1999 and 2001 to promote financial liberalization contributed to the Asian financial crisis. I might or might not be right on the subject of financial liberalization. But the Asian financial crisis did take place before I became Treasury Secretary, and was concluded before that time, which suggests a certain lack of rigor and care in the way in which you've reached conclusions. You cite your friend, Joe Stiglitz, as an authority on these matters. I would note that Joe Stiglitz was paid by Fannie Mae, generally thought to have been a substantial contributor to these problems, to write a report in 2002 for which he was hired and paid that concluded the odds were one in 500,000 of Fannie Mae running into any substantial financial difficulties. I think any full analysis of what you call hyperglobalization would need to look in a careful way at what trade restrictions were or were not reduced in the United States, and what contribution they did or did not have to the real wages of poor workers or to disemployment. I counted a substantial accomplishment of the United States that the normal unemployment rate which had been close to 5% in the 1970s and 1980s fell to close to 4%. And I believe that had a great deal to do with increased international competition, and you may have a different view, and I'd be interested in hearing what the basis for that different view is. Finally, I would note that it was economic research that drove the earned income tax credit, which has been the largest contributor to reductions in poverty in the United States, that it was the ideas of health economists that drove the passage of Obamacare, which did more to increase health coverage than any other single measure in the United States, that it was economic research that drove the creation of the poverty line. So while I hold no brief for the failure of the United States to not adopt more progressive policies, the suggestion that this is driven by some set of failures on the part of the economics profession, I have to say seems quite bizarre to me.

Markus Brunnermeier: Thanks a lot, Larry. Angus, I think surely you have a response to it. It's a strong defense for economics, you know, questioning the composition of the bachelors, those with BA degrees, and also the global focus. I think you have something to say as well and as well as the financial deregulation. So I'm passing the ball on to you, Angus, to respond.

Angus Deaton: Thanks very much. Let me respond a little bit to some of these things. I know it's tempting to overstate the case on both sides. But Larry really does overstate what I said. I don't

think that economists were responsible for deaths of despair. And also this graph is a lot more than deaths of despair.

20:45

Deaths of despair don't include cardiovascular disease, which is one of the big contributors here. And I would urge people – I never quite know how to deal with this. But the Matt Yglesias piece is a concatenation of errors, saying lots of things that we never said, and one of the infuriating things by those of us who grew up in an academic setting where we could dispute and counter things is the inability to be able to counter that. But I would urge people not to take it very seriously. But the other argument here is that if you really believe this is selection or something else. You know that you, you should remember that two-thirds of the population are in this bottom red group here. That two-thirds of the adult population do not have a college degree in America. So it's not a residualized group that is being left behind, and that is basically very sick. That may be true of people without a high school degree, but it's not true of people who got a college degree. So the danger here is saying that this is just not happening somehow, and if it's not happening, then we're not going to be very prepared when these people come first with pitchforks. So of course, we haven't talked about Trump. We haven't talked about Populism, but of course I think of this as the background. People who've been left behind by the educated elite are a real danger to the rest of us. Now let me come to the moral significance of what's happening in the rest of the world and this was sort of one of the other blocks that we're gonna talk about. The question is whether we really had to suffer as much in America for that to happen. I take great moral significance. I take, you know, I wrote a whole book about it, called the great escape. I think this reduction in global poverty is one of the most amazing human achievements of all time. But I think we've been to Gung Ho in sort of telling American workers, "Okay, if you lose your jobs, then you're much better off than the people in China and India who're getting those jobs. So you want to be happy about this." We may be happy about this. We're not the people who are being hurt. But they're being hurt, and I'm not saying we should shut down trade, or that trade is a bad thing. Of course not, but I'm skeptical as to whether trade was actually a big part of the growth miracle that took so many people out of poverty. It's not clear that China could not have grown with a much lower savings rate in which the growth happened in China and the Chinese goods were consumed more in China and fewer in the U.S. And that would have hurt us much less. I'm happy to confirm one thing that Larry said. I am opposed to foreign aid, though I'm only opposed to foreign a particular way, which is pouring money into countries. I think that does more harm than good, and the track record of that as such. I believe in global public goods, which I think Larry believes in too. I think we can do a tremendous amount of good for poor countries around the world by contributing knowledge. And I've long thought that the World Bank should not be in the lending business. The World Bank should be in the business of being a giant consulting house for developing countries around the world. So just the final point, if you read what I said carefully, I did not say that Larry contributed to the Asian financial crisis. I do believe that the unwillingness to consider capital controls was really a mistake and it's a mistake which is being partially rectified now, and even the IMF which was very Gung about lack of capital controls has now moved to a position where it thinks capital controls can really be useful, and I urge you to look at – it's true that Larry was Treasury

