

THE ASPEN INSTITUTE

ASPEN IDEAS FESTIVAL 2012

OUR ECONOMY: OPTIMISM, PESSIMISM,
AND REALITY CHECK

Paepcke Auditorium,
1000 N Third Street,
Aspen, Colorado

Tuesday, July 3, 2012

LIST OF PARTICIPANTS

DAVID RUBENSTEIN

Co-Founder and Co-CEO of The Carlyle Group
Chief Counsel to the U.S. Senate Judiciary
Committee's Subcommittee on Constitutional
Amendments from 1975 to 1976

MORTIMER B. ZUCKERMAN

Owner, Chairman, and Editor-in-chief of
U.S. News & World Report,
Owner and Publisher, *New York Daily News*

* * * * *

P R O C E E D I N G S

(9:00 a.m.)

MR. MOTLEY: Good morning, as you take your seats. My name is Eric Motley, and I'd like to welcome you to one of our last sessions of the Ideas Festival. I'm very brief with introductions as we have to extraordinary individuals on stage. But I would like to ask you if you would cut off your cell phones and mobile devices because we're recording. At the end of the session, there'll be Q&A and there will be mikes roaming both aisles.

Mortimer Zuckerman is with *U.S. News and World Report*, and most of you know him. And for those of you who think that David Rubenstein is a historian who specializes in the Declaration of Independence and the Emancipation Proclamation, he knows something about the economy as well. We have two great speakers. We had a moderator, but they're so good, they don't even need a moderator. They'll moderate themselves.

David? Mort?

MR. RUBEBSTEIN: Thank you very much. Actually no moderator thought they could get a word in between the two of us, so nobody wanted to moderate.

(Laughter)

MR. RUBEBSTEIN: Before we start, I've just been curious, how many people here think the U.S. economy is heading into a recession? Okay. How many people here think that the U.S. government has some plan to fix that problem? Okay. How many people think your taxes are going up next year? How many think your employer is going to make up that difference with higher income?

(Laughter)

MR. RUBEBSTEIN: How many of you think that you represent the 1 percent? How many people here in this audience are from the 99 percent, anybody? Wow, okay. And how many people here think you're actually going to learn something about the economy today?

(Laughter)

MR. RUBEBSTEIN: Wow, we have a -- so Mort, you have been very deeply involved in a lot of economic issues. You run one of the largest real estate companies in the United States. Are you optimistic about the economy or pessimistic as we see it today?

MR. ZUCKERMAN: Well, most people today define the difference between an optimist and a pessimist in the following way. An optimist thinks this is the best of all possible worlds and a pessimist fears he may be right.

(Laughter)

MR. ZUCKERMAN: I'm in the pessimistic column. And I think we're in not just a recession, we're in my judgment a modern-day depression in terms of how I would define it because of all the very, very serious numbers that affect. For example, people on food stamps, where that number has gone up from something like 10 million to 25 million, or people who are on disability have gone up from 5 million to 10 million, never mind the number of people who are unemployed.

And what's more? I think this is going to continue for a while. So if I may I will tell you a story that reflects that. A priest in Normandy, France, went to confess. And the tradition in the French church is that the priest confesses to the Archbishop. And he goes to the Archbishop and says, look, I've had this on my -- this is just last year, he says, I've had this on my conscience for many, many years. He says, well, what is it? Must be very serious?

He says, during World War II, he said, we were under instructions from your office not to do anything that might in any way persuade the Germans that we were on the wrong side because they would destroy the churches. But this young woman came to my church seeking asylum, and she was just such a vivacious woman I just couldn't turn her away. So I brought her into the basement of the church and gave her food, clothing, medicine, whatever it was to get her through the difficult time.

And this went on for quite a while. And then I just don't know quite how to explain this, but we were spending so much time together, and several years later, we had an affair. Oh my goodness, says the Archbishop, that's a violation of the most important vow that you make as a priest, he says. But look, he said, you were involved -- you had a humanitarian impulse and you were thrown together under these difficult circumstances. So I think perhaps we can mitigate your penitence. Well, he says, I haven't told you the entire story. He says, well, what else could there be? He said, I haven't told you the war is over yet.

(Laughter)

MR. ZUCKERMAN: Well, I don't think this recession is over yet. I think it is a very serious one. We have had the most stimulative fiscal and monetary policy in the history of this country and we are still in a very, very weak economy that seems to me to be getting weaker. I could give you a whole series of statistics

that would support that conclusion, and at some point I think we should discuss some of those statistics. So I am for that reason not only a pessimist, but a worried pessimist.

MR. RUBEBSTEIN: To give you my perspective, it is that the truth is we define recessions as two consecutive quarters of negative growth. In my view that definition is very much outdated because while we technically got out of the recession three years ago we never really emerged from it. And as a result of that very deep recession, the deepest recession since the Great Depression, we have four lingering economic problems that we didn't really solve in the recession. And they are going to be with us for years.

Those problems are debt. We now have, as everybody knows, \$15.8 trillion of federal debt, and \$60 trillion of unfunded social security Medicare liabilities. Enormous amount of debt. And the consumer debt is still very high. We have today in this country 350 percent of

GDP in debt, government debt and consumer debt. And that has not changed since we went into the recession. We had about 350 percent then. We have 350 percent now. We changed it a little bit more government debt into consumer debt, but we have way too much debt.

Second problem we haven't solved is the unemployment rate. We have theoretically an 8.1 percent, 8.2 percent unemployment rate. The real unemployment rate is 14.4 percent. It's the marginally attached rate because we count unemployment in this country by people who are looking for jobs in the last 4 weeks. If you stop looking you're not counted. If you count those people who really want jobs, it's about 14.5 percent unemployment. We have 12.7 million people unemployed. And the truth is people in this audience are probably not affected by it.

If you are a white male with a college degree or a graduate degree, your chance of being unemployed is about 1 percent to 2 percent. If you are a black teenager in the United States, your chance of being unemployed is

about 65 percent; 65 percent in some urban areas, overall about 35 percent for black teenage unemployment. So unemployment is very high and it's not getting better anytime soon.

The third problem that came about from the recession is the enormous problem we have with growth. Normally, after a recession you should grow to get your unemployment back to where it should be, at 6 percent to 7 percent. We've been growing at 1 percent to 2 percent. This year we thought we might be growing at 3.5 percent. We're going to probably grow a little bit less than 2 percent, maybe this quarter 1 percent. So economic growth is the most important thing to getting tax revenues and in getting people back to work and we still have very, very modest growth.

And last is the income disparity. It is getting worse, not better. One percent, the upper 1 percent of wealth -- of people who have wealth in the United States has 40 percent. In other words, the upper 1 percent, the

so-called 1 percent control 40 percent of the wealth in the United States. The upper 1 percent, and that is up over the last 25 years from 30-some percent. It used to be, about 25 years ago, 30-some percent was controlled by the upper 1 percent; now it's 40 percent.

