The Economic Club of Washington, D.C.

Welcome and moderator:
David Rubenstein,
President,
Economic Club of Washington

Speaker:
Gene Sperling,
Director,
National Economic Council

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DAVID RUBENSTEIN: Thank you.

We're very pleased today to have as our special guest Gene Sperling, who is the director of the president's National Economic Council. Gene has held that position since the midterm elections when he assumed the position – well, really, after Larry Summers left. He's replaced Larry Summers as the head of the National Economic Council. Prior to that he served as counselor to the secretary of the Treasury at the beginning of the – in the first two years of the Obama administration.

And he brings a wealth of experience to that position. As many of you know, the director of the National Economic Council coordinates and helps develop economic policy for the administration and for the president. The experience he's brought to that is that he had the same job in the Clinton administration. At the beginning of the Clinton administration, he serves at – served as the deputy head of the National Economic Council under Bob Rubin, and then when Bob Rubin became secretary of the Treasury, Gene became the director of the National Economic Council. So he's held this position before, and in fact, he's really now been involved in 11 straight years of Democratic economic policymaking, I think more than any other one individual in terms of consistently working in Democratic administrations and making economic policy.

Gene is, by background, from Ann Arbor, Michigan. Although he didn't go to the University of Michigan, he's a die-hard Wolverine fan. He went to the University of Minnesota, where he was recruited as a tennis player on a scholarship and played and was the captain of the University of Minnesota tennis team. He subsequently went to Yale Law School, where he also continued his great academic pursuits. At University of Minnesota, he was a member of Phi Beta Kappa, and at Yale Law School, he was a member of the Yale Law Journal.

After law school, he began to get involved in some public policy matters and worked in the Dukakis campaign, but also subsequently worked for Mario Cuomo in the early 1990s and then was recruited by people he had met in the Dukakis campaign to work for Bill Clinton in his campaign. And he ran the economic policy unit of the Clinton campaign in 1992. Then, as I mentioned, he went into the Clinton administration.

In between Democratic administrations, Gene has done many different things. When he left the Clinton administration after serving as the head of the National Economic Council, he joined Brookings as a scholar, also the Council on Foreign Relations. And he also set up a Center for Universal Education to help children all around the world make sure that they do get education. In addition, he spent some time as a consultant to "The West Wing." And in that course of time he was interviewed by a writer for "The West Wing" when he was seeking that position, and that writer subsequently became his wife.

Gene is now married with two children. He resides in Washington now and is well-known, I think, among other things, for his enormous encyclopedic knowledge of economic policy – again, he's spent 11 years now working on economic policy matters – but also for his workaholic tendencies. I would say over the last 11 years that he's served in the Democratic administrations, he probably, per hour, is the least well-paid person in Washington, D.C. (Laughter.)

So it's our great pleasure to have Gene make a presentation now. And then after his presentation we will have questions and answers.

Thank you. Gene. (Applause.)

GENE SPERLING: Thank you, David.

The last time I saw David Rubenstein was at the Kennedy Center last Sunday night, and he was introducing Jack Black, Ben Stiller and Will Ferrell. (Laughter.) And today he introduced me. (Chuckles.) I think I have now arrived. (Laughter.) That never happened my first time around.

I'm always happy when people mention that I was a consultant for four years and part-time writer for "The West Wing" because, let's face it, in Washington, almost all of you think it is way cooler to have consulted the fake West Wing for four years than to have worked in the real West Wing for 10 years. (Laughter.) But as David mentioned, the – while the real West Wing has been the highlight of my professional life, the fake West Wing has been the highlight of my personal life, as that – as he mentioned, where I met my wife, Allison Abner, who many of you have gotten to know, along with our two kids.

I'm very happy to be here. There are so many friends out here. I can see Steve Case. I saw Frank Raines, Mark (sp), and I'm so happy to be here with David Rubenstein, who has given me advice and counsel since my first days here when people said that when I stayed up very late at night, I reminded them of another crazy man who had worked at the White House in the Carter administration. And I later learned that that was David.

So anyways, thank you all for having me. Look, my talk today is simple and direct. To achieve sustained economic growth right now, we need: one, a bold, immediate jobs plan to inject demand, help this recovery take hold and have a meaningful impact on jobs over these next 12 to 18 months; and two, a balanced plan for long-term fiscal discipline that combines savings from entitlements and revenues from the most fortunate while ensuring we continue to invest in the potential of our young people and the economic dignity of our working families.

I will start with the imperative for bold action to spark jobs and economic demand. Now, there are those who argue against the need for a significant, immediate jobs plan. Those who make the case for inaction at this moment usually do so – usually state as their reasons that we already tried the recovery act, and they claim it did not have an impact; that we cannot afford a new jobs plan; that because we are coming back from a financial crisis-induced recession, we simply have to be passive and patient; and that a bold, immediate effort is inconsistent with focusing on longer-term structural issues in our economy. I will address each of these arguments, but even combined, they fail because in the current economic context, unemployment is simply too high, the projections for near-term growth too weak, the risk to the economy too elevated and the national crisis of long-term unemployment too profound to sit on our hands and do nothing.

To those who say, as an argument for inaction, that the recovery act failed, I would highlight just a few basic facts about what we know about the state of the economy at that time. In November when President-elect Obama was taking over an economic policy, the Blue Chip forecast projected that the economy would contract in the fourth quarter of 2008 and the first quarter of 2009 at an annualized rate of 1.65 percent. In other words, they were projecting that our economy would be losing at a pace – growth at a pace to show we're contracting at near 2 percent. By December that projection for that six-month period had gone to 3 ¼ (percent).

So what do we know now? What do we know now, now that we have better information? During that six-month period the economy contracted at an annualized rate of 7.8 percent, nearly 8 percent. Actually, in the fourth quarter of 2008 our economy was losing – was contracting, losing growth at a rate of 8.9 percent a year. It was the worst six-month period of growth since records of quarterly growth were first kept in 1947. Other than the period of demobilization in 1946 after World War II, it was the worst six months on record since the heart of the Great Depression. And on the jobs front, our economy lost 2.3 million private-sector jobs in the first quarter of 2009. We were losing jobs at a pace of nearly 800,000 a month in the first quarter of 2009 against – again, the worst record since the heart of the Great Depression.

