When it Mattered

Episode 32: Binyamin Appelbaum

C. Ragavan:

Binyamin Appelbaum had been writing about economics with considerable success for more than a decade. When Donald Trump was elected President in November 2016. The shocking victory jolted Appelbaum into a humbling realization. Hello everyone. I'm Chitra Ragavan and this is When It Mattered. This episode is brought to you by Goodstory, an advisory firm helping technology start ups find their narrative. After Trump's election in 2016, Appelbaum knew he had to go back to the drawing board and reconnect the dots in his understanding and the public's understanding of the macroeconomic factors that got Trump elected President. What resulted is his terrific book, The Economists' Hour: False Prophets, Free Markets, and the Fracture of Society.

C. Ragavan:

Joining me now to share what he discovered and the factors that could swing the 2020 Presidential race is Binyamin Appelbaum. He is the lead writer on business and economics for the New York Times editorial board. Before joining the editorial board, Appelbaum was a Washington correspondent for the Times, covering economic policy in the aftermath of the 2008 financial crisis. Appelbaum also worked for the Charlotte Observer where his reporting on the subprime lending crisis won a George Polk Award and was a finalist for the Pulitzer prize. Binyamin, welcome to the podcast.

B. Appelbaum:

Thank you for having me.

C. Ragavan:

Were you one of those geeky kids? A wiz at math and head buried in books? Where did you grow up and what were you like?

B. Appelbaum:

I grew up outside of Boston and yeah. My father is a professor. My mother is a historian. It was very much a family where books were very important. There was a shelf in my living room where my parents' books were read and shelves throughout the house with other peoples books. And so, yeah. I grew up in a very intellectual environment. An environment where there was a real emphasis on ideas, and curiosity, and debate. And so I mean it was a pretty good childhood.

C. Ragavan:

How did you wind up writing about economics?

B. Appelbaum:

I fell in love with journalism during college. I worked for the college paper and came out of college feeling like I wanted to be a journalist. But initially I was sort of a general purpose journalist. I wrote about all sorts of different topics: local government, crime, religion. And I happened to be working in Charlotte, North Carolina, which was a big banking center at the time, it still is, and the Managing Editor called me into his office and told me that they needed a new banking reporter. I told them that sounded kind of boring and he told me I was the new banking reporter. So that's how it began.

C. Ragavan:

And then how did you end up writing this book?

B. Appelbaum:

As you said in the introduction, when the 2016 election results came in, it was clear that Donald Trump had won, it was really a moment I think when I felt like I didn't sufficiently understand what had gone wrong in our economy and why and that a lot of people probably didn't know that story either. And I wanted to go back and understand what had happened and to tell that story. And I have a belief that if we understand how we got somewhere, it's easier to understand how we move forward.

C. Ragavan:

Why is your book called The Economists' Hour?

B. Appelbaum:

So the basic premise of the book is that there was a revolution in economic policy making that began in the late 1960s and the early 1970s where economists became increasingly influential in setting the course of government policy, and in particular, in advocating for the government to step back from active management of economic conditions and to rely to a much greater extent on the market, to allocate resources, and determine the course of growth. And the 40-year period when those ideas are really dominant runs from roughly 1969 to 2008 is the period I refer to as the economists' hour.

C. Ragavan:

And why do you call them false prophets?

B. Appelbaum:

I think that they were wrong. I think that at the beginning of this period they sold their ideas by representing that if we embrace this approach to public policy, the economy would grow more quickly, all boats would be lifted up, prosperity would be broad and well distributed, and even that democracy would benefit, that the strains on our democracy would be reduced because we would be forced to make fewer decisions through the process of democracy. And we would be able to rely on markets to make a lot more decisions, and we would have to agree about less. When you go to a market everybody can order something different for dinner. Everybody can decide what kind of house they want. They're going to decide what kind of jobs they want. And the set of things that we would need to decide democratically would be smaller. And I think in all three of those respects, this change in policy making failed to deliver. Growth has slowed, inequality has increased, and our democracy is in worse shape than ever.

C. Ragavan:

Now economists weren't always at the table. They weren't always kind of these household names and mini- celebrities that they are today, were they?