The upper 1 percent now gets 25 percent of the income. It used to be, about 25 years ago, about 7 percent to 8 percent of the income. So the income disparity is getting much worse than it has been. And in terms of the unemployment rate, it is so bad now that not since the Great Depression have we had 8 percent unemployment for as long as we've had.

So these problems that I've mentioned, the debt, the growth rate, the unemployment and income disparity are serious problems, and honestly nothing is going to change between now and the time of the election because Washington has concluded that there's nothing that it can do. The fed has nothing left in its arsenal. The Congress will do nothing to make any changes. So the

economy that you see today is the economy you're going to see in November. It may get slightly worse. We see some decline in our numbers in terms of economic growth, but it's not going to be that much different than it is today.

Unfortunately, Congress is not prepared to do anything until the next year. In other words, there had been a perception that the lame duck Congress will deal with some of these issues. Right now our perception of Washington is nothing will get done in the lame duck. We'll probably extend all the tax cuts that are going to expire for 6 or 9 months, but it won't really have any enormous stimulative effect. It will take care of the problems of going into a deeper recession or a deeper economic decline. But unfortunately, what we see today is what you're going to see for the next couple of months in my view.

MR. ZUCKERMAN: Yes, let me supplement some of those statistics that David has put forth. There was a government report that came out just a couple of months

ago that indicated that the net worth of the average American family from 2007 to 2010 went down by 39 percent. All of the accumulated net worths since 1992 was wiped out. Two decades of an accumulation of net worth.

Now most of that was due to housing. Housing has continued to go down since 2010. So if anything, that problem has exacerbated. So you have, a) a huge decline in net worth. Secondly, as far as the consumer confidence, which reflects a whole range of things including net worth and including some of the statistics that David mentioned, consumer confidence today, given where we are in this so-called recovery from a recession, we normally have had it in the 3 years into a recovery a cumulative GDP growth of about 15.2 percent.

What we've had so far is about 6 percent. So it's a huge, huge slowdown in terms of the recovery, as I said, notwithstanding the most stimulative fiscal and monetary policy in our history. And what you have is a consumer confidence level that is today 13 points below

the average low of every previous recession we've had since the end of World War II. We've had 11 of them, I might add, and this is by far the worst recession. And as I say, if you add to the unemployment numbers, the number of people who have completely left the labor force, just they've given up, you have another -- you'd have an unemployment rate in effect above 20 percent.

And this is something that we have not been able to do very much about through normal fiscal and monetary policies that everybody would've thought would've had much more of an effect. This is a very, very serious time. There was -- I forget who it was who when was asked whether -- when somebody told her, did you hear that Calvin Coolidge had died, she said, well how can they tell.

(Laughter)

MR. ZUCKERMAN: Well, when you look at the economy and you say is there a recovery, people have to say, well, how can you tell. There is no visible recovery other than the fact that it's not going down even more.

Although even today, and I have this here from the Wall Street Journal, for the first time the Institute for Supply Management which reflects manufacturing has gone into negative territory for the first time and manufacturing orders have gone down below the 50 mark even more than the latest numbers have.

So we may be now beginning to experience the decline in manufacturing, which was one of the very strong or stronger elements of our so-called recovery simply because of all that's going on in Europe and in China, et cetera et cetera. So we are looking at some very difficult times. And we're in an unprecedented kind of economic condition and therefore one that is unpredictable. So nobody really can quite tell you where this is heading.

MR. RUBEBSTEIN: Now, everybody always remembers analogies or things relating to our favorite subject, sex. And people may remember out of this session Mort's joke about sex maybe more than anything else we say about

numbers. So I want to give my own sex analogy. And here is what it is in terms of -- in the context of the economy.

I -- you all know -- heard of panda bears. Panda bears are -- there are only 1,600 in the world; 300 in captivity and 1,300 in the wild. And there are so few of them in part because they can only live in certain places, then can only eat certain things. But one of the problems they have is they can only mate for 2 hours one day a year. The female goes into estrous for 2 hours one day a year. So the male has to show up at exactly the right time. And they're a little inexperienced because they don't have that much practice. They only do it 2 hours a day for -- so it's not like you can say, not tonight, honey; it's not this year, honey, if the female is not ready.

So the truth is when they get together and they did the -- recently at the National Zoo they got together, they didn't really know what to do. The parts didn't go in the right places and so forth. And in China, to deal

with this problem, they show them movies about what they're supposed to do. They show pandas -- but the panda's eyesight is not that good. So they -- so the point really is that the pandas know what they're supposed to do, but they don't really know how to do it. And that's the problem with our economy.

(Applause)

MR. RUBEBSTEIN: The government knows what it's supposed do, but it doesn't know how to do it. And one of the real problems is we've got complete dysfunction in Washington right now. The system we have is a great check and balances system. The founding fathers are wonderful in setting it up, and I think it's better than a parliamentary system. But right now the democrats are not talking to republicans. They don't even socialize with each other. And right now nobody in Washington really feels any need to do anything because the republicans in the Congress say, we've been waiting for so many years to get rid of Obama. We've got him now where we want him.

Three months to go, why do anything?

And the democrats are basically saying much the same thing. We don't want to let the republicans take any credit for something that might get done. And really they don't have any ability to get anything done right now through the Congress. Nothing is going to get done. We have to change the dysfunction. Otherwise what's going to happen to us is what happened to other countries around the world.

The United States has been the biggest economy in the world since 1870. And we've been the dominant economy in the world really since World War II. But the emerging markets have emerged. And in the year 2014, the emerging markets total GDP will surpass that of the developed markets.

We have all grown up in a time when the United States was the dominant economy, and we have the lifestyle that reflected that. Our children and grandchildren are not going to live in that world. China, in our lifetime

will be the biggest economy in the world. And the United States will probably be the second or third biggest by the end of the century. Unless we can get our economic activity moving again, unless we can be productive again, unless we can make people work the way they should be able to work and make our economy much more efficient, we are going to be watching the emerging markets truly emerge.

And it's an unfortunate situation. We don't want to let happen to us what happened to Britain and other countries that led the world and the economy in previous centuries. But it's going to slowly happen now. Because our population is so big and because our economy is so big, we're not going to be Britain. But we are not going to have the lifestyle that we once had.

In 1950, we were the highest per capita net income in the world. Now we are about 7 or 8 and we're sinking. And so while China is getting wealthier, and Brazil and India are getting wealthier, we're actually going down. And we have to do something about it. Right

now I don't think anybody in Washington is really focused on it. But unless we begin over the next 5 years or so to take a serious look at what we have to do to make our economy competitive in the 21st century, we're not going to be in very good shape.

