THE ECONOMIC CLUB

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Signature Event

The Honorable Brian Deese
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Director of the National Economic Council

David M. Rubenstein
Chairman
The Economic Club of Washington, D.C.

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DAVID RUBENSTEIN: We are very pleased to have Brian Deese here this evening as our special guest. Brian is, as I think all of you know, is the head of the NEC, the director of the NEC – the National Economic Council – and assistant to the president for economic policy. He is a native of Massachusetts – Belmont, Massachusetts. Went to undergraduate at Middlebury. Got his law degree at Yale Law School.

He has served in the Obama administration, in many positions there, one as the deputy head of the NEC at that time, and special assistant to the president for economic policy, and also as deputy head of OMB, and for a while acting head of OMB. And between the Obama administrations and the Biden administration he worked in the private sector at BlackRock, where he was the head of global sustainability investing.

So, thank you very much, Brian, for coming. So, let me ask you the first and most important question: Are we going to go into a recession anytime in the foreseeable future? [Laughter.]

BRIAN DEESE: [Laughs.] Well, thank you for having me. And I thought we were going to start on – [laughter] – [inaudible] – but I should have – I expected nothing less. All joking aside, thank you for having me and thank for putting this together.

We are, no doubt, in uncertain times. But I think that if you look at the U.S. economy, my perspective, the most striking feature of the U.S. economy right now is resilience. The resilience of households and consumer balance sheets. The resilience of business and business investment. And globally, the resilience of the U.S. economy in an uncertain global environment. So, we're certainly in a complicated and, in many ways, unprecedented transition. But I think that there's every reason to have a lot of confidence in the U.S. position, in the context of a globally uncertain environment.

MR. RUBENSTEIN: I'll take that as maybe, you don't know. [Laughter.] Well, as you may know, during the Carter years, Carter's inflation advisor used the R-word once in a press briefing. And Carter said, don't do that again. It scares people. I'm running for reelection. So, Fred Kahn then said, we might be heading into a banana. [Laughter.] But you don't see any banana in the horizon, or you're not predicting a banana, right?

MR. DEESE: [Laughs.] Well, you know, we could – we could have a conversation of all manner of different fruit. I think – look –

MR. RUBENSTEIN: Well, let me ask you an easier question.

MR. DEESE: Yeah, please.

MR. RUBENSTEIN: All right. [Laughter.] Do you think England is – and do you think the U.K. is in a recession?

MR. DEESE: Well – [laughter] – I think the situation in Europe and in the U.K. is very, very difficult right now. They face a very difficult situation. And they are – as I was saying in terms of the U.S. position, they're significantly more exposed to the energy price volatility. And they don't have some of the incumbent strengths that we have here economically. So, I think it is – it is and is going to be a tough period for the U.K. and for the European Union over the course of the next set of months.

MR. RUBENSTEIN: Now, normally in the United States, when you cut taxes, it's designed to stimulate the economy. And that's what happened in Britain. They're now cutting taxes to stimulate the economy, but it's had a – it seems to be an unfortunate impact on the British economy. Stock market's gone down and people are very upset about it. Were you surprised about that?

MR. DEESE: I wasn't surprised at the market reaction. You know, I think that if we – you have to – any economic policy has to be in the context of the situation that we are in. And in a monetary tightening cycle like this, the challenge with, you know, that policy aperture is it just puts the – it puts the monetary authority in a position of potentially having to move even tighter. I think that that's what you saw in the reaction. And also, you know, I would say, it is important – particularly important to maintain a focus on fiscal prudence, fiscal discipline. It's certainly something that we have been focused on here. And, you know, the markets take note.

MR. RUBENSTEIN: OK. So, let's talk about another easy subject, inflation. Inflation is as high as it's been since I was in government. I managed to get a higher rate than you've gotten so far. [Laughter.] But I wanted to know, in your view, is inflation now coming down a bit as a result of the Fed's hiking? And do you expect the Fed to continue to hike in the November and December FOMC meetings?

MR. DEESE: Well, the good news is the second part of your question is the easy one, as you know, because – [laughs] –part of respecting the independence of the Fed is leaving to them –

MR. RUBENSTEIN: I just asked if you expect.

MR. DEESE: [Laughs.] Look, the market expects that, and I don't have any wisdom beyond that.

MR. RUBENSTEIN: All right. OK.

MR. DEESE: I think – but if you look at most of the data points over the course of the last couple of months, we've certainly seen headline inflation on a month over month basis slow dramatically. Basically, it's been flat for the last couple of months. That's a function of the fact that we've seen energy prices come down, gas prices. And that's offset price increases elsewhere. But I think if you look broadly across the economy, you are seeing a number of places where you're seeing this shift and this transition happen in real time. Commodity prices have come off. You've seen that in a number of the – of durable goods segments.

And, at the same time, as you know, this process operates with some lags. And so that's why even as you look over the course of the last couple of months, you've got to really – even at a moment of heightened uncertainty that we are in right now – have to do whatever we can to lift up from individual monthly data points.

MR. RUBENSTEIN: Now, when I went to college many years ago the standard textbook said that inflation was, on average, 3 or 4 percent a year. That was relatively normal. The last 25 years we've had 2 percent inflation, so we've gotten used to 2 percent inflation. My children have never seen higher inflation. But the Fed now says that they want to get inflation back to 2 percent, which is what it was. But why not 3 or 4 percent? Why does 2 percent have to be a goal? And how hard is it going to be to get down to 2 percent without putting unemployment up to 6 percent or higher?

MR. DEESE: Well, so, you know, a big part of inflation is expectations. And the risk with inflation is not only the immediate impact on, you know, purchasing power, but also the risk that expectations get unmoored, get unanchored, and then it gets much more difficult to bring inflation down. So, when you ask that question about bringing down to a level – I think one of the most important questions is, is the shape of policy focused on making sure that we don't lose control of those expectations? That's obviously something that the Fed keeps a close eye on.

And so, you know, to your question of the process, look, I am fundamentally optimistic about the American economy. And I'm optimistic that we can navigate through this transition in a way where we come out of this as a country and as an economy in a stronger position than when the pandemic hit. So, yeah. At core I do believe that that's – there's no certainty in any way, or no way inevitable that we're going into a downturn.

