

US ECONOMIC COMPETITIVENESS IN A CHANGING WORLD

Announcer 00:00

Please welcome the panel on "US Economic Competitiveness in a Changing World," moderated by Stephanie Flanders, head of economics and government at Bloomberg.

Stephanie Flanders 00:10

Well, welcome everybody. We have a pretty stellar line up—you know all the people. I'm not going to waste the first 10 minutes doing introductions, but clearly this is the topic of the day. We have an administration that has set out some very ambitious economic goals: recasting, rebalancing, global trading relationships, and alliances—international alliances, shrinking the federal government while extending and building on tax cuts, controlling immigration, deregulating finance, including crypto. Whether and to what extent they are successful in all of those or the administration is successful in all of those goals, we can be pretty confident that they will leave a mark on the economy. So I guess I have an obvious opening question given the title, really to all of you, is: what kind of US economy—maybe not next week, next month—but what kind of US economy emerges from this, from these policies? Will it be more or less competitive and resilient than the US economy that Donald Trump inherited at the start of the year? Let me start with—I'm sort of asking for just not a huge speech, but three top line thoughts from everyone and maybe a hint of particular uncertainties or challenges that you personally are looking at. Gary Cohn?

Gary Cohn 02:10

Thanks. So look, we're going to come out of this just fine. Go back and take a reflection on the US economy and let me see. We've lived through depressions, we've lived through recessions, we've lived through COVID, we've lived through the financial crisis. And every time when we thought it was really

bad, it got a lot better. If you go 10 years forward, 20 years forward, if you have any duration of time, this is an unbelievably resilient economy, the United States. We're the reserve currency of the world. We're going to stay the reserve currency of the world. We have huge capital here. We've got a great corporate system that wants to invest in this country. Look, we all have short-term concerns, but long term we should be really excited where we're going with this country.

Stephanie Flanders 02:54

Mr. Speaker, Kevin McCarthy?

Kevin McCarthy 02:55

Look there, I'll talk economics. I think you ought to get in the brains of the president. He's different this time than the last time. He just called me and texted with me yesterday. Trump is a populist, but there's two things that are principled to him, and always have been, tariffs and drugs cost too much. When he says he's going to put a 10 percent tariff on, he'll put a 10 percent tariff on. When he says it's going to be 25 percent or higher, that's all about negotiations. We are in the middle of negotiations. He's also not a rigid person that will not adapt. He's always negotiating. So it's always going to—see, if you take him exactly what he's saying, you're going crazy. But what's happening is, at the end of the day, he's not going to have the shelves empty. He knows he's got about 60 days to do something. I actually think we're going to be a lot better off, and I would point to one part of the history. For the same reason we opened the three communiques with China when we were dealing in a Cold War. This is going to be a reset in China. When we get an agreement with India, and Japan, and the UK, it's going to be much more positive for America. Is there adjustment? Is there disruption? Yes, but in the long run, it will make us stronger.

Stephanie Flanders 04:17

Peter Orszag?

Peter Orszag 04:18

Let's see three—four, really quick points on resilience. I think we will be more micro-resilient and less macro-resilient, by which I mean certain supply chains and pharma, etc., will be more secure, but from a macroperspective, in terms of our ability to project power abroad, and our ability to sustain the fiscal trajectory that we're on and so on, I think we will be more vulnerable. Second, we will have marginally higher manufacturing activity and manufacturing employment, but nothing like the 1950s shares of

either the economy or employment. Third, I think we need to be a bit careful about—I saw Simon Johnson in the hallway. The Nobel Prize in economics was awarded for the last year for what drives long-term growth and rule of law inclusive, rather than extractive approaches to policymaking are all core to long-term economic growth, and so we just need to keep that in mind. And then final point is, despite all of the discussion about tariffs, as Nouriel Roubini put it, "tech trumps tariffs." If you look out over the next three to five years, so what is happening on the digital payment stack, what is happening on the AI race, what is happening on in quantum—maybe hearing about some of that from Ruth—that is going to turn out to be more important than the next two or three months.

Stephanie Flanders 05:53

Ruth, tech trumps tariffs.

Ruth Porat 05:55

Thank you for that set up. So in fact, I think that there is clearly another important factor to answer your question about resilience, and it really is about this unique opportunity that we all have this privilege living this time with AI. And for historic context, I actually spoke to one of my colleagues, Vint Cerf, who, if you google him, you will find that he is one of the fathers of the internet. And I asked him to put the potential upside, downside, risk, opportunity, with AI relative to the internet, and he said he sees it as a bigger opportunity. Because with agents with generative AI, it has the ability to accentuate support human capability in really profound ways. And so to answer your question really directly, we see four upsides from AI. The first is economic upside. It could add \$4 trillion to US GDP by 2030 if we, collectively, public and private sector, actually address it holistically. Think about the implications for our business, how to reach constituents, customers, drive more revenue, redo our internal processes. It's not a given, but it's there. The second, really exciting—building on Peter's point—is it's advancing science. So one of my other colleagues, Demis Hassabis, on the Nobel Prize in the fall for AlphaFold, predicting the protein structure for all proteins known to humanity, 200 million of them. It is viewed as the single biggest contribution to drug discovery in our lifetime, and what that can do to bend the curve on cost, while also solving major disease issues for our country, is extraordinary. We can do a better job delivering education, health care, cybersecurity. And so really, the answer to your question for me comes back to this one visual that I keep thinking of which is how we've applied AI at Google. And over the last 20 years, we've been working on Google Translate. How many of you have actually used Google Translate? Not as many as I would have thought. So we now translate 250 languages—20 years at it. In the last year alone, of that 250, we added about 110 languages. So the visual I'd want to leave you with to answer your question is, you chug along when you hit AI, you hit an inflection point. That's the inflection point each one of us can hit with our businesses or running cities, states, the country, if we apply it. And that would be the answer to the question, what are we going to look like in 2030 and hopefully we do embrace it robustly.