Europe is living in the 19th century. Europe has no chance of getting into the 21st century. We're living in the 20th century. We have a chance of getting into the 21st century. Asia is in the 21st century. If we're going to catch up, we have to do many more things than we're doing now. It's unfortunate because we have the brain power, we have the will, we have the innovative spirit in our country. But right now the parts are not working. We know what we need to do, but like the pandas we can't get it to go to work.

MR. ZUCKERMAN: Now, following up on David's approach of asking you questions, I'd like to put the following question to you? How many of you thought you would learn more about sex than about economics when you

came here?

(Laughter)

MR. RUBEBSTEIN: How many of you want to know more about sex and economics?

(Laughter)

MR. ZUCKERMAN: Well, I do think, as David was implying, when you go through various levels of what the statistics tell you about the economy as distinct from what your emotions tell you -- I mean, both David and I have had a wonderful experience in terms of getting involved and engaged in the economy. And there's no reason for us to be anything other than optimistic in that sense. Yet, when you look at what's going on in the economy, it's very hard to see where we're going to begin to come out of where we are now which is in my judgment a weakening of the economy, and we don't know where this is going to go.

And there's very little that the government can do that will change this particular pattern, and that's

what makes me very worried. There's people talking about this economy as if it's going to change. We talked about the unemployment number, which is, as David said, closer to 15 percent than it is the 8 percent. But there's another huge number of people who have left the labor force permanently, and they are not counted.

There are different measures of unemployment. One is called U3, where they measure people who have actively applied for a job in the last 4 weeks. That means you have to apply for a job, to -- have gone for an interview, to whatever it takes, okay. That number theoretically is 8.2 percent. But if you then take the people who have actively applied for a job in the last 6 months and the people who are what they call involuntary part-time workers -- these are people who want to work full-time but their company says to them, sorry, we're only going to employ on a part-time basis, which, by the way, means they don't have to pay for your benefits, no health care benefits, no retirement benefits -- that

number is, as David says, 14.5 percent, 14.8 percent.

And yet then you add the millions of people and it's somewhere estimated above 8 million. You're talking about a huge number of people who are either unemployed, underemployed or have given up looking for a job. Now, we have had 40 plus weeks in which the headline unemployment number is over 8 percent, which is unprecedented. But what we also have to think about now is you are looking at a period in which people are losing their job skills.

We've had almost 50 percent of the people who are unemployed have been unemployed for longer than 6 months. That's why this second category is a much more relevant number because you don't apply for a job every four weeks if you've been out of a job for 6-plus months.

So we are looking at an extraordinarily weak economy that in some ways is disguised by what the press picks up as the headline unemployment number. And what you are also looking at is very little -- you have 150,000 people who enter the labor force every month. So when we,

as we have in the last couple of months, created 79,000 jobs or 87,000 jobs, that isn't even enough to take into account the new people coming into the labor market.

And finally, there is another thing that is really important. Roughly 50 percent of the jobs that we have created in the last several jobs are part-time jobs. And this is a very serious issue because that is a deliberate policy on the part of many companies for the simple reason they are not responsible for the health care and the retirement benefits. And this is a very serious issue for a lot of people.

There were three -- two studies, well, there were three, but two studies, one from UCLA and one from the University of Chicago, of the effects of what they called "regulatory insecurity" or political insecurity most of which reflected the health care bill that was passed several years ago and now confirmed recently by the Supreme Court. And they estimated between 2 million and 2.5 million jobs were literally not created as a result of

the uncertainty created by this amongst other policies.

So we have to be very careful because business confidence is at a very, very low level. The consumer confidence is at a very low level. The confidence in the government is at a very low level. And the problem is that nobody knows how this sort of combination of different negative forces can join together in something that could be quite dangerous.

And we're not under the woods in the world, as David points out. China is having a real decline for the first time. Europe -- the European economy reminds me of the man who jumped off a 30-story building, and as he went by the 6th floor he yelled, don't worry, nothing's happened yet.

(Laughter)

MR. ZUCKERMAN: I don't see how they get out of it. They are trying to fix just the financial side. But the fundamental economics of most of those countries are really in terrible shape and they are dropping very, very

seriously. So all of this, when this comes together, could come together in a very, very bad way.

MR. RUBEBSTEIN: Right. In terms of the -- typically, in the United States, we've had roughly 67 percent of people who are of working age actually working. So the labor force would have 67 percent of the -- people who have -- men and women of the working age working. Now that percentage is going down and we're closer to 60 percent. And the reason is a lot of people have given up looking for work.

Since 2007, 35 percent of the people who -- since 2007, people who have given up looking for work, 35 percent of them are people who would like to work but they just can't find it, 65 percent are baby boomers, and there are some in this room, baby boomers who have concluded that just life will be easier just to retire.

And so people are retiring earlier. And the result of this is, and baby boomer is the biggest part of our population, we have fewer people in the workforce.

And as a result our GDP is not -- it's going to be harder and harder to grow the GDP at the level we want. Typically, after a recession, 33 months after a recession, and we're now 33 months after the last recession ended, typically you have increased your GDP by a certain amount. Typically you have gone up total about 10 percent.

So 33 months after a recession is over, typically the GDP of the United States has gone up by 10 percent from where it was at the end of that recession. Now we're only up about 6.5 percent. So our GDP hasn't gone very much up compared to where it should be. And in part that's because people have dropped out of the workforce. There's not as many workers in the workforce. And it's a problem we have to deal with.

We don't look as bad as Europe. And let me explain why that's maybe a blessing in disguise, but only for a brief period of time. Europe has imploded a bit. It turns out that the euro doesn't really work unless you have real -- a complete government and a political system

that really surrounds the currency. So enormous amount of attention in recent months has been focused on Europe.

But Europe will eventually come up with some patchwork solution. And when it does, Europe will limp along at 1 percent or 2 percent growth, maybe Greece will get out of the euro, but eventually Europe will kind of muddle along. But because so many people have been focused on Europe, many people haven't focused on our problems in the United States. After Europe comes up with some solutions in a month or two, the world would begin to focus on the United States again.

And the United States, our economy, as I mentioned for the reasons we talked about earlier, Mort and I did, we have some very low-growth years ahead of us. We have very high unemployment ahead of us. We have debt problems we haven't been able to solve. The only reason we are better than Europe right now, and our debt ratio is really the same as the worst countries in Europe, is that we can print dollars.

Now this is interesting. We can print currency and people will buy it. One of the best things that's happened to us is that people around the world have to buy our dollars or they feel there's no other safe place that they can get repaid. So interestingly, since our debt was downgraded, we've actually found interest rates gone down in terms of U.S. debt.

The Chinese have nothing to do. They own \$1.1 trillion of our debt. They are going to keep buying roughly that kind of percentage even though the interest rates would go down. At some point, somebody is going to wake up and say, wait a second. I don't want to buy the U.S. debt at very low interest rates. I want higher interest rate. And when the Chinese and the Saudis and the Japanese want that higher interest rate, we're going to have a much bigger budget problem than we have today.