MR. RUBENSTEIN: So, your former colleague at the White House in the Obama administration, Larry Summers – you know him quite well – I think he recently said something to the effect that he'd be willing to bet anybody that we'll have six months of unemployment over 5 percent before we have six months of inflation under 2 ½ percent. Would you be willing to take that bet?

MR. DEESE: See, it's another good thing about my job, I'm not allowed to engage in that type of activity.

MR. RUBENSTEIN: OK. All right. [Laughter.]

MR. DEESE: All right? Can't buy individual stocks. Can't take that type of a bet.

MR. RUBENSTEIN: Were you surprised Larry said that?

MR. DEESE: [Laughs.] I'm not surprised by anything that Larry says.

MR. RUBENSTEIN: OK. All right. OK. [Laughter.] So let me go back to the NEC. The NEC was started under President Clinton and Bob Rubin was the first person to hold that job. Can you explain to people what it actually does and what the NEC does day to day? For example, who's in the NEC? Who's on the NEC? What is your job actually to do?

MR. DEESE: Yeah. So, the National Economic Council are – the job, the mandate, the mission of the organization is to coordinate economic policy across the executive branch and across the Cabinet to make sure that the president is getting the benefit of – when making decisions – of his entire economic Cabinet, and also that the economic Cabinet is getting clear direction from the president as well. So that two ways. So, it's a coordination function.

On the NEC itself are all of the relevant Cabinet members. There's a core economic team – OMB, Council of Economic Advisors, Treasury – but also secretary of labor, secretary of commerce. My team, the NEC team, is a small team within the White House that is – our job is to do that coordination across the range of economic policy issues.

MR. RUBENSTEIN: OK. Now you were the deputy in the Obama administration at the NEC. Now you're the director. Which NEC worked better, the Obama administration one or the Biden one? [Laughter.]

MR. DEESE: Well, on the issues that I worked on in the Obama administration, it worked very, very well. [Laughter.] And the current NEC works very well. So, it's that subset of the ones I didn't work on that's – [laughter] –

MR. RUBENSTEIN: So, tell us, President Biden, is he a person that wants to read a lot of memos about the economy? Do you brief him orally? The national security advisor typically goes in twice a day, at the beginning and the end of the day. How often do you see the president?

MR. DEESE: So, I see the president very regularly, depending on his travel schedule. And in – similarly to the – on the national security side, we'll do regular briefings and prep – you know, preparation for events that he's doing or engagement that he's doing. A speech, a public event, an engagement with a foreign leader. And, you know, with President Biden, it's a combination of things. He does read quite a bit. He also is somebody who talks – likes to talk through briefings and likes to talk through preparations as well. So, it's a balance of both.

MR. RUBENSTEIN: So recently we had an act passed called the Inflation Reduction Act. I mean, who came up with that name, really? [Laughter.]

MR. DEESE: It's a great name.

MR. RUBENSTEIN: I guess so. But do you really think it's going to reduce inflation? It seemed like it was spending a lot of money. And how is inflation going to be reduced by that?

MR. DEESE: See, it's because the Inflation Reduction Act. [Laughter.] So, joking aside, I actually think that it's – it is an appropriate name. And it goes to the – it goes to the structure of – if I can say it in a wonky way – the role of fiscal policy in a period of monetary tightening. What you want to do is you want to take measures that will lower costs for individuals and do it in a way that lowers the federal deficit. Because if you're lowering the federal deficit, at the same time that you're lowering costs for individuals, then you're actually operating in the same direction. Now, that's complicated to do from a policy perspective, but that is exactly what the Inflation Reduction Act accomplishes.

MR. RUBENSTEIN: But does it really lower federal debt and federal deficit? Because I thought it was just lowering it below where it would otherwise have been, but it's not actually producing a net reduction in the federal debt, is it? Reducing it below where the policy people said it would have otherwise been, right?

MR. DEESE: So, the appropriate way to judge any piece of legislation is, is it going to reduce or increase the deficit compared to the baseline at the time. And the Inflation Reduction Act will reduce the deficit compared to the baseline by, you know, about $260 billion, depending – in the first decade, probably more than a trillion dollars in the second decade. And importantly, it does it in ways like – you know, probably the simplest way to understand is the provision that allows Medicare to, for the first time, negotiate for better prices for prescription drugs. That will mean that Medicare is spending less money on drugs. That will lower federal spending. But it will also lower the cost of drugs to Medicare recipients, and also to recipients in the private market, since Medicare is such a large purchaser.

MR. RUBENSTEIN: OK. So, the Inflation Reduction Act did not have all the things in the Build Back Better Act. So, have you made a commitment to Joe Manchin or anybody that the things that were in the Build Back Better Act that didn't get in the Inflation Reduction Act will maybe be put into some piece of legislation, or try to push that through later on?

MR. DEESE: So, the way we're approaching that question is to say we have now passed multiple pieces of really important legislation. Not just the Inflation Reduction Act, but also the CHIPS and Science Act – the semiconductor and research bill – the bipartisan infrastructure bill. And in the aggregate, they are providing a very serious historic public investment agenda over the course of multiple years. So, as we then look forward and say: What are the pressing economic needs and how do we match those with places where we can get things done? And, you know, there are a number of places that come to mind.

For example, we need to do more to increase labor supply. That's something that we need to do as a country and investing in things that provide more care for – to get more parents and more workers into the workforce. It would be economic sensible, but the approach is to say: What makes economic sense at the time and what we can get done.

MR. RUBENSTEIN: OK. So, speaking of what you can get done, if you lose either house of the Congress in the midterm elections, will you propose different legislation than if you were able to control both houses? Or of you lose both houses, would you adjust what you're proposing to get through Congress in the second term – in the second part of the administration?

MR. DEESE: So, the political context will always affect, you know, how you're positioning your policy proposals. And so certainly that will – that will be a factor. The one thing that I will say, and this is – I think this is one of the reasons why I'm optimistic about the American economy, is that over the last 20 months we have been able to do more things in a bipartisan way than I think virtually anyone would have anticipated 20 months ago. And so certainly the – you know, that – we have done so in a challenging political situation, but serious things that people did not think was necessarily possible. So, we'll continue to, you know, take that approach and try to get as much done as we can.

