BILL KRISTOL:

Hi, I am Bill Kristol. Welcome back to *Conversations*. I'm very pleased to be joined again actually for the fourth time on this series of conversations by Larry Summers, the very distinguished economist, a Harvard University professor, former Secretary of the Treasury, former director of the National Economic Council. Larry, we haven't done this for a few years. You remember that in February 2021, we had our last conversation. And you very early warned that you were worried about inflation being much higher than people expected. And from a political point of view, doing more damage to the Biden presidency than expected. So that was prescient. Anyway, thank you for joining me again. I don't mean to remind people of—

LARRY SUMMERS:

Good to be with you and good to have one of the accurate predictions I made remembered. It's not that 100% of them have been accurate over time.

BILL KRISTOL:

Well, whose are, especially in this day and age? I was very struck by... I want to talk about the current economic moment and especially about your alarm about it, if I could put it that way. You've seen an awful lot of things come and go. You've seen a lot of presidents make policy mistakes and we pay a price for those mistakes, but that price is whatever it is, point something percent of GDP or something else. But a couple of weeks ago, you talked about your genuine alarm at what was happening in the markets. You said what not quite as scary as the financial crisis or right after the pandemic. But the next thing to that, and that was particularly rocky week for the financial markets when the tariffs had been put on and not yet partly taken off.

But I'm really curious in asking you this sort of, as much as a former Secretary of the Treasury and NEC head, as economist, which is why your alarm got me alarmed. It's not just a matter of economics. You've been in government, you know how these things work. So how alarmed should we be at the moment? What alarmed you the most?

LARRY SUMMERS:

I think there's a set of short term financial concerns, a set of medium term economic concerns and a set of longer term systemic concerns. And they're each very serious in their own way, so maybe let me take them in sequence. There are different patterns with which markets trade. There's a classic bastion pattern, which is the pattern that I associate with the United States. Sometimes the world gets risky. When the world gets risky or problematic, stocks go down and people buy bonds as insurance, and they buy the dollar as insurance. And that's the pattern. And sometimes the world gets riskier and stocks go down and bond yields go down and the dollar goes up. Sometimes the world gets safer and stocks go up and bond yields go up and the dollar goes down. That's the pattern of a bastion. There's a different pattern, which is the pattern of a suspect emerging market.

That's a place where people either feel good about it or they feel bad about it. That's the experience of the typical Latin American country. That's the experience of the typical developing country. That's why a central thing you watch is do you start having days when interest rates are going up and the currency is going down even though interest rates are going up? Because when that happens, that's a sign that people just don't trust you and they've stopped trusting you. And so, you make inferences not just from what's happening in markets to which way an individual security is moving, but from a correlation pattern across markets. Typically, it's been the developing country market pattern that's characterized the Argentinas of this world.

And it's been the bastion pattern that has characterized the United States. We've had a few moments when it's been otherwise during the Carter administration, right before Paul Volcker was appointed, for example.

But the general pattern has been the one I described. What we have seen take hold in the last month is the salience of the American capital flight trade. Days when the stock market goes down, the bond market goes down, the dollar goes down and gold goes up. And that is a sign that the issue is becoming, in a meta sense, confidence in the United States. And when people are going in and out of being confident in you, that is an alarming thing and that is what we've seen emerge. It's the kind of thing that in a developing country, you ask yourself whether they're going to have to have an IMF program within a few months when you start to see that pattern develop. We're too big for an IMF program, but we're at risk of a major kind of a financial incident. And—

BILL KRISTOL:

And am I right, If I could just... That there's no reason to have thought six months ago, let's just say, that this would be... I'm not making a political point here really, I'm just being analytical, that this would be happening. That this is a phenomenon of the last two or three months really of the new administration's mode of governance.