Stephanie Flanders 08:20

Governor?

Glenn Youngkin 08:22

Well, first of all, I'm very optimistic about where President Trump will lead this economy, and I do recognize that when you're fundamentally resetting trade relationships that are unbalanced around the world and on top of that, bringing spending down dramatically in Washington, where we have lost all semblance of fiscal discipline, there's a tough transition, and that's real. But the reality is that between here and there, we're going to see trade deals—and trade deals with some of our largest partners, and we talked about India and Europe and Canada and Mexico and, of course, Korea and Japan, and there will be a deal with China, but I think President Trump fully recognizes that China is an adversary and not just a competitor. That's really important. Second thing is, I do expect that we will see a budget deal out of Congress—and I'll be curious to see what the speaker has to say about that—but we will get a budget deal and that that will be really important. And so fast forward, and I think the ramifications of that will be one, a lot of investment in the United States. We're seeing it in Virginia. Our economic development pipeline is as full as it's ever been, and a lot of it are international companies who are wanting, wanting to come to the United States, and we are busy finding them a place to build. The second thing that we're going to see is we're going to see energy dominance, and the United States is going to find a way to not only export our energy dominance, but the cost of energy and power will come down in the United States, and we will be incredibly competitive. And the third thing that we're going to see as a result of that is jobs, and a lot of jobs. And I think this is a fundamental shift where all of a sudden we're going to see a job market that's going to have multiple pathways, pathways for students who decide, well, I don't want to go to college, I want to get a certificate, I want to get a credential, and I'm going to go work and have a really, really good life and make a fair amount of money, but I don't have to go borrow and then default on student loans. And I think this is going to be a fundamental shift in the competitiveness of the United States, where we no longer are dependent on supply chains from other countries in some of these key areas, like pharmaceuticals, and like semiconductors, and like our advanced manufacturing, we're going to see it in the United States, or with trusted allies who won't hold us hostage when things don't go the way we want them to go. And I think the United States, as a result, is going to be more dynamic and more competitive.

Stephanie Flanders 10:53

There's a lot of what—as an economist—micro-economic interesting points there, which I want to get to from everybody. And I think that, you know, the long-term competitiveness is all is often all about the micro but on this question of the trade wars, and particularly with regard to China, I'm interested,

governor, how—if you were thinking about a sort of a path to seriously reindustrializing the US, which is a big target of the administration, and seriously decoupling—as you said, reducing our resilience in these key areas—the one you would think, given where we are now, you would build up gradually, and you would offer certainty, and people will be able to plan on that path. It feels like the administration started off doing the opposites. I'm just saying we need to look at your state and how small businesses and others are responding to this. Have we approached this the right way, even if you accept the goal?

Glenn Youngkin 11:51

Well, first of all, heavy transition or transformation isn't gradual. You've got to go and anybody who's run a business knows that if you need to transform the organization, you can't tippy-toe your way along the way. Otherwise it'll never happen, because there's so much resistance. And let me tell you, in the world of government, there's a lot of resistance, and so you've got to go and in this case, what we're seeing in Virginia, again, is massive interest in coming to the United States and building and investing, we've had over \$100 billion of commitments from companies to expand or build in Virginia, which is more than the last two administrations combined. You couple that with the fact that business is dynamic, you figure it out. And our port—which is the most efficient operating port in North America recently—is one of our biggest assets, but 20 percent of the volume comes from China, and so we've watched the Chinese volume come down. Well, guess what? We have opened up trade lanes with many other countries immediately. So business figures this out, and small businesses are going to figure it out. We're actually seeing supply arrangements change, and you're also watching other countries step in. And there's lots of supply chains that are hard to move, but they will move, and we will end up with a transformed supply chain arrangement where we will see trusted allies, or in the United States take the place of what has been coming from China, and I think that's what President Trump will negotiate. I don't think that we're going to worry about who makes t-shirts, but we are going to worry about who makes the active pharmaceutical ingredients in our pharmaceuticals. We're not going to worry about low value add, but we are going to worry about who's making the design tools that have to show up in every piece of advanced manufacturing. Really important: we will have steel smelters back in the United States again. We're seeing one built in Louisiana. So this is where we'll see—and it will take a little bit of time, and it will be a little bit of disruption along the way, if not a lot in some places—but this will happen. But you have to get going, because if you don't, it will never happen.

Stephanie Flanders 14:07

Gary Cohn, whether it's IBM or anywhere else, can you respond to this changing incentives and try and support the kind of investments that the government, the administration wants to see, when you have zero clarity about what the tariff rates are going to be and what the future is going to be?