MR. RUBENSTEIN: So, when Senator Manchin started his last-minute negotiations with Senator Schumer, was the White House informed about what was going on? Did you know that those negotiations were going on? And did he just say, let me work it out myself? Or did he want the White House input?

MR. DEESE: So, the process, which is – this is – that led up to the Inflation Reduction Act this summer, was a process that had been going on for a long time. And we had been working with Senator Manchin and other members of the Senate and the House as well, who passed their version of the build back in December of last year. And so, over the course of that entire process we kept open lines. And so, we were always, you know, aware of and sometimes having those conversations directly, sometimes having Senator Schumer having those conversations as well, but always had open lines of communication.

MR. RUBENSTEIN: OK. So, for people who live in Washington, politicians, is it more difficult when unemployment is going up or when inflation is going up? Inflation affects everybody. Unemployment doesn't affect everybody. So how do you weigh the political tradeoff between unemployment going up and inflation going up? Which is more difficult for politicians or for, let's say, the administration?

MR. DEESE: Well, look, I will say the – there's no question that inflation affects everybody, and it affects the – it affects the psyche. And I think that when – it affects a sense, I think, also of people's sentiment and a sense in which things are, you know, in or out of control. And we see that in consumer sentiment data. At the same time, we also, as – you asked the question on the political side.

As economic policymakers need to recognize that the way that economists think about inflation and the way that American think about inflation often differs. That we have this idea of headline inflation versus core. And economists say you really should pay less attention to headline because it has food and gas. You ask typical people what inflation is, it's food and gas. And so, you know, understanding the interplay between the economics and the politics of inflation is something that we haven't been as used to.

MR. RUBENSTEIN: The invasion of Ukraine, the special military operation, so-called, by Russia, obviously had oil prices and energy prices going up. Because of that, some people have said we've been not sufficiently drilling in the United States, and we should encourage more drilling so that we can either ship more liquified natural gas to Europe or have more for our own needs. Is your view that the war in Ukraine has changed the administration's policy on the importance of having more oil and gas exploration and development in the United States? Or it really hasn't changed much?

MR. DEESE: Well, let me – let me start by actually just briefly explaining what has actually happened since the war in Ukraine.

MR. RUBENSTEIN: All right.

MR. DEESE: So, since the war in Ukraine, on the natural gas side natural gas exports are up 20 percent and the share of U.S. exports – U.S. exports of gas going to Europe has doubled. So, the United States has not only increased our exports, but is directing those exports to Europe by working with partners and allies around the world to try to prioritize, because of the needs in Europe. When we saw that this was happening on the oil side, we engaged with the industry. And we said, we want you to produce more. You have an economic incentive to do so because of prices.

And based on an assessment that they would likely be able to increase by about a million barrels a day by this fall, we decided to do something unprecedented and release about a million barrels a day from the strategic petroleum reserve. Over the course of time, you have seen U.S. production increase as a result. And that has been part of a strategy of the U.S. contribution to a global effort to try to maintain global supply, which is important economically but also as a way of holding the alliance together in response to Putin's aggression. That has been the explicit strategy in response to an unprecedented invasion.

I think underneath your question maybe has that changed our broader, you know, policy with respect to energy and clean energy? On that, I would say less so. We need to accelerate the transition to clean energy. We need to do so in a way that takes advantage of our strengths as a country. And, frankly, one of the core elements of the Inflation Reduction Act is doing that in a historic way. And so, we've been able to actually accomplish that, even in the context of the war in Ukraine.

MR. RUBENSTEIN: So, in part of the Inflation Reduction Act, I think the administration made a commitment that it would support Senator Manchin's proposal, which is attached to the spending bills, that I guess has probably just been defeated in a cloture vote, to have – make it easier to, let's say, produce natural gas, and oil, and coal. And that is not going to be passed as part of the spending bill. But is the administration committed to continue supporting Manchin's effort to get that passed on some other bill? Or you've discharged your obligation now that it has failed in the Senate?

MR. DEESE: Well, the president supports that legislation, and we're going to work to try to get it done. And that's where we are. The only caveat I would say is that if you look at that bill, one of the most significant things that it would do would be to help to streamline the process to build out significant elements of infrastructure that we need for clean energy and the zero-carbon economy, including the transmission grid of the future. So, there's – there are elements of that bill that are vitally important to accelerating the clean energy transition.

MR. RUBENSTEIN: OK. Let's talk about your own background for a moment. I mentioned before you grew up in the Boston area. And what did your family do? Were they in business, academics, politics, important things like private equity? Did they do that? [Laughter.]

MR. DEESE: [Laughs.] My father's an educator. He teaches. And my mother is the – a civil engineer by training and worked an environmental engineer.

MR. RUBENSTEIN: OK. So, you went to Middlebury. And what did you study there?

MR. DEESE: I studied political science and economics, with an international focus.

MR. RUBENSTEIN: OK. And after you graduated, what did you do then?

MR. DEESE: I came here to D.C. on a fellowship to the Carnegie Endowment for International Peace. And I was doing international economics, international economic development. I had spent the better part of a year in Argentina in 1999, right before the collapse there. Because fascinated with trade and development issues, and so spent – I came here to D.C. and –

MR. RUBENSTEIN: The Argentinian economy collapsed while you were there?

MR. DEESE: No, right after I left. [Laughter.]

MR. RUBENSTEIN: Right after you left, OK. You got out.

MR. DEESE: Correlation and causation.

MR. RUBENSTEIN: OK. Right. So, then you came back to Washington to do, what?

MR. DEESE: So, I stayed here. I worked – I sort of shifted from international policy to economic policy, domestic policy. Then I went to law school. Left D.C. And I came back here –

MR. RUBENSTEIN: And you went to law school to be a lawyer, or not?

MR. DEESE: I went to law school to – no, not to be a lawyer, but because I was fascinated as I was working on the more economic elements, it became clear that most of policy is actually understanding law in different ways. And so, I went – I went to – I went with the idea that I would continue to work in policy.

MR. RUBENSTEIN: So, you didn't want to practice law ever.

MR. DEESE: It wasn't my objective.