LARRY SUMMERS:

I think what a fair-minded person would've said a few months ago is, "Gee, we have a lot more debt than we did and a lot more government debt than we did. And our politics are in general seeming more polarized. So you would've said that we were in a more risky place where we had much less room for error than we might've had room for error 20 years before. But we weren't in some kind of imminent danger. And I think what has happened is in a general environment where we don't have that much room for error, we've started making huge scale error in terms of our attitude towards the rest of the world, our unpredictability, our potential hostility to investors in our currency. And so major errors starting from a limited room for error environment have brought us to the point where we are very, very much on the edge.

And what is very important to note in thennow nearly a month since "Liberation Day," is that there is no evidence, zero, of markets accommodating themselves to these policies. All the good news when there has been good news has come from a sense that there's going to be a policy reversal. None of it has come from a sense that, "Well, we really are going to impose the tariffs. There really is going to be some kind of American renaissance." Zero of it has that character. All of it is, "Well, maybe they won't go through with this crazy stuff, maybe they'll back off here. Look, they backed off there. Look, they're sending signals that they're just going to declare victory and not do anything real." So that is the disturbing thing. And these things can tip very quickly. One of the first major financial dramas that I witnessed as an adult professional economist was the 1987 crash. And that had its roots in a risky environment, markets were high.

That had its roots in there being some problems in the plumbing, lots of portfolio insurances, what it was called in those days. But the match that lit the fire was a spat between our Treasury Secretary, Jim Baker and the German financial authorities, and a question about whether the dollar would be allowed to fall. And investors all of a sudden decided they didn't want to be near this drama and got very alarmed over the weekend. And then on Monday we had a major crash. And that's the kind of event that this all makes us at risk of. It's pretty clear that the first of the many reversals, the reciprocity reversal that took place, came because the Trump administration in a matter of a few hours, became alarmed that this kind of thing could happen imminently.

And indeed by all press accounts, the US trade representative was in the midst of testifying in Congress when he learned that there had been this dramatic reversal. So I think there is real financial risk that is present and maximizing uncertainty maximizes the risk. And the risk is probably front loaded because if people get used to the fact that there's a hugely uncertain environment, they will de-lever. And then in expectation that there will be more errors, markets will adjust themselves in ways that will allow more room for error, principally by going down to lower values which will be bad economically. But right now, I think we are in a moment of very substantial risk, Bill.

BILL KRISTOL:

So the markets haven't quite adjusted.

LARRY SUMMERS:

It takes time, the process of de-leveraging, the process of finding a new level, takes a risk. And the important to understand about financial markets and financial market risk is that the law of supply and demand doesn't always work. What's supposed to happen is when prices go down, demand goes up and that sort of equilibrates the system. But in financial markets, when prices go down sometimes people get margin calls or forced to de-lever and then they have to sell. And sometimes everybody just gets more scared because prices have gone down and they want to become net sellers. So when falling prices produce net selling, then that produces faster falling prices and more net selling. And the whole thing can spiral very far. And we are not way far from that kind of edge right now.

And a sense that we're going to do more of these kinds of things or a misunderstanding, makes it more likely. Europe was a much more brittle place in 1914 than it had been 10 or 15 years before. And therefore events which might otherwise not have been hugely consequential became hugely consequential. And that's in a way to understand the current state of financial markets.

BILL KRISTOL:

It's funny, I was talking to someone last night about a more foreign policy focused discussion. Not so much economic policy, though intersects lot. And 1914 came up and sort of Kaiser Wilhelm thinking he was good at this and not being good at this and making a couple of miscalculations and then one thing leads to another in that dynamic way that the world sometimes takes on, I guess. So two questions about what you said so far related. Let's assume Trump has internalized the notion that the original round of tariffs were wildly too high and disproportionate, and he settles to a policy that I assume most economists would still think is suboptimal, but is some tariffs. And so the world could equilibrate to that presumably, but how much of... Would that reassure people or how much is there still is the uncertainty a problem now almost as much of a problem as the actual dead weight of the tariffs on the economy?

