

War and famine. Peace and milk. —Somali proverb

Policy Challenges for the New US President

There is a several-year wait for people who are seeking disability benefits. In the last fiscal year 23 people a day died waiting to find out if they were going to get a hearing and get their benefits.

~Nancy Altman, page 11

James Galbraith:



We've come through a long, bitter, hateful, and frankly repellent campaign, emerging with all the same problems that were present before. The work of Economists for Peace & Security has always been to confront and define these problems, to work out a path forward. We take up that challenge again this morning.

In that spirit, we organize this morning into three parts: a panel on achieving peace; a panel on building jobs, improving wages, and preserving economic security; and a panel on controlling climate change. Whatever political leaders may say, these issues define our time. They will not go away, and neither will we.

Politics, nevertheless, does change things. The other day the chancellor of Germany, Angela Merkel, wrote, "Germany and American are bound by common values, democracy, freedom, as well as respect for the rule of law and the dignity of each and every person, regardless of their origin, skin color, creed, gender, sexual orientation, or political views." It is based on these values that she extended the

cooperation of the German government and of herself personally to the United States. A more clear statement of independence, of the end of empire, and the end of automatic deference could not have been made.

Whether these principles continue to apply here in the United States is a question on which our future as a nation now rides. It is a question that transcends economics, yet it has an economic dimension. We take up that dimension in the second panel. The question also has a geophysical or an environmental dimension, related to the world around us; and we'll take that up in the third panel.

The question that unifies the second and third panels is whether policy in the form of law and regulation in the pursuit of common goals has a legitimate role in our national public and social life. There is a cult of unregulated markets. It has some presence in the economics profession and some presence in the political sphere. Behind the cult, or closely allied with it, is the practice of government by lobbyists, of essentially turning over the regulatory function to those who have the least interest in seeing it pursued. This is a phenomenon that I described some years ago as the predator state. If you believe in either one of these two closely allied doctrines, the unregulated market and/or government regulation by the regulated, then I have a suggestion for you: Stop taking your blood pressure medication, drain the oil from the engine of your car, run your nuclear reactors without a cooling system, abolish the police, and see what will happen by and by if you try to live on that basis.

In this small organization of professional economists we believe that justice, equality, freedom, and prosperity require law and regulation based on common purpose and on the practical realities of the world. And in that beleaguered spirit I turn over the gavel to the chair of Economists for Peace & Security, Richard Kaufman.

TABLE OF CONTENTS

| | |
|---|----|
| Welcome | 1 |
| Program | 2 |
| Panel One: Global Security..... | 3 |
| Keynote: William Goodfellow | 7 |
| Panel Two: Jobs & Social Security...10 | |
| Panel Three: Energy & Climate.....14 | |
| Upcoming Events..... | 18 |
| Michael Intriligator Student Fund....19 | |
| International Conference on Economics and Peace..... | 20 |

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Program

This issue is comprised of edited transcripts from a conference held on November 14, 2016, in Washington, DC. Visit our website, epsusa.org, and click on "Past Events" for links to video and complete transcripts of the symposium.

Policy Challenges for the New US President

Washington DC, November 14, 2016

Welcome by James Galbraith

Session One — Global Security: Russia, China, Europe and Latin America

CHAIR — Richard Kaufman, Bethesda Research Institute
Mark Weisbrot, Center for Economic and Policy Research
Matias Vernengo, Bucknell University
Carl Conetta, Project on Defense Alternatives Project on Defense Alternatives

Keynote — Bill Goodfellow, Center for International Policy

Session Two — Jobs, Wages, Health & Social Security: What Next?

CHAIR — James K. Galbraith, Economists for Peace & Security
Josh Bivens, Economic Policy Institute
Nancy Altman, Social Security Works
Pavlina Tcherneva, Levy Economics Institute
Stephanie Kelton, University of Missouri - Kansas City

Session Three — An Agenda for Growth, Clean Energy and Climate Stabilization

CHAIR — Jeremy Richardson, Union of Concerned Scientists
David Colt, Efficient Resource Management
Eban Goodstein, Bard Center for Environmental Policy
Andrew Holland, American Security Project

SESSION ONE: *Global Security: Russia, China, Europe, and Latin America***Richard Kaufman:**

President-elect Donald Trump has made strong statements on a variety of national security issues, generally accompanied by weak arguments to support his positions. And he has sometimes seemed to reverse those positions.

With regard to the military he has repeated his pledge to make us “so strong nobody’s going to mess with us.” He has also at least once indicated that he could make us that strong without increasing defense spending. At a Meet the Press interview not long ago he said, “You know what? We could do it for a lot less by reducing waste, fraud, and abuse.” He even criticized defense contractors at that time for forcing the Pentagon to buy weapons it did not need or that do not work well.

More recently he has, as they say, flip-flopped and proposed actions that would sharply increase defense spending. He has advocated increasing the size of the army, the number of naval ships, and the number of fighter aircraft. Those proposals alone are estimated to increase defense spending by as much as \$900 million over the next 10 years. As an aside, it should be noted that he seems to have a habit of promising to do more for less. Just last night on the CBS show, *60 Minutes*, Mr. Trump said he would replace Obamacare with a program that would be better and cost less.

However, he may have learned by now that you can’t do that with the military. You cannot enlarge it without enlarging the

budget. Since World War II the size of the military and the amount of military spending has experienced more or less steady increase, with brief downturns after each of our wars, including the Cold War. We can’t be sure the pattern will hold in the Trump administration, but there are signs pointing to another defense budget surge that would be offset by cuts in non-defense social programs, perhaps even Medicare and Social Security, which he has vowed to protect. At this point no one can say what Trump will do, so we need to take a limited wait-and-see approach on national security and many other issues.

Despite the fact that we do not have the same values as Russia, it is not a good idea to demonize it. We learned during the Cold War to try to get along with our major adversary. Mr. Trump in a strange way may at least slow and possibly stop the drift towards extreme animosity in our relations with Russia. We need to remind ourselves that Russia is a major nuclear power, and that makes just two of us, and also that it was another Republican president, Ronald Reagan, who entered into a far-reaching and constructive nuclear arms agreement with Mikhail Gorbachev, the Russian leader. Those of us who remember Reagan remember how we suffered through the economic difficulties and other problems his policies caused; but at least he understood the importance of maintaining a fairly decent relationship with our primary adversary. Those who counsel otherwise today are advocating a dangerous path.

Mark Weisbrot:

I’ve been paying attention to US-Latin America policy and Latin America’s individual economies for the last 15 years. I have to say I really appreciate this forum because it’s so rare to have any kind of honest discussion about US foreign policy, especially on Latin America. Almost everyone you see on television is either working for the US government, a former government official, or otherwise getting money from the US government.

So let me first just summarize the US policy towards Latin America in recent years. Since 1998, a whole number of left governments have been elected in Venezuela, Ecuador, Bolivia, Uruguay, Paraguay, Ecuador, Nicaragua, El Salvador, Argentina, and Brazil. The strategy of both the Bush and Obama administrations has been relatively simple: containment and roll-back.

Now we’re in a roll-back phase, and I have predicted that any elected government in Latin America would become more aggressive after the US elections. They tend to be a little more cautious right before an election because they don’t want to cause some kind of trouble.

Raphael Correa, the president of Ecuador, was asked in an interview recently about the US elections, and he said it would be better for Latin America if Trump were elected. He was very gracious and diplomatic about it. His logic was irrefutable for the short run: He knew from experience of



PANEL 1 — l to r: Richard Kaufman, Carl Conetta, Matias Vernengo, Mark Weisbrot

the Bush and Obama administrations that policy toward Latin American would be basically the same. In the short run it's much better for them to have someone like Bush who got very bad press in Latin America and was disliked in the media, rather than somebody like Obama, who is presented very well in the media and is generally liked in the world.

Francisco Rodriguez, one of the best analysts of the economies in the Andean region, argues that it is possible that Trump will be better for Latin America because he's more isolationist. I don't think so. I think he's going to leave it, as Obama did, mostly to the various agencies, the State Department, the Pentagon, 17 intelligence agencies, and the foreign policy committees of Congress, all of which have the same agenda: to get rid of all the left governments and make sure they never come back.

For example, President Obama went to Argentina and praised Macri's new right-wing government, and then lifted the block against multilateral loans from the Inter-American Development Bank. And now the Macri government has indicted Cristina Kirchner, the previous Argentine president, the former head of the Central Bank, and the former finance minister for something that is literally a normal central bank operation. There's no allegation of corruption, or anybody getting any money, or any profiteering; the indictment is basically for a foreign exchange operation.

United States policy towards Venezuela has been extremely consistent. The US government has been trying to overthrow their government for 15 years, and now we have a chance because the Venezuelan economy is a total wreck. So we've been more aggressive, and the US now actually has sanctions against Venezuela. President Obama declared for the second time in March that this country posed an extraordinary and unusual security threat to the United States, which is of course ridiculous. Treasury and other agencies have successfully blocked US and international financial institutions from carrying out transactions from Venezuela. So that's a big thing that's going on that nobody pays attention to nor cares about.

