

## Unedited Transcript

### **Beyond Speaking Truth to Power**

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Thank you very much, Mr. Chairman. Please allow me to also thank Professor McGann and the TTCSP [Think Tanks and Civil Societies Program] and Dean Yoshino, Dr. Nemoto, and the whole team at ADBI [Asian Development Bank Institute]. I'm very honored to be part of this first panel.

I think, picking up on things that our Chairman said, that Professor McGann and Dean Yoshino said, I'm going to try to talk about both the economics of the challenge of globalization and the specific role for think tanks. We all recognize the general issue that economic nationalism and populism are spreading.

The fact that it has taken such hold in the US of course legitimizes it in some peoples' eyes and certainly erodes the norm that was used against this when the US, for all its occasional hypocrisy, could at least stand up and defend the system of liberal values of rules-based multilateralism and so on.

The problems in this world having to do with human rights, and migration, and refugees, having to do with national security, of course are at least as pressing in some ways as the economic. It is shameful to have a US president congratulating a Mr. Erdoğan on his winning a vote to restrict liberties in Turkey or a President Duterte on using extrajudicial killings as a means of establishing order.

But the economics in some ways are, at least, as vulnerable in the sense that it is the place where there seems to be the most popular legitimacy for taking on the establishment, which with good reason after the North Atlantic financial crisis. And because it is the place where you do not quite have the danger staring you in the face that say, President Trump has learned about with respect to North Korea.

So I titled this talk *Beyond Speaking Truth To Power* because there is an expression in the US and in other places of speaking truth to power, and that that in some way is the role, in the past,

of think tanks. Both in the literal sense of trying to influence the powerful, those people in office and government making decisions, and in the sense of independently speaking the truth and not being afraid to do so.

But that does not seem to be enough right now. It does not seem to be enough because so many of the people in power—I just mentioned several different countries, I could also mention Venezuela—where the norms and protections of free speech, and of intellectual pursuit are being eroded, and at a minimum in places like Britain, the UK rather, and the US, there seems to be no shame in dismissing what are well established or expert opinions.

It's also not enough to simply speak truth to power because the game has changed. So as Governor Kuroda mentioned and implied, as many people at this 50th anniversary of the Asian Development Bank should be thinking about in the coming days, the single greatest human achievement in economic terms is the enormous reduction in absolute poverty of the human race in the last thirty, forty years.

And this is, of course, a China story, but not only a China story. It is also an India story, it is also a Mexico story, it is also an African story, it is also, in part, an Indian story, and an Indonesian story, and this should carry more and more weight in our discussions than almost anything else we talk about in economics.

But in American politics, in British politics, in Turkish politics, in Venezuelan politics, again, I could go through the list, what seems to matter to people is not the achievements for others, and the benefits to the world, what matters is their relative status versus others.

And the liberal people would like, liberal in the broad sense, would like to think well, this must be because these are the people who are suddenly forced to adjust, these are the people who lost their jobs in the coal mines, or the steel plants, and they are feeling down, and we must do something for them. But, at least, if you look at the data clearly in France, and Britain, and the US, some degree even in Japan, that is not true.

It is often the older people, and relatively well off, not the people who've been displaced, who are the supporters of the economic nationalism and the populism. And even to the degree it is true, the adjustments being asked of say a white male coal worker in Ohio or Kentucky are no different than what adjustments people of color in the US have made several times in past decades, or that these same peoples' grandparents made moving to California, or moving to Michigan back in the 1930s and the 1950s.

So we cannot simply speak the truth, the moral truth or the economic truth, that China, and India, and Eastern Europe, and parts of Latin America, and parts of Africa gained enormously, and this is what is in everyone's interest, and it did not come at the west's, or the white person's, or the white males' cost, because these people fundamentally believe if their relative standing has gone down, then it is a cost. That is wrong ethically, it is wrong on the facts, but it is a fact that they believe that.

So what are we to do in such a world? Let me say four things on the think tank front and then a couple things on the economic front. Again, Professor McGann has given a call to action at this and other meetings of the TTCSP. I'm going to do my own version of that as I spend a lot of time running a think tank and having to think about how our Institute behaves in the Trump era, and in this global era.

So the first option one could do is just play the insider game, which is try to figure out who specifically is in the White House, or maybe next week, who specifically is in the Blue House in Korea, or who specifically is in the Élysée Palace in a couple weeks. And then you try to nudge that individual person and you figure out how to do it. And this, of course, is something—particularly in the US and Washington—we're very accustomed to. And ultimately I think that's been a failure.

So we had all these games played by liberals in the sense of pro-globalization people in the US for years, and we would use the Treasury funds to bail out Mexico without going to Congress, and then Congress would close that off. We would not bail out the mortgage people who had problems in the global financial crisis. We did all these things where, at the margin, we would figure it out.

And I gather someone has, at the margin this last week, figured out a way to convince President Trump withdrawing from NAFTA tomorrow would be bad. This has its uses, but ultimately it catches up with you because then it's just the insider game of the establishment and you never build the support we need to pose this problem.