I guess A and B, and relatedly, how much is it tariffs and how much is it just the overall governance and God knows whether we're going to have immigrants here, what would have been an important part of the economy and tourism because people don't want to come because they're going to be harassed when they enter and scientific growth because of the biomedical stuff. How much of it is the overall set of policies? And to be fair, some underlying conditions as you said, like the debt and how much of it is tariff specific?

LARRY SUMMERS:

Let me say three things. The secret sauce of economics is arithmetic, so I think it's useful to just think about some numbers. The average tariff rate in the United States before Trump's first term was 1.5%. During his first term with really very considerable excitement, he doubled it from about 1.5% to about 3%. The proposals that he announced on “Liberation Day” took 3% to 28%. So it was a tenfold increase. It was 20 times larger almost than what he had done during his first term. There are differences in view about how to interpret precisely where we are or where things might go, but I know of no thoughtful observer who thinks the number's likely to fall below, well, something in the 12 to 15 range. So we are looking at an increment to tariffs five to 10 times conservatively as that which he applied during his first term. So it's a mistake to think of this as a respite from anything other than insanity. From the perspective of what people expected even on election day, on knowing that Donald Trump had been elected, what today is regarded as an optimistic scenario is a high tariff scenario. So I don't think we should sort of say, "Well, the tariffs may still work themselves out, but we'll still have big problems." Working themselves out for the tariffs is still getting to a very, very bad place. Second thing I would say is... There's a saying that it takes 30 years to grow a forest and 30 minutes to burn it down.

Credibility is a little bit like that. And once you lose credibility, once you do one highly erratic thing, nobody can know about the next kind of erratic thing. And by the way, even if we are completely calm and stable, the nature of the reactions to this in the rest of the system may take time to play out. So I think the level of uncertainty is much greater and uncertainty encourages standing still, and when everybody tries to stand still, there's not much forward motion and the risk of economic downturn increases. I think the third thing is something you also said, which is in almost every area, policy is erratic, authoritarian and confidence-threatening.

I think it's an extraordinary thing that the number of flights booked by Canadians to come to the United States is down by 70%. You and I, Bill, are used to the idea that going to visit certain countries, prudent people carry burner phones so that their phone will not be downloaded with its content. It is now very common practice for visitors from our Five Eyes allies, not NATO, our closest intelligence sharing allies. People in authority from those countries now don't feel comfortable bringing their regular cell phone to the United States. That is a quite stunning level of deterrence that we are introducing. And so I don't think that gets put back in the bottle.

We are seeing precedence set in terms of the wielding of the presidential authority in arbitrary ways that will be followed by future presidents. There's a term in physics that I was involved in importing into economics that I think very much applies here. The term is hysteresis, a physical system which is a ball and a bowl has only one equilibrium. Wherever it starts, the ball rolls to the bottom of the bowl. A ball on a football field has lots of equilibrium. Wherever the ball gets kicked, it stops and it rests. And systems are sometimes subject to a kind of cyclicality.

Joe McCarthy came, the system processed through Joe McCarthy, and yes, it contributed to some dynamics in the 1960s, but you would probably have said that by 1970, whatever America's problems were, they were kind of not very different because we had the very bad Joe McCarthy episode. But sometimes events cast a permanent or near permanent shadow on the system, and I think that it is very likely that what we are seeing will have that kind of effect as future historians look back at things.

BILL KRISTOL:

And I suppose if the country fully repudiated this experiment and goes, "We can never go back." But went forward to a more stable governance.

LARRY SUMMERS:

If it fully repudiated this experiment, then you're right, that might actually be what's happening.

BILL KRISTOL:

But it's difficult to do that. I agree.

LARRY SUMMERS:

But I think it's going to be pretty difficult to do that. I think that an example for better or for worse is various changes in the way the confirmation power has been adopted by the Senate. Once that changes, it has changed and it is very hard to cause it to go back. And I think there will be that kind of tendency going forward. So I think this affects very much the character of our democracy. I think that a big thing is just what happens apart from all the market stuff. This is the equivalent as a supply shock of an increase of perhaps $50 in the price of oil. It pushes up prices proximally. And so because we're paying more for the things we import and because we're paying more for the things we import, we are poorer.

