THIRD WAY

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The Fiscal Cliff with WSJ Economics Editor David Wessel

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JIM KESSLER: Suddenly there was a hush. That was impressive. That was – that was unreal. Thank you very much for joining us. I want to especially thank the House folks that came over all the way to Russell, and I also want to thank the Senate folks. And also for the House folks, you're – this is the last day you're in, right, until November, so great appreciation for you coming over.

Very excited to have David Wessel come today. One of my favorite writers, and I was just talking to David beforehand. David started journalistic career at The Boston Globe in the 1980s, and I went to school in Boston, and I cut my teeth in politics in Boston, and so read The Boston Globe religiously. And actually because, unfortunately, I am still a Red Sox fan, I still read The Boston Globe every single day.

But in 1983 he switched from The Boston Globe to The Wall Street Journal, and what's relevant about that for me and also for the Capital Markets Initiative is – I worked for 12 years on Capitol Hill, four for a Massachusetts member. I worked for eight years for Chuck Schumer, and I didn't really read The Wall Street Journal when I was on Capitol Hill. Now, I didn't handle finance issues for Schumer, and I certainly didn't handle them for Atkins. We – you know, we always had our finance person, who was – a financial services person who was very, very strong. I hope that person read The Wall Street Journal, but I didn't read it. It didn't – it's not that it didn't seem relevant, but it didn't seem – you know, those worlds weren't connecting. What happens in capital markets and what happens in Capitol Hill didn't really seem to overlap that much.

And the other part was, to be honest, I didn't really understand it. I mean, I could get – in the first story in The Wall Street Journal, I could get the first few paragraphs of the story, but then I would get lost fairly quickly. If there was a story, let's say, for example, about Libor and what was happening with Libor, I could realize that something was going wrong, I could hum a few bars, but I really couldn't go much further than that. And look, I was a, you know, pretty senior person. I was nine years as a legislative director, and I didn't have that level of fluency.

So the reason why, at Third Way, that we developed the Capital Markets Initiative was because the fact is, people who come to Capitol Hill, like myself, like many of you, it's not because we have this deep, abiding love for capital markets. It's not our area of – necessarily our area of passion. If that's your area of passion, you may go someplace else. But more and more, what happens in the capital markets and what happens on Capitol Hill are inextricably linked together.

So we started this program 15 months ago. We're having tremendous success. It's great to see everybody here. I just wanted to say that our latest product is on your chair, by Capital Markets Matter, which is a primer that I hope you'll find very useful. We – it's really looking at sort of the good, the complex and the ugly of capital markets and explaining these very opaque parts of the capital markets, and why they matter, why they add value, and how they can sometimes go off the rail. So very much interested in your feedback.

Today we have as our guest David Wessel, who is the economics editor of The Wall Street Journal. And as I said, David was the – started on – at The Boston Globe. He's been with The Wall Street Journal for 30 years. He is, I think, one of the most interesting columnists in America. He takes extremely complex issues and breaks them down in a way that is very understandable and very readable, and I think one of the best at doing that in the country. He is an award-winning, Pulitzer Prize-winning journalist.

He has written extensively – he's written several books, and his most recent book, "Red Ink," which – that came out just last month, is that correct? So I'm a budget geek. There's probably some other budget geeks here in the room – wear it loud, wear it proud. I think this is one of the best books on the budget that I've read. I mean, I comb through this stuff all the time. I love Kent Conrad's slides, you know – (scattered laughter). This is – this is great with things that – a lot of things that I learned in this, a lot of new insights. He's going to talk about the fiscal cliff, and America's debt situation, how we got there, what we need to do. And he'll talk for a little while, and then open it up for questions. As always, I encourage you to ask questions.

And with that, David Wessel. (Applause.)

DAVID WESSEL: Well, nobody should have to stand for a conversation on the budget while there are empty chairs. So there's a couple of chairs here, there's a chair here –

MR. KESSLER: Chairs on the side too.

MR. WESSEL: Chairs are on the side. So – and if you want to sit in front and leave early, that's OK too. But because this is on the Hill, I can't sell copies of the book, so everybody gets a free postcard. (Laughter.)

(Chuckles.) Well, it's good to be here, and I'm glad to have a chance to do this. Let me tell you a little bit about how I came to write a book on the budget. Why would anybody want to write a book on the budget? I wrote a book about the Federal Reserve during the financial crisis, and the editors at Random House – the people who edit business books at Crown, the Crown unit of Random House – said, the Fed is boring; you made the Fed interesting. The budget's boring; can you make the budget interesting?

And I said, well, first of all, making the Fed interesting as Ben Bernanke stared over the edge of something that looked like an abyss the size of the Great Depression wasn't really hard. And nothing's happening on the budget. And I personally am not interested in reading, let alone writing, a book-length treatment of the failure of the supercommittee. Now, others disagree. I mean, Bob Woodward has basically done something close to that, so shows you about my judgment.

But they said, OK, well, here's another idea. What if you took a year in the life of the budget? And it would start with the president and their advisers setting the priorities for the government, and then they put the budget together, and then they send it to Congress. And you could show Congress debating these priorities. And then at the end of the year, the budget would be passed, and the money goes out the door. (Laughter.) And I said to myself, well, these guys edit business books at Random House, so they're probably above the median. And they have this caricature of Washington that looks like the sixth-grade social studies textbook – you know, how a bill becomes law.

So I said, look, that's not the way it works. And I had come armed with a set of slides from the Peterson Foundation – you know, Pete Peterson spending a billion dollars to try and raise public awareness of the deficit. Don't know that he's moved the needle at all. But he has hired some really good graphic artists, so they have great slides. (Laughter.) And I started going through the slides. And as I described to them things that I kind of take for granted, they got more and more and more interested.

And at one point I said, you know, if you fired every employee of the federal government – all of you and the president's chef and the people who watch the bears at Yellowstone – all of them – you'd save about $435 billion in fiscal – I was thinking fiscal 2011. And that would not have reduced the deficit by even 40 percent. And they said two things to me: wow – they were just stunned because they had the image that all the money the federal government collects goes to pay salaries. And secondly, one of them says, how do you know that stuff?

