

Navigating Rough Waters: Global Challenges and Trends

In the past year, the world has seen enormous changes. This plenary will explore recent trends and how to better understand the potential impact on American companies.

Moderator: Megan Murphy, Editor, Bloomberg Businessweek

Speakers:

- Greg Ip, Chief Economics Commentator, The Wall Street Journal
- Jasandra Nyker, Chief Executive Officer, BioTherm Energy
- Tim Richards, Managing Director for Government Affairs and Policy in the Middle East, North Africa, Turkey Region, General Electric
- David Wessel, Senior Fellow in Economic Studies, The Brookings Institution

Speaker 1: Ladies and gentlemen, please welcome our first panel of the day, Navigating Rough Waters: Global Challenges and Trends.

Welcome our moderator, Megan Murphy, Editor of Bloomberg Businessweek. She's joined by Greg Ip, Chief Economics Commentator of The Wall Street Journal, Jasandra Nyker, Chief Executive Officer, BioTherm Energy, Tim Richards, Managing Director for Government Affairs and Policy in the Middle East, and David Wessel, Senior Fellow in Economic Studies at the Brookings Institution.

Megan Murphy: Hi. It's great to be back here at this panel and to be hosting this first session. We feel very far apart. I feel like, David, you should have to sing the National Anthem or something after that.

David Wessel: Greg was born in Canada and I volunteered him to sing "O Canada."

Megan Murphy: We can start with that. So, once again this conference starts out with a panel that's Navigating Rough Waters: Global Challenges and Trends. You'll be probably unsurprised, if you're a regular attendee, that many of the themes we're going to touch on today are very similar to the themes we've been grappling with for the past several years, but I thought it was worthwhile to begin by casting people's minds back.

A year ago, just this week, Ted Cruz had just won the Wisconsin Primary. I was the Washington Bureau Chief at Bloomberg and The Financial Times before being Editor of Businessweek. This was touted as a potential turning point in

that race and as we all know, it was not a turning point in that race. But, I think it's helpful to just frame how, what we've seen in sort of this moving forward of these themes of populism, of this debate about globalization, of the themes that are really animating, that animated the election here, that are animating Western democracies, Asia, part of the China challenge that Charles just raised, are actually constantly shifting. We want to probe that today with this incredibly distinguished panel that I'm lucky to sit up here with.

Greg, I'm going to start with you. You've written a tremendous amount recently about this struggle between globalism and nationalism and where we play out right now on this spectrum, and sort of delving deeper that just we see here, but looking at the Netherlands, looking at Austria, looking at what we see going on in France right now, obviously looking at Brexit. Where do you think we are in this spectrum right now in terms of what seems to be this ongoing battle?

Greg Ip:

I think a useful way to begin this examination is that I think one reason a lot of us find that present environments are discombobulating, is that we use to look at most political and ideological contests as between the traditional left and the traditional right. Did we want a bigger welfare state, more powerful unions, higher taxes, lower taxes? What we see now is a movement from that left/right axis to what I would call a nationalism/globalism axis.

Along that axis, you'll find that there are a lot political actors out there, who are either leftwing or rightwing in their traditional views, but they agree that the nation state needs to be stronger and indeed more adversarial and more self-interested. That's what ties together somebody like Donald Trump with the Brexit leaders, and with like a Marine Le Pen in France.

Now, Marine Le Pen, if you look at her campaign platform, you would say that was almost like a center-left platform. If you look at Donald Trump, most of what he's done on the domestic front, would be right of center, but on nationalism, they both agree. Now, is that each country needs to actually look out for itself more, keep out immigrants to protect national security, jobs for native born, much more skeptical towards the instruments of global governance, whether it's NATO or the World Trade Organization? So, you see that similarity.

The question is as you say, "Where are we now?" The shock last year was that the nationalist forces succeeded in winning the Brexit Referendum, they succeeded in putting Donald Trump in the White House. But, since then, they haven't racked up a victory. The centrists, the globalists won in the Austrian presidential election. The nationalist party, the populist party in the Netherlands came second. Right now, it looks like Marine Le Pen will not win the French presidential election.

But, I think one thing that's important for us to realize is that the United States and Great Britain are somewhat unique in the situation, in that the nationalists

in Britain and the United States rose up from within an existing conservative party. Both of those parties ...