B. Appelbaum:

That's right. I begin my book actually with a story about a young economist named ... Well, a young economist sitting in the basement of the Federal Reserves in New York in the 1950s. He's essentially a human calculator. He's a very low level employee and he's really frustrated. And he goes home one night and says to his wife, "I don't think there's a future for an economist here at the Federal Reserve. I need to find another line of work." Well, that economist's name was Paul Volcker. By the late 1970s, he's running the Federal Reserve. Today the Federal Reserve is the nation's largest employer of economists. And sort of the arc of Volcker's life really captures the life of this economists' hour. When he worked at the Fed in the 1950s, none of the Fed's leadership were economists. Today they dominate.

C. Ragavan:

And even presidents didn't have a very high view of an economist as a whole.

B. Appelbaum:

They didn't, no. They were extremely suspicious of economists and economic advice. Really, it's not until the 1960s that presidents begin to lean heavily on the advice of economists in the areas of economic policy making and regulation, but it takes a long time for economists to win their confidence and then that's where this revolution begins.

C. Ragavan:

What changed to make that happen?

B. Appelbaum:

There are a couple of big changes. One is that economics grows up as a discipline. So when the Great Gepression begins, the federal government doesn't even know how large the American economy is. They hire an economist named Simon Kuznets to answer that question and he goes out and creates what we now know as GDP, the measurement of the size of the economy. And he tells Congress, listen the economy used to be this big. Now it's quite a bit smaller. And once you can measure it, then you can start thinking about how you can manage it. So in much the same way that the first pictures from space, of the planet Earth, really transformed the debate around environmentalism because the Earth suddenly seemed tangible, as an entity. So too once you could measure the American economy, it became possible to talk about it as an entity and economists began to propose ideas for managing the economy.

B. Appelbaum:

And so from the '40s onwards you get these growing and increasingly important debates about how to manage the economy. A second, and big factor, is that the economy is breaking down. So there's a period of growth after World War II, a broad prosperity. And then the late 1960s, it's really beginning to come to an end. And into the 1970s it really feels like whatever we're doing is not working, we need to try something different. And economists are ready with an alternative. They have a clear set of ideas that policy makers can take and implement that they represent will solve these problems.

C. Ragavan:

And technology played a role too, computing power and of course the increase in the amount of data available.

B. Appelbaum:

Absolutely. I think actually the influence of economists runs a little bit ahead of the technology. What happens is that economists initially are proposing big theories about the economy, often without the data to back those theories up. And one thing that happens over time, is that as computing power increases, as we collect more and more data, we're able to refine our understanding of economics and to improve the theories and the policies. And so some of what initially is adopted as wisdom turns out to be wrong and economics, I think in some respect, has been improved overtime by that data revolution.

C. Ragavan:

For those of us that are lay people, I think it's important to kind of describe this broad framework. Kind of this tug of war between these two primary schools of thought that shaped our global economy: fiscal policy versus monetary policy, and kind of the two major economists who were behind those. Could you describe that briefly?

B. Appelbaum:

Absolutely. So once you are talking about how you manage the economy, which basically means how you make economic growth as fast as possible and how you prevent or at least limit recessions. John Maynard Keynes is the British economist who really is the first to come to public prominence for his ideas about how you do this. And Keynes really emphasizes the importance of government spending as a regulator of economic activity. That if the economy isn't growing quickly enough, or is actually contracting during a recession or during the great depression, a big part of the answer is for government to spend more money, which is what we call fiscal policy or to cut taxes, which is another aspect of fiscal policy. But basically to either leave more money in people's pockets or to put more money in people's pockets. That's really the core of his prescription for managing economic conditions.

B. Appelbaum:

And his great rival, although, the two of them never met and barely interacted, was Milton Friedman. An American economist who advocated insistently and successfully for policy makers to stop listening to Keynes on the grounds that this type of fiscal policy was really counter productive and instead to focus on monetary policy, on regulating the supply of money. Friedman argued that basically what mattered was how much money was out there. That the great depression had essentially been caused by the failure of the Federal Reserve to make sure the economy had enough money in it and that the governments really primary, and almost sole role, in managing economic conditions was just to make sure that there was enough money and not to try to determine where to spend it, or who to give it to, or who to take it from, but just to stand back and focus on that big picture.

C. Ragavan:

And the big difference is inflation, right? What were the views on inflation and whether you keep inflation down or whether you allow inflation to go up, but you want to make sure that unemployment stays down?