We've been fortunate that people feel they have to buy dollars, the Euro has kind of gone down, and so there's no other currency that people and governments can

put their money in. At some point we're going to pay the price. We're not going to have this low interest rate for ever. It's a situation we have to deal with.

I wish we had people in Washington that were concerned about it, but honestly there's been a tidal wave of change in Washington. When Simpson-Bowles was set up, people worried about the debt because of the debt numbers I'd mentioned before. And the debt numbers, to put it in context, when Bill Clinton left office, we had roughly \$5.7 trillion of federal debt.

When George W. Bush left office, he added \$5 trillion more. So had about \$10.7 trillion. Barack Obama has added about \$5.1 trillion more. So we have about \$15.8 trillion. So we've been adding this debt steadily and there's no prospect of paying it off. Under Bill Clinton we did have some budget surpluses, and at one point there was a concern that we would get rid of federal debt and there'd be no federal debt against which corporate debt could be measured. We don't have that

problem anymore.

(Laughter)

MR. RUBEBSTEIN: So we've got this enormous debt. And there's only three ways of solving this debt problem. One is you have to cut entitlements and spending and increase taxes, not very pleasant, nobody likes that, and we'll kick that down the road. Two, you can inflate. Have your way out of it a bit. I worked in the Carter White House and I got inflations of 19 percent. Very hard to do that. I could go back into government and get inflation again.

(Laughter)

MR. RUBEBSTEIN: I'm willing to try. I'm willing to help my country. But that might not be the solution nice people prefer. And even 19 percent inflation wouldn't solve that problem. And third, you can go for a bailout. But who is going to bailout the United States? The IMF? The World Bank? There's not enough money. And, of course, you can default on your debt. But

that's not a realistic solution. The only solution is to cut spending and to increase the taxes. And we're going to have to recognize that there is no other solution for us. I hope we can buy some time over the next couple of years before we have economic calamity.

What I was concerned about was when the super committee in Congress met. And you may remember, they were supposed to deal with the sequestration issues and so forth. What happened? They couldn't come up with an answer. They came away and said, we don't have any answer; we're just not going to come up with a solution.

What happened? Well, the bond market didn't collapse, the stock market didn't collapse, the dollar didn't collapse. And as result most members of Congress said, what's the problem, we can keep adding debt because the Chinese will keep buying it at low interest rates. That's a mistake. At some point we won't be able to sell our debt at these low interest rates and in some point Congress has to pay the price and deal with these problems.

So right now Congress has a view that the greatest problem is economic growth, and maybe they're right, and not deficit reduction. So there's been a sea change in Washington. It used to be when Simpson-Bowles was set up everybody wanted to worry about the debt reduction problems. Now there's virtually no interest in Washington relating to that. The interest in Washington is how do we keep growth going. And I suspect therefore we'll keep going.

All the tax cuts and other things that people have gotten used to are probably going to be kicked down the road. And at some point we'll pay the price, but it may be 9 months or 12 months or 2 years from now. But at some point somebody is going to say, I'm not buying this debt anymore, I'm not going to roll over U.S. debt, and then we're going to have serious problem.

MR. ZUCKERMAN: Let me just supplement one thing that David said, which was how slow and weak this recovery has been. We have had 11 recessions since the end of

World War II. The average period of time that it takes to get back to the level of employment that we had at the start of the recession -- for those 11 recessions is 25 months. Here we are almost 50 months into this recession, and we are still roughly 4.5 million jobs lower than what it was when we started.

This is the slowest recovery in terms of jobs that we've had by far since the end of World War II. And this is not -- it's no really improving very much. Consumer spending is weak, business spending is weak, government spending is, shall we say, not productive even though there's a lot of deficit spending. And if it weren't for that, we would really -- the only thing you could say about government spending is that it has helped us not really just crash through some kind of bottom, but the idea now as we look at the economy was declining business confidence, declining consumer confidence, very weak numbers across the board.

Where do we go from here without the ability at this stage of the game for the government to do anything given the political paralysis that we're in? And we're going to see. We don't know what's going to happen in the election, but both parties really -- they remind me of the story of -- that you don't go to a doctor whose office plants have died.

(Laughter)

MR. ZUCKERMAN: We're in a situation where we have a government on both levels where the programs just aren't working. And we are a country that is absolutely desperate for the kind of leadership that's going to get us out of the problems that we're in.

MR. RUBENSTEIN: I agree with that. And I -- have we sufficiently depressed everybody? Is there anybody here that's not depressed?

(Laughter)

MR. ZUCKERMAN: Yeah.

MR. RUBEBSTEIN: All right, we're sorry. Maybe we'll spend some time on maybe some good news if we can find some. And what are the solutions? And we'll get to questions in a moment. In terms of solutions, what was going to happen. And one thing I would like to point -- talk about relating to what Mort said in terms of leadership, whatever you think about John Roberts and the decision in the Supreme Court recently, I think you would have to agree that it was a bit of courage for a man to go against his instincts and probably his brethren and to do something that he thought would be in the end better for the country. And maybe while he didn't like the health care bill, he thought having some political leadership and doing something that was against his maybe instincts was a good thing. I personally think that John Roberts showed a lot of courage and a lot of leadership.

(Applause)

MR. RUBEBSTEIN: I just hope that our political leaders would take a lesson from that and say, okay, the

most important thing is not getting reelected. The most important thing is making the country better. And I don't really care about getting reelected as much.

(Applause)

MR. RUBEBSTEIN: You know, it's interesting. I meet with members of Congress all the time, and I meet with former members of Congress all the time. And what I get out of them is this, most members of Congress are definitely afraid of not getting reelected. They spend enormous amounts of time begging for money, and no doubt from people here and your friends, and money -- you get incessant calls.

How many people here have not received a call from a member of Congress or senator recently about money? Anybody? Very, very rare. But when I meet with former members of Congress, they are thrilled that they're not in Congress anymore. I keep telling them, don't worry about getting reelected because there is life after Congress, you'll be fine. But they're obsessed with getting

reelected and they don't want to show any leadership. If we could have some leadership, not unlike John Roberts, I think it would be a good idea.

Let me give you one idea that I think is a solution to the problem but it's not going to solve all the problems we have. There's one idea that I'd like you to think about. It's not a perfect solution, it can deal with one aspect of it, and that's the inability of our country to increase taxes at a level that's fair and a level that will increase government involvement in certain things, but also incent the business world to make investments and also to cut some of the entitlement spending that we can't afford.

We had the Simpson-Bowles Commission, and the president of the United States, I think, made a mistake in not even meeting with them. He didn't even take the material and say, thank you for your job, well done. He was afraid that it was so controversial that he didn't want to be seen and associated with it, leave aside

whether that was right or wrong.