Gary Cohn 14:26

Look, I think all of us who run big companies, who have run big companies, we have to think long term. Like no one's thinking like—we're thinking about the next 90 days, because we have to, but honestly, we're making investments for a generational cycle. You know everyone's talking about AI today. AI, a lot of the investment that you're seeing in AI today didn't happen the last two, three, or four years. Ruth brought up—maybe she didn't, but we'll get to quantum. I mean, the amount of money that IBM and others are putting in the quantum today is just extraordinary. Quantum will pay results five years, I'll say five years from now. So we are making extraordinary investments in this country, in this economy. The one place I'll caution—because I think we need to talk about this to some extent—tax policy drives investment decisions in this country. It's—if you want to boil down to any one major factor that drives decision-making in this country, it's tax policy. When we changed our taxes in 2017, we affected corporate policy more than anything else country in the last 30 or 40 years. When we deemed repatriation of money back to the United States, we forced a lot of this money back the— when we changed the corporate tax rate, we became competitive with the OECD. We changed the way people thought about manufacturing and building businesses in the United States. When we look at accelerated depreciation, when we look at R&D credits, all of these things matter, and they will drive policy more than anything else we're actually talking about, because at the end of the day, when you're running big companies, you're a fiduciary for shareholders, you're trying to maximize the return over a long period of time, and taxes will drive a lot of those decisions. So one of the most important things that has to happen this year is we have to, at a minimum, extend the Trump tax cuts. The jobs—so that, to me, is a minimum. If we can put something additional in there, great. If we can bring back we have, bringing back the R&D credits, bringing back to accelerate depreciation, those will have more impacts than anything else we're actually talking about here.

Stephanie Flanders 16:25

Peter? [Inaudible]

Peter Orszag 16:30

Gary won't be—look, I think there's a large empirical literature on this question, and taxes matter, but it's not even close to the most important factor. A lot of things go into the future cash flows and expectations of future cash flows, part of which is taxes, but there are lots of other pieces that are arguably more important. And on that point, I do think we need to also highlight that a lot of the benefits that we are we have experienced historically in the United States comes from being the world leader in technology in particular. That is where a disproportionate share of the productivity growth has occurred. That is where to the extent there are any differences with Europe, that is where the differences have shown up most prominently. And we need to be cognizant of that because there is some risk that we will disrupt the apple cart. I completely understand and empathize with the

perspective that our leading universities went far off kilter, and how they handled the aftermath of October 7 in particular, but I think slashing the NIH budget, slashing funding to the leading universities of the United States, risks exactly what we're already seeing, which is Europeans and others are saying, come here. We will invest in science. We don't want that. So that is just as important, if not more important than tax policy, but obviously everything matters.

Stephanie Flanders 18:03

Ruth, do you agree with that?

Ruth Porat 18:08

There's so much in that idea. Yes, I do agree that one of the most important elements is to have a pro-investment, pro-innovation—

Stephanie Flanders 18:16

But also pro-research.

Ruth Porat 18:18

And pro-research. The reality is, my father was a physicist at the Stanford Linear Accelerator Center. When I was growing up, he built the atom smasher—helped design the atom smasher. In those days, the public sector really was funding all of research, and what we now have is the private sector is funding the leadership position we have in science, whether it's in AI or—I completely agree with Gary, quantum—and economic strength is national security strength. And I completely agree with Peter that that's driven by tech strength. Eighty percent of economic growth in our country for the last 80 years is attributable to technology. And I think we need to make sure that we continue to have the right conditions for investing in this country so that we can maintain our lead. And it's not just about economic strength in the US. When I travel the globe, what I hear from every other state, we want to be a part of the digital transformation. We will be a part of the digital transformation. We'd like to do it with us, or one of the other US, leading companies. But if you're not here, if you're not if you're not in this position, if you have limitations and can't engage with us, there's another alternative, and that means that we're seeding an entire ecosystem, and all of the growth that comes from that to China. So I think it's imperative that we have the right investment framework for this country to support private sector and the right global engagement.

Stephanie Flanders 19:36

Mr. Speaker, there was actually—there's a question on this, since we've got onto AI and technology. What outcomes were you hoping for from the CHIPS Act, and was it successful in revitalizing US microchip manufacturing? That's George Esposito, and also wondering what the next act like that would be? I think I mean, you were speaker when the bipartisan CHIPS Act was passed, there's been different signals around it. But as far as you're concerned, was it successful in doing what it was supposed to do?

Kevin McCarthy 20:06

Not completely. No. I mean, the company, the government invested in the most I don't know is going to make it all the way. AI is going to do one thing for America. It's going to get our energy policy right, because we'll never capture AI without getting energy policy right. You'll do more than any climate change has ever done to our energy policy. Getting chips made in America is going to be an agreement with government and Taiwan. Taiwan is never going to give the full fabs here unless they get an agreement that they're going to get some type of support, and that's actually happening now. So I believe there is enough capital out there. It's more a government view that—in the Senate, if they just throw money at chips, I think there's a lot of capital in the free market to give money for chips. I don't think government needed to make that investment. Your earlier question to the governor was correct. This isn't normal. I tell my friends in Congress, China has a congress, too. No one knows who they are. All the power has usurped to the White House. Trump has one term. You can tell them, "Oh, if you went really smooth," none of that's going to matter to him. He's got one term to get something done. He has his 10,000 hours that he knows how to do the job. He picked the cabinet that he wants, that will follow what he wants to do. He does—he feels last time he got told no at the different parts, he has to be a disrupter. You had to come in with Elon, because you raised the baseline in '08. You raised it again after COVID. There is no way members of Congress are going to sit there, "oh, let's systematically do that." There's no way members of Congress going to sit there and say, "oh, let's make this trade agreement and this trade agreement," you have to knock things off the shelf and to be respectful. I believe investment is important. But under Republicans, we increased NIH. But I don't think any of these colleges have been audited. Did you really think taxpayer money should give Harvard \$9 billion? What are they doing with it? I actually believe coming after them will make every single college to start auditing, "what are we doing with this money?" And it will drive more towards research and development than prior.

