Transcript

The following transcript has been edited for clarity.

Markus Brunnermeier (00:10.324):
So thanks everybody for coming and joining us for a conversation with Professor Larry Summers. We will talk today about the economics and the new global disorder. Larry, thanks for being with us again.

Lawrence Summers (00:24.405):
Glad to be with you, Markus. It's been a while, but I'm very glad to be back.

Markus Brunnermeier (00:28.846):
Great to have you back. It's always a highlight to have you on the program.

So, we thought about discussing primarily four topics today. Larry told me that he's a technology optimist, but with regard to politics he's more or less optimistic.

So we will talk about technology. Then we will also spend a little bit of time on populism—how to think about that. And then, of course, the big geopolitical picture as well, and globalization.

At the end, we will briefly touch on the lessons for economists—what economists should do given the current world we are in. That's what we'd like to cover.

Let's start with technology. Of course, there are huge developments in technology—artificial intelligence. We have CRISPR; we have geoengineering; we have gene engineering; all of these different things.

The first question I have for Larry is: if you just look at artificial intelligence, do you think we are in a bubble situation at the moment? And that's, of course, related to the Solow paradox—where Bob Solow said, in the '80s, "I can see computers everywhere, but I cannot see any productivity statistics."

The alternative view is that now AI is different—it is actually the automation of the production of ideas. And if you think about endogenous growth models, it will lead to a higher, explosive growth rate on its own.

So it's very different from traditional productivity enhancements, which are more level effects. Here you have innovation on the innovation. Larry, I'd like to get your perspective on these big-picture points before we go further on technology.

Lawrence Summers (02:19.745):
Here are a few comments, Markus. First, I'm not here to offer judgments on anybody's current market valuation and whether things are a bubble in that sense.

Second, I have become convinced that, with quite high probability, we are in a new era of progress. And I would put it this way.

If I think about my grandmother's life—my grandmother was born in 1970 [sic]. She died in 1973. She saw electrification. She saw cinema, then radio, then TV, then color TV.

She saw the probability that a woman would have a child, a nephew, or a niece die go from close to one to being an extraordinary and unusual event.

She saw the ability to get from New York, where she lived, to Tokyo become more rapid during her lifetime than the trip from New York to Miami was at the beginning of her lifetime.

She saw indoor plumbing come. She saw the ability to control the temperature indoors come. She saw staggering progress in health care.

If I compare that with what has taken place during my 70-year lifetime—yes, houses are larger now. Yes, there are many more television channels. Yes, we have computers. Yes, we have cell phones. But in terms of the normal human experience—

[04:44.330] I believe we have seen vastly less change over the last 70 years than we saw during my grandmother's 70 years. I think there is a substantial prospect that, because of artificial intelligence, the progress during my one-year-old granddaughter's life will be more like what my grandmother saw.

I think there's a chance—not far from a hundred, not far from 50—that she will live to a hundred. I think that the combination of developments in artificial intelligence, knowledge creation, and the ability to substitute for tedious and burdensome work, combined with what that will mean for progress in the life sciences, combined with what I suspect will be energy at far lower costs than we have observed, leads me to think that the likelihood is that technology will be transcendently transforming during her lifetime in the way that it was during my grandmother's, and in a way that it has not been during mine or yours.

I think that the Solow paradox came at a time when there had been a decade or more of high-technology investment in computers. We're in year two or three on artificial intelligence. I wouldn't want to preclude the Solow paradox, but I certainly wouldn't say we as yet have evidence for the Solow paradox. And, in fact, if I had to make a judgment, I think I would probably make the opposite judgment.

Lawrence Summers (07:10.932):
If I think about the anecdotal evidence that led Alan Greenspan to make his—in retrospect—brilliant but, in its moment, somewhat counterintuitive call of a productivity acceleration in 1995, that led him to change the course of monetary policy; that led him to predict that something was happening and that a substantial productivity growth acceleration lay ahead.

I would judge the quality, strength, and pervasiveness of the anecdotal evidence now [sic: "in 1990"] to be substantially greater than it was at the Greenspan moment in 1995. That doesn't mean we're certain to have a Greenspan moment. There have been other moments when there were a lot of anecdotes, too. So I don't want to overstate the force of the point, but if anything, I think things are pointing in that direction.

Labor-augmenting versus labor-saving. Look, first of all, I think it's a mistake to think that the answer to questions of that kind is the same in all sectors. So I suspect there are going to be substantial examples of both.

Second, questions of that kind—the economists on the call will recognize—often depend on whether the elasticity of demand is greater than one. You can put that by asking: does Jevons paradox apply—the idea that when something becomes cheaper, spending on it goes up because the elasticity of demand is greater than one—or does spending go down, as with agriculture in the United States, because the elasticity of demand is less than one?