B. Appelbaum:

So Friedman's philosophy basically reduced to the idea that if you kept inflation slow and steady, you had done your job and everything else would take care of itself. Keynes did not feel that was sufficient. He thought the government had to do a broader set of things in order to maintain a healthy economy. On the question of inflation, some of Keynes' disciples argued and were influential for a long time in arguing you needed to consider the balance between low inflation and unemployment. That if you focus too much on driving down inflation, it would come at the expense of employment. And that workers would be hurt by this overriding focus on low inflation. And that debate sort of plays out over the second half of the 20th century.

C. Ragavan:

And as these economists grew in stature, so did the power of the Federal Reserve, is that right?

B. Appelbaum:

Friedman in particular is basically arguing that the Federal Reserves should be the institution that manages macroeconomic policy, that is responsible for the health of the economy. And so he wants to elevate its importance and to diminish the importance of the rest of the federal government. And as his ideas take hold, and as he essentially prevails in this debate. That is what we see happen is that the Federal Reserve comes to be thought of as the most important economic policy making body because its decisions about inflation and about interest rates are understood to be the most consequential factors in the health of the economy.

C. Ragavan:

And for people who don't understand what the Federal Reserve does, what does the Federal Reserve do? What is its role?

B. Appelbaum:

Yeah. The Federal Reserve is basically the institution that's responsible for regulating the money supply. Or if you want to think about it the other way, for regulating the price of money, for setting interest rates that determine how much money is moving through the economy, how easy it is to borrow. And by adjusting those levers, we're basically adding water to the bathtub, or draining water from the bathtub. It can influence the level of economic activity.

C. Ragavan:

We're going to talk about President Donald Trump later, but I just want to mention him here, in the context of the Federal Reserve, because there has been a lot of reporting on this battle between the Federal Reserve and President Trump over interest rates. Can you put this in this context of these two philosophies and where Trump wants to go and where the Federal Reserve wants to go.

B. Appelbaum:

So President Trump has tried by the means of his disposal to goose economic growth. He has pumped money into the economy by increasing government spending as Keynes suggested that he could. He has also essentially seized on Friedman's advice and sought to drive down interest rates and to hold down interest rates in order to increase economic growth. The president doesn't have a particular economic philosophy. He's just essentially grabbing at all the available levers and trying to make the economy grow as fast as possible. In the short term, he's had some success, although he's undercut himself in other ways. In the long term, a lot of economists think that there will be consequences, but it's actually an interesting example the way that economists ideas can be seized upon by politicians, ripped out of their original context, and put to use in ways that no economist would ever advise.

C. Ragavan:

And their data used in different ways and skewed in many ways depending on what the outcome needs to be. You correlate this rise of liberal democracy with the rise of fiscal policy that Keynes was advocating and the rise of conservative doctrine and the evolution of global ethno-nationalism with the rise of Friedman's monetary theory. How do you correlate that?

B. Appelbaum:

Yeah. I think that one reason that governments began to take responsibility for economic conditions, is that governments began to be politically responsible to a broader electorate. So in the aftermath of World War II, the franchise, literally the share of the population that is participating in the election of political leaders, extends dramatically across the democratic world. And these leaders are suddenly responsible to voters who are members of the working class, which really hadn't been true before in many of these countries. And that much broader constituency is demanding that the government take responsibility for their welfare. And that it seeks to raise living standards at the bottom, and to avoid unemployment, and to maintain a strong safety net for people who lose their jobs or who are not making enough to take care of themselves.

B. Appelbaum:

And so there's a real urgency to this political project of taking care of the broad population, which is only enhanced by this competition with communism by the Cold War because you can see in this period western political leaders really saying explicitly basically, "We need to show that capitalism is better for the working class than communism. We need to demonstrate that people are benefiting from this." And what happens basically is that the proponents' of this philosophy overreach. And by the late 1960s and early 1970s this set of ideas has been stretched past the breaking point. I tell the story in the book of an economist who became the Secretary of Commerce in the Carter administration. She was a Professor of Economics at Duke University, became the Secretary of Commerce in the Carter administration. She resigned from the administration because she was at a loss about how to help the economy.