Secretary after the financial crisis, but he was undersecretary of the Treasury before the financial crisis.

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That undersecretary was the position in which he was responsible for what happened in the World Bank, for international affairs and the IMF. So he had plenty of opportunities to participate in the debate about capital controls. He was the deputy Treasury Secretary after that. So he was in the Treasury in one capacity or another for a long time before and after. I take the point about unemployment, but I think there's a lot to be said in these circumstances for looking at the employment/population ratio. Employment/population ratio has been declining along with real wages for people without a B.A. for the better part of half a century, and I think that's a much better measure of the distress that people are in than the unemployment rate, which is very dubious. It's good for short term macro, but I don't think it's good for looking at these sorts of things, so I'll stop there for a moment. Thank you.

Lawrence H. Summers: Markus, just to pick up on a few things: we would not be having this gathering if Angus had presented his views on American demographics, which I certainly agree are deplorable without linking them to some failure, some alleged failure of the economics profession. So let's not debate the precise consequences and causes of that, though I would note that Angus's interpretations have generated considerable controversy. On just a few of the points that were raised: on trade, I appreciate, Angus, that you express skepticism that China could have grown so rapidly without exports. It's the view of many, like Jeff Sachs, who's hardly a friend of traditional economics, or traditional, moderate views that essentially all instances of rapid growth in the developing world and takeoff have involved very substantial export-led growth and an emphasis on exports. So I don't know what the empirical basis would be for your claim. More consequentially, I would ask you: what trade barriers do you believe were reduced in a substantial way in the United States subsequent to 1990 that you believe contributed substantially to the displacement that you're talking about? Are you suggesting that the United States substantially reduce trade barriers? If so, please tell us which ones. Or is your position that the United States should somehow have resisted the successful export-led growth and sought to hold down? I am fairly deeply familiar with all the trade agreements that the United States entered into, and I can assure you that in every case the trade barriers of the other countries were reduced by far more than any American trade barriers. On the question of financial liberalization, and all of that, of course, I was active in Treasury policy. I would refer anybody to the relevant sentence in your book, which is, as I quoted it, with respect to my services, Treasury Secretary, and the Asian financial crisis. Much more consequentially, I do not disagree with you that in certain cases capital liberalization is appropriate. But I would refer anybody to my lecture to the American Economic Association that, I think, explains that in every one of the crisis countries, the problem was not a lack of capital controls. The problem was that the country actively and overtly, without the encouragement of the United States or the IMF, flailed to attract as much short-term capital as possible. Whether it was the Testa Bono's in Mexico, the Thai offshore banking facility, the Russian GKO's, the Brazilian bonds customized for a fast market, fast market hedge funds. I don't think that I don't think your position would ultimately be sustained. Nor do I think you could make a case that it was U.S. pressure that led

to the decisions that they made in the relevant eras. And I have to say, Angus, with great respect, that I am reluctant to accept moral instruction from someone who is prepared to say that the World Bank should stop engaging in lending to the world's poorest countries.