I think anybody who has high confidence that they know whether elasticities will be greater or less than one in the very long run with new technologies is very likely making a mistake.

Lawrence Summers (09:40.321):
And the last thing I'll say is just to underscore something you said. I think there is a recursive aspect to AI that at least raises the probability that sometime in the next decade we are going to be observing a very profound kind of discontinuity.

Electricity doesn't make more and better electricity. Fire doesn't make more and better fire. Lamps don't make more and better ways of producing light. But it's already the judgment at leading AI companies that a substantial part of their—not business labor force, but their programming and research labor force—is going to be replaced by AI on horizons measured in months rather than years.

And so that recursive aspect leads me to be open to—if not confident of—the hypothesis that this could lead to very substantial acceleration of progress in many areas.

Markus Brunnermeier (11:18.492):
So, can you push a little bit—so your view is that, in the end, it might be similar to what your grandmother experienced in her lifetime, which was not this automation of the production of ideas and increasing returns to scale, while it might be qualitatively very different? Where do you stand on this debate that the growth path going forward will be qualitatively very, very different in the sense that it's self-fulfilling and self-enhancing?

Lawrence Summers (11:49.665):
So, look, I think the high-order thing is that between the beginning of my grandmother's life and the end, the experience of going through your year was totally transformed in a way that is much less true during my lifetime. That's the high-order thing. And my high-order prediction is that there's a good chance that my granddaughter's experience is going to be more like my grandmother's.

Is it the same kind of transformation? You point out that the nature of AI is different than the nature of a lot of what happened in that period, and I'm not going to argue for the fundamental similarity. I would note that in some sense what drove everything during my grandmother's lifetime was that a large amount of science found practical application in an ability to change modes of production and change the products that could be produced. It was the acceleration of scientific progress and its application that was the fundamental driver then.

If you step back that far to see what happened then, and you think there's going to be a powerful augmenter to thought now, then I think you're seeing something that is really quite similar in some ultimate sense with respect to the prospects of AI. But I don't want Markus to frame this 100% in terms of AI.

Lawrence Summers (14:17.108):
I was given to remark a decade ago that the 20th century had been a century of physics and that the 21st century would be a century of the life sciences. And I think that because of what's happening with AI, because of what's happening in energy, when I was saying that, I was probably too pessimistic about progress in the physical sciences and its influence during the 21st century.

But I don't think I was wrong about what's going to happen in the life sciences. And I think about various kinds of capacities for human augmentation. They raise, as I suspect we'll discuss, some very profound kinds of questions.

I don't want to be suggesting that it's all about AI, or—even to the extent that it's about computational technology—that it's all about LLMs and the current paradigm. And just to reiterate what should be obvious, I don't want to be overconfident either—offering my best best guess. From my observation, the people at the cutting edge of doing the research would find the views I've expressed rather limited, stifled, and insufficiently seeing of what is coming. They tend to talk about 10% productivity growth and 25% unemployment. I'm not speaking of it in quite such dramatic terms. Many who approach this from a more conventional perspective tend to see it in more restrictive terms than I am. So I think of myself as in between.

Lawrence Summers (16:38.964):
It's been known for a long time, but I've been very much influenced in how I see the world by Brad DeLong's very dramatic hockey-stick graphs. The way I like to say it is: probably two-thirds of all the GDP that will have been produced in human history through my granddaughter's life will take place during her life.

And that's a reflection of the dramatic discontinuity in the rate of progress associated with the Industrial Revolution. I think it is not implausible that something of that kind lies ahead of us.

Markus Brunnermeier (17:29.716):
Do you think—going a little bit beyond economics—it will change what it means to be a human, in the sense that machines and electronics and technology will be much more merged with you being a human being? Or did we experience this already during your grandmother's time as well—and suddenly we can fly, which was not imaginable earlier? But fundamentally, do you think human nature will change as well?

Lawrence Summers (17:58.602):
Look, I find economics hard enough without trying to do the broadest kinds of social science, but I would point to impacts of a few different kinds.

There is the biological: where are we on the continuum between “glasses make it not a problem if the lenses in your eyes are limited” and “we're able to do certain very limited kinds of screening of what's been recently conceived," and where does that kind of thing go with much more powerful technology?

Second, the ways and characteristic patterns of thought are surely different because we had the printing press and because we had the changes in technology that happened. It didn't used to be that retirement was a part of normal human reflection. It didn't used to be that leisure was a part of normal human reflection. So I suspect that very rapid progress will bring all kinds of changes in people's patterns of thought about their lives.