Matias Vernengo:

I am as of now from Bucknell University, and was before at the central bank of Argentina for a year-and-a-half. And if I can do a little bit of marketing, I have a blog that refers to Jamie's poisoning of the youth of Texas with his Keynesian ideas. At one point, I was teaching at Utah and also poisoning the minds of fairly reasonable conservative Mormon kids, and so I thought I might as well call the blog "Naked Keynesianism."

But I want to talk about Brazil. There's an old saying—I think it was Nixon, maybe LBJ, who said that as Brazil goes, so goes Latin America. Brazil is an important indicator of what to expect when you see the slow collapse of a progressive coalition in power. The coalition was, if anything, too moderate and too accepting of neoliberal ideas. At the end of the day, if you compare the Brazilian experience with some of the other Latin American experiences, that acceptance is part of the problem.

First of all, there was a coup, a new kind of coup that is being widely used around the globe. It's a judicial, media-driven, rather than military-driven, coup with support, or at least some influence from, US government institutions. We know because of the leaks by Snowden that the NSA and the CIA were involved in espionage of the Brazilian president, Dilma Rousseff. We also know that they've been spying on Petrobras, the Brazilian oil company. It has been denied, but the evidence is fairly clear that there has been some economic espionage.

The reasons are not difficult to understand. With the commodity/oil boom, you had a reestablishment in several Latin American countries of either direct nationalization of natural resources or more control over the natural resources, which became the basis for expansion of spending on social policies. In the case of Brazil, there was also the huge discovery of deep-sea oil and natural gas.

Ironically, this collapse of the left in Brazil happened with the support of progressives in the US, particularly those connected to the Democratic Party. The independent foreign policy of the Brazilian Workers' Party was seen by both Republicans and Democrats in the US as negative. The Obama

administration continued free trade policies by signing an agreement with Columbia. (The Bush administration had previously signed agreements with Peru and instituted CAFTA with Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua, and the Dominican Republic.) But the Obama administration also supported two more explicit coups in Honduras and Paraguay, and tacitly interfered in election processes, for instance by supporting certain newspapers in places like Argentina.

There is a third reason behind the collapse of the progressive coalitions in Latin America: the criminalization of economic behavior. Mauricio Macri, the current conservative president of Argentina, is criminalizing a common exchange rate operation and the behavior of Dilma Rousseff because he doesn't want her to be president again, even though he profited from that very system-- we know that he bought currency in futures markets, and when they depreciated, he made a killing. Fiscal policies in Brazil are also being criminalized.

So what are the consequences of the unraveling of these broad left-of-center governments in Latin America, and in particular, Brazil? First of all, it's important to remember that this is happening in a context in which the dollar has been appreciating over the last two years, and that that has gone hand in hand with a decrease in the price of commodities that has restricted the space for left-of-center policies in the region. But there is still a significant amount of global liquidity, so there is no external crisis per se on the horizon. The only country that was actually on the verge of crisis was Argentina because of restrictions imposed by the US and also because Argentina had unsolved issues with the vulture funds that restricted its ability to borrow internationally. But Brazil, for example, has no external problem to speak of, and that was true for almost all Latin American countries until very recently.

These are things that are essentially associated with the domestic economy and, in the case of Brazil, essentially connected to income distribution. The Workers' Party, with all of its many limitations, increased the minimum wage more than 50 percent over the 12 years it was in power. You have an

increase in the participation of wages. Although Brazil is still a very unequal country, there was a significant increase of about 6 to 7 percent of the share of wages in the GDP.

There was some growth in Brazil, though not as big as in some other countries in the region, in part because the Workers' Party accepted a good chunk of the neoliberal policies. But what you have now is the return of elites preying on the resources of the state. That means that interest rates in Brazil are probably the highest real interest rates in the world. The owners of public debt are a minor fraction of the population. What's spent on the interest on public debt is about 7 percent of GDP, about double what's spent on the *bolsa familia*, the big social programs of the Workers' Party that served 11 million families—which programs, by the way, are being cut drastically as we speak.

So what you'll see in Latin America with the slow collapse of the moderately progressive governments is a worsening of income distribution, a cut in social spending, and increases in financial spending. Latin American economies are moving in the general direction of lower growth and foreign policy that is more aligned with the business interests in the US.

In the US, since the Fed is still independent, rather than increases in financial spending, we're likely to see some sort of military Keynesianism—which, with its contractors and whatnot, is one of the instruments of the predator state.

What are the likely consequences of Trump for Latin America, and was Correa right in suggesting that, at least in the short run, Trump will be better for Latin America? One of the positive things that Correa might have had in the back of his mind is that Republicans, when they come to power, tend to be more concerned with other parts of the world, and so there is a certain benign neglect of Latin America—excepting Mexico, of course, which will be hit directly on the issue of immigration.

Democrats, on the other hand, certainly have been more engaged in Latin America because they have accepted one of the premises of American foreign policy, that it's the support of American business interests abroad that has had detrimental effects for progressives in the region.

However, the long-term effect that concerns me most is the issue of human rights. In that aspect, in general, Democrats have been much better than Republicans going back to Jimmy Carter. The only silver lining of Obama's visit to Argentina is that he more or less recognized US responsibility in the military coup in Argentina in '76, the ensuing brutal repression, and the disappearing of 30,000 people by saying that the US government sometimes doesn't live up to American values, and that's one of the limitations that the presidency imposes on the incumbent. I think the ulterior motive of his visit was to promote again the free trade area of the Americas.

In the recent mobilization campaign one party failed in calling forth a winning constituency and the other succeeded.

Again, there is an incredible degree of uncertainty about what Trump will do; but it seems that that part of the neoliberal agenda is retreating and that Trump will not push for a free trade area of the Americas. However, most of the damage already has been done. The US already has free trade agreements with every single country on the Pacific Coast except for Ecuador, which is dollarized. Honestly, the neoliberal project for Latin America makes the European project, with all of its defects, look great. The project was dollarization in which you have no vote in the central bank, and free trade agreements that have draconian rules much worse than those in the European Union. So that was the American elite's and a good chunk of the Latin American elite's project for unification, or integration, or whatever you want to call it—globalization. And that now seems to be off the agenda.

I'll finish with this quote from Daron Acemoglu at MIT: "As long as the Democratic Party shakes off its hardcore anti-market,

pro-union stance, there is a huge constituency of well-educated, socially conscious Americans that will join in."

The point is that progressives, both in the US and in Latin America, will have to rethink what kind of coalition we can form that includes again the people who have lost over the last 30 years because of neoliberal policies and the brutal effect of globalization.

Carl Conetta:

An election is a mobilization campaign. It tells us something about two parties who set out to create and mobilize constituencies. They don't simply connect with an existing constituency. In the course of the 18-month campaign people create constituencies. In the recent mobilization campaign one party failed in calling forth a winning constituency and the other succeeded.

Trump ran as an anti-Establishment insurgent waging war on the New Normal, a term meant to ease the American people into a more difficult way of living, a recognition that growth had slowed, jobs were disappearing, the median family income had flat-lined.

He invoked an authoritarian chauvinism, with a specific focus on Muslims and immigrants. His campaign had an obviously populist theme, reminding me of that old populist movement producerism, basically a callout to those people who contribute directly to the production of tangible wealth or who facilitate the production of tangible wealth. Producerism divides the world into producers and parasites. Trump used that idea to pull forward people who view themselves as producers, and of course he sees himself as a builder and therefore a producer; while he targets the state as facilitating parasitic behavior.

Finally he promotes a narrow nationalist point of view. Some people say he's promoting realism, but it's really a kind of paleo-realism with a very idiosyncratic sense of America's interests. It conveys the feeling that America is aggrieved in the world and an exaggerated sense of our prerogatives; so it is not isolationism, it's America First.

Trump has talked about reduced interventionism; but he is obviously very

interested in going after what he calls radical Islam, extending beyond ISIS and Al Qaida to include Iran. This is what his reduced interventionism and his renegotiating commitments in the world mean. Ideas of creating a new world order, a rule-based order, and/or universal values are out.

This leads to a decisive unilateralism. We're not going to go out there often, but when we do go out there it's going to be decisive. That's a code word for maximizing military force—including the possibility of carpet-bombing and all the rest.

Finally, there's a strategy I would call Armada America, creating a much more powerful military. His objective is to dramatically increase defense spending. It's questionable whether he can accomplish that in the next two years. The Budget Control Act would have to be rescinded. That's unlikely to happen in the next two years. There will be a fight in 2018 over the Senate. If Republicans win the Senate, then they can rescind the Budget Control Act.

President Obama has already set the bar way above what the Budget Control Act allowed for Pentagon spending. Trump says he will move it up by another \$20 billion a year. If he has his way, next year's budget will be around \$600 billion before the Overseas Contingency Fund. That would exceed the highest budget of the Reagan era in inflation-corrected terms, and it would be the second highest budget since the end of World War II.

But isn't this just going to be a force that's all dressed up with nowhere to go? If you combine reduced interventionism with a gigantic force, what's the point? Part of the logic is that it stands as a force in being, the armada that's there for our use; but it also rolls back into his idea of building. It will create jobs. It's not the best way to create jobs. We can create a lot more by using that money in other areas. But it will create jobs and a powerful constituency.