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Angus Deaton: I will start with that. I would be keen to move on to some of the broader discussions. But, I yield nothing to anyone in my concern about global poverty and the miseries that poor people have to go through. I mean, I grew up at a time when the infant mortality rate and what city I was born in was higher than the infant mortality rate is in India today, and that was not a good thing then. It's not a good thing in India now. I spent a lot of my life writing about the horrors of destitution, poverty. The reason I don't want the World Bank to do this is because I think it's doing more harm than good. So our objectives are the same. Which is that we want to see much less poverty, particularly in places where there's been very little poverty and reduction. For example, in Africa, my argument which I make a great month in in the last substantive chapter of my book, the Great Escape, is that the large scale lending to governments in Africa, for whom a large number have are almost entirely financed, their governments are almost entirely financed by foreigners, which undercuts their responsibilities to their own people, and has led to great disaster. And that's why I agree with you on the global public goods issues. I just think the lending program by itself has been singularly unsuccessful, and that goes for other lending.

Lawrence H. Summers: Let me see if I understand, if I understand right, and I may not understand. You are opposed to lending to very poor countries. You are opposed to indiscriminate foreign aid to very poor countries and you believe that very poor countries should be able to export less to rich countries because that constitutes hyperglobalization. And so you favor more resistance to their exports and you believe that you are on the side of reducing global poverty.

Angus Deaton: Yes, yes, most of that is true. I wouldn't put it quite so contentiously as you put it. But these countries in Africa we're talking about are not exporting large amounts of goods to the United States or to anywhere else, and the corruption of democracy in Africa, and particularly – India and China, which are the 2 great growth and poverty reduction stories, and which actually account for about, you know, of the 1 billion people have been taken out of World Bank poverty, over the past, what is it? 30 years? Two-thirds of that are in those 2 countries. Those 2 countries got insignificant foreign aid relative to what's happening in Africa. And I think it's in much of Africa, and the disaster is going on in the Sahel right now, where aid has done enormous harm by making the government unstable by taking away government responsibility for their own people, and I just don't think it's a very good idea. The other thing is that I don't want to talk about the details of the trade policies, and which you know much more than I do. But you know whether it's true or not, there's a huge number of Americans who are lining up to vote for Donald Trump, who think that they have involuntarily given foreign aid to India and China by giving up their jobs. Now we have to stop that. Even if it's not true, we have to persuade them that it's not true, and that job has not been done. These people feel they're being condescended to. They're being told that their concerns are not real. "U.S. policy didn't do this.

You know, we're economists. We know how to do this, you know. Let it all rip," and that is, gonna bring us all down.

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And what's more, is the global public goods and the global warming that you care so much about, and that you've been working on seriously is not gonna happen if 2 thirds of the American population are totally opposed to it because of this function that we've seen in Washington...

Lawrence H. Summers: Let's distinguish 2 different things there. I yield to no one, and certainly not to you, in my antipathy to Donald Trump, in my concern about American Populism, in my desire to reconnect American elites and the broader American project, I yield to no one. But it seems to me that our obligation as economists is at least to start, not by telling people what they believe, independent of whether it is right or whether it is not right, but instead to try to decide what is true. You, with your formidable authority have asserted with great conviction in a book that you hope will be a bestseller, that reductions in trade barriers of the United States have contributed substantially to job loss disruption in the United States. I am asking you again to tell us which trade barriers – or to give us examples of the trade barriers that you believe have been reduced by American policy in the last 30 years that have caused that disruption. I'm asking you to document as a scholar the assertion you have made.

Angus Deaton: I don't think you'll find that assertion anywhere in the book. I don't think you'll find the word trade barriers in the index. It's just not there. And also I sort of disagree with you about truth, though I hesitate to. The reason is this: what we believe is true – we live in a democracy, and if a lot of other people don't believe that's true, then their views count too. So I don't think you only get to vote if you pass a test on the truth of what's happening to trade and what's happening to jobs in America. And this enormous decline in the employment to population ratio in the United States, which is temporarily reversed. But whether it'll go on, you don't know, that's the measure of the lack of jobs for these people, and that's not what we've been focusing on. So they say, it's because of trade. You say it's not because of trade. Maybe that's right. We say it's not because of immigration. They say it's because of immigration. In a democracy we have to listen to them and the consequences of not listening to them are the disasters that we have now. I despise Trump, every bit as much as you do, but the anger which is fueling his rise to power is something that we really have to deal with. I think,

Lawrence H. Summers: Of course, we need to listen, but we do not need to echo with the authority of our professional credentials those beliefs as true without being able to provide evidence that it is true. So I'm gonna ask you one more time since you condemned hyperglobalization, what policies you think the United States has pursued that constitute hyper globalization in the trade area that you think have caused damage to American workers? What specific policies?