With the passage of the recovery act and the financial rescue package, growth actually returned to our economy by the third quarter of 2009, a half year later, and private-sector job growth returned in March 2010, a year after we'd lost 800,000 jobs in a single month and a year earlier than the recovery from the previous recession in 2001. Now, we are big boys and girls. We understand that President Obama's opponents will continue to make the expedient argument – politically expedient argument that since we have much further to go in digging ourselves out of the historic economic hole the president inherited, that therefore, that is evidence that the recovery act did not work. But let us be serious in one crucial regard. Using the experience of the recovery act, which was critical to bringing our economy back from a contraction of nearly 8 percent a year and the loss of 800,000 private-sector jobs a month, as an argument that any future effort to inject demand to create jobs is thus futile is both a cynical argument and one without merit. It may be that, quote, "prevented a second Great Depression," does not read well on a bumper sticker, but it is an appropriate description of policy choices that dramatically improved and helped the lives of tens of millions of our fellow working families.

Now, some have also suggested to me that even if the recovery act was the right medicine for the economy in 2009, that today we should just sit tight. They will argue, often citing the work of Ken Rogoff and Carmen Reinhart, that as recoveries following recessions induced by terrible financial crisis are inevitably going to be long, slow and painful, we simply should just wait and be passive as the slow process of healing unfolds. Now, I'm not sure I would ever agree with this interpretation, but if we were projecting 3.75 percent growth next year and the conversation was simply about the pace at which unemployment was headed down, we could at least have a conversation about how quickly one could expect action to further accelerate growth and lowering of unemployment. But that is not the economic moment we face today. It is not the economic outlook we foresee over the coming year. We have an obligation to take a sober, nonpolitical look at the state of growth and employment in our country today, the risk that it could get worse and what it would mean for our country if we did nothing and simply allowed the consensus economic forecast to come to pass.

With regard to the risks, everyone understands the value of taking out insurance against negative events in our personal lives. Well, that same principle holds for our economy as well. Now, make no mistake about it: Our administration projects that our economy is most likely to keep expanding, adding to the 1.3 million private-sector jobs that have already been created this year. Most economic forecasters agree with this assessment. And even though the Blue Chip financial forecast found a 35 percent chance of a double-dip recession among their nearly 50 forecasters that they survey, it is our hope that with the uptick in some recent numbers, those odds might go down.

Nonetheless, it is still fair for all of us in policy positions to ask, when you already have 9 percent unemployment and 14 million people out of work, is it worth taking out some insurance against even the prospect, even the relatively less than 50 percent chance that things could get worse? If you thought there was a 1-in-3 chance or even a 1-in-4 chance that your house was going to burn down next year, you would certainly find home insurance to be valuable. Likewise, the value of taking insurance out against such a damaging outcome for our economy today is a loan, a strong basis for taking bold action on demand and job creation in the immediate future.

Remember that in December 2010 when we passed temporary payroll relief, the price of gas was at $3 a gallon. We did not know that the Arab Spring and events outside our control were going to push gas prices over $4 a gallon in some parts of the country. But there is little doubt that the insurance we took out in the form of the payroll tax relief has provided a crucial cushion to prevent consumer spending from falling and putting – and thus putting us in a stronger position than we'd be otherwise.

But even if one decides that the need to take insurance out against unexpected negative events at this time of high unemployment is not persuasive, the case for action if standard economic projections bear out is overwhelming. Right now the Blue Chip is projecting 2 percent growth for 2012. The Conference Board is projecting 1.1 percent, J.P. Morgan 1.7 percent. The IMF World Economic Outlook finds 1.8 percent growth for 2012. As such growth would be below the economy's trend growth, it would hardly be projected to be strong enough to even bring unemployment down below 9 percent. This type of growth should be unacceptable and unsatisfactory at any point in any recovery. But in our current context, it constitutes nothing less than turning a blind eye to our national crisis of long-term unemployment.

While Washington today is focused on the political punditry over the ups and downs of the American Jobs Act, it is long past time for all of us to realize that long-term unemployment is our true national economic crisis and that choosing to play politics as usual or sit on our hands in the face of this crisis is both irresponsible and inexcusable. The depth of the recession this president inherited and the difficulty of recovery from a financially (sic) crisis-induced recession has allowed us to now experience the worst long-term unemployment in any of our lifetimes.

Consider the following: There are now 6.2 million Americans who have been unemployed for longer than six months. Forty-four point six percent of the unemployed is now – been unemployed for more than six months. About 75 percent of them have been unemployed for a year or longer. Now consider this: The average length for the unemployed right now is 40.5 weeks – 40 weeks. That is the worst on record. It is almost twice the length of the highest prior record, which was 21 weeks – 21 weeks during what was a very painful recession in the early 1980s.

This is a matter of the highest economic importance. We know that very long spells of unemployment cause harm to workers, to families and to our long-term economy, that shorter terms, the more typical bouts of unemployment, do not. We know when you lose a job, it is always painful. But when you are involuntarily out of work for a year or two years or more, you lose your home. Your health, your family is often threatened.

Economists have used the term "hysteresis" to describe a situation where elevated periods of unemployment can generate their own momentum and persist for long stretches of time, ultimately reducing our productive potential. Being out of work for extended period of time makes it harder to re-enter the workforce. If you lose your job today, you – it's – your chances of being employed in the next three months are about 1-in-2. But if you've lost your job for six months, the chances over the next three months is about 1-in-4. And it gets worse and worse the longer you are unemployed.

Andrew Oswald, an economist at the University of Warwick, has found that there is no circumstance that has a greater negative impact on mental health than being unemployed for six months or longer. Economists Daniel Sullivan and Till von Wachter have found that permanent job loss results in a 50 (percent) to a hundred percent increase in mortality rates the year following displacement, 10 (percent) to 15 percent increases in mortality rate for the next 20 years. And then on top of that, the National Employment Law Project found in a four-week survey of online job advertisements over 150 examples of companies explicitly saying if you are unemployment (sic), do not apply. The "do not apply" signs that were long ago taken down for African-Americans and women are now being put up for those who have the misfortune, usually at no fault of their own, of finding themselves in the dire strait of long-term unemployment.