B. Appelbaum:

And then she resigned from Duke because she said she didn't know what to teach her students about economics anymore. That's a remarkable moment. By the late 1970s, you basically have this loss of faith in these ideas and that creates an opportunity for a new approach. And Milton Friedman and his allies step into the void. And what they basically say is, "Listen, trying isn't always helpful. You think that because you want to help people, you can just go do it. No. The government needs to recognize its own limitations. It needs to stand back from these problems, get out of the way, and let the market help people." And that philosophy takes hold in turn across the western world and really requires people to sort of accept that their direct agency is not that helpful. And indeed to shelter markets from democratic demands.

B. Appelbaum:

To ensure that property rights are protected, to limit taxation of the wealthy, to reduce the availability of public resources for funding a safety net. These are all, in a sense, antidemocratic impulses. Friedman argued that the results would be better for the majority of people, but the mechanism was no longer direct democracy. Indeed, it was in many respects antidemocratic. And so you get this turn toward this project of helping people by allowing rich people to do what they want and hoping that the benefits would trickle down.

C. Ragavan:

So one of the most interesting parts of the book for me was understanding how a lot of these big programs, ending the draft for instance, Medicare, Medicaid, anti-trust, and airline deregulation, the end of unionization, all of that, how that kind of fell within this framework. I was thinking maybe you could talk briefly about the different presidents and who was responsible for what. Starting with, I guess, FDR because under him Keynes first appealed to him and said, "You need to spend money."

B. Appelbaum:

Yeah. FDR actually didn't listen that much to Keynes. So you get a series of presidents, beginning with FDR, who are taking responsibility for this project of managing the economy and investing public resources in the public welfare. And that continues from Roosevelt through Truman, Eisenhower, Kennedy, and Johnson who actually probably does this to a greater extent than anyone after FDR. So you get the new deal under FDR and then, let's call it, the Great Society under Johnson. These major expansions of the social safety net of the public welfare state and this effort to help people by giving them government help. And then the turn begins under Nixon. Nixon's a complicated figure. He's still is in many ways the leader of this welfare state. He believes in it in important respect, but he also begins to embrace the ideas of economists who are arguing for this turn toward markets.

B. Appelbaum:

And that accelerates through the 1970s under Presidents Ford and Carter. And really by the time Reagan arrives ... Reagan is often seen as the revolutionary figure, but the truth is that in almost every respect the turn toward markets is already well underway when Reagan arrives. His role is to become the public face of that turn and, in many ways, to accelerate it and to make it permanent. And so it is under Reagan that tax cuts really go into overdrive and through the '80s is really in this position of saying ... I mean as Reagan famously says, "The government is not your friend. It's not going to help you. We need to help ourselves." This whole philosophy really takes hold in American policy.

C. Ragavan:

And then what happens with Bush and Obama, and Clinton, Obama, and Trump?

B. Appelbaum:

So one of the important themes of my book is that it is wrong to think of this turn towards markets as a purely conservative phenomenon. This is not the story of republicans, or right wing economists, somehow co-opting the political process and imposing their own will. It is very importantly the story of democrats, and left wing economists, and liberals accepting Milton Friedman's views on many of these issues and beginning to embrace the importance of markets, of deregulation, of lower tax rates, of ... across this whole host of policy issues. And so you really see, during the Clinton years in particular, the things that Reagan had done on a partisan basis become bipartisan. They're embraced by the democratic party and you get a turn in taxation, and in trade policy, and in regulatory policy. In all these areas.

B. Appelbaum:

You get essentially a consensus position that has been endorsed by at least the center of both political parties about the way that we should manage the economy and really by the turn of the century, it has become awfully difficult to ... I mean there is a difference between the republican and the democratic party on economic issues, but it's not a big one. Their bigger differences are social and you can see it in the rhetoric of the time, which is very much about sort of culture war issues because the economic issues have been, if not completely resolved, then substantially resolved around this mainstream consensus. And then, of course, the final chapter here is the crisis that begins in 2007, which really collapses this consensus. And Obama is the first post crisis president and he begins the process of wrestling with where we go from here.

C. Ragavan:

And were his decisions also significant in that regard, in terms of cementing the Friedman hold on our thinking?