One of the more interesting contests in Britain and the United States, is actually the intra-fraternal fight between the traditional globalist free trade wing and the more, neo-populist nationalist wing. We can see this playing out this very week in the United States, Donald Trump, who campaigned on an America-first isolationist platform with respect to foreign policy, suddenly taking on a much more traditional hawkish view towards North Korea and Syria. You can see that that is a triumph of the traditional globalist wing of the Republican Party.

On the other hand, last week, bringing out new principles on how they're going to approach trade disputes, that's the nationalist wing winning. Today's meeting between the President and President Xi Jinping in China will be, I think, another very interesting data point in the struggle. Does Trump communicate the much more adversarial approach to trade relations with China that he showed on the campaign, or does he actually inflect more towards that conciliatory globalist view that requires cooperation from China on things like North Korea? I'd say the answer to your question is, right now the globalist wing is basically on the defensive, but it's not at all clear that it's lost.

Megan Murphy:

David, I want to bring you in on this in terms of the globalist wing. I'm sure a lot of people were in Davos this year as well, and, obviously, the threat of populism was high on the minds, and both the economic threat and that political threat. In writing a headline for a story, I said to my fellow colleagues, I said, "Isn't it, what if we flip it on its head? Isn't the threat Davos to populism? Isn't it actually the other way around, the threat of the elite to resurgent populism we're seeing? Aren't we viewing it too much as a threat?" And, is it, as we've talked about before today, but as you've discussed before, is it obscuring bigger, deeper, structural economic challenges that we have?

David Wessel:

Yes, I think it's a symptom of a great deal of unrest. I think we, the Davos crowd, oversold globalization as an end in itself, and for a lot of people, both here and abroad, it didn't deliver on the promise. Chinese people did great, but in Europe and the US, we didn't deliver widely shared prosperity and we ... Economists tended, I think, too easily to say, "Well, trade has winners and losers. We can compensate the losers. We'll put \$10 more into the trade adjustment assistance and let's pass this free trade agreement," and it's blown up in their faces.

So, I think there are two elements of the current populism, one of which is economic, and we can and should address it. We cannot go on in a society where large numbers of people who turn out to vote, believe that globalization and technology is enriching 10, 5, 1% of the population, and they're not benefiting. That's something we can and should address, and I think it will require some creative solutions. I don't think we have all the answers, but I think if we don't do it, we are likely to face pitchforks.

The second one is more troubling and harder to address and it goes to the points that Greg raised about nationalism. My mother is a German Jewish refugee from Nazi Germany, who came to this country. That can be trotted out a little too often, but my gosh, it's a little scary these days when we see publicly-elected leaders, instead of confronting racism, instead of confronting xenophobia, trying to promote it as a way of building their political support.

I fully understand why a bunch of white men in America really would like to make America great again, that is, to return it to some idea they have, with some truth, that it was like when their dads were first in line and second in line and third in line and fourth in line, and there weren't so many women or brown-skinned people getting in the way. But, we're not going back to that world. The demography is arguing leaning against it, in addition to our sense of moral justice.

The inability of the global elites to respond, both to these quite deep-seated and reasonable economic anxieties, and the rather frightening and unjustified and immoral xenophobia and racism, I think, is putting the whole thing in jeopardy. We are now at a point where the future of liberal democracy is at as big a risk than it's been since the end of World War II. We are at a point where ... Can you imagine anybody saying this 30 years ago? The single most credible leader of the world, who stands up for liberal democracy, is the chancellor of Germany.

Megan Murphy:

I didn't expect you to end there. I was actually casting my mind back to her seating companion in the administration a few weeks ago. I want to bring you in, Tim, on this, because let's put this ... David, let's put this into a slightly different context as well. I'm also a UK citizen. I voted in Brexit. I think there is a tremendous amount to be said about the xenophobia, the racism, harkening the return to a bygone era that animated much of that debate, but there's also the flip side of that debate, the case made by the Steve Hiltons of the world, I think, a part of that debate that hasn't been as widely covered as it should, but people who believed and believe in this country as well.