Of course, concerns about the cost of long-term unemployment lead to one of the other rebuttals in the case for inaction, which is that long-term unemployment is purely a structural problem. Some have argued that there are 3 million job openings, and this would show that all of our problems is simply due to a mismatch between skills needed to fill current slots and the skills possessed by unemployed workers.

But as recently described by those from Dan Tarullo to David Wessel to Larry Katz, there is little evidence for this case. I mean, here's the simple math. There are over 14 million people looking for work – full-time work, not even counting the people who are half-time looking for full-time work – and 3 million job openings. That means there's nearly five people looking for every job that is open – far higher than the two people looking for every job that existed before this recession.

There's no question. The skills mismatch issue, the structural issue is an important long-term issue which we should be committed, through education and innovation, to fixing. But recent research by the New York Fed makes clear that it explains only about one-fifth of the rise in unemployment in the recent recession. What this and other evidence shows suggests is that the overwhelming cause of the unemployment crisis we face is a lack of economic demand. And the real irony we face here is not so much that structural unemployment is driving high employment right now, but instead that if we fail to act, we will create a new and deeper structural unemployment in our economy. We will, by sitting on our hands, allow legions of our colleagues, our neighbors to be disconnected from the workforce for unforeseen periods of time.

And this takes me to a final point on this subject, which is that a lot of what we do in economic policy is try to have policies that prevent vicious cycles that unnecessarily take away value in our economy. We have bankruptcy laws that prevent credit rushes that would unnecessarily destroy the value of company or the future of an entrepreneur who has failed once. Steve Case will tell you: What a difference it would be if debtor prisoner, instead of a second or third chance, was what happened for an entrepreneur who failed their first time. We do not allow the bankruptcy, the rush of creditors, the destruction of entrepreneurs from trying again, because it unnecessarily leads to a downward cycle that hurts our economy.

We have deposit insurance to prevent the vicious cycle of negative runs on bank. And we try to promote policies like our Neighborhood Stabilization Plan and Project Rebuild and the American Jobs Act to prevent downward cycle in neighborhoods hit by blight and high foreclosure rates. But if we see projections of 1 ½ to 2 percent growth right now that inevitably mean that the crisis of long-term unemployment will get even worse, we are in essence saying that we know millions of our friends, our neighbors, our fellow citizens are destined to a downward cycle of economic opportunity that will cause long-term damage to them and our economy, and that we are choosing to simply sit back and watch. A great nation facing the worst crisis of long-term unemployment in our lifetime can certainly do better.

Now, the president's American Jobs Act tries to deal with this long-term unemployment challenge in two fundamental ways. First, it has a smart demand oriented plan for next year that independent economists have projected could result in up to 1.9 million more jobs next year – that's 158,000 more jobs per month than is currently excepted, and up to 2 percent higher economic growth – the difference between perhaps 1 ½ (percent) and 3 ½ percent growth, if it was planned in its completion. It includes elegance – it includes elements like the payroll tax cut which use an existing structure to get a significant amount of money into the pockets of every worker every two weeks in 2012, while providing more customers and more cash for the small businesses who have been hit hardest by the financial crisis.

Further, at this moment, there is – the American Jobs Act also includes a major investment in creating jobs by rebuilding our infrastructure. There is just no sound reason not to make a major investment in our infrastructure right now.

Let me be clear about one thing. There is nothing fiscally responsible about deferred maintenance. If I choose to cancel my DirecTV NFL subscription with – which with the Lions at

6-and-2, I'm definitely not going to do this year – I would save $230 in consumption. If I decide not to fix the pipe in my basement, I will just pay more later. At this moment, with interest rates at historic lows, with an overflow of unemployed construction workers anxious to get to back to work, when the macroeconomic impact would be the best imaginable, how can we pass by this a moment – by this moment to address the deferred maintenance in our schools, roads, railways and airports? How can we let this moment pass? What is the rationale for not acting?

Now the second thing the president did when he announced his American Jobs Act on September 8, 2011, is put a national focus on this challenge of long-term unemployment by making it explicitly one of the four major planks of his plan. That meant including every responsible idea we could identify, from outlawing hiring discrimination based on being unemployed, to tax credits for people who have been unemployed for six months or longer, extra incentives for hiring veterans who face long-term unemployment or service-connected disabilities. We proposed the most sweeping reform of unemployment insurance in the last 40 years. Every aspect of the reform is designed to make unemployment insurance more of a bridge to work: empowering people to use their UI to connect for even temporary, short-term jobs or to start their own business or to – as wage insurance to help older workers get back to work, or for companies, to encourage them to choose work-sharing over layoffs.

We are no doubt disappointed that the Republicans in Congress have blocked the American Jobs Act. But that should not be our major disappointment. Our most profound disappointment should be that they have not even come forward with an alternative plan that any top independent forecaster could possibly estimate as spurring growth to 1 (percent) to 2 percent next year or adding 1 (million) to 2 million new jobs. At this moment, the Republicans' main alternative to our plan is to package together a host of long-term – a variety of different long-term measures – some good, like trade agreements and patent reform; some not so good, like repealing the Affordable Care Act – but all having one thing in common. They have nothing, absolutely nothing to do with sparking demand or job growth in the next 12 or 18 months so that we can give this recovery a greater chance of taking hold or give greater hope to the long-term unemployed of getting back to work.

These plans are therefore not really jobs plan. They are plans to sit by while our national crisis of long-term unemployment gets worse. President Franklin Delano Roosevelt argued during the Depression that when facing great national challenges, our obligation was to try and try, experiment and experiment until we get it right. And yet the Republicans in Congress' current approach so far does not even live up to Teddy Roosevelt's admonition to at least get in the arena and give it a shot.

Now, there's no question that the right fiscal package for fiscal policy at this moment is to combine this strong demand in the short term with a balanced long-term plan for fiscal discipline and debt sustainability. The two are not contradictory. Indeed, they are as complementary as good hitting and good pitching. Done together, they are exactly what we need to maintain confidence that the economy is going to pick up, that America remains the place for companies to make long-term investment, and that we will not face a debt crisis in our country in the near-term future. Those who suggest we cannot afford a strong American Jobs Act are being penny wise and pound foolish. Nothing will hurt our current effort to get our debt path to sustainability more than if our economy stays weak or if we allow long-term unemployment to weaken our economic projections and even our economic potential.