MR. RUBENSTEIN: OK. So how do you get involved with the Obama administration? Did you volunteer in the campaign? Or how did you get involved in the campaign or the administration?

MR. DEESE: So, I started working on the 2007/2008 campaign. I actually worked for – I had the most important experience. I campaigned against candidate Obama for about nine months, working for Senator Clinton, Secretary Clinton. And then after they lost, I was fortunate enough to then join the Obama campaign and campaign for him.

MR. RUBENSTEIN: And what did then-Senator Obama say about that? [Laughter.]

MR. DEESE: [Laughs.] The good news was, I was junior enough in the campaign that Senator Obama was, I don't think, particularly aware of my transition to his campaign at the time. [Laughter.]

MR. RUBENSTEIN: OK. So, he got elected. And then you got this position as special assistant to the president for economic policy. And what was the biggest thing that you accomplished during the Obama administration, in your view?

MR. DEESE: My first project upon coming into government was to work as part of a team that did the restructuring of General Motors and Chrysler, as well as the finance companies as well. And so that was basically from, you will all – many of you will recall, November/December of 2008, right through to the summer of 2009. That was my overriding focus.

MR. RUBENSTEIN: OK. So, after the Obama administration, you joined the dark side of money management, and you worked for BlackRock, but in charge of global sustainability. So, what does that really mean? What were you doing at BlackRock?

MR. DEESE: So, two things. One was trying to actually do financial research to understand what are drivers of long-term economic performance that are – that are financially relevant, but that may not be on the mind of traditional investors. To, you know, give you a concrete example, one of the most, you know, persistent measures of financial performance, uncorrelated, is the rate of change at which a company brings down its carbon emissions. Not just the level of carbon emissions, but the rate of change of doing so.

And, you know, we did a lot of research around that to find that that is in part because it is an uncorrelated measure of operational performance, better management teams actually better manage against that. And so that becomes the kind of thing that you can invest against, but it also expands the universe of what investors are thinking about.

MR. RUBENSTEIN: So, BlackRock has been a leader in ESG performance. But some people have criticized it for saying that – some people have said that BlackRock has pushed people so far on ESG that it has ignored the need for carbon energy, to some extent. Do you understand that criticism? Or you disagree with it?

MR. DEESE: The approach that I took, and the approach that I think makes sense, is to actually look at what are the drivers of long-term return? And those are things that investors can and should necessarily be paying attention to as fiduciaries. And if you look at the – if you look at the economy, you look at the impact that climate change is having on the physical economy as well as policy development, to not take those kinds of factors into account I think is not being a prudent fiduciary.

MR. RUBENSTEIN: OK. So, when President Biden was starting to run for president, you knew him when he was vice president, you were in the Obama administration, did you support him? You were working on the campaign for then-Vice President Biden? Or did you work for somebody else?

MR. DEESE: [Laughs.] I was – for most of that time I was busy. I had a job and a family. Anytime anyone called I would offer –

MR. RUBENSTEIN: All right, so when did you actually get involved with the Biden people? Was it after he won the election? Did they ask you to help to the transition?

MR. DEESE: So, did some work in volunteering during – to help on the – developing some elements of the platform during 2020 that came together in sort of his general election economic policy. And then after the election, when they asked if I would like to –

MR. RUBENSTEIN: OK. So, the American Rescue Plan, which was the plan to kind of get us – our economy going forward, following COVID and following the election of President Biden, some people said at the time it was so big that it was going to be inflationary. And the administration said that wasn't true. If there was inflation, it would be transitory. Do you think the administration or some of the people in the administration misread how significant the American Rescue Plan would be in producing inflation? Or why do you think inflation went up so high, higher than I think you all thought it would be?

MR. DEESE: So, every policy decision that gets made is made in a period of uncertainty, with the information that you have now. With the benefit of hindsight, I think that the American Rescue Plan was the right approach and has proven out. So, we were – we were doing two things. One was an important measure of insurance against an incredibly uncertain pandemic and pandemic trajectory, where the economy was really on its back at a moment. And two, to try to drive a strong recovery and a strong labor market recovery because of the attendant benefits associated with that.

I think that if you look at where we are in terms of the inflation situation, the predominant drivers of inflation are obvious, because they're global. You know, you look at inflation in the U.K., you look at inflation in the EU, it's higher than here in the United States. And the predominant drivers were the pandemic and the impact that it has had, and the, you know, uncertain series of events that we have had, a series of supply shocks that we are still navigating through as a globe.

MR. RUBENSTEIN: So, in hindsight, you would say you're happy with the size of that plan and don't regret it, I guess you would say.

MR. DEESE: Look, you can always – you could always improve your policy thinking in hindsight, 20/20. But I think, you know, if you look at where the American economy is now, we have the strongest labor market recovery in modern American history. Tens of millions of people have benefitted as a result of that. Household balance sheets are in a stronger position than they were pre-pandemic. And inflation in the world right now is outpacing the United

States. I think all of those are a function of policy choices that we have made. And I think that ultimately, they were the right policy choices.

MR. RUBENSTEIN: OK. So, the minimum wage in the United States I think is still $7.50 an hour. And the administration tried to get it raised, I think, to $12 or 15 – something like that, $12 – over a three-year period of time. The administration hasn't proposed that recently. Is that because of the concern about inflation, or do you still support raising the minimum wage now?

MR. DEESE: The president still strongly supports raising the minimum wage to $15. It would be done across time. I think it's wise economic policy. I think what you've seen over the course of this recovery is you've seen a lot of the largest private sector employers actually move to achieve that objective, states moving in that direction as well. And I think most of the literature on – the economic literature on raising the minimum wage actually rebuts the premise that there is a kind of stark tradeoff between employment and wages, particularly in that segment of the population, because of the benefits that you get in terms of retention and job quality.

So, I think that there's a strong economic case. I think there's a strong basic fairness case associated with that. And we have made a lot of progress on wages. You know, the wage growth that we have seen in this economy associated with a strong labor market has been the strongest in the bottom half of the income distribution, and the strongest for a lot of the job segments where you would have the most concerns about minimum wage increases. So that's – you know, that's an important element to this recovery.