It's clear it's easier to make this argument in England, that actually removing England from the EU would unleash economic prosperity, in the sense of making it a hub of innovation, that finally we'd be able to return the North, Manchester, Liverpool, connect the Northern corridor, stimulate that economy, allow them to attract investment from tech heavyweights from other companies, make the labor force more efficient, cheaper in some respects, and make it attractive place to invest, live, work.

I think people forget sometimes that it was actually only London that didn't vote for Brexit, so, turning to you, Tim, with that being said, looking at all those issues and looking at where we are in this spectrum, do you agree that we have failed to make ... Let's just call "we," the global elite, journalists, GE executives, etc., have failed to make a case for globalization that sticks, that it is actually a failure to make people understand that, yes, lots of people in China benefited

and that over a longer-term trajectory that benefits us all? Is that argument just not carrying any weight?

Tim Richards:

First of all, thank you, and it's great to be here this morning. First of all, from the GE perspective, I noticed that David used the past tense when he referred to globalization, and we don't see it that way at all. In fact, the reality is that we have steadily continued, we, as a company, and I think as a very representative company in the US economy, have seen a steady, inexorable increase in the percentage of our total revenues that come from outside the United States.

This is not a political issue; this is a reality. And so, if you look at our aircraft engines business in China, China's the theme here today, we have 70% market share of the Chinese aircraft engine market, and a lot of those engines are being built here in the United States and sent to China, and that's just one example. We have 30 to 40% market share in the Chinese medical equipment market, and you can go on and on, so globalization is real. Now, that doesn't mean that there isn't also a very real political movement that says, "We don't like some of the things that are associated with globalization."

Another thing that we are doing as a company is, we are recognizing that the reality is that this populist movement is very real. You can call it a pendulum swing or you can call it a permanent shift in realities. Personally, I tend to think of it more as a pendulum swing, but we are certainly well out on the right end of that pendulum swing, and we, as a company, are going to plan for a more protectionist world. We think that's the reality and that's what we have to prepare for.

Now, that doesn't mean we aren't global, so there's a big difference between being global and also recognizing that the world itself may become more protectionist. We are anticipating that the current trends toward, for instance, local content requirements, are likely to continue. That means we need to be capable of investing all around the world to meet those requirements, and we will do that. But, it doesn't mean we won't also continue to maintain a base of manufacturing capability here in the United States.

We exported 22 billion dollars of products from the United States last year. GE, as a company, imported about 6 billion dollars, so we are a really committed US exporter. That's not going to change, but what you will see is we will have to make, and we will make, incremental investments in countries around the world, because it's part of being a good citizen, and also because it's an increasing requirement.

So, I think, back to your main question, globalization isn't going away, but there are changes in the way that the world is going to expect globalization, and I don't think those things have been fully factored into the political debate.

Megan Murphy: We're going to come back to what you said about preparing for a more protectionist world, but I want to turn to Jasandra, because you look at this globalization from a very different perspective, in terms of investing in Africa, in terms of eradicating energy poverty. In terms of the effect that you're seeing there, and on your perspective of it, where you see it from more of a ground-up, and more of an everyday struggle and an everyday challenge, how do you think it's playing out in your businesses, in the challenge that you're confronting?

Jasandra Nyker: Great, and thank you. I'm in the renewable energy industry, which, it's an interesting time to be in, not just in the US, but globally for that matter. Historically, we used to see a lot more equipment coming out of the US and predominantly, if I look at the solar module industry, we'd see a lot more in terms of being able to have competitive pricing coming out of the US. But, that has changed. I would say 90% of all modules being deployed across Africa at this point in time is coming out of China, and the reason being is because we have moved to two changes in terms of how we actually procure.

Firstly, it's done predominantly on a competitive auction tender program, so lowest price wins, and lowest price ultimately means you're sourcing your goods from China. In addition to that, you're also looking at who is willing to set up some kind of local assembly in-country, and South Africa is a great example from that. We are a strong proponent of local content, pushing for job creation, like any other country, for that matter. But, in order to do it, how do you do it in this kind of industry, and one of it is assembly locally, not looking at IP replication, but purely assembly of modules.