Angus Deaton: NAFTA would be a pretty good example.



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Lawrence H. Summers: Okay, what trade barrier did NAFTA provide— What? In fact, Angus, if you look at NAFTA, what you will discover is that the trade barriers that were reduced in Mexico, that increased U.S. exports and created jobs were a factor of 5 greater than any reductions that took place in U.S. trade barriers that reduced jobs. That's what you will discover if you look at NAFTA.

Angus Deaton: Does that make it okay? The Mexicans don't vote in American elections, last I heard. The issue is that I agree with you but you are doing exactly what I said Charles Schultz did, which is that...

Lawrence H. Summers: No, Angus, I'm not. I said that the export opportunities for Americans— that the Mexican trade barrier reductions that created opportunities for American workers were 5 times greater in their reduction than any increases in imports caused by reductions in American protection against Mexico. The reality is that before NAFTA was signed, there was essentially no American protection against Mexico. and so the deal largely took the form of reductions in Mexican trade barriers. So again, I'm simply pointing to the reality, which is that America had largely eliminated its trade barriers before this period began. And so I wanna know which trade barrier, which sector, in which way, caused this job disruption in your view, you've written a book, the a substantial part of the thesis of which is that what you call hyperglobalization somehow brought on by Americans influenced by American economists, caused all this distress. So I just wanna know which sectors, which policies, with some precision.

Angus Deaton: But you're just making my case, Larry. Besides, the hyperglobalization is maybe 2 pages in this book. So it's not a large chunk of the book, and I know you're irritated about my blaming economists, but you just gave an example, you said the jobs created. And let's say I accept that. And I've read some of this literature, that there were more jobs created in America than were lost in America. Okay, that's not an excuse. I mean, that doesn't make it all okay, because you're applying a compensation test. You're saying the jobs that were created are better than the jobs that were lost, and you know that we can't do it. It's just not morally legitimate to do that. It might be in some cases; it's not in other cases. And you know, I focused on the jobs lost in America, job created elsewhere in the world, which is perhaps sharper, but losing jobs in one part of America and creating them somewhere else doesn't make it okay. That disruption is going to cost people to be unhappy.

Angus Deaton: And you know I would like to talk a little bit, and probably the other thing is that these estimates which you're talking about, about 5 times you read that literature right? And some of this is credible, some of it's not so credible. And there's this tendency in empirical work for either people to focus on these tiny little things and call it credible estimates. And they're not things that we're interested in, or their results come out totally or often predictable by the political positions they start from. So I think what I'm objecting to is these implicit compensation tests that are embedded so deeply in economics, and which you're illustrating by what you say. I'm not talking about, and I don't know what policies we need to go up in the future. But what I do know is we can't go on as we've been doing it. And I would like, before this comes to an end,

to have a chance to talk about some of the broader issues in economics and in particular, what I believe is the fact that we moved far too close to the sort of libertarian views of Milton Friedman, and the others in the Chicago school over the years.

45:08

But, I don't know, Markus. Can I go to that?

Markus Brunnermeier: Yes it would be also good to also go a little bit into the future. And what should we do? Let's not only focus on the past, but what we should do now, given the current circumstances. And the right direction, whether there's some agreement on that dimension.