Furthermore, when you pay for the jobs plan, as the president's proposed, the long-term cost is just the lingering interest from the jobs plan, while the ongoing offsets lead to net deficit reduction each and every year for the foreseeable future. There is a reason that even the Rivlin-Dominci plan – one of the most ambitious deficit reduction plans put together by a bipartisan outside group – included the most (robust ?) injection of temporary demand, a complete payroll tax holiday to ensure our recovery takes hold.

If we are to succeed in achieving strong, long-term deficit reduction, let's just be honest. The single most critical ingredient will be Washington reaching the consensus that we must have a balance in our deficit reduction strategies. There is no single barrier that stands in the way more of sane fiscal policy than the fact that a sizable portion of the Republicans in Congress have taken a pledge that there cannot be a single penny of revenues in any significant deficit reduction act.

This absolute pledge against any sense of balance is not a historically Republican position. In 1982, Ronald Reagan raised revenues to deal with the deficit. In 1983, Ronald Reagan and Tip O'Neill included revenues in fixing Social Security. In 1990, the elder President Bush worked together with Democratic leaders to get a bipartisan agreement that included revenues (and ?) deficit. In 1997, we had a balanced budget agreement where the Republicans agreed to continue all of the revenue increases from the 1990 and 1993 budget agreements. Every independent bipartisan plan has called for a mix of revenues, entitlement reforms. A letter calling for deficit reduction from former CEA chairs, Republican and Democrats – including Greg Mankiw, Glenn Hubbard, and Martin Feldstein – include an endorsement of a mix of revenues and entitlement cuts. Prime Minister Cameron has as much as one-third revenues in his package. It is only in the House of Representatives where progress is repeatedly blocked by what is a pledge to something other than sound fiscal economic policy. And this blocks us from making progress for a few critical reasons.

One, everyone knows that the way you achieve bipartisan deficit reduction is through people holding hands and jumping together. That means everyone has to come to the table and compromise. If Democrats refused to come to the table when Republicans were offering revenues because of – on high-income people because they said there couldn't be a penny of Medicare savings, we should criticize that. Because when one side refuses to budge even when mechanisms are created for bipartisan agreements, when one side opts to stay with an absolutist position, then divided government becomes dysfunctional government.

Secondly, deficit reduction and fiscal discipline require shared sacrifice. Nobody likes deficit reduction, nobody. You know what a successful deficit reduction plan is? It's one that everybody hates, but kind of equally and in a way that they think is fair. But you cannot ask a military retiree, a federal worker, a Medicare beneficiary, a doctor, a farmer to take a little sacrifice as part of a national effort to bring our deficit down and at the same time say that you can afford hundreds of billions to extend tax relief to the most fortunate among us. Americans are willing to engage in shared sacrifice for the common good.

But when contributions from those of us who are most fortunate are not part of the problem, it is not just that the math does not add up. It's also that it tears at the sense of social compact and shared sacrifice we need to forge a national strategy of shared sacrifice in the purpose of shared prosperity.

Next, when you seek, believe that you can do all of our long-term deficit reduction simply without a penny of revenues, you are essentially arguing for repealing the aging of the population. When I left at the end of the Clinton administration in 2000, there were 45 million people on Social Security. In 2020, there will be 70 million, up 25 million. Medicare will go from 40 million to 64 million over the same period. You cannot have the population of our fellow Americans on Medicare and Social Security growing by around 60 percent in two decades and then say the answer is simply to cap everything at historic levels. Capping spending at the historic levels of past decades when you have this enormous growth in the elderly on Medicare and Social Security is nothing less than proposing to repeal the aging of our population. You cannot do it. It is simply a backdoor way to argue for cutting deeply into our fundamental social safety net programs like Medicaid for the cause of adhering to an absolute pledge which the public does not in any way support.

And while it is of course true that the baby boom retirement is a major fiscal challenge to our nation, it is simply untrue that the new deficit challenge that's arisen this decade is because of that baby boom retirement challenge. Virtually all of those costs were projected a decade ago when we had taken steps to balance the budget and were even projected to be running debt-reducing surpluses as far as the eye can see.

What has changed since then? Part of what has changed, in addition to the financial crisis, and the cost of two wars, is that we passed a series of tax cuts that were not offset or paid for, and that over this decade, that is going to mean an extra $500 billion to the deficit on average each and every year. Let me repeat: The tax cuts passed in the last decade, because they were never paid for or offset, are adding an extra $500 billion to the projected deficit over this decade. Anyone who suggests that revenue is not part of the problem and that revenue from our most well-off and fortunate citizens should not be part of the solution has a very serious case of budget amnesia.

Finally, if you go back 20 to 25 years to many of the people who first sounded the alarm in our country for the need to get control of our fiscal situation because of the coming retirement of the baby boomers, much of their argument was based on the fear that our nation would end up spending too much on older Americans at the expense of investing in our young and investing in the type of research and innovation and infrastructure that has led so much to our country's prosperity and productivity today.

Yet when the desire to return to sustainability of our national debt turns into dictate, to cut public investment without any differentiation, it has the potential to turn that aspiration on its head. Today we have already agreed, over the summer, to cut domestic spending as a percentage of our economy by the end of this decade at the lowest levels on record, lowest in over 50 years, lowest since the Eisenhower administration. And yet there are still too many who want to cut it deeper and deeper, as proposed in the House budget proposal put out this last – this April. But let us remember that it is precisely in this area where some of our most critical investments in our future are needed. This is the area, domestic discretionary spending, where we promote early childhood education so that we as a country can live up to our aspiration that the accident of your birth should not be overly determinative of the outcome of your life. It is where we strive to ensure college affordability, that workers who are dislocated have a second chance, where we invest in medical research at NIH, and spur innovation to ensure that the next great inventions are created – creating jobs here in our shores. If we turn our desire to ensure entitlement spending is under control so that we can invest in the future, into a dictate to make no differentiation among public investment, we will be a poorer, less just and less prosperous economy and nation.

And so to conclude, it is with this one-two punch – strong demand in the short term to tackle our problem of long-term unemployment, and a balanced fiscal discipline plan to build confidence so that we can address our long-term deficits while still investing in our future – that we can best move our nation toward the shared prosperity that should always be the aspiration of this country. Thank you very much. (Applause.)

MR. RUBENSTEIN: So you are not the pointperson in negotiating with Republicans, I guess, in this? (Laughter.)