And because we're poorer, we spend less. And that means there's fewer jobs and more unemployment. So we have administered a self-imposed supply shock to ourselves. And that's always the most difficult kind of economic problem to deal with because you don't know whether you're supposed to hit the accelerator because of the unemployment or hit the brakes because of the inflation. And so you can't really solve both problems. So I think we've done a very large amount of damage, and I tend to be an optimist about the United States. I think there's a lot of resilience. I do note that there has been at the most critical moments, some backing away from these kinds of policies.

So we may work our way through this, but only if there's very substantial alarm and very substantial reversal.

BILL KRISTOL:

I think that the seventies is such an interesting analogy, and I thought about it a little before, more in political terms, but combining... I mean one way to think about it, maybe we had the oil shock in '73 basically, and then Nixon at the same time, considerable political instability leading to the resignation of actually Agnew, separate reasons in a way. Agnew then of course Nixon in '74, but that was about a year. I think what everyone thinks of their administrations— Ford and Carter tried to restore a certain kind of normalcy, you might say, to our politics and did to a reasonable degree. Obviously the economics of the rest of the seventies remained choppy to say the least.

And it ultimately took whatever it took with Volcker and all this. But one thing that's really striking, leave aside post 2028 and how much of the damage remains, and I think that's a real concern. But also Donald Trump or Donald Trump only if he's in good health, if not JD Vance, will be president for the next three and three-quarter years. So it's not as if… you don't have that sort of... I mean that was a one-year shock in a certain way in '73, '74 here. Here, it's not only self-administered, which is worse presumably, but also that's where I guess I get also so worried.

Various practical decisions the Trump administration made might ameliorate some of these conditions over the next month or two or three, but will people abroad or people at home for that matter who are investing in building plants and so forth, keeping money in US treasuries as opposed to other countries. They feel like this is, "We're fine for the next three years." Three and three-quarter years is a long time. I guess that's my... I really have come to this a hundred-day stuff. We're speaking here on, what is it, April 28th and it's almost a hundred days of the year, and it was a hundred days. That's a really a long time.

A hundred days is one-fifteenth, I haven't done the math precisely of an administration's longevity. And if we're at this level of instability and uncertainty at one-fifteenth, could get better, but it could also just at least stay as bad or could get worse.

LARRY SUMMERS:

If JD Vance were ever to ascend to the presidency. It is hard to imagine him saying that our long national nightmare is over as he ascended, and that is a very substantial difference. Richard Nixon, for all his many faults, knew the difference between right and wrong well enough to do his best to obscure all the wrong that he was doing. Donald Trump glories in the wrong that he's doing and wants it to be as public as possible so as to deter, intimidate, and cast a shadow over potential opposition. That is a very profound difference.

No one doubted that when the Supreme Court said that Richard Nixon had to turn over the tapes, that he would. No one doubted that when the Supreme Court said that the *New York Times* and the *Washington Post* would be allowed to publish the Pentagon Papers, that they would in fact be allowed to do that. And we don't have that confidence right now. We are not sure whether court orders will be followed. They might be. I don't think yet we have crossed the Rubicon into complete defiance of the judiciary, but we are sure sidling up to that Rubicon in a big hurry. And that is a very different thing than what we had before.

Bill, the stories I hear of people who would've been inclined in various ways to be oppositional, but they weren't sure they could and be 100% confident of their family's safety, these kinds of stories are not what we expect in America. Now, I think it's very important not to have what people have started to call Trump derangement syndrome. I absolutely avoid any analogies with Germany in the 1930s, but I don't think it's necessary to avoid analogies with Argentina in the

'40s, '50s and '60s. Argentina was a country where its standard of living in the first half of the 20th century weree in the same broad range as that of the United States. People looking at the world after the Second World War put Argentina in a category of countries with Canada and Australia. Educated, mature populations with substantial natural resource wealth and bright prospects. And Argentina's path was very, very different.