Angus Deaton: Yeah. Okay, so I'm not sure there'd be agreements on this. And I'm you know, I thought I was gonna focus on something different, which is, I don't know what to do. And you know, I'm not the policy guy. I'm the guy that writes books, and I'm much more concerned with where we are right now. The concern is that by buying into a sort of libertarian view of view, that markets work much better than they actually do, we have unleashed a tiger that we might not be able to control, and that the most, the international things, global poverty reduction, global public goods and climate change. I don't believe in gonna go anywhere unless we can bring this disaffected majority of Americans along with it. So one of the issues that I thought to talk about was something that I think the vast majority of economists agree with Larry, not me, is the all voluntary military, which I think, has been a disaster, and the vast majority of Americans are sorry. The vast majority of economists think it has been a really very good thing, and the market works very well there. The arguments against, that I understand, there are arguments for, too. I wouldn't discuss those. But we're hostage to the military, of which only 7% of the enlisted troops have a college degree even though the officers for the college degree and we're gonna rely very heavily on the officers to make sure that that vast majority of enlisted folks don't line up with the populace if at some point it comes to that. I noticed that recently Trump says that Milly should be executed. And you know, if Trump is elected, that will worry. The other thing is that Congress has very few kids in the military. We spend a lot of time in the summers in Montana, where a lot of people serve in the military. Those are people who are very disaffected from economics and the coastal elites and we also have everybody college educated and Senate and Congress. So this, as several other people find. This is really lowering the cost of war, and kind of time for a lot of what we have, the difficulties we've had over the last year, and something like 18% of Congress and veterans, compared with this high seventies and low eighties, 50 years ago. Of course a lot of that was the hangover from World War 2. But that's still the point. In 2006, which is the last number I could find, less than 1% of Congress had kids in the military, when they're thinking about it. So just let me say a few things about the broader issue. So, you know, Larry wrote a piece in the New York Times in 2006 after Milton Friedman died, which was a sort of pen to Milton Friedman, and his ideas. And this sounds that I think one of the operative phrases is that all honest Democrats would know that we're all Friedmannites now. I'm not sure I was ever a Friedman, so maybe even in 2006, we really began to differ. And so that this feeling that you know, economics has become the science of efficiency, the science of weighing jobs gained against jobs lost, and without thinking about the social disruption. Amartya Sen argued that what Robins did was to redefine economics as the allocation of scarce resources among competing

ends, really trampled on earlier understanding and especially there's a wonderful quote of Pigou that we should be motivated by eliminating poverty, which you know, is something we've talked about and agree on.

50:05

And there's this wonderful Keynes quote about the political problem of mankind is how to combine 3 things: economic efficiency, social justice, and individual liberty. And I think the economics profession has sort of stopped talking to philosophers and has moved away from social justice and individual liberty and left it to other people. I found the other day a very nice quote by Hayek along these lines, too, from a very different perspective. Hayek wrote "Nobody can be a great economist who is only an economist" and I am tempted to add that .. it's like it becomes a nuisance, if not a positive danger. Part of this is moving away from the key beliefs of libertarianism is this sort of individualism. And it's this combination of individualism and the ignoring of social structure, of communities, of families, and so on. And I think it's the destruction of those that have caused so much harm have led to the deaths with which we started here, and that we need to get back to a philosophy and history that was so characteristic of Smith, Markus, and Mill, for example, and which we don't even teach welfare economics in our graduate courses anymore. We're all about efficiency. Thank you.

Markus Brunnermeier: Yeah. So, Larry, do you agree that we need more economic philosophers? In a sense, in some perspective, economics has broadened, you know, with the whole behavioral economics, behavioral finance. On the other hand, I think the connection to philosophy got a little bit lost in the broader picture. Do you agree with that? Or do you have a different perspective?

Lawrence H. Summers: I completely agree with Angus that economics has to be a moral science as well as a technical science. I could not agree more with that. I may have been wrong at some points or right at some points, but that's what I have always tried to practice. I also believe that it's the distinctive contribution of economics to analyze the practical consequences of well-intentioned policies rather than simply to celebrate good intentions. When Angus suggests that foreign aid to poor countries is counterproductive, he is doing – I think he's wrong – but he is doing the kind of thing that is what economists should do, not just looking at philosophy, but looking at practical and pragmatic consequences. That is much of what we have to contribute, and I think that's very important, and I just hope he would do that more consistently in taking literature seriously on a range of subjects. With respect to Milton Friedman, just to establish my liberal credentials, the piece that Angus quotes also said, I never voted the same way as Milton Friedman in any election. I believe that some of the great challenges we face today require, unlike Milton Friedman, require that the free market be venerated, be tempered instead of venerated. On the question of the volunteer army: Angus, here's the fact. About 3% of the relevant cohort is in the military. 3. That's because war has become much more capital intensive than it used to be. Given that only 3% of the relevant cohort is in the military, are you proposing that the military be substantially expanded? Or are you proposing that somehow we pick 3% of citizens at random and coerce them into joining the military? And I wonder if you have studied the nature of the composition of the military during

the period when we had a draft where I think you will discover that the under-representation of the college educated was substantially greater than it is today.