MR. SPERLING: You know – you know, I often have been, and I have been part of the team, and we stand ready to. But, you know, David, you can't do this thing where you make no differentiation. The president, very clearly, has continually reached out. He has – he over the summer, we all know, was willing to go further on entitlement savings, take on more sacred cows, risk taking opposition from his base of supporters, in the interest of getting an agreement. It is the president who has put out to the supercommittee proposals in detail that would cut agriculture subsidies, affect federal retiree benefit, that talked about adjusting beneficiary changes for Medicare. So when you have this inability to come together, you can't just decide that it's – that your analysis is that it's a pox on everybody's house, that everybody bears the same responsibility for the failure to come together; you have to look.

You know, Frank Raines and I and others were part of the 1997 balanced budget agreement. I sat in the room with – in the Biden talks. I encouraged the president. Many people criticized this, but I was one of the people who encouraged and supported us going to – the extra mile at every point to try to get a major budget deal with the speaker. So I am very much for bipartisan negotiations. And I – and I want to make clear, I believe there are many Republicans on the Hill who want to be part of a balanced agreement – you've seen (it) in the Gang of Six; you've seen (it) in the few Republican senators in the – in the Bowles-Simpson who were willing to support raising revenues. So I think there is a – I think this is not a Democrat-Republican issue, as much as it is a portion of Republicans who are blocking Democrats and Republicans of good faith from coming to the type of compromise budget agreement that, no doubt, includes revenue savings from those most fortunate together with entitlement savings, including Medicare, as part of a bipartisan agreement.

MR. RUBENSTEIN: Well, on your jobs bill, you do not have a majority of the Democrats. You can't get 51 Democrats, can you, in the Senate to vote for it? I thought it was not just the Republicans; I thought the Democrats did not support the president's jobs bill. Is that not the case?

MR. SPERLING: Well, that's not the case. You just said that we didn't get a majority. We have sometimes 53 out of 53, 51 out of 53, 50 out of 53. One of the people only caucuses with us. I've been here a while, as you said. You were here a while. Getting 95 (percent), 96 percent of your own party is pretty good – is pretty good. So you can't look at – you know, the reason why we're having trouble is that there is a complete inability for anyone to come over.

But the – but understand what I did in my talk today. I didn't say: Here's the American Jobs Act; our way, or the highway. I presented the case for action. I presented why we as a country can't sit on our hands and do nothing. I said that our biggest disappointment was not whether they accepted the American Jobs Act in its full, but the refusal to come forward with a meaningful alternative that is about addressing jobs and demand and long-term unemployment in the immediate future.

MR. RUBENSTEIN: And you've mentioned the Bowles-Simpson. Why did the president not meet with Bowles-Simpson when they delivered their report? It was a big deficit-cutting proposal. Why did the president not either comment on it or meet with them at that time?

MR. SPERLING: So first of all, the Bowles-Simpson is the president's – committee, is the president's creation. He chose those two men; he chose a very – he chose representatives from the – under his picks, that were very much about reaching bipartisan agreements, about moving towards the center. And he was very supportive of their actions. And we don't, or didn't, agree with all of the things in the Bowles-Simpson plan, but the most important thing is that we understood – and I think this is right – that the way you make progress in deficit reduction measures, bipartisan progress, is to create the mechanisms where you bring both houses and both parties together. Every successful effort we've ever had has that characteristic.

Now, that doesn't mean it always works. It was very close to working over the summer, but just failed. I don't know – none of us know for sure how the supercommittee will turn out. But that notion where you bring Democratic and Republican leaders together from both the House and Senate to hold hands and jump together is the only hope you have. You know, nobody wants to be, as the expression came from 1993, BTUed. Nobody wants to put their political life on the line for a plan that they find out is going nowhere, or is going to pass the Senate but not pass the House. So if you're interested in actually getting things done, as opposed to getting a good op-ed or a pat on the back, what you wanted to do was exactly what this president did, which is, as soon as we got done with the yearly CR, the yearly budget agreement that took forever and was too late, within five days of that, the president put out a $4 trillion framework over 12 years, and called for both houses and both parties to come together. That was the Biden group, and that was the first effort.

So the Bowles-Simpson bipartisan commission was called together by this president. The Biden negotiating process was pulled together by this president. The president and Speaker Boehner – and I do give Speaker Boehner credit for trying, for being willing, personally, to reach out and put revenues on the table as part of a – of a deal, even though he couldn't ultimately deliver that deal; I give him credit for trying. But in each of these cases, it was the president who was trying to create the mechanism that is the best hope for bipartisan deficit reduction.

And I promise you, whenever it comes, it will come in this form. It will come in this type of – it will not be because the president of the United States goes out and blesses an independent group's plan. It will be because he brings both leaders – leaderships in both houses together. That's what happened in 1983 in the Social Security deal; that's what happened in 1990 with the budget deal; that's what happened in 1997 with the balanced budget agreement. And hopefully, that's what will happen this year with the supercommittee. And if not, it will be a process like that in the future. And so the president was focused on what was the process and mechanisms that had the best potential to get the job done.

MR. RUBENSTEIN: Well, the stimulus bill that was passed at the beginning of the administration did not have Republican support; so therefore, the president didn't get the Republicans there. Do you support the fact that he was unable to get Republicans to support it, and therefore it wasn't likely to succeed? And you said at the time that there would be a very good economic impact from that stimulus bill. It hasn't seemed to have had that impact. Why do you think that people should now say that – you're currently saying if it's passed we'll have a good impact. Why should people believe you now?

MR. SPERLING: Well, I hope I answered that in my talk. I mean, people say to me, you know, it's hard to argue that things are better than they would have been. What I just presented you was: They are way better than they were. I mean, you can't make everything just a political argument here. You have to digest the following facts: Our economy was shrinking at a rate of 8 percent a year when the president took office – 8 percent. We have not seen that since the Great Depression. We were losing jobs at 800,000 a month. You know, you expect your economy to maybe add 2 million a year; we lost 2.3 million in three months.