Glenn Youngkin 22:26

One hundred percent agree, by the way, that we're going to find that waste is so overwhelmingly big that we can cut waste and actually put more lead on target, and that's going to be just the big "aha

surprise" through all of this. When it comes to Medicaid—the fraud, waste, and abuse in Medicaid is somewhere between 15 percent and 30 percent of the overall Medicaid spending. When it comes to research at the university systems, universities that have, you know, 160 or 165 percent indirect costs, overhead, waste, can get it done for a lot less. This is what we're forcing, and this is what we're seeing today in America, is the bright light. And the exact same thing happens when organizations go sideways. You've got to reset them, and you've got to do it quickly. And then we will see a period of real growth, and I think that is why I started with, why I'm optimistic. I think that we will in fact lead the world in AI development, because we will lead the world in investing in the best way possible, because private sector will, in fact, draw in capital to the best ideas. And I totally agree, we will crack the energy code. We will be the first, will be the first time that small modular reactors are absolutely the base load power, along with some big ones. But we will be, we will become the nation that will be far better known as reliable, affordable, and by definition, increasingly clean, because nuclear will be a much bigger part of everything we do. By the way, we have to engage with gas power. We have to engage with everything because we've got a massive power deficit in this country. And I think the aspiration to be energy dominant is not just an aspiration, but we can be, and must be, so that we can have power in order to drive this next evolution of innovation in America and the world. And I fully expect us to do that.

Stephanie Flanders 24:37

Governor, I think, I think you're doing your fair bit. You've got your data storage capital of the world. At this point—

Glenn Youngkin 24:42

We are—listen, I'm going to sell a little bit on Virginia because I'm the governor. That's my—that's part of my job. Stephanie just set me up. Ruth, in case you hadn't heard—

Ruth Porat 24:56

We're there.

Glenn Youngkin 24:58

Virginia is the largest data center market in the world by a factor four, and it is that ecosystem which draws in more investment because people want to be part of it. We've got all the supply chains for servers and racks and cooling systems. We've got a very pro data center regulatory framework, and by the way, we are really cracking the code on power and I launched, two years ago, our "All-American, All-

of-the-Above" power plant. And I said, "hey, we're going to be the first ones to have a small modular reactor that's commercially deployed." Now. I like competition, and so we're working with other states to see who can get there first, but we're going to do everything we can to get there, because I think if Virginia wins this, then we can, in fact, not just lead from a commercial standpoint, but we can crack a national security need in this country as well. And so that's why I'm so passionate about the fact that we have to crack the code here, and there's plenty of money. I mean, there's trillions of dollars in the system to do this, and yes, there will be some government assistance, it's asked for, but the vast majority of the capital is going to come from the private sector, because the private sector is replacing the federal government in driving R&D, in driving capacity expansion, and, most importantly, pulling forward timelines on the timeline of business, as opposed to government.

Stephanie Flanders 26:19

I was playing your horn so that you wouldn't have to, but I completely failed on that sort of thing. Thank you. Ruth, I know you want to join on energy, and then we'll come back to the speaker.

Ruth Porat 26:27

Very much agree that to unlock the opportunity with AI, we have to unlock the power to deliver it. And we've actually published a paper on this just last week, because there has been a broad body of work—and it's great to hear what's being said on this panel—we need to come together and land some of the solutions. We put a set of recommendations, 15 recommendations pulled out of the work that's been done over many years that has the most broad-based support, and it falls into three areas. Number one—to the governor's point—is we have to unlock more innovation in advanced energy solutions, in particular nuclear. China has 30 gigawatts of nuclear already in construction. They have 200 gigawatts right behind that. The US isn't doing anything, and this is the foundation that will let them continue to unlock the upside from AI. And there's a lot that can be done that has been close to the finish line, but stuck on the one yard line. The second is around the grid, something that the governor has already spoken about. As a nation, we have underinvested in the grid. The Department of Energy last year said that we have the ability to unlock 100 gigawatts of capacity in the grid just by optimizing and upgrading the grid. And so again, as an example, running new lines to towers, you can double capacity at 25 percent the cost. There's a host of things we can do. We with PJM, the grid that the governor was talking about, of applied AI to the ability to simulate, optimize what's happening in that very important grid, with a company called Tapestry, a host of solutions there, and the final area—building again on the governor's comments—this leads to jobs. There is a shortage of electrical workers in our country, and we need job training for electrical workers. Historically, Google's done a lot of work on digital skills training. We obviously don't know how to train electrical workers, but we do know how to design programs. So we partnered up with "best in class" for electrical training content. We're doing a small bit. It's not the solution for the country, but we hope that it points the way to others joining in. We have to unlock this, because if we don't, and we continue to see the speed with which China's engaging, it's the foundation.

We're all going to sit here and say, "How did that happen?" Well, we can see it. They've all articulated pieces of it. So I look forward to seeing the progress there.

Stephanie Flanders 28:45

Mr. Speaker, I know you wanted to come in.

Kevin McCarthy 28:47

I think the most bipartisan thing that's going to happen is permitting reform. We almost had it during the debts, and we did need for reform for first time for 40 years. Because it doesn't matter where you sit on the energy spectrum, if you're just for renewable to run. You—nobody can build. We have so much backlog—and this is where, if you get frustrated with Trump, this is the part you'll love about him—there's enough backlog in FERC that you could double the grid right now. He will change anybody appointed on there. That's the fundamental—and then the other thing people don't measure—I firmly believe in the tax bill, and it will get done, but it won't get done perfectly on the timeline that Congress says right now, but it's too much pain that they not do it. But Trump will cut regulation, he did last time even faster than Reagan. That combination will help energy more, and AI will drive energy to do it more than anything else.