55:25

So are you seriously proposing that we choose 3%, 4%, 5%, whatever it is of our population to be randomly coerced into the military? Are you seriously proposing that we vastly expand the scale of the military? Or are you engaged in frankly rather a rhetorical exercise? This is one area where I think it's fair to say you are nearly alone. Bernie Sanders is as opposed to a volunteer army, as opposed to the draft as any libertarian. What is your real policy analysis here?

Markus Brunnermeier: Perhaps I can just jump in before Angus. So I should say that I had to serve in the military in Germany. I didn't enjoy it, and it made me not very favorable towards war, but it could be sport or social programs as identity building or contributing to society that you have to serve for some months for society and making society hold together in a sense.

Lawrence H. Summers: There is a quite separate argument which we could discuss, and which I'm frankly uncertain as to what the merits of having some form of compulsory national service. That's a quite that's a quite different set of issues, and whatever the merit of requiring most Americans, most American young people to participate in doing work in urban areas or in the national parks, or whatever – it's got nothing to do with the set of arguments that Angus emphasized having to do with reducing military adventurism abroad.

Angus Deaton: Yeah, I mean, I do think it has a lot to do with that, actually. And my second choice would exactly be one of these schemes, if we couldn't get coercion. But yes, I'm in favor of coercion, and I think we should do what many other countries do, which is that all of our young people up to spend a limited amount of time in the military, and I think that would change a lot of things, and it would change a lot of social cohesion which you also, Larry, and said that that was one of your aims. There's a wonderful video on one of the annual new economic websites of Bob Solow, talking about his wartime experience. And that's something that people don't get anymore. And I think we've lost something. Of course, that said, when they abolished the National Service in Britain a few years before I was due to go, I was absolutely delighted. But I want to come back to...

Lawrence H. Summers: Just to explain, I do think that we owe people some sense of responsibility and practicality. Let's assume that I'm right, that the number is 2%, 3%, 4% of the relevant cohort. Are you proposing that we have people serve. We have everybody serve, but we have the average length of time served be 1/25 of what it is now. Are you proposing that we have a vastly larger military than we do now? Are you proposing that half the people are coerced? I wanna – it's not enough to say that it was appealing to have some universality to this during World War 2 when Bob Solo was in the military. I'm asking what it seems to me to be appropriate to ask a serious economist making a major policy proposal for some broad concept of how you think it would work?