The fact that by the second half of 2009 – just six months later – our economy was back to growth is not something you can take for granted. There was no guarantee that was going to happen. That happened because this president took very bold, politically difficult action, both on the jobs act and on the financial rescue package. And the fact that we were creating jobs, albeit much too slowly, a year later, in March of 2010 – a year earlier than took place after the previous recession – again, didn't happen by accident. So I totally agree that the deep financial crisis that we inherited was a very deep hole, and that it is discouraging how long and tough it is to climb your way out. But I wholly refute and disagree and dispute anyone who suggests that the American – that the recovery act did not have a major impact in helping ensure our country did not go into a great depression, and instead went to growth.

What was the stock market in March, when we were doing the financial rescue plan? About 6,400. About one out of five people was betting that it was going under 5,000. You cannot take for granted what happened. And the idea somebody would use the American – the recovery act as an argument to suggest you shouldn't do this type of demand injection for jobs is totally misguided. Does any – you know, let's just remember January 2009: Where was the demand in the global economy? Europe? What industry? What consumers were spending as they saw that their pensions and their house values had gone down 30 (percent) or 40 percent? Had the United States government not stepped in and taken bold action to inject 800 billion (dollars) of demand into the economy, had we not taken the type of action of the stress test and the action on the automobile, you know, our – we could have faced just an unforgivably painful economic period. And that's just very, very important.

And however much – as I said, we're big boys and girls; we understand our political opponents are going to use the fact that things are not as great as any of us would like them to suggest the recovery act was not successful. But nobody who's not political, nobody serious, nobody objective should buy into that argument.

MR. RUBENSTEIN: All right. The unemployment rate today is about 9.1 percent, as we count it. And no president since FDR has been reelected when the unemployment rate has been above 7.2 percent. Where do you think the unemployment rate will be at the time of the next presidential election?

MR. SPERLING: You know, I'm not going – I'm not going to make projections. What I'm going to say is that whether or not we do something about job growth right now is going to determine in part that outcome. So I'm here making the case for a jobs act because I fear that if we just sit by and allow the standard economic forecast to take place – that we're going to grow 1-1/2 (percent) or 2 (percent) or a little over 2 percent – that we are going to be sitting by passively while we do serious harm to many of – to millions of our workers and our – and our economy.

Remember, you expect that you need growth to be about 2-1/2 percent just to stabilize employment, just to handle the new workers who come into the workforce, just to stabilize. When you have 9.1 percent unemployment, you need to – you need growth to be much stronger than that, to bring unemployment down. And as I just described, you need unemployment – growth to even be stronger than that, to encourage workers – companies to look beyond the best young people coming out of college and to start giving those who've been unemployed a year or longer a second chance to get back in the workforce.

So, you know, rather than us, you know, handicapping or betting, the right thing we should be – do is acting. We have a chance as a country to take action that would meaningfully affect what these are.

MR. RUBENSTEIN: All right –

MR. SPERLING: Just – can I just go – when Moody's put out their number, they said they were projecting 2.2 percent growth; they said with the jobs act, they would project 4.2 percent growth. What a significant difference that is. J.P. Morgan put out they were projecting 1.2 percent growth; with the jobs act, they were projecting 3.1 percent growth. So whether or not we do something bold and immediate, like what we've proposed, even if it has different elements or slightly different composition, is the single most crucial thing we can do to being able to answer that question in a way that suggests the chances of that unemployment rate coming down are good, as opposed to bad.

MR. RUBENSTEIN: The president has said that the economy is in worse shape than he thought it was going to be when he was a candidate, it turned out to be worse, and the deficit problem is bigger and the debt problem is bigger. Why does he not – or why do you not support eliminating all the so-called Bush tax cuts? That would pick up, as you said, about $500 billion a year. Why not get rid of all of them, as opposed to just people who are in the top 2 percent, which doesn't pick up that much revenue? Why don't you get rid of all the Bush tax cuts, or support that, and thereby reduce the deficit much greater?

MR. SPERLING: Because I think at this point the hit on working families struggling in this economy would just be too great. And I – and I don't – I'm not convinced and the president isn't convinced that we need to do that to achieve debt sustainability. So for example, the president – we've already put a trillion dollars into deficit reduction agreed to over July. The president there – then put forward his plan to the supercommittee. That plan does have a significant revenue portion, but it does fall on all Americans – only on Americans over 250,000 (dollars). Yet that plan together does bring our debt down as a percentage of our economy. So, you know, I just don't believe that if we were to let all of the tax cuts expire and have working families making 80 – 70 (thousand dollars), 80,000 (dollars), suddenly facing a $3,000 higher tax increase, that that would be good economic policy, that that would be fair or just.

So I think we still believe that we can get our deficit under control, bring our debt down as a percentage of our economy, and do so by asking for sacrifice broadly, but by asking for a revenues portion to come from those who have income 250,000 (dollars) and over.

MR. RUBENSTEIN: Where would you like to see the capital gains rate be, if you could have your choice? Where would the president like to see it? What rate?

MR. SPERLING: (Chuckles.) Well, you know, I don't have anything, obviously, different to say from what's in our – in our budget. You know, we have – I do think that there are areas that we think – you know, what the president has spoken of is the fact that we should be concerned when very, very well-off people can take all of their income under preferred rates – so that somebody making $100 million, et cetera, is simply paying 13 (percent), 14 (percent) 15 percent, and that you have the situation where the net or even the incremental taxes of people who are teachers, you know, fire chiefs, firemen, are higher than those who are the very, very most fortunate.

So the idea of the Buffett rule was simply to say that if we went to tax reform, and if we were going to bring down everyone's rates as part of tax reform, if we were going to reduce tax expenditures so that we could reduce the deficit and bring down everyone's rates, that it was important to be able to say to the public that this would not mean that those who were the very most fortunate would be able to, in effect, pay effective rates that were dramatically lower than that and lower than them.

And that was what – that's what we put out. I think that's very reasonable. I think the public supports it, largely. And I just saw a poll saying that those who make over a million dollars support that principle as well.

MR. RUBENSTEIN: What is the rate that – under the Buffett rule, have you said what the rate would actually be for people who will be affected by it? And why have you not said that?