Stephanie Flanders 28:57

Peter, you wanted to—

Peter Orszag 29:39

Yeah. Look, I think there is a very positive agenda here that has to do with expanding the supply, not only of energy, where, honestly, the myth of the "immaculate transition" has dominated for too long. And I'm glad we are, I am glad we are past that. In housing, which admittedly is mostly local, but is a huge impediment to the upward mobility of many families. By the way, people have not realized, but the mobility rates in the United States have been declining over the past two to three decades. And you know, part of that is the lock-in effects and the difficulty of finding housing and wherever you want to move to, this is a problem that needs to be addressed. And you can go down the list of expanding supply as a—I mean, Ezra Klein and Derek Thompson just wrote a book called "Abundance," which is fundamentally about, let's stop subsidizing demand, and let's really focus on expanding supply. That is an agenda that, you know, I'm 100 percent behind.

Stephanie Flanders 30:45

Okay, I just wanted to, want to shift a little bit of that follows on from that. If you have a supply-side approach to the economy, one of the things that investors and others were very were excited about in looking at this incoming administration was around deregulation and that whole agenda. But we also saw in the previous administration quite an aggressive approach to corporate power, which actually was also associated with an analysis of what was reducing labor mobility, noncompete clauses. You know, that corporate concentration was itself impeding economic competitiveness. So I just wonder, how would you judge where the administration is on that, and whether it's right to kind of be more relaxed about corporate concentration, if that's the case?

Kevin McCarthy 31:31

The frustration I've had in past administrations, if one administration did something, the other one has to be opposed to it, which I didn't think good—

Stephanie Flanders 31:36

Except it comes to China, maybe.

Kevin McCarthy 31:42

China has united everybody. I created the select committee on China, and I got the idea standing next to Nancy Pelosi at the 75th anniversary of Normandy, looking at those graves and wondering, what could the policymakers have done that that day never would have happened? It wouldn't be 10 years—wouldn't be a year from now, it would be 10 years from now? How many of you ever read "Destined for War" by Graham Allison? Thucydides trap? So 16 times in world history, the number two has surpassed the number one, right? Only four times they didn't go to war. So I sat with Hakeem, the Democratic leader. I said, "I want to treat you the way I wanted to be treated. Okay? And I'm going to tell you every single person, I'm going to point to the select committee on China, and before I tell my own members," and we did it together. And this isn't about preparing for war. We've become too dependent. This is about making sure we don't go to war and pure dependency. And it's the most bipartisan committee. And when the President of Taiwan came to see me—I held the meeting at the Reagan Library, simply for the symbolism of defeating communists without going to war—and when we sat and had a press conference together with the Berlin Wall behind us, Andrea Mitchell gave the first question, and she said, "I cried, and I was with Reagan. We said, tear down this wall. And I feel just emotional as today, that you are so united without politics." And I think it's been one of the most positive things and

dependency, just like they control 90 percent of the critical minerals, but 95 percent of the processing. And that really comes down to Congress. Are they going to allow us, if we have our own resources, to be able to do that? And I think this is a place—this is where the TikTok ban came from. This is going to be a very positive situation.

Stephanie Flanders 33:21

What happened to that? But I did actually distract you from—Gary Cohn. Do you want to take on the antitrust question?

Gary Cohn 33:31

No, look, I'm always troubled by this topic to some degree, because, look, we clearly want our companies to play within the rules. We don't want anyone to have an unfair advantage. So that's a given. On the flip side, we sit here and we talk about "we have to compete against China," which we do, and we have to win the battle. China's trying to build the largest companies in the world to take over the world. We're trying to break up the larger companies that are successful in the United States. I think we've got to decide which side this equation we want to come out on. I think we want to be able to compete globally. And if some of our companies are really successful and happen to be very large, it's okay. It's probably good for us in this country, and they probably bring home a lot of tax revenue, and they probably employ a lot of people, as long as they're not prohibiting other people from competing in the space. I don't think we as Americans should have problems with it. We should actually be very prideful in the fact that we can build these companies from nothing and the companies we're talking about. And I know we're smiling, a lot of these companies didn't exist 30 years ago, 40 years? 50 years ago, none of them existed. So you think about the creativity—and this is why I start out being so bullish on this economy—you think of the creativity and the entrepreneurial spirit that exists in this country. We've built some of the largest companies in the last 20 years. Let's allow them to continue to thrive as long as they're playing within the laws. That's why we have laws in this country.

Stephanie Flanders 34:56

Peter?

Peter Orszag 34:56

So the biggest divergence that the biggest bad crowd had was because it's easy to kind of just say it's across the board, it's really quite specifically with regard to vertical integration. So that is a firm that is

buying something that's a supplier or a distributor, as opposed to merging horizontally. And there, I think, honestly, there was a lot of rhetoric, often without a lot of evidence. And you're going to find, I believe the new administration to be that's where the differences will be. The most significant is a little bit of backing off from the "all vertical integration is bad." And let me just highlight one area where this tension is paramount. I saw Dr. Oz yesterday. He's here. I believe that CMS under Dr. Oz will push very hard on value-based care and health care, which is fantastic. We should pay for value and not for quantity. But as you do that, you're creating incentives for insurance companies and providers to act as one, because that's effectively what most of the incentive under value-based care does. And we have evidence—we're here in California, Kaiser Permanente is a good example of fully vertically integrated health care players that perform better than others. So if you go after vertical integration, but you also want value-based health care—which, by the way, the administration—the prior administration, was saying simultaneously, you have massive cognitive dissonance. One arm of the government saying, "don't do this," another arm saying, "do it." I think that will be better going forward.