59:40

Angus Deaton: I don't know whether your numbers are right, Larry, and I am not gonna make a serious proposal here without having spreadsheet in front of me, so you can cut that against me if you like, but I think it's part of our commitment to our country to spend time in the military, and Markus spent time in his military, and that wasn't during World War 2, unless Markus is a lot older than I think it is. I wanna come back to the serious analysis issue. Because actually, this takes me back, you say. And I agree with our job, one of our jobs is economists is to do a serious analysis of policies and the effects of policies in a way that few other people are equipped to doing, because we have the tools, we have the skills we have the data, we can actually make this happen, and that I agree with that. And actually, if you read the rest of the book, which is – a lot of it is about my increasing dissolution about that process, and my feeling that a very large amount of the so-called empirical work that comes out of economics is false into one of two buckets. One of those buckets is where people keep saying what they've always been saying and know they are never surprised by the empirical results, and you can often predict what they're gonna say by the political positions they have had before. I think that's gotten worse over time as the economy and our society has become more polarized, and also because of the enormous upsurge in Institutes, you know, financed by rich people in Washington, not to mention people like Matt Ygelsias with no accountability. Who are pouring out stuff in which there's no you know there's no cross checking whatsoever. So the debate has been polluted by lots of bad actors who come into this, and speak with as much plausibility as economists do. I think you are one of the standing outstanding exceptions, but you very rarely see economists brought on talk shows, or news shows anymore as they go back to people who work for consultancy agencies or whatever, we've lost a tremendous amount of credibility, and that's a great sadness and a great loss. The people who retreated into the credibility revolution are asking ever smaller questions about local events which typically cannot be extrapolated to the sort of issues that we think about. Let me give you one example, and then I will stop, which is about immigration, right? So there's an enormous amount of work in economics about immigration, and most of it is what is nowadays called very rigorous work which looks at natural experiments or issues in which some migrants appear like the Mariel boatlift or look at time series of flows of immigrants. And what happens to local wages, and that work is universally fine, very, very little at all. But you know there's an argument which comes out of the history literature that the great migration of African Americans to the North came about, because in the middle of the twentieth century we'd almost ban immigration from Europe and the manufacturers would rather have hired Germans or Serbs or Italians, but they couldn't do that anymore. And so that opened up a great opportunity for self improvement in the African American community. That is something that no economists would ever pick up, and most of them who worked on immigration did not take it seriously. And indeed this is Jefferson Cowie's book, and there's an argument for that, and I think for much of my empirical life, I would have not taken it as seriously at all. I would say, you know, where's your data? Where are the discontinuities? Where is the regression discontinuity design? Where are the experiments? And I think we locked ourselves into a corner there, and that we're not seeing the things that historians see and that are not amenable to our so-called rigorous economy techniques. So much of the book is actually about that, which is about how we've sort of not been very effective in doing what I agree with you is largely our job. And it's that we are not very effective at it. And we tend to take a very narrow

view which discounted the kind of the social relations, the sort of things that they're kind of argued to be causing suicide, and that we've done abandoned a large chunk of the American population. And I'm afraid they're gonna come for us with pitchforks.

1:04:39

Lawrence H. Summers: Angus, I'm glad, as we get towards the end of this conversation, that you've moved us back to some areas where we can find agreement. I do stand by my view that you have a lot of obiter dicta in your book that offer various comments on economic subjects that I have to say I do regard is pretty far off, but I do agree with you on 3 points that you just made in a very strong way. I think there is a problem of predictable economic, predictable views from economists. I don't think this is only confined to economists. There are physicists who are for arms control and physicists who are very worried about climate change. And there are physicists who are skeptical about arms control and skeptical about climate change. But the 2 issues have nothing to do with each other, and there are no physicists who are in the other 2 quadrants. So this is not a problem only of economists, but I do think there is a real problem. I do think there is a problem as illustrated by the Stiglitz example I gave earlier of economists who are hired to take a position, and my personal policy has always been that I will be hired to present my view, my general views, but I will never be hired to advocate on anybody's behalf, and I think that would be a good policy for more economists to take. So I am very much in agreement with you there. I am very, very much in agreement with your view that while the identification revolution and the extreme emphasis on credibility is highly desirable. And has taught us a great deal. It has narrowed the ambit of our inquiries in quite unfortunate ways, and I do think that is a substantial issue for our profession, and I don't think that's a reason for relaxation of econometric standards, but I think if we say that nothing is interesting unless it meets certain extraordinary standards of statistical credibility to us as economists, we will see the field of the most interesting questions to others with less scruple. and I think that will be very unfortunate. So you and I are in a real agreement there. I think that in a career where I have expressed opinions on a very wide array of economic questions, I have had relatively little to say on broad topics related to immigration and that's because for the United States some of the kind of epistemic humility that you have. I don't know whether you're right or wrong in your hypothesis that the migration North might not have taken place if there had been more open immigration. But I find that to be an entirely legitimate question for study, and for debate. What I think is reasonable to ask from all of us is for detail, for some detail, laying out an argument rather than simply citation of authority, and while I got great pleasure from reading your book and learned a great deal. I was disappointed by the final chapter, where it did seem to me you were pretty short on evidence and arguments rather than citation from your own authority, and from rather casual references to others on topics like hyperglobalization and capital flows and so forth. But I think we have very much the same values about what it is that is most desirable.