MR. RUBENSTEIN: OK. In the Inflation Reduction Act, a lot of the tax increases that the president has previously proposed in the Build Back Better Act did not get in there. Just to repeat what I asked you before, are those tax increases off the table for the remainder of the – [off mic] – or you're not precluded from –

MR. DEESE: [Laughs.] Those are policies the president thought made sense, would have supported if they were in the legislation, and continues to support going forward. And I will say, even for all the things that weren't in there one of the reasons, to go back to your previous question why that bill reduces the deficit and actually helps in reducing inflation across time, is that what is in there, for example, is a new 15 percent minimum tax – book minimum tax for the largest corporations, those with over $1 billion in earnings. I think that that's the kind of reasonable, commonsense tax reform that makes sense. It does mean that some people will pay more in taxes, but certainly that kind of base-broadening reform, there's a lot of – there's a lot of important sensibility to it.

MR. RUBENSTEIN: Right. So, the U.S.-China relationship is probably the most important bilateral relationship in the world. And we are a gigantic importer of Chinese products, and they are a gigantic buyer of our bonds and federal treasury bills. But why is the U.S.-China relationship not in such good shape? Or do you think it is better shape than the average person might think? Do you think there are signs of hope that we can actually get in a better economic relationship with China than we have today?

MR. DEESE: Look, our relationship to China, and this has been the president's view since before he took office and continues to be, has to be based on a very realistic assessment of the – where the Chinese leadership is right now, and what's in the interest of America and the American economy. One of the things that this president did, importantly, vis-à-vis the U.S.-China relationship, was to say that the most important thing we can do to have competition without confrontation with China is to focus on building our sources of economic strength at home.

One of the reasons why we have actually prioritized investing in infrastructure, things like investing in our semiconductor industry and the CHIPS bill that I mentioned before, is that the best way that we can actually compete in a way where we understand each other and avoid unnecessary conflict is by building those reservoirs of economic strength at home. Ultimately, that is our source of strength. And so that's what is animating the relationship. And certainly, we have no interest, we don't think it's in anybody's interest to see escalation of conflict. But we are going to compete. And we want to compete fairly.

MR. RUBENSTEIN: OK. Some economists have said the way to get inflation down a bit, if you took off the Trump-era tariffs on Chinese imports you would reduce inflation a bit. Why have you not been willing to take off those tariffs?

MR. DEESE: Well, we've done – we've done a couple things in that respect. The first is that we have – we have formally opened a process that allows for U.S. businesses or others to identify areas where those tariffs are actually harming U.S. competitiveness, U.S. jobs, U.S. economic interests. That gives us the ability to actually look in a specific way, not just a general way, at whether there's a credible case to be made, and then take action associated with that.

That's the principal way that we're approaching that issue right now. And what we have heard, and what I have heard from a number of operating companies, is that it's that type of approach that is most useful right now, because there are some unintended consequences. And we want to make sure that we have a way of addressing them.

MR. RUBENSTEIN: Right. The president is probably going to meet with Xi Jinping at a G-20 meeting. It's not all worked out. But if they do meet, would you think there's going to be any changes on our economic policy towards China? Or do you think it's not likely to happen in the near future?

MR. DEESE: Well, I think that it's – we're more likely to see continuity than a significant shift. And that's in part because the president has had a[n] ongoing engagement with Xi over the course of time. And they have spent a lot of time trying to make sure that they clearly understand each other. We avoid any unnecessary escalation. And where we can cooperate, we will.

MR. RUBENSTEIN: All right. Let's talk about the sanctions that were imposed, economic sanctions, on Russia. They don't seem to be really hurting the Russian economy that much, because they still seem to be selling oil and natural gas at very high prices, and higher than they were before. So, do you think the sanctions have had the impact you've wanted them to have? And are you thinking there's any more sanctions left to impose?

MR. DEESE: So, I would respectfully rebut the premise of your question. That I think that those who would look carefully at the Russian economy right now would say that the Russian economy has been quite significantly impaired. And, we said this from the beginning on sanctions, that the importance – the important thing with sanctions is to be patient and consistent and willing to stick to them, because they have a – they have an escalating impact across time.

For example, one of the – you know, one element of the sanctions policy is to not allow imports of key components that are important to key industries inside Russia. That takes some time to go into effect, because you have three, six, nine months of spare parts. We're now – you would expect that you'd see more of that. But even in the sort of core, macro statistics, the reason why you haven't seen, for example, you know, as dramatic move in the currency is because they're intervening. They're having to – they're having to take unprecedented intervention in their own economy.

And frankly, we have – we have been able to demonstrate that we can hold together a unified global coalition that I think is, you know, as strong today as when Putin's incursion started. And I think that that sends a very important signal, and that the sanctions send a very important signal that in addition to the economic pain that you have a unified front.

MR. RUBENSTEIN: Right. We have economic sanctions as well on Iran. Presumably, if we reach an agreement with Iran on nuclear weapons, those sanctions would go away to some extent. Do you have any optimistic belief that there can be an agreement on the Iranian nuclear issue?

MR. DEESE: I think it's certainly – it's certainly possible. It's certainly possible. But there's been a – we're going to need to make more progress than we've made today.

MR. RUBENSTEIN: OK. So, let's talk about, if we could, the global climate change situation. The president's been a big proponent of this. Secretary Kerry is obviously his lead person on this. Do you think that we've made a lot of progress on climate change in the last, let's say, year and a half, or so? Or do you think that we have made modest progress, but reasonable process?

MR. DEESE: So, I think that we've actually made – we've made history. And that the combination of the infrastructure bill, the CHIPS Act, but, most importantly, the Inflation Reduction Act do represent the most significant action that the U.S. government has ever taken on climate change. And I think it reflects the right way of approaching it as well. Because we now have in place, embedded into our policy architecture, long-term, very powerful incentives to encourage private investment in accelerating the transition. That's true in transportation, in the power sector. And that approach, coupled with a sensible regulatory approach, I think leaves me in a situation where never before in my adult lifetime could I sit and actually say: The United States has the policy architecture in place to meet the 2030 climate goals that we have set.