It's been much more difficult for, I would say, US companies to actually enter that market from that perspective. And, Chinese players are saying, "We're willing to take the risk. We're willing to set up a local shop, and even for the first four, five years, we may not necessarily use all our capacity in Africa, we'll be able to export it somewhere else." What they've actually done is started to use South Africa as a way to produce modules to ship back to the US, so we're seeing it in that manner.

Similarly, the wind sector, GE is a well-regarded wind turbine supplier and also entering that South African market, I mean, it's 2.4 gigawatts that have come online in the last five years. It's been a market again where, how do you actually bring local components into your country? Some players have been very quick, and here the Europeans have actually done a fantastic job in saying, "Okay, all our towers will be produced locally, in-country. So, yes, I'm procuring a global product, but at the same time I'm allowing certain components of that product to be assembled or manufactured locally." That's how we see it.

Across Africa, whether we're in Ghana looking at building our utility scales, solar projects, or wind, for that matter, you're having the same debate. How do I procure a global product, but how do I also, in some ways make it local?

Megan Murphy: I want to pick up on that in terms of continuing with the globalization. I'm going to go back to David with a sort of provocative question. You mentioned pitchforks in your response. It's something I say to people as well, that I also see the trajectory, unless we grapple with this fundamental source of rising inequality, as perhaps a likelier outcome than many people contemplate right now. Brookings published a paper, I think it was either earlier this year or last year, talking about the five known unknowns about the global economy and some of the challenges [it's 00:18:40] facing.

One of them is, are we actually at a tipping point about a belief in free-market capitalism? Are we actually at a point where other economic models, the traditional alignment between liberal democracies and a belief in freer markets, is possibly, the pendulum is shifting away? Are we there yet, or is that something that is an economist's thought only?

David Wessel: I don't think we're there yet. One of the other ways to tell the China story is that they abandoned Communism and adopted the most successful aspects of capitalism and twisted them to their own ends. In some sense, some of the Brexit vote was a vote against regulation, not only a vote against immigration and the bureaucrats in Brussels. I think where I see a bigger issue is a widespread loss of trust in institutions.

I think that's infecting our politics, the press, and the business community, and it's very difficult to grapple with really hard, long-term problems. What do we do about increasing the pace of productivity growth, which has slowed everywhere around the world? Can we find some way to avoid ever-widening inequality without destroying the incentives for innovation and creativity? Will we cope with climate change?

These are really hard things, and will require leaders to be able to speak to people and say, "Look, I need you to understand, we're going to have to do some things that are going to be uncomfortable now, but they'll make the world better for your children." That's going to be really, really hard if everything that the establishment, the leadership of the country, the press, the business roundtable says is quickly flicked off as, "Oh, that's just the elites spreading fake news again," and, I don't see a quick way to restore trust in institutions.

One thing that's just so interesting in the US is that the rise of Donald Trump coincides with a relatively healthier economy, healthier than it was before, but it doesn't seem to have restored much of America's confidence in the quality of the institutions, the Federal Reserve, for one, that brought us to this much better place than we were in seven or eight years ago.

Megan Murphy: Let's pick up on that with you, Greg, in terms of ... It's not only just restoring faith in institutions but I was interested that Charles, in his presentation there, had a big X through both monetary policy stimulus and fiscal stimulus. Basically, expert finance was the only option left. Do you agree, in that the chances of us

getting through perhaps a more visible growth, perhaps more visible action in terms of a huge infrastructure spending plan, in terms of, yes, we have debt to GDP at 120%, that that's going to be limiting, but do you think we can actually get an infrastructure plan through, something that may give people a more tangible sense, even if it doesn't come through to their pocketbooks, a tangible sense that something is being done and that growth will filter through, particularly to people who voted in such numbers for Donald Trump?

Greg Ip:

Let me preface what I'm about to say, that my record on economic forecasting was bad, and my record on political forecasting is worse. So, with that caveat, no, I think the odds of a big infrastructure package are very low. This Republican Congress is extremely skeptical of the value of putting public money into infrastructure.

As for monetary and fiscal policy, I think that we should not expect them to do much. I mean, that's what you turn to when the economy is operating below full employment, but we're at 4.7% unemployment. You really can't expect to get more growth out pushing the demand levers. It's going to be all about the supply levers, and that's where trying to figure out how to make ourselves more productive comes into play, and that's why looking at the export sector and mechanisms to make our exports more competitive matters.