Overall, the theme of the campaign has been not so much, Come Home America, but America First and Let's Build. We will build our military; we will build our infrastructure. There's really no explanation for how it's going to be funded. It's fabulism. The hope is

for supply-side economics, that the economy is going to grow so much it will pay for it all.

This has been the persona of the campaign. There's the persona, and then there's the teleprompter. When he's speaking from the teleprompter, as he did in his major foreign policy address, Trump gets pulled back into the bipartisan consensus that has been basically defined by neoliberals and neo-cons.

The collapse of the Soviet Union was...the loss of...a large and powerful unified country... and a collapse of the society as a whole. It has been a 20-year period of recovery from that debacle.

Now let's take a look at Team Trump, the administration he is building. His team seems to be fairly standard hawks and neo-conservatives. They are going to move his policy away from this notion of reduced interventionism to something like a milder form of neo-conservatism. We may see a mix of a semi-realist Nixon-like approach to foreign policy with that of George W. Bush. But very few of Trump's folks actually agree with him, especially on Russia. Mike Flynn is the only one who seems to agree with him on Russia. All the others are faces we know and have learned to hate. So we may be seeing in fair regard a replication of what happened between 2000 and 2008.

James Galbraith:

I'm addressing the topic of Russia in part because Mike Lind, who was to be on this panel, had an emergency and was unable to join us.

Our organization has been involved since the early 1990s in Russia, and so we experienced the trauma of the post-Soviet transition alongside Russian economist colleagues and developed some understanding of the situation.

The fact to remember now is that memories in Russia are long. The collapse of the USSR was not experienced in Russia the way the fall of the Wall was experienced in Germany, or the transition in Poland, or Czechoslovakia, or the other East European states, or for that matter in the Baltic states. The collapse of the Soviet Union was a division, first of all, of the country; the loss of what had been a large and powerful unified country, followed by a massive rush for the spoils and the privatization of the assets; the collapse of industrial production, of living standards, life expectancies; an enormous rise in violence and alcoholism; and a collapse of the society as a whole. And it has been a 20-year period of recovery from that debacle, since roughly 1998.

There really is no yearning for Westernism in Russia, no yearning for a society like ours. The mood is much more of a desire to defend that which has been recovered: the national interest and national independence.

Much more recently, with the fall in energy prices and the general difficulties of the Russian economy, there was some fear that Russian society would again begin to come apart; but that did not happen and there is still a largely coherent popular and public mood. I think the message to take forward is that it is delusional to believe that the Russia of the 1990s, which was essentially a psychological and political dependency of the West, can be recreated. It will not happen; and therefore one has to treat Russia as what it is, a strong and significant partner country with its own interests that have to be dealt with and respected, something which was recognized all through the Cold War, of course, but which was forgotten for a period afterwards. That is the basic judgment I would draw from my experience there in recent times.

KEYNOTE ADDRESS: *William Goodfellow***William Goodfellow:**

I'm happy to be here, though not necessarily happy this week. I'm more in a shocked and depressed but not totally surprised state. But I promise not to depress you. My job is to cheer you up, because we're organizers, we've got work to do.

We are entering a very dangerous period because, with right-wing populists like Trump and others around the world, including Putin, often they're not able to deliver their economic policy. Certainly that's the case in Russia, and I think it will be the case in the US. Though foreign policy isn't a primary driver of what they're doing, a little war somewhere often is nice to stir up support from the folks at home. That's a very dangerous tendency and a large worry that I have.

Now, to cheer you up a bit, we've had a lot of rightwing presidents. I first came to Washington after working on George McGovern's anti-war presidential campaign in 1972. It was an unbelievably bleak political landscape after Nixon won 520 electoral votes and McGovern, the anti-war guy, just 17. It seemed like a repudiation of all that we had worked for. We felt like political outcasts. It was a very depressing period.

Reagan's landslide victory over Jimmie Carter was another very depressing period, and we got through that. Nixon, of course, two years after his amazing electoral landslide, had to resign, which was certainly encouraging. Reagan had more staying

power. So we've had this back-and-forth. I won't say Trump is the last gasp of the right wing in this country; but I'm convinced we will come through this. He doesn't have much of an electoral mandate. He did not win the popular vote. This is not 1972-73. There's an incredibly well organized and fired up citizenry out there. I'm sure Trump is going to have problems with both the Democrats and Republicans in Congress, but the biggest brake on Trump will be us, the millions of informed, outraged, and mobilized Americans and our allies in Congress who will fiercely resist his agenda.

Trump, unlike the Bushes, Reagan, and certainly Nixon, is not an ideologue; he's not a hardcore Conservative. He's only been a Republican for four years. We will need to look carefully at whom he's going to choose for secretary of state or secretary of defense. If he chooses someone like Hadley or Richard Haas--certainly not our people, but they're managers. But he could pick somebody like John Bolton, who was nominated to be the US ambassador to the UN, and against whom we successfully campaigned; although Bush II ended up giving him a recess appointment.

I am not so sure that he's going to increase the military budget. We spend already half of our discretionary budget on the military. If he wants to slash taxes on the rich and corporations, if he wants to start a major rebuilding infrastructure program, where is the money going to come from? A big spike in military spending would result in massive, massive deficits. I think he may reduce spending for the Overseas Contingency Operations fund, which has been used to pay for Bush's and Obama's wars in the greater Middle East, which Trump has said he opposes.

Trump is more of an isolationist than a neoconservative interventionist. His policies towards the Middle East in some ways will be no worse than what we would have gotten from Hillary Clinton, who had promised a more robust military policy, including a no-fly zone in Syria, which would have risked a direct confrontation with Russia. I don't want to be Polyanna-ish, but I think that the outlook with Trump may not be as

bleak as we think. Certainly domestically it's horrible, but in terms of foreign policy it's very much an unknown.

Now, what can we expect Trump to do and how can we push back? I'm not an economist; I'm more of an organizer and an activist, and I think Jamie asked me to come here to lay out a very positive agenda.

What would a good Democratic foreign policy look like? I've thrown that out the window. I think what we're talking about now is damage control, because we're not going to be moving forward on many of the issues we care about.

I was very worried that Hillary Clinton would come in as very anti-Russian, making for a difficult relationship. It is very much in the interests of the United States to have a partnership with the Russians and not try to confront them at every juncture.

What does this mean, for instance, in Syria? I think it's likely that Trump will back away from support of the so-called moderate Syrian opposition and cut a deal with his pal Vladimir Putin. That would lead to Assad getting most of his territory back. The argument Trump would make is that Assad is the only one who can defeat America's number one enemy, ISIS. The Turks and the Saudis would feel betrayed; Iran, ironically, would once again be the big winner, as it was in 2003, when Bush took out Saddam Hussein; the Kurds would be screwed once again; and again, millions of Syrians would be forced to live under an Assad regime.

The other casualty of the Trump administration will be the two-state solution in Israel and Palestine. In my opinion, however, that option died some years ago, and it is now little more than an excuse to do nothing while settlements expand on the West Bank. Members of Netanyahu's government are rejoicing. Knesset member Oren Hazan, a proponent of expanding the settlements, said, "The president who will take office very soon says we should build. I called on the prime minister [Netanyahu] to place brick upon brick without any fear whatsoever. After so many years of the left and the media selling us stories about isolation and friction, finally our greatest friend overseas is saying exactly the things we've

been dreaming of." Trump also has promised to move the US embassy to Jerusalem to recognize Jerusalem as Israel's capital.

The biggest concern that I have for foreign policy is Trump's promise to tear up the six-party agreement with Iran. He said in March at an AIPAC meeting, "My number-one priority is to dismantle the disastrous deal with Iran." Although Trump could refuse to lift additional sanctions, there are five other nations, including Russia, who signed this; it's not a bilateral agreement with the US. Iran, meanwhile, could just say, okay, we're going to stop observing the nuclear restraints. The danger is that if the agreement collapses, there will be new pressure on the US and Israel to attack Tehran's nuclear infrastructure. President Obama said in 2015, "Let's not mince words. The choice we face is ultimately between diplomacy and some form of war, maybe not tomorrow, maybe not three months from now, but soon." I fear he's right.

War with Iran is in nobody's interests, and there's no such thing as surgical strikes taking out the nuclear infrastructure. One hope is that there are saner voices around the new president. Perhaps Putin will sit down with him; Russians, after all, are among the signatories. Again, improved relations with Russia may be the one bright spot in Trump's foreign policy.

As well as in Syria, where Trump and Putin's views seem to be in sync, Trump seems sympathetic to Russia's policies in Ukraine. Trump has said he would recognize Russia's 2014 annexation of Crimea, which is not about to be undone no matter who is president. Crimea became part of the Russian Empire in 1783, and in 1954 Khrushchev transferred Crimea to Ukraine as sort of a gift. Ukraine, of course, was then part of the Soviet Union. I'm afraid there's not much the international community can or should do about Russia's annexation of Ukraine.

The bigger issue is Eastern Ukraine, which has seen a Russia-supported insurrection against pro-Western leadership in Kiev. I believe it was a very big mistake to expand NATO right up to Russia's border, violating a verbal agreement made between Secretary of State Baker and the Russians in 1990. According to voluminous historical documents, Baker gave Russia "an iron-clad guarantee" that NATO would not expand "one inch eastward," in exchange for

Russian cooperation with the reunification of Germany. Although President Poroshenko and his government would like NATO's protection extended to Ukraine, the Obama administration wisely has not favored immediate membership. I can't imagine that Trump is going to push for Ukraine to become a member of NATO, so that's something to be positive about.