B. Appelbaum:

I really think that 2008 is a turning point in this story. It really marks the end of the economists' hour. This period in which there was a consensus about the primacy of markets and the government should get out of the way. It really ends in 2008. It's just impossible in the aftermath of that crisis for serious people to look at the financial system and maintain that it shouldn't be tightly regulated by the government. Or to ignore the need for Keynesian stimulus. And so in the aftermath, you basically have a period much like the 1970s or the 1930s, where it's clear that the way we were doing things is no longer working and the question is: How should we do things instead? And I think we're very much in the throes of that debate, even now a decade later. We're still trying to figure out what comes next and where do we go from here?

C. Ragavan:

One of the biggest consequences of this shift from Keynes to Friedman from fiscal to monetary policy is that the rich definitely have gotten richer and this consolidation of power, this distribution of poverty, and this notion that economists and the Federal Reserve should work on reducing inflation even at the expense of people becoming unemployed. And there was almost this cold blooded view towards that just from some of the anecdotes you said. That inequality is good because that's a mark of successful capitalism.

B. Appelbaum:

So I think the broad framework here is that economists argued that there was fundamentally a trade off between the efficiency of economic activity and equality. If you wanted the economy to grow as fast as possible, inequality was going to be an inevitable consequence. And if you wanted to reduce inequality, you needed to accept slower growth. And this purported dichotomy really informs the way that we make policy in three broad areas. The first is what you've been talking about which is macroeconomic policy and the trade off between inflation and unemployment. And there policy makers really prioritized low inflation in the hope of spurring growth by making it cheap to borrow basically. The secondary is regulation. The government really progressively pursues the deregulation of economic activity, again with an emphasis on increasing economic growth and with very little regard for distribution.

B. Appelbaum:

And the final area is distribution itself. The government really steps back from its role in trying to strengthen social safety net, or get to guarantee opportunity to individuals, or to invest in education, or in research to build the future. Government becomes a bad word. The loss of faith in government is profound and consequential. And in all three of those areas, economists are advocating a set of alternative policies that have the consequence of increasing economic inequality.

C. Ragavan:

And you had some amazing statistics. Particularly one comparing the year your father was born and the year you were born for instance.

B. Appelbaum:

Yeah. My father was born in 1951 and among men born in that year, only three quarters of them earned more than their fathers in their prime. I was born in 1978, and for my cohort it's around half of my cohort who are now in their primes earning more than their fathers. And for my children it's likely to be less. So there's been this deterioration. The American dream, that each generation progresses beyond its parents is not just in danger, it has actually ended. We are actually less mobile as a society than many other developed democracies. Europe, which is still in the mind of many Americans, an ossified place where people are consigned to the casts of their ancestors is now a more mobile society than the United States. A place where people are more likely to be able to rise up during the course of their own lifetime.

C. Ragavan:

You had another interesting statistic on the 1978 median income for full time employees versus 2017.

B. Appelbaum:

Yeah. We're in this period of longterm stagnation. If you are a member of sort of the working or middle class, whatever you want to call it, the great majority of Americans, you have not seen a significant improvement in your income during your lifetime. Even if you were born ... Since the late 1970s basically we've been in a holding pattern for the middle class.

C. Ragavan:

I think the number you gave was median income in '78 was $54,392. In 2017, it was $52,146.

B. Appelbaum:

Mm-hmm (affirmative).

C. Ragavan:

And the third statistic is on taxation. The 2011 tos tax earners paid an average of 33.2% of taxes and the bottom 90 paid an average of 26% in taxes.

B. Appelbaum:

And the really important thing about that figure is that the top, those who earn the most, used to pay more than half of their income in taxes. And now they pay only 33% of their income in taxes. And meanwhile the amount, the share of income that the middle of the distribution base has actually increased slightly. It's in the same ballpark, but the huge change is that we are leaving much more of the wealth held by the wealthiest Americans in their hands. The premise was that they would use it in ways that would benefit everyone. The reality is that they haven't. And this is one of the big areas in which this shift in economic policy has not delivered on its premises.

C. Ragavan:

One great story that sums it up is your story of Galesburg, Illinois where Ronald Reagan, I guess, spent some of his childhood?