And the roots of that lie in populist political economy. They lie in authoritarians with appeal to the people of the soil, pursuing nationalist, protectionist, economic policies, engaging extensively in crony capitalism for their own benefit and that of their friends, disregarding intellectual expertise in any of its various forms, eventually seeking to intimidate opposition. And over time, those lead to the desecration and maybe ultimately the destruction of a national project. And that is what is at risk, it seems to me, here in the United States.

I hope that there will be a sufficient uprising of concern that that will not be what takes place, and I think the most likely thing is that this will be remembered as one of the many unfortunate episodes in American history from which when events were unfortunate, but friends were favorable. I think that it's always very, very important for all of us, particularly people like you and me, Bill, who engage in commentary, to remember that 75% of the news is about events, and 75% of events are bad. But most of what shapes reality is trends, even though it's mostly not what's in the news, and that there are a large number of favorable trends working in the direction of the United States. So I think the right posture is alarm but not despair.

BILL KRISTOL:

I'm with you on that.

LARRY SUMMERS:

In this moment.

BILL KRISTOL:

But of course events affect the trends, as you said at the very beginning of our conversation. And if we radically cut back immigration and if we have a trend of scientific discovery and invention in this country, which has huge positive spinoffs and directly and indirectly in terms of some of the more government-financed science and medical stuff, that's where the trends can get bent, I suppose, by the events.

Let me ask you two things that are somewhere between I guess events and trends, but you have great knowledge of and experience in dealing with in government. One is the Fed. I mean it just seems to me from a common sense and the other, just forecast, I'm very curious about the international side of all this, which I think maybe is a little under-covered compared to the ... We are here interested in the US, which is understandable, but it is a global economy and obviously they're real international repercussions and they get a chance to make decisions as well.

But on the Fed, just from a commonsense point of view, it just seems inflation is probably not going down. Tariffs are inflationary, if I'm not mistaken, and the deficit is not going down. So the Fed presumably will be under pressure not to maybe to tighten ... If not tighten, at least not loosen. On the other hand, if the economy slows, which also seems quite possible, they'll be under pressure to loosen. So what does the Fed do? How worried are you about Fed independence, which I think has been, don't you think, pretty important in allowing us to be the reserve currency at a place where people were happy to come and invest and also to hold dollars in various forms despite the deficits. Because at the end of the day, the Fed was pretty reliable Post-Volcker. How worried... Trump has said he... Now he's backed off. He's said he was not in favor... Wanted to fire Jerome Powell, and now he's not going to fire him. He's still going to replace him in a year, I suppose, when his term runs up. How worried are you about the Fed as one of the pretty important keystone, I think, of this whole happy economic story we've had for quite a long time now?

LARRY SUMMERS:

I have told multiple presidents that Fed bashing is a fool's game because the Fed will not listen, and therefore you will not reduce short-term interest rates and the market will listen, and long-term interest rates will go up. So even in terms of its narrow objective of getting interest rates down, public Fed bashing by presidents is a mistake. I think it is worth just remembering, because people can get awfully purist on this subject that a review of dialogues between the Reagan administration and the Fed in the mid-1980s would be troubling to deep advocates of Fed independence. A review of dialogue between Richard Nixon and his Fed Chairman would be beyond sobering for advocates of Fed independence. A review of Lyndon Johnson and William McChesney Martin's discussions at the LBJ ranch would troubling.

So I think this can be romanticized in terms of what the history is, but again, there's a very big difference it seems to me, between private dialogue and public dialogue. And I think what the president is doing is undermining the credibility of the Fed. That is de-anchoring inflation expectations, and that is making it harder to have low inflation without recession. And so it is completely counterproductive from his objectives, whatever your exact view is on how monetary policy should be managed tactically.