It is in Ukraine's interest and in America's interest that Ukraine not take sides, that it remain a bridge between Europe and Russia. I would hope that the Trump administration would not make the mistake that the Obama administration did of forcing Ukraine to ally with Europe and the West.

As to Afghanistan, Trump will inherit America's longest war: fifteen years now and we're losing. Two important provinces in Afghanistan are under siege by the Taliban. President Obama promised that he would end this war, while in fact he sent B-52 strategic bombers back into Afghanistan for the first time in a decade. He's deployed American Special Operations forces to support the Afghan army's ground-level fight against the Taliban, and the escalation has postponed the collapse of Afghanistan; but it will not defeat the Taliban. As a UN friend of mine says, each successive US president's policy is to keep the government of Afghanistan on life support in the hope that it doesn't collapse during his administration. Everybody keeps kicking the issue down the road.

I've been promoting negotiation as a way to settle the war in Afghanistan for about five years. Everybody agrees that our nation-building experiment in the Middle East hasn't worked. So now what? I posed this question to Michael Mandelbaum, who's written a book addressing it. He said, "We're stuck. We're going to have to keep troops in these countries forever." Well, that's not very satisfying. First of all, it's very expensive. We're spending \$10 billion a year even for the reduced number of our troops in Afghanistan.

So what do we do? There's no enthusiasm for a surge. I know a lot of my colleagues say we could just leave. We may end up doing that. But I have been pushing for a serious effort to negotiate a peace settlement with the Taliban in the interests of national reconciliation, bringing some of them into the government, perhaps as governors of provinces along the border. The

Afghan constitution is terrible. The governorships, police chiefs—they're all controlled by the presidency, and positions are more or less for sale.

I look at the model of Central America. The next president has to say, let all parties know we're going to get out. The Taliban are not a transnational terrorist organization; they have no desire to operate outside of Afghanistan. The only American security interest is that they don't allow transnational, whether it's ISIS or Al Qaida, to operate in their territory, so a deal can be made. Obama has already withdrawn 90,000 troops and closed all but six of the 74 bases we have in Afghanistan.

We've already spent \$700 billion in Afghanistan. Just on the reconstruction we've spent \$115 billion, which, according to John Sopko, the inspector general for Afghanistan, is more money than we spent on the Marshall Plan. But when you go to Afghanistan, you look around, you say, where's the money, because the place is not booming. The money is really in Dubai, in Swiss bank accounts, and in Bethesda. Consulting firms have made out like bandits. A huge amount of money has been wasted. In some cases 70 percent of the contracts are spent just on security. Then you have to pay off people in the government. These guys have perfected corruption.

Pakistan is very tired of supporting this. They have 2.5 million Afghan refugees and they've got their own Taliban terrorist cells making their lives difficult; so they have an interest in ending this war. The Chinese are new players in the Afghanistan negotiations. They made a \$3 billion investment in a copper mine, the largest foreign investment ever made in Afghanistan; but it's useless now because of the lack of security. China is a major arms supplier and ally for Pakistan.

Right now the US idea of negotiations is to demand that the Taliban negotiate the terms of their defeat and surrender. I think we've got to go much further. There has to be a real power-sharing arrangement. There has to be a settlement that allows them either a couple of cabinet positions or a number of governorships. That is the only way to settle this.

So far this year [2016] there have been four meetings between the Taliban and the Afghani government, with China, the US,

and Pakistan in attendance. The talks were suspended this spring after a US drone strike in Pakistan killed Taliban leader Mullah Mansour. Nevertheless, I think ultimately the Taliban will return to the negotiating table because the US military and the Afghan army, although they have not been able to defeat the Taliban, still can prevent them from taking over the entire country. Moreover, Taliban leaders resent being dependent on Pakistan, where they and their families have lived since 2001, and they yearn to go home to Afghanistan.

A negotiated political settlement, although not without considerable risks, offers the best and perhaps the only hope of ending the war and giving Afghans an opportunity to rebuild their lives and their country.

Trump will have three options dealing with Afghanistan: First would be to continue the politically expedient policy of the Obama administration, keeping the country on life support. The second would be just pulling out. I don't think Trump wants to be charged with losing Afghanistan; that would not look good. He wants to be a winner, which leaves a negotiated political settlement as the only real option for the United States.

Now to the Western Hemisphere: Trump has talked about rolling back two policies: One is normalization of relations with Cuba. It's one of the three signature accomplishments of the Obama administration, very important. Now Trump initially said he had no problem with it. He's a hotel guy after all, and why not? Cuba is like going to Disney World, absolutely overrun with American tourists. Trump then, in an effort to court South Florida's Cuban-American community, reversed himself and said he would halt further concessions to Cuba—whatever that means—and even take a few back.

Robert Muse, a colleague of ours at the Center for International Policy and Washington's and maybe America's leading expert on the structure of the embargo, told the *Miami Herald* that the weakness of executive branch action is that what one president does, another can easily undo. Trump can rescind the executive orders normalizing relations with Cuba. But it's a bigger decision than it might appear. Close to a million American tourists will visit Cuba this year. Major US airlines are flying into Cuba. Both Sheraton and Marriott are opening hotels

there. Cuba is AirBnB's biggest market. There is simply no public support for resuming hostilities with Cuba. Throwing up an embargo in Cuba would be like embargoing Bermuda; it just doesn't make any sense.

Trump 3.0 is less likely to make unnecessary trouble in Cuba. He's already won Florida, and the Cuban-American vote was split right down the middle, half for Trump and half for Clinton. The hard-line Cuban-Americans are dying off. Even in Cuba the old hard-liners are dying off. I think the new generation does not have a dog in that fight.

Mexico is also on Trump's hit list. Last night in a *Sixty Minutes* interview, he said he planned immediately to deport two or three million undocumented immigrants who have criminal records—not all Mexicans of course—after his inauguration in January. The number's down from an initial 11 million. He also reiterated he's going to build a wall and force Mexico to pay for it. I think that's been downgraded to a fence, which we probably can afford ourselves, as I don't think the Mexicans are going to pay for that either. Abe Lowenthal, founder of the Inter-American Dialogue, put it this way: "The importance of Mexico for the US economy and of cooperation with Mexico on many domestic issues...will probably become evident to President-elect Trump and his advisors, and the political advantages to the Republican Party of maintaining these approaches will also become clear."

Finally, the big test that awaits Trump is how to resolve the inevitable disputes with a rapidly ascending China determined to take what it considers its rightful place on the world stage. Graham Allison at Harvard published an article last year entitled, "The Thucydides Trap." Twenty-four hundred years ago the Greek philosopher Thucydides argued that the rise of Athens made war with Sparta inevitable. Sparta was the dominant power, and Athens' rise challenged the status quo and Sparta's dominance. In the same way China's rise is challenging America's century-long economic and military hegemony. China is much more important in the long term than Russia. Russia has a tiny economy, it's got a lot of missiles, and Putin has sort of made it a player in Europe; but in the long run the much much bigger issue is how we deal with China.

How the Trump administration and the leaders of China handle this tectonic shift in

military and economic power will to a large degree determine the fate of the earth. War between these two nuclear-armed superpowers is too horrible to contemplate. Yet Graham Allison argues, based on the current trajectory, war between the United States and China in the decades ahead is not just possible, but much more likely than recognized at the moment. Indeed, judging by the historical record, Allison says, war is more likely than not. He warns that avoiding a war with China "will mean more radical changes in attitudes and actions by leaders and publics alike than anyone has yet imagined." He wrote this, of course, without ever imagining that Donald Trump would become president.

I hope I haven't depressed you too much. I'm glad we're not dealing with domestic issues, because in regard to those there's nothing positive to be said about a Trump presidency. But on foreign policy issues, again, I've been at this for a long time, and one has to be optimistic. I think in the long run we're going to prevail; but as Keynes said, in the long run we're all going to be dead. There's work to be done, but I think that there's some reason for optimism.

I have a friend who, before the election, said, I hope Trump wins because it's the only way we will break the dominant liberal interventionist mindset. Had we gotten Hillary Clinton as the president, certainly domestically we would be better off; but in terms of foreign policy I think we would have been quite disappointed. Now we're in uncharted territory, for sure. Nobody knows where we're going to go, but there's some reason for optimism. And the biggest reason is that Trump has no mandate, he lost the popular vote, and the country is incredibly mobilized.

The task before us, then, is to build a popular movement that is pragmatic, not just idealistic. Citizens will support diplomacy only if they believe that it works, that it will keep them safe. We must thoroughly discredit the idea that spending more on the military will make Americans safer here at home, for in fact the opposite is true. We must convince the king of deal-making that only imaginative, robust diplomacy can protect Americans at home and abroad. We have our work cut out for us, but there are lots of reasons to be optimistic.