B. Appelbaum:

Fascinating time. Yeah. Galesburg, Illinois is an old factory town in the middle of the flat farmland of Illinois. Illinois is the second flattest state after Florida, which I always find amazing. And in the middle of that expansive farmland, there is the occasional factory town. Now Galesburg was one of those factory towns and there was a factory there where they made refrigerators for years and years and years. Ronald Reagan, as you say, lived there as a young man. His first grade report card is on display in the local museum. And when Reagan was there it was a prosperous place. A place where people could grow up and go on to be president of the United States. And today Galesburg is a train wreck. It's a place where the jobs have gone away. The people lack opportunity to the extent that they're employed. The jobs are limiting. It seems wildly implausible that a young kid in first grade in Galesburg today would have the opportunity today to grow up to be President.

C. Ragavan:

You also paint a sobering picture of the US economy in coming decades. Moving from the manufacturing heyday to a place where caring for aging baby boomers is going to be kind of a predominant form of employment.

B. Appelbaum:

I don't think it needs to be sobering. So it is clear that the idea that sort of the iconic American worker a half century ago was a guy making cars in Detroit. And today it is probably a Hispanic woman caring for that guy who is now retired somewhere in Arizona. That shift is real. Does it need to be grim? No. We just need to decide to treat our service workers better. We need to make sure that is a respected form of employment in which a person can earn a living wage, and take care of their family, and have comfort in retirement. We're not doing that right now. The grim thing is that the long struggle to improve the lives of factory workers, which is the story of much of the first half of the 20th century, and is ultimately a story of great triumph has not transferred to these new work places.

B. Appelbaum:

And so the things that those car workers enjoyed, the health care benefits, the vacation days, the sick days, the retirement plans. Those things do not exist for this new generation of workers and that is the problem. And it is a tragic problem.

C. Ragavan:

Your book also takes aim at some of the governmental hypocrisy in sort of its view towards breaking up unions, but on the other hand you say they're not really anti-real estate associations that charge 6% closing fee for consumers for instance. I mean there are some other examples of that. Particularly the 2008 financial crisis and bringing those to task, the biggest culprits of the crisis.

B. Appelbaum:

There's really been a systematic disregard for the distribution of opportunity, the distribution of wealth, and you see it in things like the way that the government treats lower income families versus the way that it treats the elites. And the financial crisis really crystallized a lot of this. Because we saw the Obama administration working tirelessly to save the financial industry without any observable effort to hold financial titans accountable for their bad behavior while at the same time refusing to bail out home owners, refusing to help people who had become trapped under mountains of debt that they could not afford ... People say, "Well the homeowners did it to themselves." Sure, but the bankers did it themselves too. We all messed up and then the government went in and saved the rich people and left the poor people to suffer. I think for a lot of people that still crystallizes what has gone wrong with our policy making establishment.

C. Ragavan:

And one example you give is of SunTrust Bank. It's very vivid.

B. Appelbaum:

I mean it's an amazing story. The government finally got around to inquiring into why it was that SunTrust was not complying with federal requirements to help home owners who had sought relief through one of the very few government programs that was ever created to help. And they found that the weight of the applications that SunTrust had not read and processed ... I mean they're all stuffed into the same storage closet and the floor had buckled under the weight of all the people seeking help who SunTrust could not be bothered to help. And for its sins, SunTrust paid a small fine and then nothing happened.

C. Ragavan:

Let's talk about the current administration and President Trump. How would you describe his grasp of economic policy and what the administration's policy is and the strength of his advisers to lead this country in the next few years.

B. Appelbaum:

It's fascinating. I mean President Trump is as hostile to expert advice as any President in modern times. More than any president in modern times. He has a contempt for it. Not just for economists, but really for expertise. An indifference at best to math. He has very strong ideas in some areas and sort of an instinct for what he thinks is right in others, but he makes policy without regard to any theory of economics. Beyond in the area of trade where he has this basic sense that trade is a competition between nations and that one nation is winning, and one nation is losing, and that he needs to make sure that America is winning at the expense of its foreign competitors.

C. Ragavan:

And what about in terms of his economic advisers?

B. Appelbaum:

So a reflection of the fact ... I mean he does not hold experts in high regard and he doesn't really employ any experts. There are a few credentialed economists in his administration, but they are figures held in ... They're outliers in the profression. They are people who are not held in high regard by other economists and who have very odd views about how the economy works. Peter Navarro, his main trade adviser is an excellent example of this. He shares the President's view that trade is a competition, whereas most economists think that trade is in general mutually beneficial to participating nations. So the President has found people who reinforce his biases and they're willing to work in the service of the goals that he has established. It's not a great way to run an administration.