Now, I want to pick up on something that Tim and David were saying about whether globalization is already in retreat. I guess I'm more pessimistic than they are. I mean, the pitchforks are already here. They're in the White House, okay? So, last year the first country in history left the European Union, or is about to leave the European Union. So, I'm sorry, we're not talking about imminent events; those events are already here. I think we don't know where the ending place is.

I think David made a very important point early on, which is that globalization and free trade oversold themselves. They became the ends instead of the means. Tim, I'd be curious what you think about that, but I think within policy and business sectors it was so often assumed that globalization and the institutions thereof, whether it was the trade rules or whether it was the financial rules, were just givens and we should just accept them and maximize our own wellbeing within those rules, whether that went too far.

Now, let me give you a very practical example: When China joined the World Trade Organization in 2001, there was a sunset clause that said we did not have to treat them like a market economy for 15 years, which basically meant it was easier for us to bring trade actions against them. Well, that status expired at the end of last year. Under their accession agreement, we have to give them market economy status. So far, the European Union has refused to do so. The Obama administration declined to do so, and I strongly doubt that the US administration will do so.

China will have the right to bring a WTO case against us. What is the WTO going to do? Well, in the old world, if you sort of assumed that globalization was here, it was permanent, you can't do anything about it, just put up with it, we'd probably say, "China wins. We've got to treat them like a market economy." Well, I can't remember who it was who said, "Well, the law may say that, but sometimes the law is an ass."

Nobody who actually does business with China, as I think Charles' slides actually eloquently showed, would be fooled for one minute into thinking that China is a market economy like ours. So, the challenge right now, for those of us who believe in the fundamental prosperity-enhancing benefits of globalization, is to realize, where, as David was saying, where we went wrong, oversold the case, and retreat and approach it in a different way. Instead of assuming, well, we just have to sit back and say, "Yes, we have to do whatever this section of this treaty says," can we make it better?

This is where I actually have a fair bit of sympathy with the Trump administration. I think what they are doing is ... Actually, we don't know yet where they're going to go on a lot of their trade views, but I think one of the things they're doing is they are testing a lot of the presumptions that we've had in the past, and I cannot sit here and say that those presumptions were always right.

One final example: When China joined the WTO, there was a section of the accession agreement called 421, which allowed the United States to impose tariffs on China, not because China did anything wrong, but because there was a surge of imports that were hurting our economy. And, it was unique in US trade law, in that it was solely to the discretion of the president, whether to actually allow such a case to proceed. Four times, I think, such a case came before Bush, four times, he refused to act.

Once, it came before Obama on tires, and Obama acted, and then editorialists, including yours truly, attacked him roundly for it. But, was that really the right decision? I'm not sure that it was, because all those actions were trying to do was saying, "Look, the ordinary guy in the street doesn't really care about whether globalization is good for his children 50 years from now. He cares about the fact that China is really making life hard for him now, and to save globalization sometimes you actually have to shave the hard edges off of it." So, that will be, I think, an interesting thing to watch in this administration. Do they want to make it better, or do they want to junk it?

Megan Murphy:

Two things before I bring Tim in, and I want to bring Tim in to respond to this. One is, yes, maybe we're past pitchforks. We're not on heads on stakes there, so we're safe there, so maybe [crosstalk 00:27:04]. And, the second thing, in terms of testing presumptions, absolutely fair enough, I think I'd believe that more if I felt there was more method to the madness, in terms of the actual testing

phase of the testing those presumptions, and, so far there's very little evidence of that.

But, bringing Tim in on this, is what Greg says right, in that ... I mean, it's sort of a second version of the first question, but was globalization oversold? You said, "We're preparing for a more protectionist world." I want to hear more detail about how are you positioning for a protectionist world, and are you being flexible, like Greg says, in saying, "Wait, maybe the answers we deployed, maybe the answers we think about free trade, about globalization as this sort of unstoppable ball that will eventually lift all this, were wrong?"

Tim Richards: Let me start by saying the bizarre situation that we're in is that there are some things that are pretty well accepted by the entire academic world, that are simply being rejected by the political world. Climate change is one of them, and the other, actually, is belief in the value of markets. In those who actually study the subjects, these things are really just accepted completely, and yet we have politics that is moving against them. Well, put that aside, because that's a huge issue and it's not directly what you asked, but I think it is important to think about.