SESSION TWO: *Jobs, Wages, Health, & Social Security: What Next?*

Josh Bivens:

Since the Great Recession we've made lots of progress in healing the labor market, but we're still nowhere near anything that should be called full employment. In the coming year, there are going to be questions about just how much Democrats should cooperate with the Trump administration. One unpersuasive point of view is that we don't need to because we're already at full employment.

The reality is that labor force participation is still depressed because of lack of demand. The unemployment rate would be about a percentage point higher if discouraged workers came back into the labor force. Nominal wage growth is still incredibly slow; American workers don't have enough confidence in their ability to find a job that they're willing to bargain hard with employers for wage increases.

Wage weakness has been broad-based in the United States economy for decades. There is a narrative in the minds of some Trump supporters that elites partnered with minorities to divide the benefits of economic growth between them and leave the white working class behind. Given that wage growth for the median black worker lagged even further behind productivity growth than for the median white worker, that's a really hard narrative to sustain. American workers of all races and ethnicities can be forgiven for thinking that economic growth is pretty zero sum these days, and that zero sum applies between the bottom 90 percent and the top 2 to 3 percent.

For a full generation, slow and unequal wage growth has been predictably hard on retirement security. Worse, over this time we

transitioned from defined benefit to defined contribution retirement plans. Even at the height of defined benefit pensions there was plenty of insecurity: Half of all workers did not receive any pension at all. We have not increased the reach of pensions with the transition to 401-k's, and we have increased the inequality of retirement wealth enormously for the half that does have access to pension wealth. We've also shifted a lot of risk onto workers by making them responsible for investment decisions, and we've allowed investment managers to abuse workers with really high fees for managing their money.

If only it were possible to construct a pension and insurance plan that was portable, that pooled risk effectively, didn't charge abusive fees, and made it possible for people to annuitize their retirement wealth. But oh! We have that. It's called Social Security. We should probably just make it bigger or, at a minimum, preserve what we have.

There is clearly going to be a resurgence of deficit hawkery and obsession about debt in the next four years. If you take health spending today and assume it grows at the rate of the overall economy in the next 30 or 40 years, there are no projected deficits; so the long-run deficit spending problem is about increasing health care costs.

The pace of health care spending has actually decelerated incredibly rapidly. In 2007, CBO projected that we'd be spending about \$90 billion more on Medicare in 2016 than we actually spent that year. How many deficit hawks are trumpeting the fact that we're saving \$90 billion every year?

If deficits do actually start to bind in the way that deficit hawks fear, these deficits should be closed by raising taxes, not clamping

down on health care spending. Shifting costs by cutting Medicare and putting the costs on the backs of American households is a terrible idea. Medicare actually manages health care costs much more effectively than private health insurers. Since 1970, the cumulative growth in Medicare spending per enrollee has grown about 40 percent slower than that of private health insurance.

We should not have any illusions about what we're actually going to get from the Trump administration, and we should be as strategic and tough as possible. The more times Democrats find themselves on Trump's side and at odds with the Paul Ryan-Mitch McConnell Congress, the better things generally are going to be for the American people. Forming even a temporary issue-based coalition with an authoritarian bigot like Trump is distasteful at best; but when wedges can be found, they should be used. Obviously Trump should not be joined when he's clearly on the side of devils; but when he wanders off the Republican orthodoxy, Dems should point that out loudly and look for places to get him in opposition to the Congressional GOP.

For example, Trump seems to be an infrastructure fetishist. Republicans in Congress are not. There probably will not be a deal on infrastructure spending because Trump will want a lot of details that we should not live with. But the more time is given to debating infrastructure in Congress, the better it is for the American people. It crowds out time for issues that could unite Trump and the GOP in producing unambiguously bad outcomes; and maybe some useful bits of infrastructure spending could actually create some jobs.



PANEL 2 — l to r: Stephanie Kelton, James Galbraith, Josh Bivens, Nancy Altman, Pavlina Tcherneva

Trump has promised to preserve Social Security and Medicare without cuts; Paul Ryan wants to hack away at the American social insurance. If Trump can be convinced that the Ryan approach would make a liar out of his own campaign commitments and make him a deeply unpopular president, we should try to convince him of this.

My guess is it will be hard to use these wedges, mostly because Trump is quickly going to be captured by pretty standard Republican policymaking people. But finding these wedges is the best hope we have in the next couple of years to minimize the damage to American families.

Nancy Altman:

I agree that we should be both creating wedges when we can and trying to stop bad proposals. But we should not be normalizing Trump. Someone who has appointed Steve Bannon to serve in the White House is just unacceptable.

Donald Trump's selection came at a really ironic moment because we finally, after decades of fighting, had gotten the Democrats to unite around the proposition that Social Security benefits are too low and the best policy is to expand Social Security.

In the mid-20th century, opponents of Social Security thought that providing broad-based insurance was not a proper role for the federal government. They argued it should be provided either by the private sector or by local government; and they always lost. Then, starting around the late 1970s, it was, oh, we love Social Security; we just can't afford it. With the acknowledgment that Social Security should be expanded, it looked like we might be back to an honest debate.

Now the Republicans don't want to have that honest debate. They want to frame it as a great program that we just can't afford. Throughout the campaign, Donald Trump said there would be no cuts; but he surrounded himself with people like Pence who thought that the Bush privatization proposal didn't go far enough or fast enough; and the Republican platform was the Paul Ryan view of Social Security.

Conservatives don't like Social Security and Medicare because they show that there are some things government does better than the private sector. Social Security's

wage insurance and Medicare's health insurance are more universal, more secure, more efficient, and more portable than their private sector counterparts.

Social Security and Medicare are overwhelmingly popular. Across the board, among Tea Partiers and union members, people don't want these programs cut. They think they're more important than ever, and indeed they want to see them expanded.

The Republicans know this, and they're not stupid. For years they've been chipping away at Medicare and privatizing it in different ways.

It's important to understand that Medicare was supposed to be a first step. Single payer universal health insurance was proposed in the 1930s, but it got dropped at the last minute from the Social Security Act because President Roosevelt was afraid it would bring the whole bill down. Truman tried to get it. Eventually advocates decided to work for it incrementally, with Medicare as a first step.

Building on that, Democrats would be smart to get behind lowering the Medicare age to 62 at least, which is when you can start receiving Social Security, and adding a universal MediKids program. No matter what happens with the Affordable Care Act, those would be improvements to the system.

Social Security may suffer a death by a thousand cuts. It has its own dedicated revenue and does not add a penny to the debt. It has no borrowing authority. It can only pay its expenses if it has sufficient revenue to cover every penny of those costs. The administrative budget of the Social Security Administration is also paid out of those trust fund monies. Congress does not allocate, but can limit administrative expenses. They have been ratcheting them down so that field offices have closed, resulting in lines out the door and many many hours' wait if you call the 800 number. There is a several-year wait for people who are seeking disability benefits. In the last fiscal year 23 people a day died waiting to find out if they were going to get their hearing and their benefits. Congress can't directly cut the program, but they can make Americans so angry that they undermine support for the program.

President Reagan, on a roll from his election mandate, overreached, the people went berserk, and his Social Security plan was defeated. In 2005, two days after Bush

was re-elected, even though he never talked about it during the campaign, he decided to use his political capital to privatize Social Security. But the Democrats were united. They were able to rouse the American people, and it became a huge defeat for him.

Now, unfortunately, we spent the last eight years battling a Democratic president and Democrats in Congress who somehow bought the idea that you had to scale back Social Security to make room for other expenditures, which of course is not correct. We are now at a moment when the Democrats have embraced expansion. If we can keep them from settling for some kind of bipartisan "solution," and if they stay united, we have the American people on our side; and it could be a way to make clear once again that government not only can work, but does work in the form of these programs.

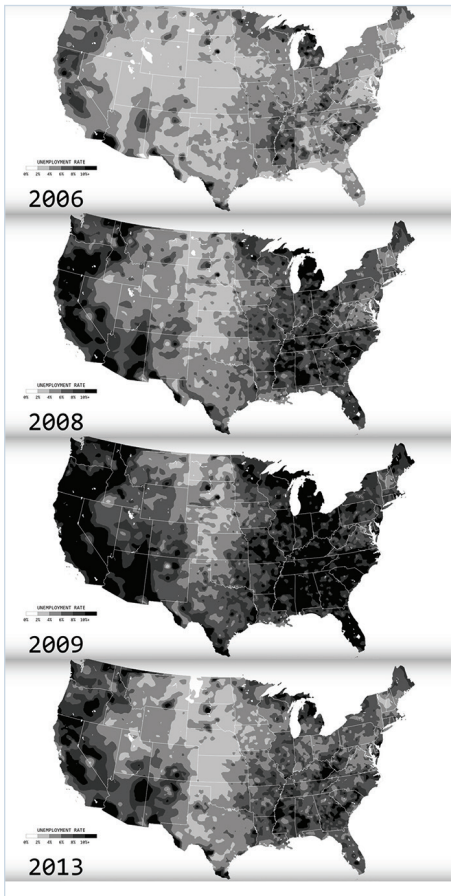
Pavlina Tcherneva:

Economists have traditionally thought of unemployment as either a flaw or a feature of the market. If it's a flaw, somehow the supply doesn't match the demand. As a feature, there's some natural rate of unemployment, and that's as much as the economy can produce. It's even argued to be an inevitable feature of the market brought about by globalization.