Who the president selects as Jay Powell's successor, who the president ... How that person conducts themselves and demonstrates independence is something that will be very, very important. I do think it's important to note, and I think that a lot of these discussions at this moment as the president says things about Jay Powell, yet miss, is that the Fed is an institution, not a person. There's nothing that says that the other six members of the Board of Governors, or that the presidents of the regional banks are obliged to follow the lead of the president. In many other countries, the central bank is more like our Supreme Court in the sense that the Chairman is like the chief justice. The chief justice probably has more influence than the average justice does, but sometimes the votes come down and the chief justice is in the minority.

And I think that if there were to be a successful effort to appoint an aberrant chairman, I think that aberrant chairman might find there weren't so many followers for the parade. And so I think there's a bit more insulation that is built into the system than these very personal discussions about chairs of the Fed would suggest.

Look, I have said something on the subject of the dollar and things international, that I think that the general kinds of views that I've expressed continue to feel right to me, but in a different way than I used to say. I think the first thing to say is that the dollar is pretty fortunate [compared to] its alternatives. Europe's a museum in some ways, Japan's a nursing home, China's a jail, and Bitcoin's an experiment. So as we think about the role of the dollar, it's important to remember that the alternatives are not immensely attractive. That's part of the reason why gold has gone up so rapidly, because if you want to get out of the dollar, what do you want to get into?

I think the other point is, and this is maybe the more fundamental point, I have felt that it is not that it is impossible that the dollar will cease to be a reserve currency. But if it does, it will be in circumstances where that's the least of our problems. And the example is the loss of the British pound status as a reserve currency in the mid-1950s, particularly after Suez. Britain lost the pound as a reserve currency, but after Suez and in the 1950s, that was the least of Britain's problems.

So we won't just lose the dollar as a reserve currency because others will build up deep capital markets and [inaudible] will shift towards their currency. But if we become a not predictable, not rule of law kind of place that is universally distrusted, that could lead to very substantial movements away from the dollar. But if we become a lawless place, the fact that we don't have the exorbitant privilege anymore that lets us borrow a bit cheaper will be the least of our problems. So I am worried about the future of the dollar, but more that it could be a symptom of even profounder and deeper problems than because it would itself be an impetus to decline.

BILL KRISTOL:

No, that's very interesting and well said. I guess there's a reason this discipline was originally called “political economy” and maybe should still be, and you treat it that way certainly. Politics matters a lot for economics and vice versa.

What about the international side? I feel there's discussion of Trump's doing this, Trump's raising, lowering tariffs. Then everyone's shocked, gee, the Chinese get to do something too, and the Europeans get to relocate plants and change their own trading and tourist practices or trading practices to some degree. Again, this ties into both politics and economics, but how... You deal with people, you talk to such senior people from abroad all the time. What's your sense of the international economic situation, if I can put it that way?

LARRY SUMMERS:

I think that what happens in the United States has profound impacts on the rest of the global economy. I had a student a few years ago who did a study of long-term interest rates in a variety of countries, England, the Euro, Australia, Japan. And what the study found was that long-term interest rates in most countries change more based on Fed monetary policy than based on the central bank of the country in question. So when the Fed moved, that was bigger for Australian long-term interest rates than when the Australian Central Bank moved.

So I think what happens here has very big effects, and if we make a mess of our economy, that will make a mess of other economies as well and that will be really quite unfortunate. That will be very serious because when those economies are in a mess, that will in turn reverberate onto ours.

There's a classic analysis of the Depression by Charles Kindleberger that is summarized by saying that Britain was no longer able to lead and the United States was not yet willing, as the world spiraled down from 1929 to 1932. The United States is no longer willing and China is not yet able, might be an analysis of a global set of economic and financial problems going forward.