A second thing which, we in the think tank community can do, is do better fact-checking and truth telling. Obviously in some parts of the world, including the US there is still an independent press, which does a very good job of this, there are a lot of institutions. But one thing we might consider is whether this is a place think tanks can come together. Whether there might be some sort of coalition, perhaps by subject area with national security people, the economics people, the environmental change people.

And being NGOs, if we do exclude the government-run think tanks, we could jointly take on the cost of putting out truth. I do not expect us to be able to stand up and take out a letter and say "far more than fifty hits of distinguished think tanks tell you this is wrong, that's not going to work," but I do think there is a role for additional fact-checking and that is a place perhaps we can collaborate.

A third thing, which I think we have to do is we have to, to some degree, give up a pretense of neutrality. And again, this is different for different think tanks in this community. There are some think tanks in this group that are partisan by definition. And there are some think tanks in this group that are creatures of their governments by definition, and there's nothing wrong with that.

There are a number of think tanks, however, including the one I represent, where the goal is to be nonpartisan, supposedly, and independent, and so therefore you're not supposed to pick sides. But I think the lesson of Germany since World War II and the way the German political

institutions and cultures have developed is a great lesson and example for all of us. That you draw the line on certain things that are unacceptable, and you can't get into the meta-discussion of pretending that you have to accept these.

In other words, I think we do have to overtly fight fascism and neo-fascism, and the think tanks all have to draw the line where that is. Whether or not you choose to support a particular government, we have to draw that line. Otherwise, because fascism by its nature is a denial of truth, a denial of intellectualism, a denial of expertise and reality, and there is no negotiating with that.

Let me now turn to economics. To me, as perhaps was obvious, from my remarks about the white people, white males' adjustment in the US, I view the problem being redistribution is not enough. And where I say white males in the US, we can all think in our own countries, in our own regions, there are the incumbent dominant ethnic groups, usually male favored. I'm not going to go down the list.

The problem, of course, is multiple, first that the welfare state is not enough. We have seen this in Western Europe. That every rich country except the US and Japan has a very good welfare state by comparison to history in the past and by comparison to the US and Japan, and yet you still get the right-wing party. So it's not enough to simply push these people.

It's also not enough to simply buy them off. If we could, we would. But in a sense, that's the problem. These groups have been bought off repeatedly, they've been entrenched and privileged economically, and this is not something that can continue if you want justice, but also if you want economic efficiency and mobility.

So how can we get a neutralization of these groups' power without having genuine political upheaval, as occurred in many countries whenever you start land reform and constitutional change in new party systems, because we don't want that. I'm not sure what the answer is, but I have three thoughts.

The first is we have to figure out a way to sell globalization and economic liberalism based on the fact that it's the least bad option, not overpromising. And this is difficult because people have high expectations, particularly people in Asia who have seen the miracles of the recent decades in economic progress.

Now this may be a question of simply batting down bad ideas rather than selling good ones. It may be a question of having specific demonstrations, it may be a question of when the UK is stupid enough to withdraw from the EU, or when Venezuela goes down the worst possible path, we can use them as a warning example for others.

I'm not sure what the right tactics are, but I think we have to start from saying globalization, liberal economics, there's the old Churchill line about democracy is the least bad, it's what you do after you've tried everything else. And I think that is the way to think about it rather than oversell.

A second thing is that, as many in Congress have remarked on but we've not yet successfully done, is try to co-opt or channel the populism into being a message about competition against entrenched interests. And as my colleague Jason Furman and others have written about, there's a strong case to be made that the reduction of competition in the US in entrenched corporate power is actually harming our productivity growth, harming our innovation, harming our labor mobility.

And so it may be that as with Teddy Roosevelt at the turn of the century, a 100 years ago, no, 110 years ago, being a trust buster, it may be that that is part of how we answer it, both improving our economic performance and improving our politics.

And finally, our Chairman of the session talked about a multilateral rules-based system, which I agree with. I think we have to, before the whole world goes the wrong way, I think we have to think about particularly sanctioning, perhaps literally, perhaps morally, and isolating those regimes and those governments that go the wrong route. To some degree that's already happening, for example with Venezuela.

As I said, I was asked to speak in London the day following the Brexit vote a little over a year ago. And as I said at the time—when people asked me about the UK's special role and special relationship with the US, and they expected me to be very wistful about this, having been an American who came to Britain to serve in the government and the Bank of England—and what I said is, that makes no sense now, what made the UK special both to Europe and the US was its commitment to liberal values. If it's turning its back on those values, then it ceases to be special. And so we have to be unafraid to call out those countries and regimes that make those changes.

Which finally, thank you for your time, I will say why the ADB then becomes extremely important.

Because if the US does not correct course either through internal elections, through adult supervision, through learning of lessons in the next couple years, it will be very important for the rest of the world to stand up to the US in a rules-based system. And it's institutions like the ADB and the growing economies like Asia that have to be the ones to do. Thank you very much.