And that's when I realized that my comparative advantage was having a working knowledge of the best volume of the president's budget, the historical tables – the ones that comes in the back with all – no words, no rhetoric – no political appointee even touches it; it's all just great columns of numbers that allows you to say things like how much money would you save if you cut all the federal – so at that point I decided, OK, if that – if that's what they think you – the – you could do a book about, I'm game. And I – then I began to think why that might actually be a good idea. There are an awful lot of people who, somewhere in the back of their minds – maybe even some of the members of Congress – know the budget and the deficit are kind of important but have never read to the end of a single Wall Street Journal story on the subject.

And so I wrote a book that's very short – it's 150 pages – that meant – is meant to tell people what you kind of need to know to understand the choices we face about the budget, about spending, taxes and the deficit. And I use the word "choices" deliberately because I think we have some fundamental choices to make. But I'm afraid that too many of my colleagues in journalism have adopted a posture of, I'll tell you what my choices are, and then I will assemble a set of facts to justify that. So if you watch MSNBC, you get one set of choices about our fiscal priorities and a set of facts that supports that argument. If you watch Fox, you get a different set of choices, a different set of facts. And if you're one of the 13 people in America who watches both of those networks – (laughter) – you would be completely baffled of how can they be talking about the same thing?

So I decided that my mission would be to write a book that did not end with a David Wessel plan for balancing the budget. I mean, you can read Domenici-Rivlin, Paul Ryan, Simpson-Bowles if you want a plan. All I'm trying to do is say, there are some things that are true. They're facts. And from those facts people can make choices.

And so what I – what I – I'm – what I'm hoping I'm doing is giving people a way to understand something that has been made so complicated, they all think it's baffling. Now, it's not surprising – it's a lot of money, $3.6 trillion last year. You know, that's just an incomprehensible sum to most human beings. You know, Dave Barry, the humor columnist for the Miami Herald – or one former humor columnist – he once said that the reason Americans don't understand the budget is that the words "millions," "billions" and "trillions" sound so much alike. And he recommended that people like me should talk about golf balls, watermelons and hot air balloons, (so to ?) give a sense of the order of magnitude. And you know, he's right about that. I don't think the American people who read the paper – those who read the paper – could really tell you the difference between – whether $100 million is a lot of money in the federal government or whether a trillion dollars is a lot of money in the federal government.

And I think the other reason it's complicated is that those people who practice budgeting in Washington have adopted a vocabulary, like people in other professions, that completely excludes most citizens: appropriations, authorization, sequester, continuing resolution. And that's not – that's even without getting to the – to the acronyms – you know, CHIMPS, for instance.

And so when I – when I – my goal is – in this book and in talking to you is to say, this isn't so complicated. Your constituents can understand it. Your parents can understand it. Even your members can understand it if it's just explained in a way that makes sense. And you don't need to know all the details. The – yes, if you're going to write the new tax law or you're going to be involved in the appropriations bill for VA/HUD, you need to – then the details are important. But if you're trying to think about how do we get out of this hole in which we've – that we've dug for ourselves, you really – I think it's more useful to say there's some big things. And let me give you an example of, when I talk about big things, what I mean.

So the first thing is that – and this is one of the things that just stunned the people at Random House – that 63 percent of the money that was spent in fiscal 2011 was spent without a vote of Congress. It's the money that was on autopilot to pay promises that were made by past Congresses: Social Security, Medicare, Medicaid, veterans, farm subsidies and, of course, interest on the federal debt. And basically that means that, as you know, Congress never is forced to think about so how – what do we do about Social Security? How much do we want to spend on health care?

And in fact, in recent years all the money that the government has collected in taxes has basically been spent on those programs – the entitlements, the mandatory spending. And everything else – defense, education, homeland security, regulatory agencies, the military – everything else – we borrowed for everything else. Last year we borrowed 36 cents for every dollar we spent.

Second thing is you can't think about the federal budget without thinking about health care spending. In 1960 health care spending was 9.5 percent of the federal budget. Those are the days before Medicare, the program for the elderly, and Medicaid, the program for the poor. And today it's 25 percent, and CBO says it's on its way to 33 percent unless something happens. So literally it will crowd out everything else. We'll be able to afford health care and a few tanks if you take this – if you extrapolate this out. It's not going to happen, of course.

But I usually tell people that Republicans and Democrats don't agree on anything in Washington; they don't even agree on metaphors. So are we going over the fiscal cliff, or are we going to hit the fiscal cliff? Depends who you listen to. But most Democrats and Republicans that I talk to agree that you can't really do anything about our deficit without doing something about slowing the growth of health care spending. It's obvious that health care spending is going to keep going up. It's going to go up because we have more and more people over age 65 – 10,000 a day turn 65 as the baby boom ages – and because health care costs go up faster than anything else.

So the only way we're going to slow the growth of health care spending is either for the government to insure fewer people, which is of course what raising the retirement age – the eligibility age for Medicare is all about, or we're going to find a way to deliver health care more efficiently so we don't continue to be the country that spends more than any other per person on health care without having the world's healthiest population. So either we slow the growth of health care or we cover fewer people. Covering fewer people is a bit counterproductive because someone's going to have to cover them. The real game is in making the system more efficient. And I don't think that's an arguable point. The argument is about how to do that. Obama has his approach and Ryan has his approach.

A third thing I say is you can't talk about the deficit without talking about defense. Last year we spent $700 billion on defense. Seven hundred billion dollars is about 20 percent of the federal budget. Last year we spent more on defense than the next 17 countries combined: China, Russia, Germany, France, Spain, Italy, the UAE, Egypt, Israel – I haven't memorized all 17 yet. I have it in my pocket if anybody wants to know. That's a lot of money. Obviously we want to have a defense strong enough to prevent an attack on the country, whether from Iranian missiles or from Chinese cyberhackers. But it's really hard to think about how do we put ourselves in better fiscal situation without coming to grips of how much defense do we really need and how much can we afford?

Now, I find discussions about the defense budget generally overwhelming. I can – I – just because of what I've covered, I actually understand what the Fed is trying to do with the latest QE forever. I find discussions about the defense budget baffling because everybody in the defense establish is convinced that their set of priorities is the right one. But I do think there are some big choices there, and I highlight a couple in the book. One is how many aircraft carriers is enough? Congress has mandated that the Navy have 11. They only have 10 at the moment; they got a waiver. The Navy wants to replace one aircraft carrier every five years for the rest of my life and then some. Each aircraft carrier costs $11 billion. An aircraft carrier, the Navy says, is 4 ½ acres of mobile sovereign territory – like, 75 airplanes on them or something.