MR. SPERLING: Because we were really setting out principles for tax reform. You know, right now, one of the open – one of the openings that you've seen from at least a few of the Republicans in the Senate has been to – has been to raise revenues through tax reform. So we wanted to put out what our principles were for tax reform. And one of the things we wanted to say was that we supported the idea of lowering expenditures, raising revenues, but lowering everyone's rates. But in doing that, we wanted to have certain principles. And one of them was that we didn't want the tax quote – code to get less progressive than it would be in the – today, or in the absence of the sunsetting of the Bush high-income tax cuts. And the second was going to be, if you're going to be taking down rates, and possibly even taking down rates for those in the highest income brackets, it was essential to say there would be a floor under which the rate would not go. And that was, obviously, something Warren Buffett had spoken about quite a lot. And the point there is that that isn't even a principle that will affect most people who are very well-off. It will only affect those who are somehow able to organize their income so that all of their income or the overwhelming majority is at preferential rates. And again, I think that is a principle that has, you know, wide support.

So because we don't know exactly the metrics of what tax reform will be, we wanted to put that out and the progressivity principle out as what we would be looking for in a tax reform proposal.

MR. RUBENSTEIN: Thank you. You've worked for Mario Cuomo, Barack Obama, Bill Clinton. Who's the smartest of those people?

MR. SPERLING: Oh, that would be a – that would be a great – that would be a great question to answer – (laughter) – up there with "Who do you love more, Mom or Dad?" (Laughter.)

MR. RUBENSTEIN: And your answer on that question was –

(Laughter.)

MR. SPERLING: My answer to that question is that I have lived a charmed life as a progressive policy wonk. It's hard to imagine that you could – you know, the privilege I've had to work for people who are of such intelligence and commitment. And that's not to say that there aren't other people who would be great leaders to work for, but all of them were so intelligent, so thoughtful, so interested in the details of public policy.

You know, when I was asked about Ron Suskind's book on Barack Obama, I was so upset by the thesis – how outrageous the thesis of his book was, that somehow he was being dragged along by others.

I sat there in March in what was a famous six-hour meeting in the Roosevelt Room on whether we should go forward with our stress test. Well, the fact that our economic team did not totally agree meant that the president had to sit there at the most complex financial issues imaginable and go back and forth, quizzing some of the top economists and financial experts in the world and then making what ultimately proved to be a very wise call. I mean, that is not something you can do without both enormous amount of intelligence, without you being the one who is running the show, often because your economic advisers will be divided at times and you have to make the call.

MR. RUBENSTEIN: But do you brief him every day on the economic – these are – is there like a national security briefing every day on economic policy? Do you brief him every day? Who sits in that meeting?

MR. SPERLING: We spend a quite a bit of time with him, but you know, sometimes it fluctuates. During the budget negotiations with Speaker Boehner, it was almost a rolling meeting. I mean, it was almost eight, nine times a day because you're getting new information all the time. You have other times where he's gone for a few days or where you feel that you can brief him, you know, by paper; he's got a national economic crisis.

MR. RUBENSTEIN: Right.

MR. SPERLING: We send him – we send him an economic update each and every day on what's going on, and we meet with him quite a lot and on quite a lot of – a variety of different issues and –

MR. RUBENSTEIN: Does he understand economic issues as well as or better than Bill Clinton?

MR. SPERLING: (Chuckles.) Rahm told me right at the beginning – he said: Don't ever take Clinton versus Obama questions; there is nothing to gain from them.

They are both – no, I mean, they are both very smart policy people, trained as lawyers, who I think come to it – as I am, and probably you as well – who, I think, come at it from a very discerning position. They are – they come at it from, I think, a very high understanding of economics but also a realism about what works –

MR. RUBENSTEIN: Right.

MR. SPERLING: – a realism about how things will be perceived. And ultimately you have to have a core set of values that guide you when you're making these decisions, and I think one of the things I did see both from President Obama and President Clinton that I respect greatly is, when you're in that room and you have absolutely determined that the right thing to do is just going to be terribly – terrible politics, and you decide to still go forward.

When the decision was made on Chrysler, I thought – I'd strongly supported and was part of the team advocating strongly for that – you could not argue to the president that this was politically popular at this time. It was not. You could not argue that the stress test, the financial rescue, stabilization were politically popular. But each and every moment, he did the right thing. He did the right thing for the economy, knowing that he would probably pay a political price for that but that it was the right thing to do.

MR. RUBENSTEIN: Right. Is the White House satisfied with the way the Volcker rule as it's proposed – regulatory proposal has come out? Are you supportive of the regulatory proposal that's now in front of people?

MR. SPERLING: I think that, you know, we obviously, you know, in doing financial reform were in the position where we were very active in the legislation. Obviously we do not control all of the regulations put out by independent regulators, because they are independent.

That said, I think when you looked at the Volcker rule, as even he noted later, it was really 35 pages. The rest were comments. And I think that while it has, of course, as it should, the protections for legitimate hedging, the basic teeth, the basic purpose, the basic goals are in place.

MR. RUBENTEIN: Are you sympathetic or is the White House sympathetic with the Occupy Wall Street movement? Would the president meet with any of those people involved in that, or do you have any comment on the White House's view on that movement?

MR. SPERLING: You know, I think all of us understand the frustration people face. They see what was historic effort to stabilize our financial system; they, like us, are still unsatisfied with the state of the economy. They're – they see and feel a sense of unfairness in how the economy has rewarded different segments of the – of the public, not just in the last couple years but in the last 10 or 12 years. And I think we – you know, we understand that.

I can't try to say that I can say much more, other than that I think our goal always has to be to try to focus on what are the tangible efforts that you can do, either without legislation or with legislation, that address the underlying aspirations and frustrations of working families across this country.

So you know, I feel that, you know, I can't, any more than you – I don't have any better insight than other people, here or in the media, as to what the exact composition and the exact issues are in the Occupy Wall Street movement.

But what I can say is that we are putting forward tangible, real choices for people. We are asking for a jobs act that does ask for contribution from the most fortunate among us; you know, just for a jobs act that we think will benefit the economy, will put people back to work, will make them feel that the economy is working again for working families. So I think that's what our goal has to be, is to try to figure what are the tangible things that you can do. And as you've seen, we're spending a lot of time focusing not only on what we can do through legislation, which is where the biggest and most consequential items are, but to the degree that we can help spur more refinancing for people who are underwater or have high loan-to-value mortgage – mortgages, or for students refinancing, we're going to take those steps too.

I think that's all you can do in jobs like this, is just – (audio break) – and – (audio break) – think what else – (audio break) – lives of typical hardworking American families.