On the other hand, I do think it's important and fair, Bill, to see a kind of silver lining in the moment, which is that when your problems are caused fundamentally by your own foolish acts, they are more solvable than if your problems are caused by some set of forces that are beyond your control. And it's the flip side of the fact that these problems are not in the stars but in ourselves that this is what one might call iatrogenic economic illness. Iatrogenic illness is when you get sick from or get an infection from being in the hospital. The flip side of it being self-caused is that it does suggest that if rationality comes back, that a significant part of the problems can be attenuated.

BILL KRISTOL:

Yeah, that's so interesting. And it really puts a huge burden, on the other hand, on the political system and the political economic system here.

LARRY SUMMERS:

I have to say, Bill, it's obviously not a commentary about you, I have been disappointed by the reluctance of people who do know better to come forward and speak up with expressions of substantial concern. And I don't know whether it's a matter of timing. There's a right time to intervene in a debate, which is far enough into the debate that once intervention will be in mind when the matter is resolved, but not so long that the debate has been lost. And it may be that there are people who are holding their participation because the fire has to burn itself out a bit. They may be making those judgments in prudent and sound ways. But it may also be that there is some collective action problem around courage.

I was encouraged to see reports over the weekend of collaboration among leading universities to mount a united front. And I thought that perhaps the Business Roundtable could learn from those reports. I found it striking and disappointing that the legal profession at the highest levels of the two dozen leading firms in the United States doesn't seem to have been able to come together to stand for the rule of law and to stand with firms that are being bullied in what are surely Constitutionally outrageous ways, out of taking on certain kinds of clients.

So I think that a lot will depend upon the kinds of pressures that are brought to bear for reversal, and markets are one such source of pressure. And they have the virtue that they are collective, they have the virtue that participation in them is largely anonymous. People all sell and nobody quite knows who it is exactly who is selling. And they have the virtue that they're always open, and so they're sending signals in very rapid response to events. And all of that makes them a powerful force. But I think they're more effective with respect to some issues than with respect to other issues, and I don't think they are sufficient.

Something I have learned over time from my own participation in public debates and watching others is that interventions are most effective when they're unexpected. So the impact of Nancy Pelosi shouting from the rooftops or *The New Republic* and *Nation* magazines being deeply concerned about civil liberties is much less than voices like yours or voices of Republican senators or business leaders or the kinds of people who President Trump has traditionally been very respectful of.

BILL KRISTOL:

Yeah, it may be that we'll look back on Liberation Day as a tipping point in this direction, in a good way, and that people stop being able to tell themselves it'll be like the first term, he'll be constrained by reasonably responsible advisors and national security policy and to some degree an economic policy. And as you say, tariffs go from 1.5% to 2.5% or something, not tenfold or even fivefold. And I do think the universities have been useful. The collective action thing—you and I have gone through this in other spheres too—it's both true and an excuse, right? As the universities have proven, in a society like ours, it's an overcomeable problem. And as I was joking, with the law firms, someone was explaining it's very hard for them. It's like if only there were a trade association of all these lawyers that already existed, or if only there were the Business Roundtable, as you say, that already existed.

This is one of the great things about America is we have all these associations. One of the things they do is overcome collective action problems, you would think. At the end of the day, and you've exhibited this, I believe, in your public career, some people just need to lead at some point though, there needs to be real civic and political leadership, right? The markets don't do it entirely anonymously.

LARRY SUMMERS:

No, absolutely. I do really think that it is important though to understand that it really is better if you're unhealthy because you're eating a gallon of chocolate ice cream every day, then you're unhealthy despite having a terrific diet.

BILL KRISTOL:

No, no. No, I take that point, that's a very important—

LARRY SUMMERS:

I think that is a very important point to recognize about our current moment.

BILL KRISTOL:

Right. It's a good point and let's end on it. And it's, as you say, mostly a hopeful point, so that's a good thing to end on too. Larry Summers, thank you so much for joining me again and us again for this very, very interesting and thought-provoking conversation.

LARRY SUMMERS:

Thank you, Bill.

BILL KRISTOL:

And thank you all for joining us on *Conversations*.