Eleven billion dollars is a lot of money, and there's a big argument inside the military establishment whether we really need 11 aircraft carriers. Are aircraft carriers the way we won World War II, and maybe they're not so necessary or even practical today? I don't know what the answer to that is. I mean, Bob Gates, the former defense secretary, has suggested that maybe 11 is too many. But my point is these are $11 billion choices. Eleven billion dollars is about as much money as Medicare spent to replace hip, shoulder and knee joints for 750,000 elderly people last year. One aircraft carrier, 750,000 joint replacements – these are big decisions. And even more frightening about aircraft carriers, they're expensive even in death – $2 billion to decommission an aircraft carrier; they have nuclear reactors on them.

So that's an example of one of the hardware decisions that we're – we have to make in defense. How many is enough? How many can we afford? And another one is how long can we continue to give the so-called retirees in the military the cheapest health insurance in America? As you know – or maybe you don't – the government for a long time has provided health care at very low premiums, hundreds of dollars a year, to families of people who have served in the military for 20 years and then retired in their 40s – so generous that these retirees – and I'm not talking about people in the military, and I'm not talking about wounded warriors who are being cared for (of ?) the VA. I'm talking about people who got out of the military, were healthy, working for someone else and turned down their employer's insurance, even if their employer is the federal government, because it's cheaper to take TRICARE.

Every president tries to change this; they never go – get anywhere because the veterans lobby rises up and Congress flinches. But when you talk to Leon Panetta or Bob Gates – I was stunned to discover that the secretary of defense, when you ask him about his budgets – health care costs is one of the three or four things on his list of things to worry about. And in 2010, when Bob Gates gave a speech on the anniversary of the victory over Europe – over Germany at the Dwight Eisenhower Library, he talked about health care costs. And at – that year they were spending $50 billion a year on health care costs; that was more than the Pentagon was spending in Iraq.

I tell the story that I told you before about how the federal government does employ a lot of people, but that's not where the money goes. Three point six trillion dollars – less than 500 billion (dollars) goes to employees. The federal government basically collects money and sends it out again, much of it in benefits to people, some of it in contracts, some of it in grants to state and local governments. We are not going to control spending by doing away with the Department of Education. We're not even going to control spending by doing away with half the employees of the federal government. If we're going to control spending, someone who now gets money from the federal government is going to get less, or someone who's been promised money in the future is going to get less than they were promised. That's the only way to contain spending.

I don't actually hear too many people talking about that during the political campaign. It's always somebody else who's going to get screwed if we cut spending, and someone else is going to pay more in taxes. I think that's misleading the American people. It treats them as children. It's unfair, and it will prevent the winner of the election from having any kind of a mandate, because both candidates have spent more time confusing people than they have illuminating them.

Now, you can't talk about the budget without talking about taxes. Some people think you can reduce the deficit without raising taxes. I think it's increasingly clear that's not the case. We are just not going to tolerate the kind of spending cuts needed to reduce the deficit to manageable levels without doing something on taxes.

I spoke – I moderated a panel that Bowles and Simpson were on for a bunch of hedge fund and pension managers in New York this week. And they – it was one of these things where everybody got an iPad. They were supposed to return them; I'm curious how many of them returned them. (Laughter.) They were neutered, so you couldn't go on Safari; you could only go on the site for this particular conference. And people – you could pose a question, and people would vote it. And we asked – I asked how many people thought you could reduce the deficit without raising taxes. And by three to one, they said it's going to obviously be a mix of spending cuts and tax increases. People differed on the proportions, of course, and there's a lot of arguments about what spending and what taxes.

But I think part of the problem is that – well, I think there are actually two problems. One problem is that a whole lot of people think we can dial back to something – some earlier period in American history where government was smaller. And I think Doug Elmendorf at the Congressional Budget Office has put it very well when he says that because the number of people over age 65 will increase by about a third over the next decade, we are going to spend more as a percentage of GDP than we spent in the past. You can't roll the dial back to 1975 because you can't roll back the aging of the baby boom.

So I think it's almost inevitable that we will – that the – that we'll have higher than average – higher spending as a percentage of GDP than we had before – than we had in the past, even though you see a number of proposals that draw some line across the – you know, the 1947-2007 average, and they say why we can't get back to that. And the answer is demographics.

But the other thing about taxes is that people really don't understand what's happened to taxes over the last couple of years. And two points, one of which is now more familiar; one isn't. But how – what do you think has happened to the average tax bite on people at the middle of the income distribution, that middle 20 percent? Well, if you look at the middle 20 percent and the fraction of their income that they pay in federal income and payroll and excise taxes and some allocated share of the corporate income tax, which is pretty small as a share of all revenue, CBO says that it's gone from about 18 percent of their income in 1979, before Ronald Reagan's tax cuts, to about 14 percent last year. The share of – and fallen further – I'm sorry, 14 percent in 2007, before the Great Recession. It fell further during the recession, as you would expect, because we had all sorts of tax breaks and people's incomes went down and stuff.

But the point is that over the last 30 years, the federal – not the state and local, but the federal tax bite of people at the middle of the middle class has not gone up. Very few people – as a percentage of their income – very few people accept that. They just think they're paying more taxes than they are. And they are – and they're misled – (inaudible) – that. Now – so – and I think that's worth keeping in mind as we have this new debate – renewed debate about taxes in the campaign.

It is true, as Governor Romney said, that about 47 percent of the people – households didn't pay any income taxes last year. That's elevated because of the recession, but it was about 40 percent before the recession. And that's because they don't make a lot of money; because they're on Social Security, don't have any other income; or because they're benefiting from all the tax breaks that Congress voted to award people at low-wage jobs.

And it's just this really interesting dilemma that we have that people are offended – some people are offended that people don't pay income taxes. They kind of neglect that a lot of them pay payroll taxes. But they also don't ever think about the fact that the reason so many people have been taken off the income tax rolls is because Congress decided it was better to give someone a tax break than to increase spending because tax breaks are good and spending increases are bad.

So we've tied ourselves in this kind of fiscal pretzel, and I think now it's a political problem, because you can't – it's not sustainable to have one set of people who think the other set aren't paying taxes and to have a whole bunch of people who aren't paying taxes feel like they're not really part of our society. So our – have a vote in our government. So I think there's some real tension there.

The second thing about the tax code that is now more widely understood, mainly thanks to Simpson and Bowles – I learned the other day that the reason they call it – those guys call it "Simpson-Bowles" is because the acronym for "Bowles-Simpson" is unattractive. (Laughter.) But then Simpson, who is, you know, the – you know, the Laurel in the Laurel & Hardy act that these guys have, Simpson says, yeah, but the problem with that is it's too easy to refer to Simpson-Bowles as SOB, and we all know what that – but that's what most people think of us.