Lawrence Summers (19:57.375):
I've been fortunate, for many years—because of the various positions that I have held—to be supported by someone who had the title Chief of Staff or some quite similar title. And my life has been quite different because that's true. We're not far from a moment where, because of agentic AI, everyone will have something that will be quite a bit like a chief of staff—and the ability to form a team of assistants.

That's got to be a very different concept of what an organization means, when in many senses an individual can be an organization, and at least the nature of the agency problems associated with an organization will be quite different than what they were before.

Then I think there are also a whole set of issues about human community that are very important. If you think about DoorDash plus Netflix plus AI companions, you are looking at a very different—and very much diminished—level of pressure to leave the place where you live and come together. People think of *Bowling Alone* as having been an important text for times. If you think about the forces that were identified as driving *Bowling Alone*, the Netflix/DoorDash/AI set of forces seems potentially far stronger. And that has implications for everything from—

Lawrence Summers (22:20.734):
—how families are formed; that has implications for how children come into being or don't come into being. And then humanity has historically, fundamentally, been a social animal. And it is the hive mind that has been the driver of progress. And if the hive is less there, that in turn has very important implications.

So, yeah, I'm not sure of anything. I would not be surprised if, when historians look back from 2300, productivity growth will be an important aspect of what happened, but not the most important aspect of what happened in terms of the human condition.

Markus Brunnermeier (23:17.896):
But do you think we stumble into new societal arrangements, or do we consciously think about which direction we go? When we invent Netflix and other things, there are implications for human interactions and different bubbles are formed. Is this all accidental, or is there any societal debate—or is there too little societal debate—about where we actually should go? Can we have a productive society?

Lawrence Summers (23:46.121):
I am of two minds on that question, Markus, and I don't know that I can give it any kind of

definitive answer. On Sunday I rest; on Monday, Wednesday, and Friday, I tend to have the view that there is all this profound change coming.

There's no theorem or compelling *a priori* argument that anything—whether unplanned, regulated, or designed—is likely to be optimal as a result. I'm not even sure that market failure is the right paradigm for thinking about it, since it's so much different from a normal market. There's no theory in the world that says Nash equilibria are good. And so I have very much your concern.

On Tuesdays, Thursdays, and Saturdays, I am seized with the idea that confident planners with strong visions have been staggering forces for evil and destruction. And so I become quite reluctant to embrace very compelling planning.

Lawrence Summers (25:46.913):
I think what's easy to say is that people like you and me should probably be spending more time reflecting on questions like these, relative to the amount of time we spend reflecting on questions like liquidity in the derivatives markets, given their importance—and that more and better reflection is likely to contribute to the world getting to better places.

But I don't want to embrace a kind of 1960s France vision of planning our society with these technologies, based on extensive study of what their effects are likely to be, because I think experiments of that kind are at least as likely to go wrong—and possibly catastrophically wrong—as to go right. My instincts tend to run to fast feedback—fast feedback and adaptation—rather than to extensive prior planning.

But it's an area where I have very little confidence, and probably the strongest view I have is distrust for the overconfident. Anybody who thinks they confidently know the answer, I am fairly sure doesn't. That would be more how I would approach the question.

Markus Brunnermeier (27:41.204):
Yeah, I like this—that you react, you go forward, and then if it doesn't go well you react and bounce back, essentially in a resilient way. But you're also saying that, hopefully, a spontaneous order will emerge. It's not a designed order; there's something spontaneous—like the Scottish Enlightenment—pushing for a spontaneous order emerging through the evolution of technology.

But let me come to the concentration of power with artificial intelligence—intelligence combined with network effects. You can think of one way the U.S. is going: more of a techno-oligarch setting, with some digital robber barons moving ahead, and Silicon Valley essentially determining future laws and social norms and all that—and even forming a state within a state, even across states, with their own power plants and energy.

And on the other hand, you have China, where the state—techno-socialism—is taking control of everything. And then liberal democracies, ideally, you know, are somewhere in between. How do you see this? Do you see these as the two extremes? Is there a Faustian bargain in the U.S.—that we say, “Let's give Silicon Valley a lot of freedom to move ahead because we're competing with China on this," while China is making state-driven innovation in AI and other technologies?

Lawrence Summers (29:08.096):
There are three or four issues that are caught up in that question. I would say these things.

One is—having some engagement with Silicon Valley and the set of issues around AI researchers—I'm struck that recent economic doctrines around monopsony power in the labor market do not feel like the pressing issue when you think about science and research labor and whatever is going on in Silicon Valley; rather, the opposite.