Megan Murphy: I don't think we're going to change the climate change one today.

Tim Richards: Maybe not, and we may not solve the trade one either, but that's really what it's about, is, do we believe in markets and do we understand how do we handle the challenges that come with markets in the trade world?

Now, on the protectionism question, though. Every country in the world has a totally legitimate desire to see the world economy work to its advantage, in the sense of creating jobs and helping to build not only jobs, but improving the state of technology in the country, helping to develop people's lives and build the workforce and their capabilities. All those things are totally legitimate aspirations, and every country wants that.

What has happened is, partly because the merits of a market-based trading system have not been sold well, and also because, if you're a local politician and maybe just are looking at what can you do in a limited period of time that you're in office, it's a lot easier to go to populist solutions, and so we're seeing that. We're seeing it everywhere, and to some extent you even see some of the international financial institutions sometimes supporting things like developing local content requirements regulations for countries.

So, our company sees this as something that is ... Because it is so based on fundamental national interest, maybe it's not the very best way to approach it from a global systemic point of view, but people are just going to act, and we need to be prepared for that, and so ...

Greg Ip: Can I just ask a question about that?

Tim Richards: Sure.

Greg Ip: A couple of years ago, we were sold on the great productivity-enhancing benefits of global supply chains. What happens to global supply chains in a world where GE is preparing for a more protectionist world?

Tim Richards: You still have to have both. Actually, Jasandra mentioned this exact point with respect to wind farms. There are some things which are so obviously better manufactured in volume, and therefore in some centralized location, and then there are other things, like towers for wind farms or blades for wind turbines, that are, first of all, bulky, difficult to ship, and frankly, can be made fairly easily almost anywhere in the world, and then there's a lot of things in between.

One whole other subject that I think is really important is that modern manufacturing technologies, additive manufacturing, is going to make it a lot easier to have small volumes of part manufacturing at extremely high quality. So, what we're going to see is that it's easier and easier to distribute your manufacturing. You'll have fewer things that require the really high-tech, high-volume manufacturing, and that actually is helpful in a world where you need to have more local presence, local manufacturing. I think the technology is actually going to help us to get there, not hinder us, and it helps to make the investments good investments, and that's maybe a final point on this issue.

One thing that we find is that you never want to make an investment just because you're forced to. If you make investments because you're forced to, all the incentive structures are wrong. So, then all you're trying to do is sort of minimize the cost that's been imposed on a company, instead of maximizing the value of the investment. So, what we like to find is cases where we can talk to the governments and say, "Here's something we would actually like to do, and you would like us to do it. Let's do that, but please don't force us to do X, Y, and Z over here, which are going to be just a tax."

Anyway, I think there's a lot of things that are going to make it easier to be globally diversified and to meet those requirements, but there will still be a lot of things that require central, high-volume manufacturing for a little while.

Megan Murphy: Jasandra, bringing you in on this. We touched on climate change. I want to talk to you just a little bit about the energy challenge facing and how that plays in. It's something, Tim, that you've written about in the past, about the need to articulate both the energy challenge, but also the clear strategy for tackling it. You're in an area of the world where you're, again, on the ground in renewables. Where do you see that space going in terms of making that case, continuing investment, continuing sustainable development?

Jasandra Nyker: I could speak for hours on that topic, but energy is, to me, the driver for growth in Africa, and I can speak to the African market because that's where I'm currently playing. Previously, I was here in the US, and we're using it as a lever

to do a lot of things, manufacturing, job creation, spurring on foreign direct investment, and for Africa, they say, "For someone to be in power, you need to give power." It has become an African proverb now, and what one is actually saying is that leaders of African nations need to focus on ensuring that there is that type of infrastructure development and deployment, even in their very short terms.

South Africa is an example of it can happen. It did happen in a very short period of time. In South Africa, we went from site identification to operations of utility-scale farms within the space of three years, and did it in a very profitable manner, but also ensured that we ticked all the various boxes when it came to local manufacturing of certain aspects, and things like that. So, for us, while it is a challenge, it is actually a solution to accelerating GDP growth on the African continent. We see it as a way, in terms of creating the stimulus that is very much needed.