Anyways, they really popularized the phrase "spending through the tax code." And the reason there's so much talk about tax reform is that last year we collected $1.3 trillion in taxes. And there were tax loopholes, deductions, credits and exclusions – you know the difference: a loophole is if you get it; a credit is if I get it – (laughter) – of about $1.3 trillion. And so the reason income tax rates, statutory marginal rates are where they are is because we have done away with that much of the tax base. We've created this giant piece of Swiss cheese. And I think it's pretty clear that we've reached a limit there, and that there's pressure to do something about that. And everybody's in favor of tax reform, and nobody wants to give the second sentence about which one of those holes in the Swiss cheese do they want to fill.

But I think those two facts are important for the tax debate. The average tax bite on middle-class families, defined as a middle 20 percent of the income distribution, has been coming down, and we have a situation where we have almost as many exclusions as we have as much credits – income coming in. So I think a lot of people then say, well, how is it that the government has managed to spend so much money if the taxes on the middle class haven't gone up? And the answer, of course, is simple. One is we are getting more tax revenue from people at the top, in part because they have more income as a share – they're getting a bigger slice of the income pie than ever before, but the other is that we borrow a lot.

And when I was in college in the '70s and the textbooks talked about government deficits, and the professors were people who had been trained in the – in the thinking that followed the Great Depression, the line – the standard line was that budget deficits don't matter, except to the editorial page of The Wall Street Journal, which did worry about deficits then, because we owe it to ourselves. That is, some people buy bonds, and other people get spending, and it all works out. But that's not true anymore.

We have a story in The Wall Street Journal today is that they're all excited in Japan, because now something like 8 (percent) or 9 percent of their debt is held by foreigners. And, you know, we have – it's almost half our debt is held by foreigners. And a good slice of that is held by China. So we are essentially borrowing money from a – what is still a poor country, which forces or encourages or manipulates its currency to – so they have a lot of savings, and they lend it to us so we can have low mortgage rates, right? That is really bizarre. It's a great deal for us, as long as it lasts. It's not going to last forever. When is it going to end? I have no clue.

But having a federal fiscal policy that acts as if this will go on forever when everybody knows it can't seems to me foolish. It's not what people say they want to do. I mean, every member of the Budget Committee has his or her own particular budget. But the current policy, what's been – what is the current trajectory we're on is to keep doing this for as long as we can get away with it.

I think it has already hurt us, hurt our freedom. I think if you read Hank Paulson's book about why, when they bailed out Fannie Mae and Freddie Mac, they took out the shareholders – they took out the preferred shareholders, many of whom were U.S. banks, and they didn't take a dime from the bondholders was because a lot of those bondholders are the Chinese government. So I think it's already constraining us. And as Erskine Bowles says, think of it this way: we have a treaty to defend Taiwan if they're attacked. And the deal is we will borrow money from the People's Republic of China to finance the defense of Taiwan if the People's Republic of China attacks Taiwan. I mean, really, it's not – it's not prudent; it's not wise.

And finally, interest rates are really low now. I'm struck by – even some of my colleagues at the journal don't seem to have any sense that we are living through a period of time that is extraordinary and almost unprecedented. The Federal Reserve cut interest rates to zero in 2008, and now they say they're going to be there in 2015. Seven years of zero interest rates; nobody in 2008 dreamed that that was even possible. The federal government is borrowing almost unlimited amounts of money from overseas. They haven't had any trouble auctioning bonds. Yet interest rates on the 10-year Treasury are somewhere like 1.7 (percent), 1.8 (percent) – I didn't look where they are today – very low.

So how can that be? Well, it is because every other country and every other place, major economy in the world, looks less attractive than we are. And for all this talk about the dysfunction of Washington and all this stuff, and we're going – we're on our way to becoming the world's largest subprime borrower – which we are, if we don't do something about it – the – if you're sitting there managing the Chinese money, where are you going to put the money? Japan, which has even more debt relative to the size of their economy than we do, and which is a shrinking society? Europe? They can't even agree whether they want to continue to have a currency. I mean, at least here, we're not having an argument about whether Texas is going to go its own way and have its own currency, even though some people would think that would be a good idea. (Laughter.) So we are the world's tallest midget. (Laughter.)

And as I said, that would be great if it would last forever, but it's not. And here's just one little way to think about it. Last year, 6 percent of our federal budget went to interest, $230 billion, more than the combined budgets of Commerce, Education, State, Homeland Security, Interior and the federal courts. The Obama budget says that five years from now, in 2017, even if the economy performs exactly as the president's budget projects, which is, you know, an optimistic scenario, and even if Congress took every one of the proposals in the president's budget, interest would be twice as much of the federal budget. It would be 12 percent of the federal budget, from 6 percent to 12 percent, if everything goes well, because as things go well, the interest rates will return to normal, and we'll have to pay more. That's going to crowd out spending on everything else, or crowd out some spending.

And so the reason this can't go on is not because it's written in the – on the Ten Commandments, thou shalt not run budget deficits of more than 7 percent of GDP. It may be true that history teaches us that when governments get to debt as a percentage of GDP over 90 percent, they get in trouble. Maybe that's true. But I think the more compelling reason to do something about this is that if we go on like this, we are going to be spending more and more of our money to pay interest on debts that we are running up now, and that money will go overseas, and it won't be available to do things at home. And I think people have an – much easier time understanding that.

All right. So I think that we are in the post-denial stage of discussing the deficit. That is, there are not too many people go around with this line that supposedly Dick Cheney uttered, that deficits don't matter anymore. Most of the members of Congress, if you said, do deficits matter, they would say yes. What we haven't found a way to do is to do something about it, because as you know, there's no – not much consensus. I won't talk to you about the polarization in Congress. You know it better than I.

But I think that Doug Elmendorf at CBO has put it particularly well, and let me digress for a minute. Ben Bernanke is a hero, in my Fed book, and there are a couple other heroes. It's hard to write a book about the U.S. budget deficit and have heroes. But I make CBO a hero. And I make CBO a hero because I think it's one of the few institutions in Washington that actually works the way it's supposed to, to give honest, impartial advice to the members of Congress and to the public about, you know, what things cost and what happens if you do this and what happens if you do that.