I'm also struck that there are now quite a number of large-model firms in quite fierce competition with each other. And every time I hear about monopoly and the need for antitrust, almost always within four hours I read an article about overbuilding and ruinous competition—like with the railroads.

So I'm a little less certain of some of these ideas around oligarchic power than a certain amount of the discussion. I could easily be wrong, and I, again, do not want to overstate my confidence. But I would say, relative to most people who comment on these things, my instincts are more towards Russia in 1960, Japan in 1990, China in 2020.

And I am struck that when the American elite are encouraging its children to learn a certain language, it's a good time to become pessimistic about the future of the country over the next several decades. I could go through a long list of the differences, and that's why I am not completely confident. But—

Lawrence Summers (31:31.794):
Yes, they have a not-so-functional economic system, but, God, they are run by engineers, not lawyers. They work really hard, and they have a plan, and they're fundamentally ahead of us in quantities of certain stuff produced and in a number of really key cutting-edge technologies. And so we should be really scared.

That was the kind of 1960s Sputnik-Russia narrative. That was the 1990 Japan electronics/automobiles cutting-edge narrative. And there's a fair amount of that with respect to China. I—again, I don't want to be overconfident here—and—

Part of prudent policymaking is planning for being wrong. I don't want to overstate my confidence, but I would say my 40 years watching countries has taught me that the single best predictor of when a country has trouble ahead is when its wealthiest citizens are trying to move their money out.

And on that standard, one would have a great deal of concern about what lay ahead for China. So I am very reluctant to adopt the view—I think all the views of the form, "we should try to imitate Japan and have a thing like MITI [sic]"; we should try to imitate Japan by changing our corporate governance in the direction of *keiretsu*; we should try to imitate Japan by having larger and more powerful banks that have longstanding relationships with companies; we should try to imitate Japan by fetishizing manufacturing and put it—

Lawrence Summers (33:56.681):
All those views turned out to be wrong. And the views that run to emulating China as a strategy for success, I think, are quite wrong. The views that raise questions about export controls—I think those are very profound questions where I don't pretend to know the answers.

My general view is that predatory pricing that is successfully followed by the application of monopoly power is one of those ideas where the ratio of discussion to demonstrated instances is epically high. And so I tend to be more of the view that if people want to sell things to other people inexpensively, the other people should enjoy it rather than panic. And I tend to be much more sympathetic to concerns about business practices that come from parties other than the competitors of the businesses.

Markus Brunnermeier (35:23.060):
Can I come back to this concentration of power? So I agree—when I compare different nations and the U.S. trying to copy potential things—one way not to go is, of course, to have very centralistic, guided elements to it.

The other way is: for the U.S., do you think there's too much concentration of power? It's also because technology allows this concentration of power—the span of control of each individual with technological help is much broader; you can control many more people much more easily with better technology. Do you see that, and is there something we have to be against, or not?

Lawrence Summers (35:56.545):
The answer is: I don't know.

When people talk about concentration of power in certain large firms, every time I hear somebody say that, I think to myself: there are all these other people saying we're no longer a coherent society because we each have our own information source that caters to our own prejudices. That seems like the opposite of Big Brother projecting a common view onto us.

I'm kind of impressed, as a general matter, by what's come to be called the "abundance agenda." I've been talking for 10 years about how it took America five years to repair and reopen to traffic the 300-foot bridge across the Charles River connecting Harvard and the Harvard Business School. That doesn't feel like an excess of central power. It feels like an insufficiency of central power.

So are there areas where there is excessive power? I'm sure the answer to that is yes. But there are also areas where there's just an inability to achieve coordination and get things done.

I guess I'd have to record the view that, as a general matter, I think the Lina Khan agenda was mostly in the wrong direction. The basic idea that the core problem was that these companies were too large and that they needed to be broken up for Brandeis kinds of reasons does not correspond to my sense of what the biggest problems are.

Markus Brunnermeier (38:16.052):
Let me come to a lot of questions from the audience about this: if there are all these big fruits of artificial intelligence and new technology, how can we ensure that they're redistributed fairly

across society? Do we do that purely by redistribution—by taxes? Do we need universal basic income down the road? Or is that—our experience is not so positive on that?

Lawrence Summers (38:44.740):
I suspect that—while no one in the political world can quite say it right now—since what government does is take care of people who are aged, provide services whose relative price has gone up, engage in redistributive activity, and pay interest (those are the four biggest things that government does; the fifth, by the way, is national defense)—if I think about all five of them and ask how large they need to be relative to GDP, not to provide a new higher level but just to maintain the level of functionality we had in 1990, the answer is: larger.