MR. RUBENSTEIN: So, a lot of Americans, let's say maybe a third, still don't believe there's climate change that's caused by human activity. Or that's wrong, maybe you think it's a different percentage. But more than a reasonable number of people think that climate change is maybe not due to human activity. Is there anything you can do to educate people about that? Or you already have an ongoing education effort in that direction?

MR. DEESE: Look, the answer is absolutely. I think the facts are clear. The urgency is clear. But what's also clear is that half of Americans last year were directly affected in one way or another by extreme and unique weather events that affected their daily life. Whether that's because they weren't able to actually send their kids to school in the West because of the smoke from wildfires, or because of flooding in the Southeast or the Midwest that affected – that affected crop operations in the heartland.

And I think that people are starting to – not just starting – but people are seeing and feeling these impacts in their lives. And, you know, the impact is undeniable, but it is also incredibly important on this issue to meet people where they are on this issue and make sure that they understand the stakes for their own community. Not just for the world, for their own community. Unfortunately, that's becoming easier to do, because it's more apparent in people's lives.

MR. RUBENSTEIN: You mentioned a few times the CHIPS Act. And that was, some people would say, a subsidization of the semiconductor industry. That is what, some people would say, is industrial policy, which traditionally was viewed as not a good idea. Why is the CHIPS Act not basic, classic industrial policy? And why should other industries not come to you and ask for a subsidy like that?

MR. DEESE: Well, as you know, the – you know, there's a long history of industrial policy in the United States. It hasn't always been a dirty word. Alexander Hamilton is, you know, the first big proponent of the theory behind having – the U.S. having an industrial policy. And I think that – you know, I have talked a lot about an industrial strategy. And I think that the debate about whether the U.S. should have an industrial strategy is long since passed.

And the question is not should we have an industrial strategy, but how to do it, and how to do it most effectively, in a global economy where, you know, it is – it would be naïve to think that we operate in a global economy where, you know, every actor is equal and all we need to do is let free markets go. But we have to do it in a way that is calibrated toward our economic priorities and our economic interests.

On the CHIPS bill specifically, the answer is that this was a bill that was very carefully designed to make sure that we are building the industrial capacity that we need here in the United States to diversify our country's exposure to semiconductor production, but in a way where the benefits will redound to people, communities, the economy, not just individual companies.

MR. RUBENSTEIN: The dollar is at record levels against the pound. And it's thought that maybe the dollar will go to parity with the pound, and maybe even with the euro. During the Reagan administration, there was a Plaza Accord, so-called, where there was a global readjustment of currency levels to put them more in accord with what seemed to make sense to people. Do you see any possibility of a global accord to kind of adjust currency values, the way there was with the Plaza Accord? Or is that just not something you're focused on?

MR. DEESE: I don't anticipate that that's – that that's where we're headed.

MR. RUBENSTEIN: OK. Let's ask about the Middle East for a moment. President Obama – or not – President Biden went to the Middle East, went to Saudi Arabia. And what would you say is the economic relationship we have now with Saudi Arabia? If the president asks Saudi Arabia to increase production, is he able to get a positive response out of the Saudi government? Or it's too hard to say?

MR. DEESE: The relationship with Saudi Arabia and with all the Gulf coast – all of the Gulf countries is one that is broader than just economic policy. And where our focus is on economic – is sort of our core national interest. The – and we're looking and seeking collaboration wherever we can. One of the areas where we're actually making the most progress is in accelerating clean energy technologies, because of the – many of those countries, including Saudi Arabia, their dependence and the desire for diversification, but also their geographic exposure to the impacts of climate change. There's a lot of interest in actually building out more clean energy technology and investing their capital to do so. So that's one of a number of places where we're actually making a lot of progress.

MR. RUBENSTEIN: OK. So good news usually travels at the speed of light and bad news moves more slowly. So, when there's good news on economic matters, who rushes in to tell the president something good is happening? Is that you or somebody else? Or when there's bad news who has to send a memo in? [Laughter.]

MR. DEESE: Yeah. Good news is me, unless somebody elbows me out of the way.

MR. RUBENSTEIN: When you have bad news does he yell and throw pencils, or anything? How does he – how does he say he's mad?

MR. DEESE: [Laughs.] So, look, well, one of the things that – one of the realities of the last 20 months of our economy and economic policymaking is it has been unprecedented. We've been through a lot of ups and downs, and a lot of unexpected and unanticipated things, including economic data that has surprised in significant ways across the board. And so, you know, one of the important things about being in these – in these policy jobs is the ability to recognize that the highs are never as high as you think they are – [laughs] – and the lows are never as low as you think you are. But the ability to look through the lows and understand what's important, and then communicate that clearly. And so that's one of the important parts of the job.

MR. RUBENSTEIN: Right. On the day that the Inflation Reduction Act was signed record high inflation numbers came out. So, did you ever consider maybe adjusting the schedule of the signing ceremony? [Laughter.] Or was it something you said that – who told the president the numbers were going to be that high that morning? And maybe you should change the signing ceremony?

MR. DEESE: [Laughs.] Well, so it's funny that you frame that, because the actual – the number that came out that day was that headline inflation had increased by 0.1 percent, which was one of the lowest month-over-month headline increases. But of course, they – because of where we are in the economy now – and reasonably people look at core inflation, not headline inflation and otherwise. No, we didn't – we didn't look at changing the signing. But I do think that, you know, joking aside, I think that that number and others go to how people are experiencing inflation today. Because one of the principal reasons why that headline number was basically flat was because in the month prior gas prices had come down by a very significant amount. And that is really important for typical Americans' monthly balance sheets. But it also is important because it's one of the most visible price signals in our economy.

MR. RUBENSTEIN: Now, we focus on the unemployment rate, which is how many people were looking the previous month for jobs. But also, we talk about how many people are in the workforce. Right now, we have about 62 percent of adults in the workforce, when normally it's maybe 66 percent. Are you worried that people 50 and older have more or less retired from the workforce because if they lost their jobs during COVID they're just staying out of work? And is there any way you can get more people into the labor force? Or is there any progress you're making in that area?

MR. DEESE: Well, so you cited labor force participation stats, so that gives me free reign to make a bit of a technical point. Which is, if you look at the working age population, actually, labor force participation has rebounded very fast in this recovery, and faster than in previous recoveries. So, of the share of the population that is working age, we've actually seen a fast rebound. So, a lot of the prognostications about the great resignation, for working-age population that actually hasn't come to pass. What we've seen is people coming back in the labor force.