And I think it's a really interesting case study. It was really defended by both Republican and Democratic leaders of the House and Senate budget committees at key moments, because they know that once it's seen as tilting one side or another, as frustrating as it is when it won't tilt in the way they want, it'll lose credibility. So Rostenkowski defended Bob Reischauer when he got in trouble with the Clinton White House, the way he scored Clinton's health plan. The Republicans defended Doug Holtz-Eakin when he refused to adopt dynamic scoring. I think it's amazing; I think it's incredibly valuable.

And I love Doug Elmendorf because of this story. Doug Elmendorf, according to The New York Times, is thoughtful about almost everything, which I think is true. When he was asking the woman who he later married out on his first date – on their first date, he tried to find the optimal place to take her, with just enough entertainment so he didn't have to talk all the time, but not so much entertainment that you wouldn't get a chance to talk. So they went to a Red Sox game. So I put this in the book. And, you know, I thought, what a wonderful insight into the way an economist thinks: I'm looking for the optimal mix of talking and not talking, right? (Laughter.) So I got an email about three days after the book comes out from some guy who says, oh yeah, this guy's really bright; what would he have done if there's a rain delay? (Laughter.)

But I think Doug put his finger on why this is so hard to solve in one sentence: the American people expect more in benefits from the government, particularly for the elderly, than they are willing to send to Washington in taxes. The American people expect more in benefits, particularly for the elderly, from the government than they are willing to send to Washington in taxes. And I think that's why this is hard. It's not only hard because Congress is polarized; it's hard because someone is going to get less or pay more taxes, and we haven't come to terms with that.

You know, every – and as I said, I don't think the campaign has helped there. I'm disgusted by the conversation over Medicare, where Obama and Romney accuse the other one of cutting Medicare, and then put budgets on the table that would cut Medicare – "cut" being slow the rate of growth – because they say it's essential instead of – instead of saying to the American people, we can't afford the Medicare program we have, we have to find a way to slow the growth, here's my way to do it, here's his way to do it, and here's why mine is better.

I did – there was kind of a – I haven't seen what the president or Paul Ryan said at AARP today in New Orleans, but I was kind of heartened by an ad, a strange ad, that Romney's running that features Marco Rubio, who I guess is an expert on Medicare because he comes from Florida with a lot of old people – (laughter) – but basically what he says is, I'm an expert on Medicare because I have an 81-year-old mother. So that kind of gave me heart, because, you know, my dad's 94, and my mom's 87, so I'm an expert on Medicare too now, right? (Chuckles.) And he said – he said, Medicare will go bankrupt if we don't change it, right? Now, he didn't talk about why he likes premium support, and he didn't bash Obama for trying to squeeze providers to the point where they won't provide care for people anymore. He didn't – so it wasn't a full education thing, but I think that's a useful starting point.

But my point is that wouldn't it be amazing if we had one of the presidential debates where they started with some chart on the wall – you know, they can do that now on TV – a chart on the wall that said, this is where the deficit is going if we don't do anything; this is where we'd like it to be after 10 years. And Mr. Romney and Mr. Obama, tell us what you would do about Wessel's list? What would you do about health care spending? What would you do about other entitlements? What would you do about defense? What would you do – what parts of the government do you think we can do without, and what would you do about taxes? And just answer – you know, give us five minutes on each one of those. And we would then have a menu to make choices. It's not going to happen. Don't hold your breath, but it would be nice.

And so my – what I – all I'm trying to do here is to say that there are ways to talk about this that explain things to people that don't scare the hell out of them or don't frighten them into thinking it's so complicated that no mere mortal can understand it. There was nothing I said that any ordinary American couldn't understand. We have to decide how much – how many aircraft carriers we want. We have to find a way to spend less on health care without having – denying people care they need. We have to figure out how we're going to raise taxes and on whom, and so forth. So it's not that hard, and I think we should – you should do it. You should do it to your friends and your colleagues and your members.

Now, people often ask me, how is this going to end? What changes things? And my standard answer is, either we'll have a crisis, and the crisis could be a financial market crisis, although people have been predicting that for my entire career in Washington, or it could be an artificial crisis like the fiscal cliff. Or it'll be an outbreak of leadership. And the question is which comes first. I'm not putting odds on those things. I – I'm – the trouble is, you know, when you do odds, you – something should be more than 50 percent, and I can't figure out a way to get more than 50 percent on either one of those things. That's hard for me to – but I think that's where we are.

I – so I think it's anybody's guess what happens after the election. The one thing I'm pretty sure of is that the people in the markets have not – are only now beginning to focus on the fiscal cliff. I've heard this over and over again this week. I heard it from – we had someone from the IMF in the office yesterday, and she said that she's getting fewer questions about Europe and more questions about what is this fiscal cliff? She says the words "fiscal cliff" have kind of entered the vocabulary of economic policy officials around the world.

And I think that the – as we get closer and – and I think the markets expect, oh, Congress will do something; maybe they'll fudge it, maybe they'll cut a deal, but they won't go over the cliff. As we get closer and closer to the cliff, and as more people say, you know, maybe it wouldn't be so bad if we went over the cliff, because it's becoming clear that some Republicans and some Democrats think that they would have a bargaining advantage if we go over the cliff, right – they can't both be right – and that the markets will react, that the markets will say, whoa, whoa, whoa. We – you know, we're all in favor of, you know, you guys playing games, but we have – we have – we no longer think that the U.S. Congress is completely sane. August 2011 taught us that some people in Congress don't quite understand the stakes of the – of going – of hitting the debt ceiling, and they are going to do the same thing with the fiscal cliff.

So I can imagine a situation where a whole lot of people in Washington think of this as we're going to go right right down to the wire, because that's what we always do, and maybe we'll go over the cliff, to mix a metaphor, but don't worry, because we can pull the car back off the cliff. You know, think of "Thelma and Louise," the movie, in reverse, you know. We – OMB doesn't really have to put the – they can apportion the cuts, and we can always change the withholding tables, delay the changes so – you know, so – and what they fail to understand is that the shock that this would be to the markets and the public that Congress can't and the president can't come to terms on this.