My estimates, when I've studied this with Natasha Sarin, have been on the order of 5% of GDP, but I wouldn't put huge weight on that estimate. So I think we are, in all likelihood, going to have to raise more in taxes, and therein lies a substantial part of the solution.

The first port of call for that agenda is surely taxes on those with the greatest ability to pay. But I've long been struck that European social democracies have less progressive tax systems than the United States—in most cases they don't have estate or inheritance taxes, for example. So I suspect that a larger reliance on very broad-based taxes, associated with expanded provision of social insurance, is going to be the answer.

Lawrence Summers (41:07.942):
I am unconvinced on UBI. I can say some things against it that explain why I'm unconvinced—but as I say them, I'm haunted by the fact that maybe I would have had a similar set of clever arguments if FDR had asked me in 1934 about the idea of setting up a Social Security system. So it may reflect a failure of imagination on my part.

But I think there are two problems. One is: the economics paradigm that “leisure is good and labor is bad” is not a very useful guide for thinking about human motivation. I think about the attitudes of the people I know, in many cases, toward retirement. I think about what I pick up anecdotally and what I encounter in literature about the lifetime happiness of those who inherit large sums of money. The idea that comfort without vocation makes for a happy life—which is, in some sense, a premise of the UBI notion—is, I think, wrong.

Second, optimal redistribution—optimal transfer policy—depends a great deal on elasticities of supply of labor. It's quite easy, in all kinds of ways, to sort out groups with very different elasticities of supply: eighty-six-year-olds, people who are disabled, to take two examples. And so the idea that we should look past all of that and just have a kind of universal program was, you know—that was the argument of Jim Tobin and Milton Friedman (the only thing they roughly agreed on), and I think it was basically terrible economics, because it failed to understand that heterogeneity means an optimally designed program would be focused on what today we would call the self-selection constraints of people with different abilities and different elasticities.

Lawrence Summers (43:32.126):
Actually, I think the horse sense of congressmen got us to more sensible places. So I would think: yes, more substantial improvements in social insurance; perhaps substantial

improvements in place-based policies, which I think are under-explored; yes, a substantially larger public sector.

But I'm unsold on UBI. And as I've looked at the latest experimental results on UBI—without being a close student of the subject—I think they've tended to be a little bit more in the direction of the concerns I'm expressing.

Markus Brunnermeier (45:01.364):
So perhaps we conclude the technology thing—but of course it feeds into the next topic as well, on populism. We see a lot of populism not only in the United States, but across Europe and many nations in Asia and so forth.

Do you have an explanation why we live in times of this huge degree of populism? Is it because we have this huge transition in front of us—this very disruptive, potentially disruptive transition—that has its productivity gains, but might also lead to different social norms we have to figure out, and that people tend toward the past to get some hold on to the past? What's your explanation why we see so much populism?

Lawrence Summers (45:45.652):
Markus, **I am haunted by the fact that on the one hand, the Industrial Revolution was the best thing that ever happened to humanity—in terms of human comfort, in terms of what it meant for the way people could live. And on the other hand, it was followed by** a period with two world wars and a great depression. **And the forces that it set off may not be unrelated to all of that.**

So I certainly wouldn't want to say that the populism is unrelated to some of what I've been talking about.

I think I'd highlight two things. **I think our society has not succeeded in producing attractive paths for boys who don't like to sit still in school.** For them, we have not offered an attractive proposition, and they have not found purpose, confidence, and a way forward. That has, in turn, affected their attractiveness as partners. That has, in turn, affected the ability of those who share their values to become responsible partners in government. And that has allowed some of the changes that have taken place. I think that's one part of the answer.

I think the other part of the answer is—and I think our universities, and their frankly lack of intellectual diversity, bear some of the responsibility for this.

Markus Brunnermeier (47:40.66):
I think it's a global phenomenon, not very U.S.

Lawrence Summers (47:59.199):
When elites have the focus that they do on identity politics on the one hand, domestically, and cosmopolitanism globally, and doctrines that undermine tradition and convention—and they carry themselves with a certain sense of superiority—it can't be surprising that there's a lot of resentment that is generated. I think there's been a fair

amount of that in governing classes, and I don't exempt myself from responsibility in our country.

And in a number of other countries, I encountered the really very unpleasant—but I think not dumb—remark: "If liberals will not maintain national borders, fascists will." And I think that is capturing something that is really quite real.

Markus Brunnermeier (49:38.344):
And you think the liberals don't recognize that? They don't see that this is one driver of the populism, and hence, you know, react to it and...

Lawrence Summers (49:47.637):
I don't—I don't—I don't. I think that it is... You know, there are three political ads that are most salient in shaping American politics and are remembered.