C. Ragavan:

There are people who would argue that the President has done a good job with the economy. It's running strong and it seems to be giving him a serious lift into the election season. His popularity ratings are up. One ABC headline recently said "Economic Prosperity Boosts Trump in Election Poll Counterweight to his Popularity." And it seems that the American public is actually giving him credit for the economic prosperity.

B. Appelbaum:

I think there's a really strong analogy between President Trump's previous life as a businessman and his current life as a politician. He inherited a lot of money. And there's a wonderful analysis showing that if he had put it all into the stock market, he would have ended up significantly wealthier than he did by playing at real estate development and casinos for a couple of decades. So in other words, he took a good hand and played it badly. And the same thing is true of his administration. He inherited a growing economy, a good situation. The economy has continued to grow and he is indeed getting credit from voters. While less than 50% of voters say that they're happy with him, one could only imagine what those numbers would be if the economy was doing badly. And yet, the specific decisions that Donald Trump has made about the economy have been bad.

B. Appelbaum:

He's created these trade wars that are weighing on economic growth, considerable uncertainty. He's giving out this huge tax cut that is going to have longterm detrimental consequences for the economy. He has tried really hard to make it easier to pollute, to make it easier to take advantage of workers, to make it easier, sweeping deregulation campaign. And so I don't think that credit for the continued economic growth really belongs to him. I think that he has been very lucky to be able to be President during a period when the economy was already growing.

C. Ragavan:

Let's talk about a couple of the democratic candidates. We've talked about this economic framework. Where do people like Bernie Sanders and Elizabeth Warren and others fit into that framework and why are they so popular? People believe there's now this need again for the safety net to ... with universal healthcare and all of these things.

B. Appelbaum:

It's really fascinating. There's a real diversity among the democratic candidates. You've got someone like Pete Buttigieg who really seems to be arguing that our basic economic policy framework is good and in need of some tinkering and tweaking. And then you've got Elizabeth Warren and Bernie Sanders who are arguing for really major structural reforms. I think there is a difference between the two of them. I think Warren is more inclined to rewrite the rules of our economy, of our markets, while Sanders is more inclined to replace markets in some areas. But fundamentally both of them are really emphasizing that things are broken and that we need to make changes. That's popular to a portion of the democratic electorate. No one has emerged as a clear front runner precisely because voters are of two minds, at least, about what needs to be done.

B. Appelbaum:

But it's clear, just as Donald Trumps candidacy reflected essentially a rejection of standard republican economic orthodoxy, the democratic party is currently debating whether to get rid of its own orthodoxy as well.

C. Ragavan:

Now you say in the book that the ideal of framework is a strong safety net combined with a strong market economy. Is there any candidate who comes closest to that ideal model?

B. Appelbaum:

Yeah. I think that's right. I do think that's what we need. I recently participated, and the New York Times Editorial Board recently endorsed, Elizabeth Warren and Amy

Klobuchar as the best democratic candidates who we think voters should be choosing between the two of them. And I think both of them, in different ways, embody versions of that goal. They both want to strengthen the social safety net. They both want to rewrite the rules of the market. Warren wants to do a lot more in both of those areas and I think that while I agree with many of her ideas, I think her challenge is to convince voters to participate, to embrace that project. Klobuchar has more modest goals, but seems to be more in line with a broader share of the population. So the question of which of them emerges I think is a really interesting one, but I think a lot of democratic candidates, and even frankly in his own way Donald Trump accept the premise that we need to be doing two things as a society. One of which is providing more help to people and the other is figuring out different rules in our markets. It's in the details that you get the debates, but the sense that it's broken and it needs to be fixed I think is, at this point, pretty prevalent.

C. Ragavan:

Even if he wins, will part of his constituency, I think it's safe to say, the alienated males who've lost jobs and were part of his core constituency, will they ever recover? Will they get what they want, I guess?

B. Appelbaum:

I don't think Donald Trump is going to give them what they want. I don't think his policies show any prospect of deliver ... I think he's been quite good at identifying real economic problems and unsuccessful in proposing policies that are likely to fix those problems. So I understand why people feel aggrieved and why they wanted to embrace a new approach, but I think that those voters are going to remain frustrated. If they are hoping that he is going to solve those problems, I don't see any evidence that he is going to do so.