I think that people inside the Beltway misunderstand that. And that's what frightens me more than anything else, because when people have two different sets of perceptions, when the markets and the politicians have two different sets of perceptions about the consequence of something that Congress is considering, that's where you can get real mistakes and real tension and real irreversible things, because – and I'll close on this – if we're going to solve this thing, either Mitt Romney or Barack Obama's going to have to go on TV. If they're lucky, they'll have the congressional leadership of both parties behind them – behind them. And he's going to say, we have to do something about the deficit. I know we said a lot of things in the campaign that led many of you to believe that somehow you would be exempt. You're not exempt. We came up with this compromise. None of us really like it. It's not any of our first choice, but we live in a democracy, and this is – and this is the best we could do to get a majority of members of the House and Senate to vote for it. We've done our best to make sure it's fair. I give $10 that the word "shared sacrifice" will show up somewhere, right? (Laughter.) And then he will either say or imply, trust us.

And that is where the problem lies. The American people do not trust Washington. I mean, you know, we love those – we in the press love those Gallup poll ratings where they rate different institutions, because as bad as the people attitude toward the press are, Congress is even worse, right? You know, it's really good company we're in. (Chuckles.)

And that's what concerns me, that the campaign itself has not built trust with people, has not told them things in the – you know, there are a hundred ways to tell them things; mine aren't the only ways. But they haven't told them that way. They haven't told them the way Bowles and Simpson talked about it. And so as a result, people aren't really prepared to be – to trust some big deficit deal, which we're going to have sooner or later, if not after this election, then after the next.

Let me stop there. I'd love to take your questions about this, about what's it like to work for Rupert Murdoch or – (laughter) – you can test me on whether I really can explain what QE forever is.

MR. KESSLER: Hey – (inaudible) – let me – thanks. We're going to open up to questions. Let me take the – a moderator's prerogative and ask you the first question. You said, among the many interesting things you said, that if we go off the cliff, the markets are going to react, and that there's a difference between what many in Washington think will happen, and there's a difference between how the market's going to react. Take us through how you think markets will – what would that look like?

MR. WESSEL: OK. All right. So first of all, I mean, I'd much rather predict what the Federal Open Market Committee or the Ways and Means Committee are going to do than predict what the markets are going to do. I mean, it's a fool's game to think that anybody really understands what makes them work, and we in the press are very good at explaining why the markets went down yesterday. You know, we take the markets did this, and we find this set of facts over here, and we say they must be linked, right?

So if you take things to an extreme, you could say, well, Obama's fortunes are going up in the polls, and the markets are going up, so does that mean that the markets want Obama to be re-elected? I mean, so you got to watch out for this, where causation and correlation get mixed up and people who know more than they know.

But – so – but let me try this. So I think that people who have done economic forecasts of what happens if we go over the cliff, like CBO, are doing something very mechanistic. They're saying, if we have a big tax increase, and a big spending cut, and it lasts for a long time, we get a recession. I'm sure that's true. I can't imagine that we're going over the fiscal cliff and these things are going to last forever.

So put yourself in the position of what's happening as we get closer and closer: it's December, it's – I – if Romney wins, it's easier for me to see that by then, they say, OK, we're going to call the whole thing off for six months. So assume, for the sake of argument that Obama wins. There's a lot of negotiations going on between Obama and Congress in the lame duck about whether they can put together some framework that will become something like reconciliation. It won't solve – it won't have all the details, but it'll have clear targets on revenues and spending, and with some principles for how to do it.

But there's a lot of disagreement. I mean, if you read Woodward's book on the whole – and some of you probably lived it – on the Boehner-Obama talks, nothing's ever settled until it's settled, and we seem to have particularly unusual set of people when it comes to communicating with each other. They can't seem to agree on what the other guy just said, let alone on what they have agreed to.

So members of Congress think what's – OK, if we go over the cliff, we can roll it back. But the markets say like, well, how do we know that they're actually going to be able to pull this off? So you start to get some big drops in the stock market. Or the dollar takes a plunge. And then we in the press report – whether it's right or not – this is because the market is losing confidence in Congress, and the ability of the U.S. to govern. I mean, Moody's issues a statement saying that they are going to downgrade – they're definitely going to downgrade the U.S., joining S&P, because there's no progress on this thing, and we get closer and closer to the day, and you – and then something else happens in the world. There's a rumor that OPEC is going to start pricing oil in a basket of currencies instead of a dollar, or there's military maneuvers in Israel that lead some people to think they might actually attack Iran. Or some – something else – Syria invades Lebanon. Something happens in the Middle East that just makes people uncomfortable, and then at the same time, it turns out that the Europeans had a bad week, and they haven't managed to quite paper over their problems for another week, and it's Sunday night, and they can't seem to work out – so you – the atmosphere is bad. And that's when you get kind of a sense of panic, when the stock markets crashes because people say the world's falling apart, Ben Bernanke and Mario Draghi have done everything they could, the economy's going to tank, the U.S. is going to have a recession caused by the government, and the central banks are out of ammunition and the politicians are out of will. And so, that's – my guess is then they cobble something together that's pretty ugly and unworkable that they didn't spend 10 years fixing, but that's what happens. Hope we don't get to that.

MR. KESSLER: Do you have a question?

Q: Sure. Thank you very much. I have a question on this chart that you had. This is the spending of where the money goes, and I don't see in there – (inaudible) – the spending through the tax – (inaudible).

MR. WESSEL: Right, it's not here.

Q: How – would you include it, and how would it change in four years?

MR. WESSEL: All right, so what's she's talking about. So, one of the things I've learned is that it's really hard – there's somebody better than me who will do three-dimensional charts of the budget – Peter Orszag probably does them in his head. So, this chart has the budget at 100 percent, so it doesn't show how the budget has grown over time. But it takes the conventional thing, where there's revenue and outlays, and it doesn't show foregone revenues. I think that's really a graphic artist question, and I'm not sure how to answer it. You could take, I suppose, the amount of outlays in the federal government, and then you could overlay on that, on top of that, as a percentage of GDP, the taxes foregone by various tax breaks, some of which we might want to keep, and some of which we don’t. I guess that would be the way to do it.

Another way to show it is to show, on the same chart, instead of showing the deficit, is to show spending and revenues, and show – no, that (wouldn’t just ?) make the point you’re making. But so I don’t – it’s a good question. I mean, you could – the trouble with the tax expenditures is, you know, home mortgage deduction, exclusion of employer-provided health care, charitable, state and local tax, these are not exactly on Americans’ top lists – top 10 list of things to do away with. I can’t imagine the people massing on the steps of the Capitol saying, please do away with the home interest deduction – (inaudible).

Yeah.

Q: If the only change to be made were to allow the Bush tax cuts to expire, how much of a difference do you think that would make?