MR. RUBENSTEIN: What do you the chances are there will be a sequestration – in other words, that the special committee will not come to a resolution? What – do you have any projections on that?

MR. SPERLING: You know, I don't. As I say to people, I might not know at a – you know, I don't know – what's the joke about – somebody says as they get more educated? They don't know, but at a higher level of sophistication? I would say that I am probably more informed than the average person, but I still think it's very difficult to predict.

And I think – you know, I think the good news is that I think that particularly you've seen, I think, many Democratic leaders much more open to being part of a grand bargain. I think over the last year, a lot with the leadership of President Obama, there's been much more openness to taking on very difficult issues, on Medicare and other entitlements, from Democrats, if it can be part of a grand bargain.

MR. RUBENSEIN: Right.

MR. SPERLING: And as I've said, I think there are Republicans who want to be part of that grand bargain, who understand intellectually that of course you can't get a serious, fair, sustainable agreement if anybody takes an absolutist position.

But I think that unfortunately even those who feel that way – and I think Speaker Boehner did for a time – are blocked within their own party from moving forward.

MR. RUBENSTEIN: (Inaudible.)

MR. SPERLING: And what you have to hope is that the public message – that the public – that people still care about what the public says, because the public overwhelmingly supports balance, they overwhelmingly want us to work together, they overwhelmingly don't want either of us to take absolutist positions. And I just have to hope in time that that will force an agreement.

And I will say that, you know, having lived here in – and been part of the White House in '95, things seemed pretty bad in October, November, December of '95, when we had a shutdown, but three or four months later, President Clinton and Bob Dole were sitting together in the Oval Office trying to hammer out a balanced budget agreement. That didn't ultimately happen till 1997. But I still believe – I'm an optimist, and I still believe things can turn. And I'm still hopeful – I think there are, you know – you know, every day I talk to – or not every day, but often enough, I meet with, I talk with, I think, Republicans in positions of responsibility who want to be part of the solution. And I think they just have to be willing to overcome the opposition in their party in the same way President Obama was willing to help move his party to being in the position for a grand bargain or grand compromise.

MR. RUBENSTEIN: Does the president meet with the chairman of the Federal Reserve and talk about economic policy? And does the president support, do you support Operation Twist?

MR. SPERLING: Well, on the latter, I – Clinton economic team, Obama economic team – we respect the independent (sic) of the Fed, so we do not comment on what they do, whether we support it or do not support it. We think that's a hallmark of our system.

We do – we – the – we as an economic team do often talk to the Federal Reserve and to the chairman about policy issues. I meet with him once a month. Tim Geithner meets with him more often than that. And he's been in I don't know how many times, but he does come in, and we do have small meetings with him and the president. And I think what we try to do is make sure we're using their expertise, make sure that we are consulting with them on issues like housing, make sure that the chairman has a chance at times to speak to the president, to tell him his views, but on the other hand, always make sure that we keep the line clear, that they're independent and that, you know, we are not seeking to influence them in any way.

MR. RUBENSTEIN: What about the Schumer bill, so-called, the bill on Chinese tariffs? Would the president veto that bill, or would he sign that bill, if it's – comes to him in its current form?

MR. SPERLING: Well, I think that, you know, as the president said, we very much, you know, share the aspiration of that bill to try to create a more level playing field between us and China. I mean, there's little question that their currency is not, obviously, determined by market forces, and that works to put our workers and our companies at an unfair competitive disadvantage. What we've said is that as that – if that bill is moving forward, we do want to make sure that it is consistent with our international obligations and that we have some concerns in those areas and would want them to be fixed.

But I don't think there's any question that there are challenges in our relationship, economic relationship, in terms of a level playing field and that within our current – within our international obligations, that is something that, you know, we as a country still need to address more.

MR. RUBENSTEIN: Let me ask you a final question. If the president is re-elected, would you expect to serve another four years and you're be in 12 – you'd be in 16 years of Democratic administrations? Do you have that much energy left and –

MR. SPERLING: So, David, your questions to me are almost going to be like a seminar of what questions should a White House adviser not ask –

MR. RUBENSTEIN: Right. (Either?). (Laughter.)

MR. SPERLING: – answer – hypotheticals, hypotheticals on hypotheticals – (laughter) –

MR. RUBENSTEIN: Right. But you're very good at –

MR. SPERLING: – things that are your personal – hypothetical on –

(Laughter.)

MR. RUBENSTEIN: You're very good at avoiding the answers. (Laughter.) You're very good at avoiding the direct answer. (Laughter.) But I always – you know, there's always – hope springs eternal that you might slip. (Laughter.)

MR. SPERLING: I'm obviously not going to answer that question, you know, but look, I'm –

MR. RUBENSTEIN: Do you still enjoy what you're doing?

MR. SPERLING: I feel so privileged. I mean, for – to be able to have this position as national economic adviser for two great presidents, the two Democratic presidents in my adult lifetime, is one I take enormously seriously.

MR. RUBENSTEIN: Right.

MR. SPERLING: I feel incredibly privileged but also just an enormous sense of responsibility knowing that you can be involved in choices that, if done correctly, can improve people's lives and choices that, if done poorly, can have negative consequence. And that's (heaviness ?) you take.

From – as a – as a personal matter, it is a different experience. My last time I was there, I was single. I could be – I could be there every day, seven days a week.

I now have two kids at home. Thank God for technology that allows you on weekends to stay home and – but I have – but I – unquestionably, at 52 years old and with two kids at home, you have to keep a greater balance in your life at this point. And you know, I had to blow off a meeting today to go to the Halloween parade with my 5-year-old, and those are the types of –

MR. RUBENSTEIN: Was that a meeting with the president? (Laughter.)

MR. SPERLING: (Chuckles.) Wasn't with the president. That would have been a hard – that would have been tougher one.

MR. RUBENSTEIN: OK. OK. All right.

MR. SPERLING: But I think he would have very much respected that choice. And so, you know, it is – life is much happier being married with two children, but it does require constant choices and balance in a way that I think makes my life richer but, you know, doesn't allow for that – the hundred-hour weeks that both you and I were known for at younger times in our lives.

MR. RUBENSTEIN: Thank you very much, Gene, for a great interview and great speech.

MR. SPERLING: Thanks. (Applause.)

MR. RUBENSTEIN: Thank you.

(END)