Stephanie Flanders 36:36

Ruth, you obviously, you're sitting in a place that has not necessarily received the benefit of this change in approach to antitrust. Is there a consistent message coming from the administration? Do you understand where its approach to competition now?

Ruth Porat 36:53

It is gratifying to hear that this is the golden era of innovation, because we believe that it is the golden era of innovation, and we think the opportunity for this country is extraordinary, for all the reasons we've discussed on this panel today. We think the DOJ approach and thesis, as we've said repeatedly, is flawed, and we will appeal. As Gary said, AI didn't just happen. We've been investing aggressively, meaningfully for well over a decade. Quantum we are helping to set up the country to have an important victory with quantum, as is IBM and others. It's going to be critical for the future of biology, material science. In fact, it's a critical asset. Google actually wasn't the first search engine, for those who remember we were the eighth search engine. I remember when all of a sudden Google pops up. I'm wondering, why do we need an eighth search engine? From inception, it was about creating a radically better experience for users, and that's been the guiding principle. And when we sit here today, we've publicly said we're investing \$75 billion in CapEx in 2025, that doesn't even include the R&D investments. We can't do that. We don't expect we would be able to do that if the DOJ recommendation is followed. And so what does that mean? How do you sync that with golden era of innovation? Now I can't understand it, but what we're doing is we're telling the legal team, "you go deal with that, because we don't think it makes sense," we will continue. We're telling all the engineers, "do what you do and do well, focus on users, solutions continuing to deliver for everyone in the communities in which we operate, in the United States and around the globe." And when we will see where this ends up going, hopefully, the right direction.

Stephanie Flanders 38:41

I'm going to change the subject, but I did mention the start. I mean, one of the things that economists had been quote unquote concerned about, given how much it had been part of the growth model in the last few years, was the much tougher stance towards immigration of this administration. Now, obviously the focus has been illegal immigration and companies don't tend to kind of stand up for the right to have loads of illegal immigrants working for them. But Governor Youngkin, do you just worry you may be in the slightly the wrong part of the country? But do you worry about sort of short-term impact on employers, of a sort of chilling effect on immigration and immigrants?

Glenn Youngkin 39:22

Well, we first have to start with the reality that there was an invasion, and we ended up with just an uncountable number of illegal immigrants who were violent criminals. And that is the first step, and we've got to deal with it, and that's why I was so pleased to be able to partner with the Trump administration and go to work, and so we signed an agreement, a memorandum, with Homeland Security and the FBI, the DEA, and we went to work with state police, and we have had eight weeks straight of targeted effort in order to arrest really violent criminals who are here illegally. And we are now cresting over 750 arrests, terrorists, gang members, and and so we've got to go here, because, again, they are living among us, and what they have introduced in our community is real.

Stephanie Flanders 40:22

They've been proven in court to be terrorists and criminals?

Glenn Youngkin 40:26

What they've been proven—

Stephanie Flanders 40:27

If they actually had any kind of—

Glenn Youngkin 40:28

What they've been proven is that is one they have real proof that they are involved in illegal activity that involves either drug trafficking, human trafficking, membership of MS-13 or Tren de Aragua, and in fact, are tied to violent activity in communities. That's where we start. And in fact, this is a normal law enforcement practice, folks, which is, you arrest someone, and then all of a sudden you can unpick their connectivity to the entire distribution system and slowly undo it. And we have to do this, and it is predominantly run by people who are here illegally, shouldn't be here, and they are engaged in violent crime, we must do this. And so that's where this has to start. And I have to say that the anecdotes are one thing, because they're real. But the heart of the matter is the vast number of violent criminals who are here illegally that need to be arrested and need to be dealt with.

Stephanie Flanders 41:42

Not all of on those occasions—and the ones we've seen in the last minute, there's obviously been lots of reporting about how strong the evidence in some of those but actually, I really want to get past that and just to a sort of core of what has been a source of economic strength for the US over the last few years, which is to be a very opening environment for foreign citizens.

Glenn Youngkin 42:03

Legal immigration.

Stephanie Flanders 42:03

No, but we have people who are now being we have for if foreign students who are studying here may be contributing potentially to entrepreneurship and inventions in the US and down the road are being intimidated. If people are worried about—I mean, we all know people here who have been told, actually, if you don't need to come to the US, don't come or just take a burner phone. I mean, all of this is, I'm sure, exaggerated, but just about the sort of atmosphere that it creates for a country that's trying to attract foreign talent. I mean, Peter, do you, do you worry about that specific cases?

Glenn Youngkin 42:19

There is, there is not a shortage of extraordinary talent that wants to come to the United States. And there they are lining up to come into the United States and study at our universities and engage in in discovery and be part of the tech system, and to engage in not just the advancement of business, but also all that comes with it, and that is legal immigration and we need it.

Peter Orszag 43:07

I agree that we need to have secure borders, and I agree that, you know, no one, no one can or should be in favor of illegal immigration. So let me just say that, however, even if the burner phone phenomenon is anecdotal. Anecdotes can become the, you know, the telephone game and affect our ability to attract top talent. The number of foreign CEOs with whom I've spoken who say that they are going to be bringing a burner phone to the US is much higher than it should be. So I very much hope that whatever is causing that changes, because that is not good for our economy.

Stephanie Flanders 43:48

Mr. Speaker, do you think, do you just worry about the again, the tone of what's happened over the last few months, and the maybe the overreach by some people in individual bits of homeland security, which then contributes to these stories?