MR. WESSEL: Well, it would bring in a lot of money. I think it’s something like $800 billion over a decade, but – you know, that’s just, no, that’s just the top 2 percent. I can’t remember what the numbers – it’s a lot of money.

MR. KESSLER: I think it’s four trillion if they all expire, and 800 billion if –

MR. WESSEL: If the top – right, right, right. So, OK. That would solve the problem for the – that’s the Bowles-Simpson goal, $4 trillion.

But what would it do? Well, first of all, the Bush tax cuts are not just on the rich – they’re – they go across the income spectrum. There are a whole lot of lower class, lower-middle class people whose taxes would go up, and we wouldn’t do anything to restrain the growth of health care spending, and we can’t raise taxes enough over the next 50 years to cover the costs of continued increases in health care spending, and Social Security, and what we want to do on defense and we do other things. So it would only solve the problem in an arithmetic sense the same way, I think, you can only solve the problem by only cutting spending in an arithmetic sense, when you actually look at what we'd have to cut. It's hard to believe that we want to do that, or that the people would accept it.

MR. KESSLER: Questions?

MR. WESSEL: Yeah.

Q: I'm from Minnesota, so I remember pretty well how popular it was to say "I cannot raise your taxes?" I look back fondly on the – (inaudible) – not really. How do we make it safe for presidential candidates – or really, any candidates – to talk about what you said? I mean, because I'm also a mom – (inaudible).

MR. WESSEL: So if Alan – if Alan Simpson were here, he would now go into his rant about Grover Norquist and his white robes, which – so there's that problem, which I have no solution to. I mean, if it's going to be a litmus test to win a Republican primary, to promise that you'll never raise anybody's taxes, and strictly define that, then there's – it's not going to happen.

But – so let me give you two answers, neither of which are fully satisfactory. One is that I actually think that a lot of people are more reasonable than you – than you think, from looking at who shows up at the political rallies and stuff, that people – there's a reason why Obama keeps using the word "a balanced package," because that must have focus-grouped well. And when – I saw Peter Hart who's a pollster – Democratic pollster do a focus group – that was unusual in that he was – he was a cross-sectioner. People – usually they take people who are alike, you know, like, a whole bunch of white women or a whole bunch of black men, so that they get a sense of how people in that demographic think. But this is done for the (Annenberg?) Center, so it was one of each, you know, one old lady but only one, one Hispanic guy, but only one. And I was struck by how reasonable they sounded, compared to, say, your average hearing of the House Budget Committee.

So I do think that if people think that – if – that – spending is being restrained, and that part of this is taxes, and they actually believe the spending's being restrained, I think they might be more open to it than you'd think, from some of the people who show up for rallies.

A footnote: That's why I buy the idea that earmarks are a big deal. Earmarks are not a big deal because they're a lot of money, earmarks are a big deal because they completely feed people's suspicion that, basically, Congress is wasting money, or corrupt by selling earmarks.

The second thing is that no one's going to go out there – and – you'd be an idiot to go out there and campaign for a tax increase on its own. What you have to do is do what Bill Clinton and Ronald Reagan did so well – both of them raised taxes: You have to give – be able to give a speech to people that sort of does the tough love thing – we're going to have to do some things, I know they're painful, but we have to do them for these reasons, and it will make America a better place for your kids. The package of spending cuts and tax increases is going to have to be carefully marketed and sold to people so they understand it. I'm not talking about lying to them, but we have a lot of creative people who will be not making ads for candidates after early November, and it would be good if some of them could help – help people understand why it is that the status quo is not sustainable, and why, unless you're willing to do this much on the spending cut side, some kind of tax increases are necessary.

But, you know, I'm not running for office, but if I were Mitt Romney or Barack Obama, when I wasn't, you know, out there raising money or getting votes, I'd be thinking about, how am I going to make that speech? Because frankly, I think either – whoever wins is going to have to make that speech sometime in the next four years.

Yeah?

Q: Bill Clinton was on "The Daily Show" last night, and in his interview with Jon Stewart, he said that, so long as interest rates remained as low as they are, we could essentially borrow at will – (off mic) – inflation, and I think he's going to make it – (inaudible) – point. So can you talk a little bit about kind of projected inflation, and how that's going to modify our debt obligation, and how that can modify the deficit and – (off mic)?

MR. WESSEL: OK, so first of all, it is true that we're not having any trouble borrowing now. And some people – Larry Summers has argued this – think we should borrow a ton of money now, while interest rates are low, and use it to finance the – you know, the next – all the infrastructure spending we wanted to do over the next decade. It would be good for our future and good to employ a lot of people.

What Clinton is pointing out is that we're effectively borrowing at negative interest rates. Inflation is, say, two, and we're borrowing at one-eight. That's a pretty good deal. Most businesspeople would love to borrow at two-tenths of a percent below the inflation rate. It's like free money. So I think what you're alluding to is – so history tells us that people who get into trouble, countries that get into trouble, sometimes, basically, inflate away their debts. That is, if you have – if you have a lot of inflation, if I borrow a hundred dollars, and I promise to pay you back a hundred dollars, but we have – I have lots and lots of inflation, then a hundred dollars isn't worth what it was when I originally borrowed it from you.

So the question is, could we really do that? And there are a couple of constraints on it. One is that the federal government has a lot of – it has to roll over a lot of debt, it has a lot of short-term debt, so that game only works as long as you've borrowed the money at some interest rate in the past. Once you start to have inflation, or people think you want to have inflation, then interest rates will go up. So the federal government will retire the bond that it sold at 1.8 percent, and it will suddenly be paying 5 percent, because people will say, oh well, we've got to add in an inflation premium. But still there is – there is countries that have – get into debt, can often inflate their way out of it, and that may someday be a fear of the market. It's hard to have that fear now when inflation is so low, and so far we have an independent central bank that says it won't let that happen.

But you can see a little bit of this tension now in Europe. How much inflation is the European Central Bank willing to tolerate in order to prevent the euro from collapsing? And it may be more than some people are comfortable with, particularly people of the German persuasion.

Q: (Inaudible) – comments that you mentioned – (inaudible) – historic notion of how to cut the budget – (inaudible) – how do you educate – how, I guess, whose job is it to educate every time you do it?