The difference that you're just citing is principally being driven by demographic changes, and the fact that we are – we're aging as a country. And also, immigration. And so, when we think about this problem, we think, one, how do we actually increase the labor force participation rate for the working-age population even more? And that goes to some of the things I referenced earlier around how do we get more – for example, how do we get more women into the workforce and get labor force participation up even higher for women and families?

We also have demographic challenges that we need to take into account. And certainly, you know, there are a variety of different ways that we – policy ways that we can address them – that. But I do think it's important that even as we look at that question, we don't lose sight of the fact that actually, notwithstanding all of the labor supply challenges we have as a country right now, people have come back to work quite quickly, particularly over the course of the last year.

MR. RUBENSTEIN: They come back to work, but are they coming back to their offices? Many people don't want to go back to their offices. And do you have a position in the administration whether people working remotely or in their office, do you really care one way or the other?

MR. DEESE: Well, for the job that I do and most of my staff, you really need to be in person.

MR. RUBENSTEIN: So, all your staff is coming back to the office?

MR. DEESE: Because of the way we do – both because of staffing and also because of the – you know, it's sensitive national security information and otherwise, it's a more difficult job to do remote. I think our situation is probably less interesting from an economic perspective. You know, big picture, I think this is one of the most interesting questions that, frankly, there has been some, I would argue, interesting research to date on, but I don't think we really can answer this question without more lived experience around the productivity benefits and the productivity losses associated with these – the structural shift to remote work. But it's one of many things that we pay a lot of attention to because it drives a lot of structural changing. For example, in the demand for housing.

MR. RUBENSTEIN: Now, we're all familiar with the classification process we have for national security documents, but the economic policy people, are your documents classified? And who can declassify them? Can you just say they're not classified, and that's how it ends? Or how does that work? [Laughter.]

MR. DEESE: I officially have no comment. [Laughter.] All of our documents – all of the classification system is the same national security classification system.

MR. RUBENSTEIN: You have the same?

MR. DEESE: Yes.

MR. RUBENSTEIN: So, but you can't take those documents home, I presume?

MR. DEESE: No. [Laughs.]

MR. RUBENSTEIN: You can't? I mean, I think you're not allowed to take classified documents out. So how do you declassify those documents?

MR. DEESE: I don't.

MR. RUBENSTEIN: You don't? [Laughter.] You just ask the president; would you like to declassify them? Or you don't ask him that?

MR. DEESE: No. Neither do I declassify documents, nor do I get any closer to the set of questions that you're asking. [Laughter.]

MR. RUBENSTEIN: OK. All right. So, when unemployment numbers come out, or inflation numbers, do you get them the night before? And how do you make certain that nobody gets them who can trade on them? Is there a really good process to make sure that nobody gets these data before they're supposed to, and they can't trade on them? How do you deal with that?

MR. DEESE: Absolutely. It's an incredibly important question. And there's a very strict security protocol around the handling of those – that information. And it's done in secure ways and to a very small set of people, only those who have an immediate and necessary reason to –

MR. RUBENSTEIN: So how do you deal with the Fed, for example? The secretary of the treasury historically meets with the Fed chair once a week or once a month or something. What about the White House? Do you regularly meet with people at the Fed? Or the staff, if not the members? Or do you not do that?

MR. DEESE: I do on a periodic basis. And so certainly it is historical practice and has been practice that the president will meet from time to time with the chair of the Fed, either individually or in the context of being briefed by the financial regulators. That happens from time to time. I meet periodically with the chair and members of the Fed to make sure we're exchanging, you know, views on the economy.

MR. RUBENSTEIN: And the Fed is now fully – full membership of seven members?

MR. DEESE: Yes.

MR. RUBENSTEIN: And does it make a difference? They only had five for a few years. Does it make a big difference now they have seven?

MR. DEESE: Well, I think – that question would be better posed to them. But certainly, it was a priority for our administration that we identify quality candidates and get them confirmed and we have a full slate, both for, obviously, the core monetary policy function of the Fed, but also the supervisory and the regulatory function.

MR. RUBENSTEIN: And White House staff jobs are notoriously long hours. And you have two little children. So how do you manage your time? And how come you have no gray hair as a result of working these long hours, in two administrations?

MR. DEESE: [Laughs.] If the camera gets close enough, you'll see some. It's a constant challenge. And I don't have – I don't have particular wisdom or insight into how to answer it, other than, you know, needing to be extremely efficient with the time that you have. Hire great staff and build a great team. There's – I've got an extraordinary NEC team and core team inside the White House, without which I wouldn't be able to do this. And also – but it also takes an understanding family, because no matter how good you are at prioritization, time management, and productivity with your own time, there is always – there is always something that happens and always something that comes up.

MR. RUBENSTEIN: Well, your children are young. So, do you go to PTA meetings and do people give you economic advice at PTA meetings? Do they kind of say, I have an idea for you on fighting inflation? Does that ever happen?

MR. DEESE: People are extraordinarily generous with their advice. [Laughter.]

MR. RUBENSTEIN: Do you ever follow up with any of it, or say maybe that's a good idea, I hadn't thought of that?

MR. DEESE: I always say that. [Laughter.] But I feel like there's been a good idea or two that has come from an unexpected –

MR. RUBENSTEIN: OK. So now you're two years into – almost two years into this administration. And you expect to stay for another two years? It's a long two years. So, you're not worn out and you can see doing this for another two years at least, if not more?

MR. DEESE: I've got no plans to leave. And I've got my head down and certainly fully absorbed in the work we're doing.

MR. RUBENSTEIN: So, in the next two years, let's suppose you control Congress, what would you like to do most in economic policy in the next two years? What would be your highest goal, other than getting inflation down and unemployment keeping at a reasonable level. Is there another type of CHIPS Act, or some other major piece of legislation that you want to get through?