Angus Deaton: So I think – you say, we shouldn't hand it over to people who have fewer scruples. The trouble is that people with fewer scruples sometimes have a broader vision, and that I'm worried about in economics. You know. I've watched the departments I know best get

narrower and narrower over the years. I think the younger people, and I would say something hopeful about economics, which again relates back to you, Larry.

1:10:50

I don't know how old you were when you were tenured at Harvard, but you were in your twenties, and we are an open profession. In that, you know, young people who come along with really good ideas or new ways of thinking about things don't have to wait until their mid-sixties to get good jobs, which is true in a lot of other professions. I'm a little worried, though, in a world in which there's this incredible polarization going on, political polarization. There are well funded groups, more on the right than on the left, who are pouring out stuff they call economics, and that stuff is swamping the public discourse, and many economists are retreating back into this ivory tower, where they can safely handle their bellman equations for whatever this they do when their contraction happens, and so on, and I hope we can break that. I see some signs among the youngest people in our profession of people breaking that and doing really interesting large scale work. That clearly is not – people who are capable of being surprised by their findings which for me has always been a key test and if we could do that, I think we can perhaps raise our heads again. But right now I'm sort of pessimistic more than optimistic.

Lawrence H. Summers: I'm not sure whether to be optimistic or pessimistic, and you're a little bit older than you're a little bit older than I am, but I think it is probably a congenital sin of the old to be pessimistic about the young, and so I think we should perhaps both be careful. I agree with you very much, and whatever my many sins have been, I don't think a retreat into the ivory tower has been one of them, and I hope I've been capable of being surprised by results that I have found. I would also caution some reluctance to accept political shibboleths, which I think there is also some tendency towards, in some quadrants of our profession, and I would emphasize being willing to lay out arguments in detail as one makes them as an important standard of professional discourse. But I think, while we have fairly profound disagreement on some particular questions involving the role of trade policy involving the efficacy of foreign assistance, involving the volunteer army. I think we are in agreement on the broadest values, I suspect, where you and I may have a disagreement in rhetorical strategy is at a moment when it seems to me that economic analysis and science is increasingly being seen as something to be discredited in favor of whatever instinct those untrained in economics have. It does seem to me, if economists are not going to speak for economic science, albeit reformed and improved economic science, I'm not sure who will, and that's why I guess I was taken aback and thought it would be useful to have this kind of dialogue on the final chapter of your enormously interesting book.

Angus Deaton: Thanks very much, Larry. More citations and footnotes in the second edition, but it wasn't that sort of book. But I do hope that our beloved profession – you know, one of the things one of my colleagues who's not an economist read the book and I said, "What do you think of it?" And he said, "It's a love letter to your profession." I almost fell over backwards. But there is that and it, and I am very fond of our profession, with all its warts, and I hope it's not swept away by the coming cataclysm. Thanks, Markus, over to you.

1:16:28

Markus Brunnermeier: So thanks a lot to both of you. You made good points and a great debate going back and forth. I think I really liked the conversation. I think what I take away from it is that you know, we have some disagreements, and actually this is also healthy for the profession. If a professional only agrees on everything, then it's a sign it is actually too inward looking, and it's not open to new developments. And the second point, I think, is very important as well that you know, we shouldn't become too narrow, just because we want to be very precise and rigorous. And then, you know, focus very much on their narrow, small pictures. I know we agree on this, but we have the tradition in this webinar series that we always end with a positive note. So that's why I would like to end with this positive note: I think it's a good sign that you came together, debated it, and there's so much interest in this, and this actually will bring our profession forward on overall. I think there are shortcomings, but I'm hopeful that we will overcome them. And we'll actually, with our tools and with our rigor of thinking, and our practical side, help us to make the world a better place, and of course we have to take the political constraints into account as well. So again, thanks a lot for both of you, and of course we keep talking and stay in touch, and let's improve economics as we go forward, thanks to both of you and to all of our visitors, and hope to see you soon for our next webinar.

Angus Deaton: Thanks, Markus. You're one of the young people that gives me hope.

Lawrence H. Summers: Thank you.

Angus Deaton: Thanks, Larry. Appreciate it.