MR. WESSEL: Yours and mine, right? All right, so, you know, that's part of why I did the book. I mean, it wasn't like writing "Shades of Grey," you know; it's not the most fun book. (Laughter.) I was enormously pleased when the New York Post asked me to write a thousand word adaptation, because I thought that was kind of what I wanted to do, and I wanted to reach the people who read the New York Post. I had my first-ever byline in the "New York Post." They wrote the headline before I wrote the piece: "Six Scary Facts about the Federal Budget."

I think that all these professional deficit folks – Pete Peterson, Committee for Responsible Federal Budget, Concord Coalition – have done lots of things with charts and graphs and the Internet – the Woodrow Wilson Center has this budget-hero game – those all seem like a good idea that don't seem to make much impact. I'm told if – when they go and take their tour on the road, and they ask people to sit around a table and figure out how to cut the deficit, that they come up with pretty reasonable and balanced approaches and stuff like that, so there's that strategy. Seems to me, at that rate, our grandchildren will be dead before we get anywhere. I think there's no substitute for presidential leadership. I'm not sure we're ready for the president with the pie chart on TV, but we might be pretty close to that. I think people need to be told – and, you know, I do that thing on the book, the – how much do people think we spend on foreign aid? How much do we really spend on foreign aid? I quote Stan Collender saying that the trouble is that – people consider waste anything they think the government shouldn't do, rather than – so, you and I all know that's not it.

I think we need to hit them over the head with a hammer, and say that, how much of the federal government goes to health care spending and how much goes to benefits to people, and that's – that's where you have to do the thing. You know, I'm in the newspaper business; I do my bit. You work for members of Congress; they do their bit. I don't know.

But, you know, the American people are not going to come to Washington and have a march on Washington demanding that Congress raise their taxes and cut their benefits. At some point, it's going to be somebody – some elected leaders are going to have to figure out how to do it, get the votes for it, and sell it. And that kind of goes to the question over here. And they will have to say, I know a lot of you think that a lot of the money goes to foreign aid. Well, let me tell you, it's two cents out of every dollar we spend. I know a lot of you think there's a lot of waste, fraud and abuse in the federal government, and I agree with you, we ought to get rid of every bit of it, and this is what I've done. But folks, there's not enough waste, fraud, and abuse and lazy bureaucrats to solve this problem, and people need to be told the truth.

I once heard Jeff Immelt speak in France – he's the head of General Electric – and he was asked, what do you say to a French engineer who makes 75,000 euro a year, and says, I'm afraid you're going to move my job to India? And Immelt kind of did this role play, he said, I tell the guy, you're right. What you're doing now, I can get for less than 75,000 euro a year in India. So I will move your job. He pauses and says, so that's the most important thing, but one important thing, you got to talk the truth to people. And he says, but I'm the CEO of this company, and I have a plan to do things in France that we cannot do in India, that are worth paying you 75,000 euros, and let me tell you about that plan.

Well, I'm looking for the president of the United States to give that speech. And – you know, I – without regard to Bill Clinton's policies, Bill Clinton could give that speech. I think we all saw that at the Democratic Convention. So I heard somebody – I can't remember whether it was Mark Shields or Bill Kristol or somebody – say a while ago that none of us in the press thought that we'd be saying about Barack Obama, wow, this guys can get big legislation through Congress, but he can't seem to explain it to the American people? We all thought it would be the other way around. So the premium on the president and the leaders of Congress, the majority leader, and the minority leader and the speaker, being able to kind of explain what they're doing and why, in terms that people understand, that may not be calculated to win you votes in the next election, is a necessary, though not sufficient condition. I'm not putting high odds on that happening.

MR. KESSLER: This will be our last question.

Q: (Off mic.)

MR. WESSEL: Right. So the question was – I don't know the answer to how much of this – how much student loan debt counts in the federal budget. As you know, there's no problem with the government lending people money as long as they pay it back. The default rate in the student loan thing is beginning to get high and rising for a number of reasons. One is that the government doesn't do much credit check. You know, it's pretty easy to get a student loan from the government. Second, you don't have to be enrolled in a course that anybody thinks is any good for you; they don't check that. And third, that has been a problem with some, mainly for-profit, but not entirely for-profit schools that are happy to enroll people and then take their money, and then they don't – the kids don't graduate, and the people don't pay, and they don't pay back the money and the government's on the hook, and (not the education thing ?).

I don't think the student loan debt is big enough to really be a huge problem, compared to other things we're talking about. I think it's a symptom of a system that isn't working very well, and it's an enormous problem for households and individuals, and we have to find some way to continue to make it possible for people to get higher education without asking people to take more debt than they can ever possibly pay back, and especially not to enroll in programs that they don't finish.

That's the biggest worry I have about this whole operation. You know, I am one of America's biggest fans of community colleges, but the system the state set up to reimburse community colleges, it pays them for the number of people – in most states – number of people sitting in seats in October. It doesn't care whether they graduate or whether it's a different butt in that seat next to you or what. And so we set up a system, and with some respects, like the health care system, where we're paying for volume and not quality, and I don't think that's serving us well. It would be a good thing to fix. But compared to the cost of health care, it's not going to be the big stumbling block in – it'll just be a small stumbling block in putting us on the path to fiscal virtue and a sustainable future.

Take a postcard, buy the book. (Laughter.)

MR. KESSLER: Thank you very much, if you could just take two – (applause) – two minutes, I just want to make a couple of announcements. We'll be having Greg Ip, I think, in December. Is that correct?

I want to acknowledge a couple of people. I don't know if Kristen is here. Is she here? Kristen is not here. Kristen, our events person, this is her – oh –

MR. : If she comes, just fire her.

MR. KESSLER: Right. (Scattered laughter.) Kristen – if you've been to any Third Way event, any Third Way party, any happy hour, any serious thing, any party – if you were in Charlotte and you – Kristin is one of the people that coordinates all of her events. We're firing her – no, she's leaving – Friday – you're, next Friday, from today – oh, my God. She's moving to Charlotte, North Carolina, so I just wanted to say thank you for everything you've done for Third Way. (Applause.) Thank you. And I also want to acknowledge three people here who are on Capital Markets Initiative Advisory Group, who make this program possible, so it's Stephanie Breslow, Amanda Persod (sp), and Michael Edwards. Thank you very much for helping to make this program possible.

Thank you for coming here. Thank you, David Wessel, for a very interesting discussion. And have a great recess. I hope all your bosses win – (scattered laughter) – and although some may be running against each other. Let us know what you think about our capital markets primer, and we will see you in December. Thank you. (Applause.)

(END)

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