I'd like to challenge that concept of inevitability.

This graphic (next page) shows the unemployment rate from 1990 to 2016. The dark black spots are the unemployment rate above 10 percent. As we slowly get out of the recession of '91 and enter the Clinton economy, the map starts to clear away, but there are still black spots. In 2001, we enter the Bush, Jr., recession, and the map once again populates with dark spots. In 2006, there's a housing boom. Then we enter the great financial crisis, and it takes several years for the dark patches to get smaller.

What this shows is that unemployment behaves like an epidemic. I use the term not just as a metaphor, but as an analytical tool. If we want to tackle the spread of the disease, we have to recognize that there are communities that are persistently above ten percent unemployment, persistently in deep recession. In a sense, the mass layoffs and mass unemployment that emerge in



From "Animated Map of Unemployment" published by Flowing Data with data from the Bureau of Labor Statistics.

in particular communities replicate themselves.

Unemployment is a chronic disease, a vicious problem that feeds on itself. Unemployment feeds unemployment. In the private sector labor market 50 percent of all hiring happens from the employed. Those who have small labor gaps get hired next, and those who have been in unemployment for longer periods get hired last.

Unemployment is also deadly. Again, this is not metaphorical. One in five suicides is caused by unemployment. Unemployment causes a 30 to 40 percent increase in mortality, and these effects that are still felt 20 years after the spell of unemployment. Unemployment is costly: The unemployed are sicker, with higher health expenses. They suffer from alcoholism, physical illness, depression, anxiety, and so on. Unemployment creates a permanent negative impact on social participation and social capital.

Unemployment is costly to families.

There are negative impacts on birth weight and infant health, there's malnutrition, stunted growth, and impacted mental health of spouse and children. Children's educational and labor market outcomes are negatively affected by the presence of an unemployed individual in the household. Social mobility is lowered.

Unemployment is costly for the economy. It's a direct and indirect contributor to inequality, financial crises, depressed growth, social and political instability, neighborhood blight, and mass incarceration. There's a strong correlation between youth unemployment and crime, human trafficking, exploitation, and slavery across the globe. Estimates place the loss of output from unemployment in the US to \$10 billion per day.

So how do we tackle this silent epidemic? First, track the origins. Second, study transmission and propagation, identifying which areas and which groups are affected. We have rich data on how unemployment is concentrated by race, age, and gender.

Third, intervene with preparedness and prevention. Unemployment policies are not proactive; they tend to do things after the fact. We should be thinking ahead by creating a standby policy that's on the ready to provide direct employment to the unemployed—just like a prevention response for viruses. We have vaccines sitting ready for immediate distribution should there be an epidemic. Let's create a preparedness response that will absorb the unemployed in distressed communities as soon as they lose their jobs, preventing the evolution of unemployment before it begins.

I propose a kind of New Deal. We could call it the Job Guarantee or the Public Service Employment Proposal. We need an "employer of last resort" program. This program has to be more than infrastructure investment. Infrastructure investment is sorely needed, but it is very difficult to maintain through the fluctuations of the business cycle. You can't discontinue a bridge just because the economy has recovered.

Employment is a basic human right and the missing piece of our safety net. This safety net is based on the recognition that problems have to be dealt with directly. If the problem is retirement insecurity, we provide retirement income. If the problem is food insecurity, we provide food. But if the

problem is job insecurity, we don't provide jobs. To do so would be a method of inoculation against the disease of unemployment.

Clearly we're not going to get a job guarantee in this current administration. However, unemployment rates among young people are double the total unemployment rate nationally. It is very much within reach to launch a direct employment program for young people. Employing three to four million youths will cost about \$28 to \$35 billion per year. (Remember the \$10 billion-per-day of lost output.) We already have an exceptionally successful apprenticeship program. We can scale it up and implement it in virtually every community.

I'm more convinced than ever that a truly progressive policy has to be universal. An employment policy has to guarantee employment for all.

We have also to start thinking about the public sector and all of its countercyclical possibilities in terms of employment. When there are mass layoffs in the private sector, we've got to have a countercyclical employment policy.

We really need to start thinking seriously about a preventative policy. The social and economic costs of unemployment are unbearable, and whatever the cost of prevention in terms of financial or real resources, it is vastly cheaper than what we are already paying.

Stephanie Kelton:

Social Security is effective, important, and worth fighting to protect. We were probably (until five days ago) looking at a real possibility of actually expanding the program and giving a lift to seniors who, in many cases, are still struggling.

Donald Trump sold himself as someone who was supportive of the proposal to expand Social Security benefits. Even if he were to fight for expanding Social Security, given the House and the Senate, we're not going to see an expansion of benefits anytime soon. The best case scenario probably is the status quo.

If he is persuaded to move closer to the Paul Ryan position, then for sure cuts are on the table; so the battle will look very much like the battle that we have seen in the past. Both sides agree that the system as it exists

today is unsustainable. Democrats will continue to fight for more revenue. Republicans will insist on reforms, including raising the retirement age, means testing, changing the way benefits are calculated, calls for personal savings accounts, privatization, etc.

The starting point for the GOP rhetoric is the notion that the US faces a long-term debt crisis. Pete Peterson and the Republicans, and even CBO, attribute a significant part of the problem to our so-called entitlements, including Social Security. They say if we don't get the debt under control, a whole bunch of really bad stuff is going to happen: Interest rates are going to skyrocket; we won't be able to borrow; the economy will grow more slowly. We have to act now!

Democrats have completely accepted this narrative; it is a bipartisan failure. The Democrats' and the Republicans' positions are indistinguishable: A debt crisis driven by entitlements leads to demands for cuts to entitlements and a fix to the problem.

Paul Ryan questioning Alan Greenspan during a congressional hearing asked if having personal retirement accounts is

another way of making a future retiree's benefits more secure for their retirement. He used the phrase four times in a one-sentence question: personal retirement accounts, meaning privatization.

Instead of accepting the dominant narrative, we *could* reject it on technical grounds, for instance, taking issue with the long-term income and outgo projections. We could say that slightly higher fertility rates, real wage growth, or productivity rates will result in improved solvency of the trust funds, and maybe there will be no problem.

But Alan Greenspan responded to Paul Ryan, "I wouldn't say that the pay-as-you-go benefits are insecure ... There's nothing to prevent the federal government from creating as much money as it wants and paying it to somebody ... It's not a question of security; it's a question of the structure of a financial system which assures that real resources are created for retirement."

Alan Greenspan, under oath, says exactly the right thing. He says it's not about our ability to pay. It's not about the government being able to write the checks and make

good on promises. It's about recognizing that there is a demographic shift. There are going to be fewer people working and more people moving into retirement. How do we know we're going to be a productive economy in the future so that we can mail those checks out, and there will still be enough goods and services being produced to ensure that everyone can have their share? If we were smart, we would force the narrative onto the real issue. We would say, are we investing in education, infrastructure, and research and development? Are we ensuring that the US economy is going to be productive ten, 20, 30 years hence?

So, Option Three is to build a powerful counter-narrative turning things around, educating, building alliances, and laying a foundation for a fight on the right grounds, about the real resources and the policies that will make the US more productive.

FDR told us that the best way to protect Social Security is to have a trust fund that people pay into. I see this program constantly under attack and being chipped away. I'm just asking whether there is a better strategy.

FDR said, "We put those pay roll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program."



DONKEYHOTY

SESSION THREE: *An Agenda for Growth, Clean Energy, and Climate Stabilization*

Jeremy Richardson:

Just by way of an introduction, I actually come from a third-generation coalmining family in West Virginia. I often joke that I am the black sheep of the family because I went off and became a scientist, unlike most folks, including my brother, who became coalminers. I would like to offer a couple of thoughts to tee off the discussion here today.

First, it's worth emphasizing that economic and kitchen table issues are really foremost in people's minds, particularly in Appalachia and in the Heartland. An agenda for growth, clean energy, and climate stabilization must incorporate a vision for the future that resonates with regular Americans who are focused on paying their bills.

Some form of investment in coal country seems assured now. During the campaign Trump promised to bring back coal jobs, and two days after the election Senator McConnell was already suggesting that just ending the war on coal would not bring back all those lost jobs. The Clinton campaign had proposed a pretty large investment of \$30 billion in coal country, which is in many ways an expansion of what the Obama administration had already proposed, some

of which had been pushed forward in the Power Plus Program. So thinking of ways to diversify the economy in Appalachia is an issue on which there might be some bipartisan agreement.

The second point I would make is that, while there are divisions between Democrats and Republicans on climate policy, there is in fact bipartisan support for investments in clean energy and climate resilience. The infrastructure initiatives that both campaigns put forward really present an opportunity to address both of those needs and to put a lot of people to work in the process. China, India, and Germany are racing to be clean energy superpowers, and we in the United States don't want to be left behind.

The third point is that progress is going to continue on clean energy solutions in states across the country, as well as in a growing number of cities and companies. That drive to decarbonize the US economy will continue regardless of the actions that the new administration takes or doesn't take.