There is, from the left, the Daisy ad run by Lyndon Johnson—holding out the specter of Barry Goldwater and nuclear war. There is the Willie Horton ad run against Michael Dukakis by George H. W. Bush. And there is the message, "She's for them, I'm for you," focusing on Kamala Harris's positions on transgender issues.

Look, Markus, the position of America's law schools—by the way, almost every Democratic candidate for president in the last 60 years has been a lawyer. It was the universal position of American law schools during the period with gays in the military, when the "gays in the military" policy was in effect, that the military of the United States could not interview on their campuses—because they regarded the military in the United States as being the equivalent of a law firm that would hire only white people. And they applied the same policy.

Now, I loathed the policies that we had at that point as much as anybody else. But I would argue that the nation's law schools were institutional citizens of the United States; that those policies had total democratic legitimacy in the sense of having been ratified by presidents and congresses of both parties; and that for them to say they could secede from the process of defending the country—

Lawrence Summers (52:11.55):
—I don't think it's that surprising that that kind of thing—and there would be a hundred other examples—would be highly alienating to substantial parts of the country.

So I actually think that our elites have, in many cases, had more faith in their ideological solidarity with one another on moral issues that were important to them, and that caused them to lose sight of the need to maintain connection with broader sets of tradition.

Markus Brunnermeier (53:05.150):
Can we come back to the ineffectiveness of the Democratic Party to lean against Trump? Can you say a few words about that? What do you think is the underlying reason for that? It seems like they are gone—they disappeared, essentially.

Lawrence Summers (53:22.058):
Look, I think it's almost impossible to judge. It is just overwhelmingly tempting to judge things on the basis of the moment, and the wheel turns very fast.

You know, it is political lore that the reason Bill Clinton—who was not a natural figure—was able to be nominated in 1992 was that the prevailing view in the Democratic Party in the summer of 1991, let alone the summer of 1989, was that the nomination wasn't worth having because a 91% popular George Bush was a shoo-in for reelection. And so I just want to say: don't be overconfident in these areas.

Look, I think the problem is that the Democratic Party's concerns have been the concerns of the highly educated liberal and the concerns of a range of identity groups. And that has caused them to lose sight.

The way I like to say it—maybe this is the place to make the point—there's a famous photograph that everyone on this call has at some point seen from 1933 of twelve guys eating their lunches, chained to a girder over New York City, engaged in a big construction project. Those were the essence of the Roosevelt base.

Lawrence Summers (55:17.892):
And from everything we know about public opinion polling, 70 or 75% of those guys voted for Trump. Understanding the Democratic Party's challenges involves understanding that estrangement.

We can talk about how you get it, and I'm very much aware that the enthusiasm of people like me for more open global policies is sometimes seen as a cause of that problem—and there may be something in that view. Those would be the kinds of places that I would look on the question you asked.

Markus Brunnermeier (56:06.068):
So we're a little bit late, so let's move to the next topic: globalism and geopolitics. Do you see a collapse of the global world order? And is an anti-Western front emerging, in a sense?

Lawrence Summers (56:21.056):
I've been worried about this for a long time. I was focused three years ago on the fact that Putin and Xi had met twice as often over a decade as the President of the United States and the Prime Minister of Britain. I thought that was a sign of a very problematic axis that demanded our attention.

I think it's the essence of hard-headed strategy—and we have a president who, as he portrays himself, emphasizes hard-edged realism rather than soft community-building as a strategy. But it's the essence of hard-edged realism to divide your adversaries and unite your allies.

And we seem to be doing our best to alienate our allies and unite and connect our adversaries. I think that is a very problematic thing, and we need to find ways to get over it—in terms of the approach we take to Canada, the approach we take to Europe, the approach we take to Southeast Asia.

I think it's a mistake not to reckon with the strategic autism of China. People would really rather be our friend—but even if they would really rather be our friend, if our idea is going to be "God, no, we wouldn't even think about investing money in your country—and actually we're going to demand that you invest money in our country, even though we're much richer than you are—and actually we're not going to let you sell your stuff in our country," God, we're sacrificing so much of what we have that is good.

Lawrence Summers (58:42.728):
I think India is a classic example of that. Look, I think there are hard questions that I don't presume to be able to judge, having to do with how we should approach what is—from our point of view—India's problematic enablement of Putin and the Ukraine conflict.

How we approach that, and whether we should pressure on that even in ways that Indians don't like—I think that's a hard question, and I'm not prepared to say no. If that was the only point of sharp contention between the United States and India, I would be agnostic and think that others were much better able to judge it.