MR. DEESE: Look, I think there's a number of priorities that I would love to see us make more progress on. I'll answer your question, but as an aside, the first and most important thing that we are gripped by and focused on now is effectively implementing this historic set of legislation that we have accomplished. The implementation of this, to your point about CHIPS and otherwise, the effective implementation across the board is going to make a difference, a big difference, in terms of the broader economic impact.

But look, I think we need to make more progress on tax reform. We've made some steps here, but it's showing that we can as a country effectively fund our priorities and also build fairness into the tax code is important. It's important for trust. It's important for strengthening our democratic institutions. We need to make more progress on underscoring that issues that often get referenced as care or the care economy are not social issues. They're core economic issues. They're core to our labor force. They're core to our productivity as a country.

And there's other issues that are now, you now, coming to floor like housing and housing costs. The fact that we have persistent undersupply of affordable housing in this country is a policy choice, decades in the making. We can do something about that. And now is a really important time to do that, given the period in the monetary policy cycle. There's a number of places where we can make progress, places where there is a lot of actual bipartisan support. So, and I would – I could go through a much longer list if you have time. But you're a good enough interviewer that you won't do that.

MR. RUBENSTEIN: OK. All right. So let me ask you, for young people watching this, and they say: I want to be Brian Deese. I want to work in the White House. I want to advise the president of the United States. What is your career advice about how best to prepare for this kind of job?

MR. DEESE: If that's their exact aspiration, it's ill-advised. [Laughter.] I think, look, but I would say a couple of things. One is, I can't encourage strongly enough anybody who has any inkling toward public service to run toward it and engage in it. It's incredibly important at this point in our country right now to – for more people to serve. It's a huge – it can be a hugely impactful and rewarding thing to do so. And I know there's a lot of cynicism and skepticism out there, but I think that there are so many different ways to serve the public that if you have any inkling toward that, one, race toward it.

You know, and then I think the second is, particularly if you're interested in getting into policy, is – there are probably elements of it that are also true in the private sector too – which is, you know, be humble. Be willing to work a lot. And be willing to both not have any expectation or sense of entitlement, but also have a lot of aspiration and willing to step to the table.

MR. RUBENSTEIN: And what would you like to see as your legacy for what you have done with your career to date? Let's suppose, you know, somebody wants to write a book about you and say, here's what – what you say you feel you've accomplished, or what would you like to have as your legacy? That you got inflation down? You got unemployment down? You won the Nobel Prize in economics? Something like that? What would be your legacy?

MR. DEESE: [Laughs.] I'm just – I'm reflecting on your question and how boring a book it would be. Look, I think that – I guess I would say two things. One is, I think that we are in a position where we could actually demonstrate that for the United States doing dedicated public investment over the long term in areas of high productivity, research, semiconductors, infrastructure, clean energy, manufacturing, showing that we can actually do that in a way that changes the trajectory of the economy is something that I would love to be part of demonstrating and part of associating.

The second thing, for me, is I think that one thing that I have tried to do, and that I think we have tried to do, is to say that we're going to have an economic policy where accelerating the clean energy transition is at the core of our economic policy. It's not that we have an economic strategy and then we think about climate change and clean energy policy. It's actually at the core. I think we are doing that – effectively doing that. And that's certainly something that I hope sustains across time.

MR. RUBENSTEIN: And what's the greatest pleasure of your job, and what's the worst part of your job? Other than interviewing like this. But what's the greatest pleasure and what's the greatest – less pleasurable part?

MR. DEESE: So, you know, having gone out and been in a couple administrations, by far the greatest pleasure is the people. You spend so much time with them, but also the quality of people that can come. You know, the White House, it's – in a sense, it's a terrible place to work, it's very hard, and all the like. But it's also a place where, you know, the – you know, the reservation price for the wage that you would pay is negative because, you know, everybody wants to come and have an opportunity. So, you can attract great people, diverse people, with diverse backgrounds and extraordinary things to bear. So, you make friendships and bonds with people. And so that's, at core, the best – I think the best part.

MR. RUBENSTEIN: What's the worst part?

MR. DEESE: I think the most – I think the most challenging part is that your time is never your own. Something – you have to be prepared that something always can happen. And usually something does happen.

MR. RUBENSTEIN: Now, you see President Biden almost every day. Some people say he's getting old. He's 79. Do you see any evidence that there is a problem because of his age in doing the job?

MR. DEESE: I see the opposite. I see – I see – now, sometimes he drives all of us crazy because he will have read a memo the night before and he'll have 17 very detailed questions that go into areas that we may not have thought of, or that we have to go back and figure out how to answer. That's part of who he is and how he processes information. But, you know, I see – and I also see somebody who has – you asked, you know, we were talking about China before, who also has – brings to the office and to the job a lot of perspective from having dealt on the issue of, for example, U.S.-China relations for decades, and is bringing that in a way that, you know, I think is unique, and serving us uniquely well as a nation.

MR. RUBENSTEIN: Brian, I want to thank you for your time. I know you were dealing with an economic issue tonight you couldn't talk about. But thank you for your time and giving us this much time. And thank you for being here, and for your service to our country. Thank you.

MR. DEESE: Thank you very much. [Applause.]

MR. RUBENSTEIN: Thanks a lot. Thank you. OK.

The Honorable Brian Deese
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Mr. Deese advises President Biden on domestic and international economic policy and coordinates the administration's economic agenda. He has been a principal architect of the President's economic agenda, including the American Rescue Plan, the Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act. Mr. Deese has spearheaded the Administration's effort to develop and integrate a modern industrial strategy into the Administration's economic policy – with a focus on accelerating the clean energy transition, increasing energy security, bolstering the resilience of domestic supply chains, and promoting U.S. manufacturing.

Prior to this, Mr. Deese was Global Head of Sustainable Investing at BlackRock, an American multinational investment management corporation based in New York City. At BlackRock he worked to drive greater focus on climate and sustainability risk in investment portfolios and create investment strategies to help accelerate the low-carbon transition. A former Senior Advisor to President Barack Obama, Mr. Deese was instrumental both in engineering the rescue of the U.S. auto industry in 2009 and in negotiating the landmark Paris Climate Agreement in 2015. During the Obama-Biden Administration, he also served as Acting Director of the Office of Management and Budget and Deputy Director of the National Economic Council. He received his BA from Middlebury College and his JD from Yale Law School.