Simpson-Bowles therefore never got very far. What I would like to do is to have a system that is not unlike congressional salary increases. When we want to increase salaries for members of Congress, what we used to do was we had members of Congress vote for it. And it was politically difficult. So they created a commission, and the commission now says here's what the appropriate salary increase is; it goes into effect unless members of Congress vote to overturn it. How many votes do you think there are to overturn that commission recommendation?

The same thing is true in military base closings. When we want to close a military base, the members of Congress don't vote for it anymore. The commission recommends it, goes into effect unless congress votes to overturn it. They never vote to overturn it. We need a Simpson-Bowles-like commission, representative of the appropriate kind of people, and let its impact -- its recommendations go into effect unless Congress votes to

overturn it.

That's the only way we're going to get something done because Congress doesn't have the courage in my view right now to vote for the kind of things they know we need to do. If we had a voice in Congress, it would pay us, but nobody really wants to go through a voice vote.

MR. ZUCKERMAN: That was a call from David's congressman. I just want you to know that.

(Laughter)

MR. RUBENSTEIN: Okay, right. Okay, so Mort, I think you have a solution. What would you do to kind of make the situation better?

MR. ZUCKERMAN: Listen, I think this whole issue of leadership is central. And I have to say, this is a country that always responds primarily to presidential leadership. And that I think is still not working in this country. The Simpson-Bowles Commission was one of the most frustrating, and frankly disgraceful periods of American political leadership. The president never met

with him, Alan Simpson and Erskine Bowles, who are two of the most sensible people, this was a commission which the president setup, he got the support, the political support, from within the commission, from both parties, and yet it was never even taken up, not even met with.

And Alan Simpson, whom -- I will tell you is a wonderful and very amusing man. I just was at a talk that he gave recently, and he was given a very elaborate introduction. And he got up, he said, you know of all the thousands of introductions I've ever had, this was the most recent. So --

(Laughter)

MR. ZUCKERMAN: But he then launched into a -- if you know him, and Erskine Bowles, they are not partisan people. And he was launched into really a statement of great dismay over the inability to deal with this. Now what is going on now is that these are folks who are literally developing legislation that they hope to be able to submit to the Congress after the election in the hope

that between the end of election period and the end of the Congress, which is not going to be too long, they may be able to get some of this legislation through. And a number of us had been meeting with all of these different people who are hoping that that will take place.

But there are several other things that I would like to suggest which are more long term in nature. Look, the most important part of our economy today is the high tech economy. The agricultural economy was decimated by the whole emergence of, shall we say, the manufacturing automation in the 1930's. There were 67 million people in agriculture who were never able to come back into that field because they were replaced by tractors, and et cetera, et cetera.

We have the same problem today in manufacturing. There were 67 million people in the manufacturing world, blue-collar workers, who will never come back to work again in that field in part because of the automation of our manufacturing and in part because of the international

competition. The one area where we have a growing economy is in what we loosely call the high tech world.

Now, we are not producing enough either engineers or scientists, whatever you want to call them, to really staff this. And one of the things that we do, we used to have something called H1B visas. These are visas given to foreign graduate students in the hard sciences who are in American universities. We had 195,000 of those. It was reduced to 65,000 when the dot-com bubble burst in the 2001 and 2002 because at that point we had a surplus of engineers.

Now we have a shortage of engineers. These are people who want to work in this country. Instead we train them, they take our education and they work for companies in countries that compete with us. So the least we could do is to get this group of people back to the number of 195,000 we had in the year 2000. You cannot get neither the administration nor the Congress to do that. They seem to be paralyzed.

I'll give you another thing this is something that we should be doing in an era of very low interest rates over the long term, which is to dramatically improve our infrastructure spending. Infrastructure is a huge part of our economy.

(Applause)

MR. ZUCKERMAN: And we could finance that today. We would have to introduce this with expedited environmental approval so that there is no way of just blocking these things, which a lot of groups tend to do. And I don't mean this as disrespect for the environmental concerns. It's just that we have other interests that have to be taken into account.

This is a job multiplier. That is to say if you invest a dollar in infrastructure, in terms of other economic benefits through employment and other things, you'll get back say \$2 to \$2.5. Unlike just giving money frankly to the public service unions, which is what half of the stimulus program did through the sort of the

charade, that it was going to state and local governments. Not that I want to reduce the number of police or firemen. Nobody wants that. But you've got to find a way to stimulate this economy, and it's got to be done in a way that just doesn't serve the political interests of one party or another.

So these are three things that I would do; the H1B visas, the infrastructure program, and frankly, as was indicated, we just have got to redo our tax code and broaden the tax code. You could lower the rates, eliminate a lot of particular benefits that frankly aren't deserved but that are obtained through frankly political contributions that the congress is so interested in and therefore they help these grease away for these very special tax benefits. So these are things that can be done and should be done. It would have a major impact. But it's going to take political leadership in all of these levels to get something done.

MR. RUBEBSTEIN: Before we go to questions. Let me try to cheer you up a little bit.

MR. ZUCKERMAN: Go ahead.

MR. RUBERSTEIN: We still are the largest economy in the world, and for the next 20 years or so we will be the largest in terms of total GDP. China will not catch up for another 20 years or so. Our per capita net income will not be as high as it once was, the highest in the world, but of developed countries, large developed countries, we will be number one. We're number 7 overall. But Abu Dhabi or Qatar probably are not that relevant. So we still have our very high per capita net income.

We have an education system at the university level that is the envy of the world. Everybody in the world wants to have a degree from one of these great American universities, and that's something -- while those universities have some financial challenges, we really should take great pride in the ability of these universities to turn out people who are creative, hard

working, very smart, and going to build our economy into the future.

Third, or fourth, we have the most innovative economy in the world. The great technological innovations that Mort has talked about are really occurring in this country. Facebook and Apple and Amazon, they were started in France, or they weren't started in China. They were started here. And the kind of innovative economy that we have in Silicon Valley and other parts of the world really is something that we can take enormous pride in.

We also have a work ethic in this country that is very, very high. It's much higher than in many other parts of the world. While there is some concerns about some people's work ethics and so forth, the truth is overall the economy is benefited by the work ethic that we have. If the people can find the jobs, they want these jobs. There are some views that some people in Europe maybe don't really want to work as hard as people here. But people here do want to work hard.

And last, we have a political system, while it has a lot of problems, it is very stable. We don't have to worry about military coups. We don't have to worry about the things that some other countries have to worry about. And we do have a dollar that is going, to be in our life time and the life time of everybody in this room, and is going to be the reserve currency of the world and that will be a great thing for our country. I wish it were a stronger dollar in some ways. I wish we could do other things with our currency, but right now we have all these things in our favor.

We just have to make sure we can find ways to get our political system to work and to get some political leadership and to make sure everybody has to give -- contribute a bit. Right now everybody doesn't feel like they are being asked to contribute. If our political leaders would say I want you to sacrifice, I want you to do something that's not in your economic interest, we would be better off.