But when we're also engaging in much more across-the-board protection against India, when we're looking for involvement and credit in ways having to do with their conflict with Pakistan that are unrelated or ungrounded in reality—that, I think, becomes a very, very problematic place for us.

Markus Brunnermeier (01:00:10.354):
And do you think—given the current policies—this can be undone? Can some of the mistakes or damages be undone, or will this be very, very difficult to undo later on once trust is lost?

When India or some other nation thinks, "We cannot really rely—it's too erratic; I have to hedge myself," and if you look at countries like Vietnam and the Philippines, they'll probably say, "I have to hedge myself towards China; I cannot 100% rely on the United States."

Lawrence Summers (01:00:41.312):
Look, I don't see how you can feel that what we did between 2016 and 2020—and then the fact that we opted to go back once more with more energy as a country—surely has not affected the way we will be perceived. That will surely affect hedging behavior for a long time to come.

But I think I've learned over time that things aren't forever. Somehow we had an incredible crisis of national morale and national spirit in 1979–1980, when Jimmy Carter gave the so-called malaise speech.

Somehow that wasn't an important issue two years later. The mood was very much with Paul Kennedy on *The Rise and Fall of the Great Powers*, and the next one to fall was going to be us when that book was written in 1988. And that sure looked preposterous by 1990 and 1991. So I just think it is—

—important to remember, and maybe this goes to the function of thinkers and observers and writers and commentators like ourselves, Markus, that **one way of reading American history is as a demonstration of the power of resilience created by self-denying prophecy.** That it is **in a sense, the genius of America that there are all these Jeremiahs about how the sky is falling because of what's happening externally and the mistakes we're making. And it's precisely because of the capacity to generate those Jeremiahs that processes of self-repair are put in place and things get—things get—better.** Now I—

Lawrence Summers (01:03:05.522):
—I think there's a tremendous amount in that argument. We haven't really seen a moment when producing one of those Jeremiahs exposes one’s risk—exposes risk to one’s livelihood being destroyed. And that, which is an operative force in the United States today in a way that has not been true ever, or certainly has not been true in well over a century, means that there's much more room to worry about whether that power of self-denying prophecy is going to be as powerful as it has been in the past.

Markus Brunnermeier (01:03:57.204):
Perhaps you can say a few words—and I know we are running late. I don't know how much time you have.

Lawrence Summers (01:04:02.836):
Few more minutes.

Markus Brunnermeier (01:04:04.820):
Perhaps you can say a few more words about the role of the U.S. dollar—the U.S. Treasury as a safe-haven asset. Is there a danger of losing the safe-asset status of the U.S. Treasury? Is the dollar threatened? In particular, with two different payment systems coming along—on the other hand, we have U.S. stablecoins being pushed across the globe—where do you see the role of the U.S. dollar in the next few years, or five years?

Lawrence Summers (01:04:35.156):
I'd make three comments.

First, if we lose the centrality of the dollar, it will be the least of our problems. Britain lost the centrality of the pound, but it lost the centrality of the pound because it lost an empire and it lost its role as a major power in the world after Suez. And I think if one looks at currency transitions, they are much more frequently symptoms of profound problems rather than the cause of profound problems.

We've been discussing a range of profound problems that the United States has. So I don't want to say that the probability is zero—or anything like zero—that that will happen. But if it does happen, it will be the lesser of the problems, not the most central of the problems.

Comment one. Comment two—

Markus Brunnermeier (01:05:38.100):
Wouldn't it make funding more costly for the military and things like that?

Lawrence Summers (01:05:43.595):
Will it make it more costly? Sure. But will the increment in costs because our borrowing rate will be 20 basis points higher, or some such number—I don't know what the number is; 20

basis points would be higher than my guess, but I might be wrong. It might be 50. But is that large compared to the fact that we have substantially sacrificed goodwill around the world and we are no longer trusted?

I think the generalized loss of trust in the leader of the free world is just an order of magnitude or more important than the financial consequences of what happens if there's a different vehicle currency.

So I'm very alarmed, but I would go with the symptom theory rather than it as the driver. It is the driver of the malaise.

Second thing I'd say is, look, I think the dollar does have the not insubstantial virtue of its alternatives. I've been making the lies [sic] crack for a few years now: Europe's a museum. Japan's a nursing home. China's a jail. And Bitcoin's an experiment. And I think there's a lot of truth to that.

I think, by the way, if you want the simplest explanation for why gold has outperformed the stock market over the last five years—a period when the stock market's done extraordinarily well—it's disillusionment with the dollar coupled with the absence of an alternative.

And so I take the issue seriously, but you know, it's not like I look at any of the natural alternatives to the dollar and think that they will have great success in achieving confidence.