In Africa, over the last decade, I think if we've managed, excluding South Africa now, managed to actually bring online a full gigawatt of new power generation, I think that is a feat in itself, one gigawatt. So, let's put that in perspective. I think the State of Louisiana has 5 terawatts, so it gives you an idea in terms of how slow power deployment and infrastructure development is taking place, and I think there needs to be ways in which it can be spurred. Actually, I'm looking forward to when EXIM actually moves forward, because we do believe that it can act as a great stimulus in bringing some great technology into the African continent.

Megan Murphy:

David, let's stay with this theme of challenging academic truths, versus political truths. You've written about the labor market quite a lot. One thing I want to ask you about, which also dominates discussion now, is the disruptive forces within the labor movement right now. And, it ties into this discussion, is that one of the biggest problems, I feel, is that politicians, one of the biggest things they aren't honest about is actually that part of the reason why we can talk about bringing manufacturing back, we can talk about a reformation of the tax code to make it more competitive for people to locate manufacturing in America, to hire larger workforces, but the very fact of the matter is, is that a large swath of the economy will be automated, and will continue to be automated over time.

You know, the real threat isn't Uber, but an Uber without any Uber drivers. So, do you think that this circle can be squared in terms of people being ruthlessly honest with Americans, with people all throughout the world, that this change is coming, that we actually probably aren't prepared for it, either in terms of educational levels, or how we migrate these jobs, upscale people into these jobs, and that that may be one of the biggest conundrums in boosting and solving this productivity conundrum we've faced for so long as well?

David Wessel:

Well, that's a big question. The productivity conundrum that's so baffling to economists is, on one hand, we claim that we're automating everything and that people can't find jobs, and where output is going up, and, on the other hand we don't see an increase in productivity; we see a slow-down in productivity. And, maybe it's a measurement issue, maybe it isn't. I think that's a big and lively debate.

But, I think you put your finger on a very important problem, and I think one of my concerns about our current circumstances, and I speak mostly of the US and Europe in this regard, is that we're being distracted by short-term squabbles and we're not spending the time thinking about that really fundamental long-term issue you're asking, which is how do we equip the people of this country to take the jobs that will be available to the people of this country a decade or two, or three from now? What do we do about the fact that one in every seven men in America between the ages of 25 and 54 is not working?

One in every seven men in America, too old to be in school, too young to retire, is not working, and so we have to think really hard about how can we ... We're not going to go back to a world where half of Americans work in factories. That's over. That's been over for a long time. As Tim says, the factories are increasingly automated, and the ones that are ...

It doesn't matter where they are. If you're doing 3D printing and there's no worker there, it doesn't really matter much where the factory is. So, we know we're going to be in a world where many more people are providing services. We know we're going to be in a world where, with so many people having joined the world economy, many of them very industrious people, that the only way we can support our standard of living is to have highly-productive, highly-educated, highly-trained workers, and we have fallen behind on that.

I think we've improved our education system. I think we sometimes don't give ourselves enough credit. I think there's incredible things going on in America's community colleges, but the demands of the workplace, particularly if we have to compete with Indians and Chinese, have intensified faster than our ability to improve the quality of our education and the skills of our workforce. And, that's hard to do. I don't know that I have the answer. I don't know that anybody has the answer. It certainly isn't a tax credit for every third person at a table here, which was kind of the way I looked at the Hillary Clinton proposal.

It's really at the root of how do we make sure that we restore people's confidence that their kids will live better than they are? They're not all wrong. The prospects for many of their kids are not good, and that's going to require a huge investment of energy and money and time, and creativity to make that work.

Some of it is political. Some of it is, if you give people hope, they will do this. You know, Larry Summers once said, "Education is the ultimate act of hope,

because it doesn't pay off for a generation." So, I think the twin threats of globalization and technology to the median worker in America are real, and we haven't yet figured out a good way to deal with them, and, until we do, we're going to, I think, be fueling the forces of populism.

Megan Murphy: Yeah, I think that hits the nail on the head, so I want to end. We've only got five minutes left, sadly. I could stay here all day. In fact, I want to stay here all day, instead of flying back out to New York, but I want to play a quick lightning round, one black swan that you see in potential threats, and one potential upside that you see, that we may be discounting right now.