Very few political leaders now say to the people who are their constituents I want you to sacrifice, I want you to work harder, I want you to pay a little bit more, I want you to be taxed a little bit more. People are afraid of saying to their constituents they have to sacrifice. I think the American people are willing to sacrifice if we have leadership that will ask them to do so, but nobody is asking us to do so.

So what we really want is leadership I think that is asking us to make the kind of sacrifices that I think are necessary. Hopefully that will get done. And the other good things I just mentioned will enable our economy to be one that all of us can be proud of and our children and grand children will lifestyles as good as the ones that we've had. So we'll take questions or --?

(Applause)

MR. ZUCKERMAN: Sure. I want to ask a question, okay. How many people here think David Rubenstein should run for Congress at one level or another?

(Applause)

MR. RUBENSTEIN: I can't afford the pay cut, but how many people here --

(Laughter)

MR. RUBENSTEIN: Before we do that, how many people here think Mitt Romney would be the next president of the United States? Okay. How many people here think Barack Obama will be? Wow. Okay, how many people have shifted their views on Barack Obama since he was first elected? Anybody? Anybody shifted their views on Mitt Romney? How many people think Mort Zuckerman should run for president of the United States?

(Laughter)

MR. RUBENSTEIN: Okay. Well, we've got a little --

MR. ZUCKERMAN: No, I think when this country is ready for its first Canadian-born Jewish president, I'm your guy.

(Applause)

MR. RUBENSTEIN: Well, if we get any Jewish president, it would be good, but okay.

(Applause)

MR. RUBENSTEIN: But probably that Jewish president's last name isn't going to be Zuckerman or Rubenstein. It's going to be more something like Stanislavski (phonetic) or --

(Laughter)

MR. RUBENSTEIN: Okay, so questions. Ma'am, right here. Well, I guess -- well, here. You're next. Could you just stand up so people would hear you or see you?

SPEAKER: Hi, I want you to address the validity of the statement. There is an economic principle that says you want your producing class, the people essentially between 18 and 65, your workers, to outweigh your dependents, people too young, too old to work. Right now our baby boomers are retiring, leaving the workforce, and it's also happening in Italy where they have sort of the

high death rate going down.

MR. ZUCKERMAN: Yes, okay.

SPEAKER: And China has --

MR. ZUCKERMAN: Right, I understand. Your question is?

SPEAKER: My question is do you see in 30 years when China's population is aging and America's population is younger that the growth will go and China will begin to decline.

MR. ZUCKERMAN: We didn't discuss demographics, but let me just get to this. When the Social Security system was set up in the United States, it first paid benefits in 1940. At that time in 1940, there were 33 workers for every retiree. Today there are 3.3 workers for every retiree. In the year 2025, there will be two workers for every retiree. Obviously, a system that's not sustainable.

Our population is aging. It's good to be getting older, and increasingly, I think it's a good thing

that you can live when you're longer, but I think we have to recognize our average population is about 37 in this country. In Europe, it's about 41; Japan, it's about 45. So we have some demographic issues. China is not much younger than us because of the one-child policy.

What we have to recognize is that our population ages. We have not enough workers to support the retirement system that we built in. When we set up Social Security, the average age of people in the United States was 60. So we said you can retire at 65. Well, not too many people got to collect benefits because they weren't living that long. Now the average age is about 81 or 82 and we can't afford this system. So we've got, because of our demographics, we are going to have to change it dramatically in future years. Retire later, and collect, I think, fewer benefits. Mort?

MR. ZUCKERMAN: Yeah, there are 79 million baby boomers from World War II who are just beginning to retire at 65 to 1945. And you see where we are. We have no way

of supporting them within the context of our Social Security system and undoubtedly in our health system. And the question is how do we deal with this.

Now, in 1983, Ronald Reagan, President Reagan, and Tip O'Neill, the speaker of the House, a Democrat, between the two of them in a very quiet way worked out a saving of the Social Security system, which had at that point about \$25 billion in the trust fund. It now, I might add, as a result of the work that they did in which they increased the so-called Social Security contributions, which some people call Social Security taxes, okay, they increased that dramatically. They also reduced some of the benefits by extending the age at which you receive some of these benefits.

Now, this was a bipartisan effort that was done quietly as Reagan and Tip O'Neill, both agreed, we are both going to get the blame and will both get the credit. But the country was the savior because today we have \$2.8 trillion in the Social Security trust fund. This is an

example of where bipartisan activity can really make a huge difference in dealing with some of these issues. I might add we have had 40 increases in Social Security taxes since it was first introduced in the 1930s.

So when governments, when they have leadership, when you have leadership between the Congress and the White House, you can really make things happen. Today, that relationship between the Congress and the White House is virtually nonexistent. And I will -- I mean, there are so many -- I don't know if somebody saw this, there was a front page story in the *New York Times*, for example, that Barack Obama and Mitch McConnell had not had a single one-on-one meeting in the first 18 months he was in office, which is almost unprecedented. It's almost impossible to understand. I could give you more examples of that where there's virtually no dialogue between the executive branch and the congressional, the legislative branch.

MR. RUBENSTEIN: Mort, you had more one-on-meetings with Barack Obama than Mitch McConnell, right?

MR. ZUCKERMAN: Yeah, absolutely. I mean, the whole thing is just mysterious to me. And I will give you another example. I gave a talk on the economy not too long ago, within the last couple of months, to one of the major legislative committees in the Congress. And as you probably have gathered, I'm almost as pessimistic as David or slightly more pessimistic, but not by much.

And I explained why and then I answered questions and then I was meeting with the leaders of this committee. One was a Republican, now, the chairman, and one was a Democrat, formerly the chairman, and I said how do you work with the White House. They said, we don't. What do you mean you don't? He said, in the 3-1/2-plus years we have not had any contact with the White House leadership at all; no telephone calls, no visits, nothing.

That's just almost unimaginable. That is not the way that you're going to get things done because whether you like it or not, as Bill Dailey would say, "Politics is also about personal relationships," and

you have to do it. And if anybody reads the Robert Caro book on Lyndon Johnson, you will find out if somebody -- there is somebody who understood how the Congress works. He came out the Congress in fairness, but somebody who has been a governor, somebody like -- generally understands that part of it. We are missing that totally and we've got to find some way of getting the two bodies to work together because otherwise it's going to make it much, much more difficult. That's one of the more disappointing features of what has gone on the last 3-1/2 years.

MR. RUBENSTEIN: Question here. Right here, gentleman.

MR. DEBS: Thank you. John Debs, Colorado. With all due respect, gentlemen, David, why is Carlyle raising money and investing if you're this pessimistic more? Why aren't you selling all your real estate properties if you're this pessimistic?

(Applause)

MR. RUBENSTEIN: A good question. Well, the answer --

MR. ZUCKERMAN: Well, wait a minute. One of those two is a good question.