Lawrence Summers (01:08:08.853):
I do think there's a very large issue that we haven't had a chance to talk about—maybe if I come back sometime—of how long does the world's greatest debtor remain the world's greatest power?

And I would have expected bond yields to be higher than they are. I find it stunning that a variety of fixed-income volatilities, as implied from options, have declined substantially over the last six months in the face of everything that we've been discussing.

With respect to all of that, I have what I call the bus stop dilemma. The bus stop dilemma is: you're waiting at the bus stop and no buses come. And you wait some more and no buses come. And there are two possibilities. One is that there are three of them around the corner and it's just going to be more—a bit delayed relative to what you thought. And the other is you just don't understand the buses aren't running that day. And both are possible.

I like to remark on the fact that there were many more Japan bears at 25,000 on the Nikkei in 1989, and at 30,000 on the Nikkei, than there were at 35,000 before it ultimately collapsed at 39,000—because everybody had just given up on being a bear and decided they didn't understand the bus routes. And then it all came with a vengeance.

And I have that worry about U.S. fixed-income markets. But again, I think one should never approach any intermediate-term issue with extreme confidence.

Markus Brunnermeier (01:10:15.740):
I agree with you—I think more on the three buses around the corner. I like your bus stop dilemma.

So given all the challenges we are facing in the world—and the challenges economists could contribute in, as you do—what are the lessons for us economists? How should we interact with society? What type of research should we conduct? Do you have any advice for economists, in particular for economists who want to contribute to society?

Lawrence Summers (01:10:49.812):
When I was a young economist, I mostly found 70-year-old economists telling 35- and 40-year-old economists what they should work on to be annoying. So I approach your question with lots of trepidation. People should work on what they think is most interesting.

There's no right answer. It is virtually certain that anyone will be more productive doing what they think is extremely exciting and new than they will be trying to respond to somebody else's call to fill a gap.

Having said that, I'd say a few things. One, people are always much more persuasive if they respond to the concerns of others than if they tell others what their concerns should be. A lot of us tend to tell policymakers and our fellow citizens what they should be worried about, and then tell them how to achieve it.

If we listen hard to what they think they're worried about and then try to apply what we know—and our values—to respond to their question, people are willing to look to us for answers. They're much less willing to look to us to know what questions they should be asking.

I'd say a second thing I've learned over time is that a statistic is worth five platitudes, and a story is worth five statistics.

Lawrence Summers (01:13:15.690):
We tend to go to the platitudes—"we should find the market failures; respond only if there's a market failure"—and people just sort of tune it out. A striking number matters. I think the Yale Budget Lab has been enormously influential in debates over the last nine months because they're providing numbers that bear on what's on people's minds. Numbers and powerful stories are the stuff of communicating to a broader audience.

I was a fan of—and in some small ways tried to be a driver of—the identification revolution. There was all kinds of work that was fundamentally not very well identified, and so how much did you really learn from it?

Markus Brunnermeier (01:13:53.106):
Is it you?

Lawrence Summers (01:14:15.496):
On the other hand, a so-so answer to a really important question is sometimes more valuable than a compelling answer to a trivial question. I find my friend Lant Pritchett's critique of a lot that's going on in the development economics field—I'm not going to do justice to it—that

basically, development economics used to be: let's try to understand how a poor country, like South Korea was in 1955, can become a rich country, like America was in 1955, where South Korea is today.

Lawrence Summers (01:15:08.018):
It has evolved from answering that profound question and defining that objective to deciding about the relative efficacy of deworming interventions and changing literacy curricula. I do not at all disparage the value of the latter kind of activity.

But I also would insist on the value of the former kind of activity. In the name first of scientism, and then in the name of the more specific set of ideas around achieving compelling identification, we have erred on the side of looking for our wallet under the lamppost—even after we've been looking under the lamppost for a long time and not seen the wallet—and not being willing to think about the rest of the street.

So I think it's a good Princeton professor like yourself who brings Albert Hirschman to mind. And I think if we had more of that—and more welcoming of that—I think it would probably be a quite healthy thing.

Markus Brunnermeier (01:16:49.438):
Thanks a lot, Larry. You covered a lot of ground. It was fascinating to listen to you and get your thoughts about these big topics affecting our society.

I also would like to thank all the participants for all these numerous questions coming in. Unfortunately, we couldn't do justice to all of your questions and cover all of that, but thanks for participating, and hope to see you soon again on this channel or in the real world as well. Thanks to you, and let's stay in touch.

Lawrence Summers (01:17:19.370):
Thank you.

Markus Brunnermeier (01:17:20.424):
Bye-bye. Cheers.