And finally, it is worth emphasizing that the election has not changed the fundamental laws of physics. We're already facing a set of serious impacts from climate

change on people in the United States and around the world. The scale of the problem is enormous, and we have to go really far really quickly to address it. We need to work towards net zero emissions by mid-century, and that really means that all forms of zero and low-carbon energy must be on the table.

David Colt:

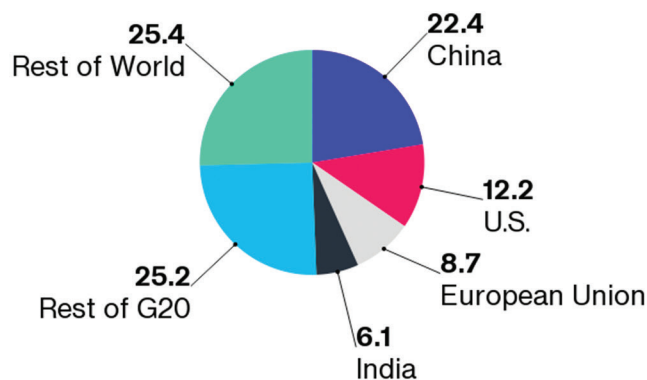
There is broad consensus on infrastructure spending across the parties. In the Republican platform they do call for infrastructure spending, so there might be a chance to actually get something done, which there hasn't been for the last six years. The government hasn't really been able to pass a large spending bill to support American infrastructure since the American Recovery and Reinvestment Act [the Stimulus of 2009].

To make America energy-independent will require a lot of infrastructure spending, and at first blush, Trump's agenda might be in line with that. If he is a good businessman and actually takes into account the data, we may even get beyond the focus only on coal and natural gas.

If you look at his website, most of his vision for infrastructure the people in this

Global Share of Greenhouse Gas Emissions (%)

G20 accounts for about three quarters of global emissions



Source: World Resources Institute's CAIT Climate Data Explorer

Data are for 2012 and include emissions from land-use change and forestry.

Bloomberg

room would not disagree with. He recognizes that we do have an aging infrastructure and that we need to work on public-private partnerships to improve the energy infrastructure especially.

What is at risk and what is not? The president-elect's initial appointees do not look good from a clean energy or rationalist perspective. A climate skeptic has been announced for the head of the EPA; they're considering an oil and gas executive for Secretary of the Interior. Trump post-election has maintained his position that he's not committed to the Paris Agreement.

There is some glimmer of hope for the solar investment tax credit. CAFE standards are at risk again. All of the automakers except for Tesla have already come out and said these standards should be renegotiated. The energy vehicle tax credit was always designed to phase out after 200,000 cars per maker, and it's unlikely to be extended.

States have always been the leaders on clean energy and to some extent on infrastructure. Twenty-nine states have renewable portfolio standards that promote clean energy; nine states have adopted zero-emission vehicle policies to lead to 15 percent of new vehicles being electric by

2025. Since we don't have a lot of power at the federal level, I really would focus on the states and the leaders at the state level.

I would also not discount that underlying economics are in our favor.

Before I go into US economics, I want to point out that the rest of the world does care about climate change, or at least emissions. China has some of the most ambitious policy I've ever seen; there are cities where it's illegal to register a car if it's not zero-emission. Europe and India remain committed to the Paris accords. [slide]

In most states in America the cost of solar is already cost-competitive with coal and natural gas. Investing in coal probably doesn't make a lot of sense.

The retort is usually that we need to invest in clean coal, but even Republicans on the Hill have cooled to that idea. The carbon capture and storage that makes coal clean is far more expensive than wind or solar or certainly than natural gas.

Fundamental economics will continue to make the case for wind, solar, and electric vehicles even without the Clean Power Plan. Coal is going to level off and renewables will continue to increase.

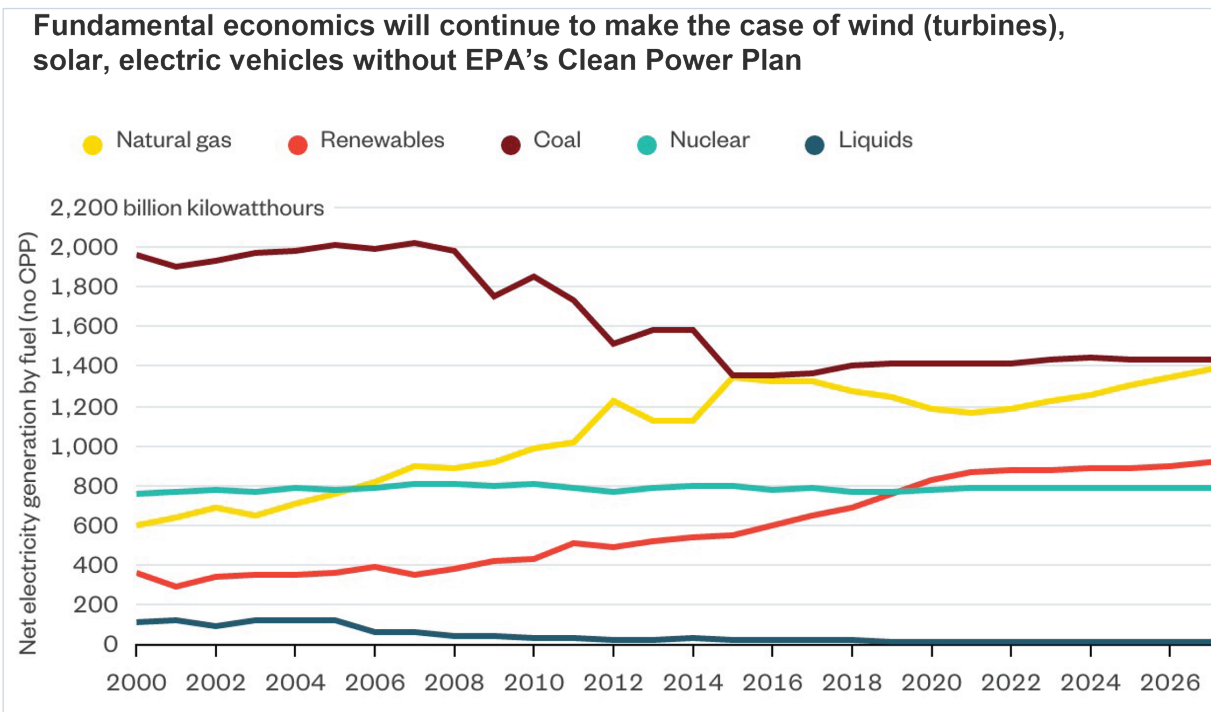
A lot of this will have to do with how we message. The time is now. We have to

reshape our messaging and think about a couple of things: 1) The new administration has no one thinking about clean energy, so they may be receptive to education. 2) We need to focus on job creation. Solar, bio fuels, and electric cars have been a tremendous source of growth in the US. 3) We have to make the economic case for a clean energy economy. There is also a health case: Asthma and pollution-related illnesses are very serious.

Finally, we really need to focus on locality—state legislatures, governors, and even city-level—to enact change.

Eban Goodstein:

I don't want to spend much time guessing about Mr. Trump's psychology; instead I'm going to take a long view. I work with twenty- to thirty-year-olds, so I tend to think a lot about the work they're going to have to do over their lifetimes. Ten thousand years of human history will crash in the next three decades, and my graduate students have got to figure out over the course of their careers how we're going to meet the needs of what will soon be ten billion people. We're already fighting over water, oil, and topsoil. The oceans are getting acidic, and it's



getting hotter all the time. In just the last three years the planet has heated up a quarter of a degree Centigrade.

So that's the dismal science. How do we deal with that?

Paul Hawken's 1995 book, *The Ecology of Commerce*, said that ultimately, if we're going to fix this big problem, we have to figure out how to create commercial systems that mimic ecological systems. He laid out how we make that transition: First, it has to run on solar income, not solar wealth. Second, it has to process all waste as food: a circular economy. And third, as in nature, it has to depend on diversity and thrive on difference.

We have made incredible progress on number one, and policy has been a huge driver of that. We've made partial progress on number two, to really thinking about the radical redesign of how we put goods and services on the table globally. One very positive dimension of the last 20 years has been the rise of sustainability within the business community as an ideological force. The idea of maximizing shareholder value has been largely lost in the corporate world. For example, the *Harvard Business Review* now includes environmental, social, and governance (ESG) performance as part of their ranking of the top 100 corporations. What that means on the ground is that companies are figuring out strategies, in the absence of a policy push or a regulatory framework, to radically redesign what they're doing around both human rights and environmental issues.

Trade is no longer rising in volume; that dimension of globalization may have played out to some degree. Wal-mart now

advertises their local sourcing. Partially what's going on has to do with the third factor that Hawken was talking about; diversity. The global business monoculture that emerged in the '90s of off-shoring of production and Wal-martization destroyed retail ecosystems.

I think that small is now possible; IT has enabled smaller-scale and more local production as pushback against economies of scale. We are making progress both in radical redesign towards a circular economy and also the resurrection of the possibility of business forms that can revitalize communities.

Moving on to the policy environment: I'm not sure the Paris Process will survive if the US withdraws. Until now there's been a race in which US commitments enable Chinese commitments; and the absence of those US commitments undermines positive domestic pressures in China. If we don't go back in 2020 with a strong second round, that's going to discourage others from doing so as well.