Kevin McCarthy 44:05

Look, I think the greatest strength of America is not our aircraft carriers, the idea of America. Okay? But President Trump got elected on two main factors, the border and the economy. And I think 80 percent of America believes the border was out of control. So just like everything else, you have to actually make this statement to stop the illegal from coming. We were the most generous nation in the world more than a million people ago. Now you're going to get a gold card. So you're going to get a whole other set. I think this is a small part. I think it will make people rethink, I'm more concerned the relationship with Canada and Mexico, because I believe that's a great deal of strength, and I think that has to be, we have an agreement with them. We need to work through it, because if you can't work with your neighbors that you have an agreement with, it's hard to make agreements with other people.

Stephanie Flanders 44:57

I want to go back to, we started right at the beginning. You mentioned about debt, and you also about the importance of making the tax cuts permanent. You know, that is one of the things that if you again just doing a sort of classic economic health check of the US, you'd say that's the kind of scariest bit of the scariest chart is what happens to debt under any reasonable assumptions. So do you see a path, given the relatively modest gains of DOGE, given the kind of cuts that are on the table in Congress? Do you see a path to meaningfully flattening US the US debt trajectory?

Gary Cohn 45:41

There's always a path. Do we want to take the path? We're going to have no choice. I think we're going to have to get to the point where we take the path. So if you look at what DOGE is trying to do in like waste, fraud, and abuse, as the governor said, as the speaker said, there's waste, fraud, and abuse everywhere. It's hard to go in and find those pieces. I actually think we'd be better off to take a step back and figure out, what can we actually eliminate? It's a lot more cost effective to start eliminating things. So I'll go back to my former, former, former life. You know, when you look at the banking sector in the United States, I think we have eight to 11 regulators in the banking sector in the United States. If you look at the UK, you look at Hong Kong, you look at Japan, you look at Singapore, you'd say all they have pretty good markets, pretty good banking systems. They have a maximum of three regulators in each of those countries. They don't have an SEC, they don't have a CFTC, they don't have an OCC, I could keep naming names of things they don't have. They have a prudential regulator and a market and a central bank, and they have a regulator that protects the public. We could do that really efficiently in this country, and we could cut out real, real spending long term. Now, look, it will take my friend over here and his colleagues in the capital to get rid of bunch of these agencies. But these agencies, in many respects, I think, have probably outlived their needs, outlived their services. So if we're going to get serious about taking money out and keeping it out, because the DOGE money, I hate to say it, and the next administration could come back in. The way to keep it out, take it out is to remove part of the organization that actually doesn't need to be there today.

Stephanie Flanders 47:25

Well, I guess you only find out if you needed it once you get rid of it. But Peter?

Peter Orszag 47:30

Look, if I told all of you that there was a country running 7 percent of GDP deficits, as far as I can see, that the debt to GDP of that country was 100 percent, that the political system was deeply polarized, that the country was arguably alienating a third of its investor class, and that that country was also toying with the idea of whether the central bank should remain fully independent or not, that would not be a combination of factors that would be confidence inspiring. So I agree with Gary, we've got—I think this is, in my opinion now there was a decade, and I will say even I, as a former CBO director and a former budget director, sort of had just tuned out all the Chicken Little kind of "the sky is falling" fiscal stuff, because all of the dire predictions were not happening, and it kind of got a little tiresome to keep hearing them. But if you compare where we are now to where we were a decade ago, it's a lot different. The deficit is twice as high. Interest rates are dramatically higher. I am particularly pleased that Secretary Bessent, this morning, has cleaned up the question of whether the administration is doubting whether it being the reserve currency is a benefit or not. I think there were statements from other administration officials which were not helpful. That is a very dangerous thing to be doing, given the combination of

facts that I had. So this is, I think it's time to worry again about this trajectory, and I do hope that we get serious about what we're going to do, because you don't want to be in a situation where it gets away from you. And I think the risks that it gets away from us are higher now than it was over the past decade.

Stephanie Flanders 49:18

Mr. Speaker, as Gary said, it's all down to your colleagues.

Kevin McCarthy 49:22

Well, then I'd be really worried. Structure dictates behavior. There is not one person who gets elected that they're going to go in and cut. It doesn't show up on any poll. Now, we had this exact same problem in 1990 with the collapse of the Soviet Union, and there's not one member of Congress who's going to raise their hand that we've spent the last 40 years developing a military to fight the Soviet Union, that's going to raise their hand and said, "close my base." So they know the structure wouldn't work. So what did they do? They created BRAC, Base Realignment and Closure. So every leader got to a point to it. So if they came up with the plan, this is all they were promised. They'd get a vote on the floor in the House and no amendments. You know what happened? It would pass and it would be bipartisan, because then you're boxed in. I actually made this offer to Biden during the debt ceiling. I said, "Let's do it, and let's vote after the election, you got the tax bill, and you got some provisions Obamacare coming due." So technically, in the tax bill, if you took some revenue, you're not raising taxes, because they're all going up automatically. You're actually decreasing them. In Obamacare, some of them are going to go provisions we're leaving. So if you reform that—from a Democrat—you weren't destroying Obamacare. And if you did it after the election, you got a little lame duck. The greatest strength any politician has is the first day they're elected, and it goes down each day till the next election, then it goes back up. So—and if you did it together, no one would lose their job over it. Now you can eliminate things in government that's not going to do anything for you. The drivers today are the government programs, and if you do nothing, eight years and nine years, they'll automatically be double digit cuts to them and few options. It's the greatest threat we have.

Stephanie Flanders 51:21

Okay, but help me out here, because when you look at the only serious cut in a nondiscretionary program that's on the table that is actually gaining some momentum in Congress on Medicaid, but the president has said multiple times he doesn't want to see cuts without that number, without that cut, it's very hard to see how you start to pay for the tax cuts. So I just wonder, how do you, given your history, your experience, how do you think that's going to be resolved?