(Laughter)

MR. RUBENSTEIN: You know, the truth is people -- when economies are not in good shape, that means that prices may go down and therefore to invest may be a good thing to do. You know, when you invest things, you want a low price and you want to be able to improve it and hopefully the economies will get better. So when we invest money, we try to do it at times when the economic cycle is down.

Also, you know, firms like ours are investing all over the world and some parts of the world are doing well. So it's not just the question of investing only in the United States. But it's a fair point. If the economies continue to go this way, no matter how good you are as an investor, at some point you won't be able to

exit at the kind of prices you want. So ultimately economies have to improve and you have to find some way to improve the company and make sure it takes advantage of the economy ultimately improving.

Right now, some economies in the world are better than the United States. Nobody in the world right now is doing great. Everybody is slightly going down. I wouldn't say we're going to a global recession. But we're in an obviously a global slow growth period and I hope we can get out of it soon. But right now even China, as Mort said, is growing at a lower rate than it has in the last 30 years or so. India is growing at a lower rate. Brazil is growing at a lower rate. So no country in the world right now is doing spectacularly well. Hopefully the time will get better.

Mort, you might want to say why you're not selling all your buildings?

MR. ZUCKERMAN: Well, actually the time to buy and the time to sell is a question of timing. We did sell

a lot of buildings, but in 2006, 2007 and 2008, when there was a bubble in commercial real estate as there was in residential real estate, I wrote an editorial about the residential market in 2006, and I came to the conclusion that it was an unsustainable bubble and then looked at the commercial market and came to the conclusion that that was an unsustainable bubble. So we decided to sell.

The assets we have now are frankly doing very well in this market and we believe they will continue to do well. So we are not selling, in fact, we're buying. And one of the reasons why we're buying is because interest rates are the lowest I've ever seen in my career. I mean, my company just borrowed a huge amount of money at interest rates that were just unprecedented and it changes all the calculations. And so in fact we are interested in selling. We are interested in buying. And if you happen to know of any good buildings, please call me.

(Laughter)

MR. RUBENSTEIN: Okay, other questions. How about this side? Right here. Gentleman right here on this side. He gets the mic right there.

MR. HAMRA: Hi, wonderful presentation and most amusing. Greg Hamra from Miami, work with a company called Everblue, dropping all my stuff. It has been said that infinite growth on a finite planet, anybody who believes in an infinite growth on a finite planet is either mad or an economist.

I know there are a lot of moving parts; water security, energy security, competition for natural resources. Do you see a way out of this mess while keeping an eye on not jeopardizing our biosphere because we're discussing, you know, that's sort of a big elephant in the room that I don't hear discussed a lot of time when we're discussing economics.

MR. RUBENSTEIN: It's a very fair point. When I was born in 1949, some people here may be around that time as well, some people much younger I can see, there were 2

billion, 2 billion people on the face of the year. Today, there are 7 billion. By the time I'm projected to die, hopefully 20 years or so, there will be 9 billion people on the face of the earth.

So obviously we're consuming much more resources and producing more carbon and so forth. So it's a serious problem. I don't think we're going to solve that in this panel right now, but I do think we have to take -- recognize the fact that we're using much more resources than we did before when we had 2 billion people, and the last century, less than a billion people in the 1800s.

So I do think that we have to be more concerned about energy and global warming and those kinds of issues, but I do think that energy, just as an aside, energy will turn out to be one of the great areas in which to invest around the world. Not just alternative energy. We will go to alternative energy. But alternative energy is now only about 7 percent of the energy in the United States.

The truth is God created oil and gas and it's the most efficient form of energy that we've ever seen. I've often wondered whether if God had not created oil and gas on the face of the earth, whether civilization would be further ahead or further behind because we would've come up with other means to produce energy for ourselves.

I don't know the answer to that. But as long as we have another 100 or 200 years of oil and gas, we will consume it because it's so efficient. We just have to do it more environmentally sensitive ways. But because of new fracking, other techniques, the world is going to be in a surplus of oil and gas for a while, prices will probably come down.

And actually for the first time in decades, we are now exporting petroleum products more than we're importing. We're exporting more than we're importing, which is a big change. It's helpful to our economy, but it's a much more complicated issue about global warming and so forth. I can't address all those issues right now.

Mort?

MR. ZUCKERMAN: Yeah, when I was born in 1962 --

(Laughter)

MR. RUBENSTEIN: It's very good to hear.

MR. ZUCKERMAN: I actually -- I think, I have to say, I think consistent with what David was saying, we actually have come a long way in terms of being concerned as at least as this country and many other countries with environmental issues. There has to be a balance.

I do think, again, to underscore what David said, this whole issue of developing natural gas through this fracking process has changed the amount of energy that we are importing from 60 percent down to 47 percent the last time I looked and it's going to go down to the point where we're going to become not only net exporters at a certain level now, but much larger over time and that is a fairly clean cut way of, never perfect, of developing energy to support this country's economy.

And I will say another thing about that, okay. It also will reduce, shall we say, the role of certain other countries in parts of the Middle East and their influence on the world and the policies of the world, which I personally happen to welcome.

(Applause)

MR. ZUCKERMAN: So don't get me wrong. There's always a cost and a benefit that are involved in almost any kind of energy policy. But the benefits in my judgment are so dramatic both in terms of our domestic economy and the international standing that I think we ought to do whatever we can to increase our domestic supply. It is going to happen.

Nevertheless, having said all of that, I mean, I do think that there -- in that sense, there is an example, a reason to be very optimistic about the U.S. economy. I think we can become completely energy independent within a very short order of time that was completely unanticipated in the last -- until the last few years. And that I think

is a major thing.

I do think we have to do something very serious about our fiscal side because we are deferring the cost of all of this debt we are accumulating on to the next generation or the generation after that. It is actually immoral to do that. We've got to find a way to address that issue because sooner or later there is going to be some moment, as David was suggesting, where people are going to say we're just not going to buy their debt. And then we're going to have a crisis that we won't be able to control. You know, life is never perfect, you know. I always used to say when a woman told me she was perfect, I said I was practiced. But anyway that's a whole other issue.

(Laughter)

MR. ZUCKERMAN: I do think that there is a serious, serious issue here that we have to address and I really hope this country finds a way to address it.

MR. RUBENSTEIN: Other questions. Right here, the gentleman here. How much time we have for this?

SPEAKER: Ten minutes.

MR. RUBENSTEIN: Ten minutes, okay.

MR. PODDER: My name is Robert Podder (phonetic). I live in a suburb of Dallas and we are -- my television set only works one way and we're pleased -- my wife and I watch Mort every week on McLaughlin Group and you do a great job. But I came in -- that's my first comment. My second comment is that I came into this room with a question and that question was what would you do if you were king of the United States? And I want to compliment the two of you because you told us the answer, and we didn't have to ask that question. I'd say it was a job well done.