That said, if the US pulls out of the Paris agreements, you may see the forming of coalitions of West Coast and Northeast states with deeper commitment to cuts. We've all committed to 80 percent reductions, but maybe we'll commit to net-zero reductions by 2020. If we get enough of the states committing, that might be enough to keep the Paris Process moving forward in 2020. Continued policy leadership in China, Germany, India, and the US states may allow people to shrug off a Trump departure from the UNFCCC or the Paris negotiations.

On the business side, sustainability may go out of fashion as business gorges on relaxed environmental regulations. Or

perhaps sustainability efforts will stay constant because businesses are facing great uncertainty in interpreting flawed regulatory changes. They may fear those regulatory changes will be short-lived; they may worry about consumer backlash; and they're still going to have to deal with stricter regulations in Europe and China. Germany will not be selling internal combustion engines after 2030. That's a pretty powerful market signal that US auto companies might not want to ignore when they're renegotiating CAFE standards. Or they may actually re-double sustainability efforts because, as the US government draws back, business leadership will emerge.

Perhaps the one silver lining of the Trump election is that we were not going to get visionary thinking from a Clinton administration. President Clinton could have put together a policy package that would have kept the US on track with Paris and even perhaps committed us to deeper reductions through the Clean Air Act; but she was unlikely to develop a net-zero emissions strategy. We have to break that partisan deadlock, and Clinton was not the person to do it. We have to come back strong in 2020 around this vision with a more compelling candidate that will be in a position to deliver, to get the US back in the policy game in the 2020s.

Andrew Holland:

I think we have to begin to think about what policy failure on climate change looks like.

I've been working on the intersection of climate change and national security for almost a decade. Before my current job, I



PANEL 3 — l to r: Jeremy Richardson, David Colt, Eben Goodstein, Andrew Holland

was working for then-Senator Chuck Hagel on energy and environmental policy work, working very closely with the intelligence community on beginning their assessment of the national security implications of climate change, thinking through the ten- to fifteen-year planning horizon, and then out to 2050, out to 2100.

These are important things to think about, because actions today literally affect both long-time horizons and also the surprisingly short-time horizons. We still think of 2030 as a long way away, but it's only 14 years from now, *or*, six years from the end of the Trump administration if we fail on this. So that's quite imminent.

We've seen remarkable progress on climate action in just the last two years with the China-US Agreement, Paris Accord, and the Montreal Protocol on HFCs. In 2015, the United States saw 16 gigawatts of coal retired. There's the Clean Power Plan, there's action at the Department of Defense and within the national security planning community; but all of this is perishable. There are actions that President Trump can take on his first day in office, including beginning the process of pulling back from the Clean Power Plan and withdrawing from the Paris Accord. The ship of state does turn slowly, but over a four- or eight-year time frame the ship can turn around.

Other countries won't back away from their commitments immediately, of course, but there's only so long that they'll hold to them if the US is seen as a free rider. You could see a race to the bottom on emissions,

including things like getting oil, gas, and coal out of the ground as fast as possible and burning it everywhere around the world.

Importantly, there is a loss of soft power and credibility for the United States. It could be that within a couple of years every typhoon that blows through Asia is blamed on the United States, blamed on Trump. You already hear this sort of rhetoric in the UN sometimes.

In the US, when a portion of the government fails, we look to the military to clean it up. Our military is already planning for the effects of climate change.

Climate change will play out through water: Areas that are already dry will become dryer, areas that are wet will become wetter. That will make food production harder; it will make rural and urban life harder. And we can see how this plays out in the security context. Many of you may have already heard the example of the drought in Syria. From 2006 to 2010 was the deepest, longest drought in Syria's recorded history. It moved almost a million people off of the lands around the Euphrates River Valley into the cities of Daraa, Aleppo, and Homs, where these people were disaffected, didn't like the government, and provided good foot soldiers for a revolt. Water has been used as a weapon in the Syrian civil war. ISIS has specifically targeted dams, because water is power in the Middle East.

Another example: Bangladesh is a low-GDP country, but it actually has a population greater than Russia. Those people being pushed off their land, pushed into the

cities and across borders, are going to be a security problem.

If we haven't effectively dealt with the problem of climate change by 2030 or 2040, there will be entire swathes of the world that will be essentially insecure, and the United States will be asked to help secure them.

To conclude with a note of optimism: We have to have a way to address climate change, and it's not just a matter of mitigating it or not. Largely, it's about risk management. So that means, first of all, you don't wait to act when you have 100 percent certainty. In 2002, Dick Cheney said, "If there's a one percent chance that Pakistani scientists are helping Al Qaida to build or develop a nuclear weapon, we have to treat it as a certainty in terms of a response." And of course our certainty is well above this on climate change, though the specific effects are very uncertain, we don't know exactly how it's going to play out.

This argues for a tiered approach: adapting and building resilient infrastructure; building global integration to become more resilient to stresses and to support a global food trading system for famine response; monitoring the data and preparing contingency plans for those disastrous tipping points; and, of course, reducing those emissions.

So maybe there's room for some optimism. We have to think about failure and build our message around it in order to get back to understanding where we need to go.

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- **May 1-4, 2017 Governance and Democratic Practices in War-to-Peace Transitions (training course)** will be held at the United States Institute for Peace, Washington DC.

More information available here:

<https://www.usip.org/education-training/courses/governance-and-democratic-practices-war-peace-transitions>

- **June 25–29, 2017 The Western Economic Association International 92nd Annual Conference** will be held at the Marriott Marquis & Marina, San Diego, California.

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- **June 26–28, 2017 The Jan Tinbergen European Peace Science Conference** will be held at the University of Antwerp, Prinsstraat 13, Antwerpen, Belgium.

More information available here:

<http://www.europeanpeacescientists.org/jan.html>

- **September 6–9, 2017 The European Consortium for Political Research 2017 General Conference** will be held at the University of Oslo, Norway.

More information available here:

<https://ecpr.eu/Events/EventDetails.aspx?EventID=96>

- **September 18–19, 2017 Conflict Research Society Annual Conference 2017: Ending Violence in Turbulent Times: Exploring the Conflict, Peace and Violence Nexus** will be hosted by the Changing Character of War programme at Pembroke College, University of Oxford.

More information available here:

<http://conflictresearchsociety.org/ourevents/crs-conference-oxford-2017/>

Michael D. Intriligator Memorial Student Fund

Honoring a Lifetime of Service

Michael D. Intriligator (February 5, 1938–June 23, 2014) was an American economist at the University of California at Los Angeles, where he was Professor of Economics, Political Science, and Policy Studies, and Co-Director of the Jacob Marschak Interdisciplinary Colloquium on Mathematics in the Behavioral Sciences. In addition, he was a Senior Fellow at the Milken Institute in Santa Monica, a Senior Fellow of the Gorbachev Foundation of North America in Boston, a Foreign Member of the Russian Academy of Science, and a Fellow of the American Association for the Advancement of Science. He received his Ph.D. in Economics at MIT in 1963 and the same year joined the UCLA Department of Economics.

His research interests included econometrics, health economics, reform of the Russian economy, and strategy and arms control. Dr. Intriligator served on the Research Committee of the Institute for Economics and Peace and on the United States Institute for Peace International Network for Economics and Conflict. Intriligator was co-founder and co-editor of the Handbooks in Economics series with Kenneth Arrow, as well as editor of Advanced Textbooks in Economics; the Handbook of Econometrics; the Handbook of Mathematical Economics; and was on the editorial boards of Defence and Peace Economics; and Conflict Management and Peace Science.

Mike was Vice-chair of EPS from 1996 until 2012, and a trustee of our organization from 2013 until his death. More than that, he was a beloved colleague, a huge inspiration, and an unflagging supporter and fundraiser for EPS.

Mike's interests were wide and varied: He loved to travel, he enjoyed meals with friends and family, and had a passion for classical music. He also seemed to know everyone. Whenever we needed an introduction, Mike would say that he had edited an article with someone, or met them at a conference recently. He is sorely missed among our staff and membership.

Intriligator also loved teaching and often went out of his way to support and mentor young economists. After his death, his family requested donations be made to EPS so that a fund could be established to support students who wish to build a career in peace economics.

We are proud to announce the Michael D. Intriligator Memorial Student Fund. This annual award will assist one promising graduate student in economics or a related field to attend our Annual International Conference on Economics and Security. The student will be invited to give a paper and be presented to the attendees in a plenary session. Travel expenses to the conference and registration fees will be covered.

The conference, which recently celebrated its 20th anniversary, addresses issues relating to peace and security broadly defined. We strive for a multi-disciplinary program comprising contributions with a wide range of theoretical and methodological approaches. Presenters at the conference are a mix of established professionals and graduate students. Part of our mission is to offer economists and up-and-coming economists an opportunity for presentation and publication; in this way we help to promote peace economics as an economic specialty.

We hope that you will join us in continuing to honor Michael D. Intriligator's legacy of dedication to the field of economics, the idea of peace, and the mentoring of the next generation, by donating to the Fund.

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Organizers welcome contributions from economists, political scientists and others from around the world to share ideas and discuss the future developments in different research areas related to peace and security.

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