Kevin McCarthy 51:47

Okay, my experience in the debt ceiling, I cut \$2 trillion and I lost my job over it. Even in this reconciliation, they're not coming anywhere near that. And it's a Republican White House, a Republican Senate, Republican House. So that's why I say I don't put my trust in them getting—it's going to, becomes such a big problem that no longer anybody can ignore it. But you have to change the structure, otherwise the members will, just the minority will fight who's ever in the majority, take it out of the argument and bring it back in one vote. And that's the way you have to get it done. But you have to be able to change eligibility. Look at the FMAP. When we created Medicaid, you had to be pregnant or disabled. And we pay, we pay 50 percent. We still do that, only 50 percent but if you go on Obamacare, federal government pays you 90 percent, and why wouldn't these governors sign everybody up of 200 percent of poverty? Well, you'll go broke during that.

Stephanie Flanders 52:46

Ruth, you're kind of you're—luckily for you, you don't have to think about US federal debt that much. But I just wonder, the conclusion from this is, yeah, it's very unlikely—we're pretty unlikely to put it on a sustainable path over the next few years, and it will say there's just a fundamental problem that everyone agrees on that is not being resolved by the political process. So does that, if you're thinking about it, just as the leader of a major global corporation does, does that? How much does that undermine US authority in the world, if there isn't clarity on that, an ability to resolve that?

Ruth Porat 53:26

I thought we're going to take it a different direction, and I'm going to answer your question. But the first part of it is, I'm a typical tech optimist. I believe we are Google, and we're continuing to invest in the country because we believe in it. We believe that the problems are solvable we've had. I think one of the things that I'm very focused on is, what are the reasons that we see this polarization in the United States has become so dysfunctional, and are there ways that technology in communities that legitimately have been left behind and are saying, well, what about this for me, where we can say, with technology, whether it's the application of health care, so you can get early diagnosis and you can have your child taken care of the right way, or in education or in infrastructure, what are things we can do where people can say, actually, government is working for me? I'll give you an example. In New York state, there was that we were brought in because there was an 18-month queue on service delivery. And with AI, and working with our cloud team, we were able to compress it to a couple of weeks. Well, if governance not working for you, you're going to see the kind of frustration and this inability to get anything done. So I'm hopeful that actually, we're doing some work with the governor, that we'll be able to land some things that actually show that we can make progress. And hopefully it's not quite as bad as he's saying, in terms

of landing a reasonable budget, we're counting on you in terms of the rest of the world, I am concerned because, as I said, the conversations are, we believe in the upside from technology. But China is not far behind at this point. The US is in the lead on chips. We're in the lead on frontier models. And we've been saying for quite some time that the gap is narrowing. And I think with DeepSeek and with Huawei's ascension and what we're seeing with their operating system, HarmonyOS, what you're seeing with data points like number of graduates in computer science or publications or the rankings of universities, the gap is narrowing, and I think there's still very clearly a desire to work with US companies and the values that we represent, and we just can't take that for granted. And I think there does become a tipping point where it becomes challenging. I don't think we're anywhere near that. But having had the privilege of working with Hank Paulson during the financial crisis, he said, "you know, you have to have a will and the means. And too often, by the time you have the will to do the right thing, you no longer have the means." We need to be ahead of this. And I think right now, getting the everything landed as quickly as possible, as effectively as possible, so that we can move on, is an investment in the future for our children.

Stephanie Flanders 56:09

Yeah, about to ask you question.

Glenn Youngkin 56:12

Yeah, the one thing we haven't talked about is growth, and at the end of the day, growth matters. And we need a lot more people working in five years and 10 years than we have today. And just to lay out a couple numbers, we have 7 million jobs in the United States that sit empty. They're available, people can take them, and they're empty. And if you take today, men and women between the ages of 16 and 65, the numbers of them that are sitting on the sidelines who otherwise could be working, and if the just the percentage of them was working today that we had back in the year 2000 it's another five and a half million people working. I mean, this is the key, and this is why, candidly, you can take this to a state-by-state basis and see the difference. Remember, state, most states have balanced budgets. We don't get to run big deficits. So how do you create space? You either grow, or you shrink and cut, or shrink and tax, and that is the truth. And so in Virginia, Virginia was stagnant, and we came in and absolutely energized it. We've had record job growth, we've had record investment, and by the way, we've had \$9 billion of tax relief and record budgets, and we're getting ready to run our fourth straight surplus. The key to this is growth, and so you've got to turn on real growth, and that means we've got to get jobs, that's investments, that's new kinds of jobs, that's pathway for people to get there. And then we have to get people off the sidelines and to work. America today has a 63 percent labor participation, 63 percent. Everybody talks about unemployment. This is the more important number. The more important number is how many eligible working adults are actually in the labor force. And that number used to be 65, 66, 67, and when you begin to think about what one, two, and three percentage points means, from number of people have a job, paying taxes and oh, by the way, having purpose and dignity in life, it changes

everything. And so yes, we have to rein in spending. Yes, we have to but we also have to get growth. And that's why I'm optimistic, because I do believe the investments that are coming into America to reestablish manufacturing, and not again, low-level manufacturing, but high value-added manufacturing, and the tech leadership that we will absolutely have, and everything that comes with it will be a job-creating engine that we haven't seen in a long time.

Stephanie Flanders 59:05

Well, that's the kind of grassroots enthusiasm and optimism from the states that we might as well end on. Thank you very much.

Glenn Youngkin 59:12

Thank you.

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