C. Ragavan:

You say that the measure of a society is the quality of life at the bottom of the pyramid rather than quality of life at the top of the pyramid and that we need a market seasoned with mercy, rather than, in your words, kind of this willful indifference to the distribution of poverty over the last half century. Is that ever likely to happen in the next decade or two?

B. Appelbaum:

I hope so. I mean I think the challenge is to convince Americans that this is true and that we need to change the rules. For example, one of the things we've learned a lot about in recent years from really compelling research is how important it is ... the situation at the beginning of a child's life. The home environment, their exposure to new words, how quickly they get into a strong educational context, how much environmental pollution there is in the air they breathe and the water they drink. If we want to make sure that people have opportunity, not just for themselves, but so they can become contributing members of society and strengthen all of our opportunities and all of our welfare, we need to do a much better job of putting the focus of public investment on the early years of childhood. I live in Washington DC, where public education begins at the age of three.

B. Appelbaum:

It's been an enormously successful and important program. Universal pre-kindergarten I think should be an absolute national priority. The fact that there are still lead pipes in this country is outrageous. The fact that your race, and ethnicity, and socio-economic status determine how likely you are to give birth to a healthy child is outrageous. The fact that life expectancy is in decline for lower income Americans is outrageous. We need to convince people not just that these are problems, but that we can solve them and that if we do we will all be better off. And I am optimistic, but by no means confident that we can build a consensus around some of these issues.

C. Ragavan:

So if you were to sum up the role of government today, I mean is it truly government representative of the people, by the people, and for the people? And if not, what is it?

B. Appelbaum:

I mean I suppose the best thing that can be said of the American government is that I don't know of a better system, but I think we have a lot of problems and we need to address them. The role of money in politics is a big concern. The structure of our government is a big concern. The republican party's aversion to science and increasing diversion to democracy is a big concern. We have big problems and I think we're at something of a fork in the road. I think we retain the possibility of doubling down on the democratic process and trying to make a better society for all. And I think there's a very real possibility and a very scary possibility that we continue to move in a different direction. Instead, a direction where there's this illusion that by embracing ethnic nationalism we can protect what we have. And I shouldn't say "we," I don't know that I'm eligible to be part of that ethnic nationalist community.

B. Appelbaum:

This ethnic nationalist community can protect itself and preserve its life and essentially I think of it as turtle shell nationalism. They want to crawl into the turtle shell and hide from the world, wait for everything to get better. It would be a really terrible mistake and I hope we can avoid it.

C. Ragavan:

Do you have any closing thoughts getting into November? What should people keep in their minds when they go to the polls?

B. Appelbaum:

Yeah. I mean I think that this is a big election because the questions that we are confronting as a society are really on the table. I think that both parties agree that we have a problem. I think we have tried one set of solutions and found them wanting. We obviously don't know who the democratic candidate will be yet. But it's not too late for us to address our problems, but we need to renew a sense of common purpose and of agency. The way that I closed my book is by observing. I believe in the market economy. I think it's wonderful. I think what we need to do is repair and improve the market economy. Markets are human creations. We get to write the rules. We have the power to write better rules. We need to do it.

C. Ragavan:

Binya, thank you so much for the great conversation.

B. Appelbaum:

My pleasure.

C. Ragavan:

Binyamin Appelbaum is the lead writer on business and economics for the New York Times Editorial Board. He's the author of The Economists' Hour: False Prophets, Free Markets, and the Fracture of Society. This is When It Mattered. I'm Chitra Ragavan. Thank you for listening to When It Mattered. Don't forget to subscribe on Apple Podcast or your preferred podcast platform. And if you liked the show, please rate it five stars, leave a review, and do recommend it to your friends, family, and colleagues. When It Mattered is a weekly leadership podcast produced by Goodstory, an advisory firm helping technology start ups find their narrative. For questions, comments, and transcripts please visit our website at Goodstory.io or send us an email at podcast@goodstory.io. Our producer is Jeremy Corr founder and CEO of Executive Podcasting Solutions. Our theme song is composed by Jack Yagerline. Join us next week for another edition of When It Mattered. I'll see you then.