Greg Ip: By "black swan," you mean something that's probably not going to happen, but might be more likely than people think?

Megan Murphy: Yeah, in a negative way.

Greg Ip: Okay, sure. Inflation. You know, we have become so used, for the last 10, 20 years, to saying inflation is dead, like the famous parrot, you know what I mean? "It's dead, gone, met its maker, never coming back." I think that history of the last 10,000 years tells us that inflation is fundamentally a manmade phenomenon, and that if we allow fiscal monetary policy to tilt over to the more aggressively stimulative side and we have the wrong decision makers overseeing that process, inflation could come back, and that would be highly disruptive to the financial markets and a lot of other things.

One potential positive upside, I think that a lot of the populism we've seen, notwithstanding my view that we're seeing this shift from left/right to nationalist/globalist, is that a lot of the nationalist energy draws itself from the very weak cyclical position we've had in the last seven years, plus a few non-economic things, like the rise of ISIS.

Now, if you believe, as I do, that the European economy is coming back, the US economy is coming back, wages are going to be stronger in the next few years than they've been for the last few years, and that ISIS is on its way to being defeated in a fundamental sense, I think that a lot of those fundamental drivers of the anger and nationalism will be ebbing over the next few years. So that, I would say would be the one positive thing I see out there.

Megan Murphy: Tim?

Tim Richards: Black swans, we've seen a flotilla of black swans over the past 18 months, and the most important thing is resiliency. I think, rather than talking about one black swan, I think the most important thing is for every organization, certainly this is something we're trying to do, to be capable of keeping your eye on what the real opportunities are, and finding your way through it.

You know, in the Middle East, we've been able to keep on growing throughout all of this incredible volatility. That's what you have to do, so resiliency would be my ... My answer to my black swan question is actually resiliency, because black swans are, by their very nature, difficult to predict.

And, let's finish on a positive note, on looking forward. We've got to get the EXIM Bank back in business fully, and so that's what I think we need to have happen. Therefore, it's going to happen. It's the right thing to do, as Charles made very clear. It's the right thing to do, it's essential and there's huge upside. GE alone, we've got about a billion-and-a-half dollars right now that we are ready to go, if EXIM was able to finance those exports, and otherwise we have to turn to other export credit agencies in other countries around the world. So, EXIM is absolutely essential.

Megan Murphy: Making that red line go even further up. Jasandra, and you can't say what he said. You can't say restoring the EXIM Bank.

Jasandra Nyker: I would say for me it's being dynamic and ensuring, not resilient, but dynamic, in terms of business approach. And, it's not just an emerging market view, but I think, having worked in the US, many companies here, I still believe, have a path to grow and have plenty to offer, but it's learning to be dynamic, given the constraints in which they're actually operating at this point.

Megan Murphy: Okay, David, black swan, and a possible positive.

David Wessel: I think one black swan, which ... The nature of a black swan is, if I saw it coming, it wouldn't be a black swan, so it's kind of a trick question. It's like people say, "Do you expect any surprises next week?"

Look, I don't think the next decade for China will be as easy as the last 30 years. There's a lot of faults in their political system and their banking system, and they not be able to keep it up at the rate they've been going, and that will have consequences for all of us.

I think that two signs of hope, one is that the populism and Donald Trump's victory has identified a lot of issues in the United States that were too easy for elites to brush aside, and maybe we'll realize that we have to deal with them.

Secondly, you know, I keep looking at this logo, XM. One thing I want to mention is the case needs to be made that imports aren't the worst thing that ever happened to a country either. But, secondly, I think, on immigration. I think that, as ugly as the immigration debate has been, I think there's a chance now that it has galvanized people to understand that immigrants are really important to America. We have to change our system so that we get the kind of immigrants that are good for our economy, and it's certainly a black swan hope, but that this becomes a moment where we finally grapple with the problem of a

clearly broken immigration system, that the politicians have been unable to fix, because it's so connected with emotion and identity.

Megan Murphy:

On that very positive note, I want to thank this panel. This was fantastic this morning. Thanks so much, and thanks so much to the audience, and see you guys next year.