MR. ZUCKERMAN: Well, I would abdicate it for David.

(Laughter)

MR. RUBENSTEIN: We had one King David once.

Another one, you know, that's not --

(Laughter)

MR. RUBENSTEIN: Okay, so, yes, ma'am.

MS. BURKIN: Hi, Amanda Burkin (phonetic), and I'm from Washington, D.C.

MR. ZUCKERMAN: Washington, D.C.

MS. BURKIN: Yes.

MR. ZUCKERMAN: That's where the real world really is.

MS. BURKIN: Not.

MR. ZUCKERMAN: Right.

MS. BURKIN: Both of you talked about unemployment and the loss of net worth. My question goes to African Americans and Hispanics who have experiences unemployment in far greater numbers; 15 percent for African-Americans, 13 for Hispanics. African-American youths are especially hard hit. Wondering if you all have recommendations on how to get these communities going

again. It's particularly important because as we all know, in about 20 years they will be in the majority along with Asians and other minorities. Thank you.

MR. ZUCKERMAN: Well, I'll take a crack at that. There are many levels at which you have to address this problem, but if you're thinking about where the minority communities will be a generation from now, to my mind the single most important thing we can do is to really focus in on public education. We have to -- we know there are things that can be done to improve public education. Again, there are bureaucratic barriers to that. There's not the kind of political will that we once seemed to have had except in individual communities. It is the single most important thing I think we can do.

The second thing is we have to, again, and there is a need for this, is to understand that a lot of these people from the minority communities do not have high levels of technical skills. A lot of them are not as well educated as the rest of the population. So therefore the

kinds of jobs that they need and should have, seems to me, have to be thought of when we develop national programs.

That's one of the reasons why I'm so absolutely so strongly committed to this national infrastructure bank where you would have the ability to dramatically increase that spending, which we all know we need and which if we do now will be much less costly than if we do it 20 years from now, never mind all the economic benefits that we will gain from it.

So I think there are things that can be done. But it is not something that is going to be an easy solution. We have made progress. We haven't made enough progress. We're just going to have to devote more resources to the things that count not just for these communities, but frankly for the country at large. Otherwise it will not have the political support to proceed with them.

MR. RUBENSTEIN: I would just add that in D.C., for example, about 30 percent of people who go into D.C.

Public Schools do not graduate. I mean, only -- it's a very low percentage that actually go on to graduate. And the system is not getting better. It's getting worse. I think education -- this is something, I'd just add a point.

Recently there's been a current of thought that education, college education, isn't such a great thing. You should go work and you can do better off and you'll have a better income if you don't actually go to college and colleges isn't as important. I think it's a very destructive view. If you -- there's no doubt that the better educated you are, the better you're going to do in life economically.

And we should encourage people in the minority community to go to college, get trained, educated because they are going to have a much better economic life if they do so. And right now we have a big problem that many people are dropping out not just in Washington, D.C., but around the country, minorities particularly, very high dropout rate. We've got to address that problem.

We haven't done a very good job with it for sure. And as you suggest, the unemployment rate now for blacks in the United States is roughly 13.5 percent. So the white unemployment rate is about 7 percent, Hispanics about 11 percent, Asians about 5 percent, Jewish is probably 0 percent, but --

(Laughter)

MR. RUBENSTEIN: So black unemployment is a big problem and black high school dropout rate is an even bigger problem right now. We don't have any great solutions that I come up at the moment, but it's something we have to address for sure.

Yes, right here. Grace, right?

MS. BENDER: Okay. Grace Bender, also from Washington, D.C. You both talked about the debt our children and grand children will have. But there's a huge number of students who take loans for college and that's putting a heavy debt on them and they can't find jobs. So how -- you know, you encourage them to go to college, but

they can't get jobs and then they have debt. So what would you recommend?

MR. RUBENSTEIN: Well, I tell parents all the time you're going to get to know your kids pretty well when you -- when they graduate from college because they are going to come back and live with you.

(Laughter)

MR. RUBENSTEIN: It is a problem. But, you know, it's a short term problem. Right now people are taking debt to get through college and the unemployment situation isn't great, but the alternative is to not go to college and to really have a lesser chance. So it is a problem right now, but people should not all of a sudden conclude that they shouldn't go to college or get some kind of graduate degree education.

Yes, a debt burden is considerable and we have to find other ways to put off the need to repay the debt for a while, but it is a larger and larger part of our debt burden in the United States. In fact the biggest

part of increasing debt in the United States is actually student loans percentage wise because people are borrowing enormous amount of money to pay for colleges.

Other question? Right here. Yes, ma'am.

MS. DEBLER: Clara Debler from New York City. I also might add that I'm first generation Hispanic immigrant, so I will always be optimistic about the United States. My question, gentlemen, is you've been outlining public sector solutions. What would you continue to add to private sector solutions? What can business do to enhance growth in the United States and what industries do you think hold the most promise, you know, for growth?

MR. RUBENSTEIN: Well, I'll start first. There's no doubt that business can do more than it has done. This says the United States has about \$2 trillion of cash on the balance sheet. Many companies are afraid of investing in the United States now because of taxes, regulations or uncertainty. And what we've seen over the last couple of months and it's going to go for the next

couple of months, because people don't know who is the next president of the United States is going to be, many corporate leaders are saying, well, why don't I wait and see what the next government is going to do, who are they going to be? I can wait. I've waited a while. I'll wait longer.

So I wish corporations would begin to actually spend some of their cash and invest in the United States more than they have done and I wish that they would do much more to facilitate their employees getting education while they are working, kind of, other kinds of programs, for-profit education programs and things like that. But the corporations can do much more.

My general perception is many business leaders in the United States feel that the government is not listening to them, is completely antithetical to their interests and therefore have given up and want to put more of their money outside of the United States than the United States. And we need to have a much more

cooperative attitude in my view between the government and the business community because right now the business community is turning deaf ears to what the government is saying and they are looking abroad to invest.

MR. ZUCKERMAN: Right. Even I couldn't have said it better.

(Laughter)

MR. ZUCKERMAN: No, I agree with that completely. I mean, look, I do think that there is a different obligation or a sense of responsibility between the public sector and the private sector. Education frankly is something that is predominantly in the public sector, and rightly so. And it's not just college education. It is primary school, secondary school. This is one of the major functions of government.

And one of the things that distresses me is that, as we accumulate the kind of debt that we are accumulating at the government levels, not just at the federal level, but at the state and local level,

governments are getting increasingly paralyzed. And frankly one of the reasons that that is happening is that the expenses of the employees, the public service employees, is just a hugely growing expense and usually it's growing in terms of the retirement benefits and the health care benefits that these public service employees get that are not even available on anywhere near the same numbers in the private sector.

And that comes out of the very simple fact that politicians want to get reelected and therefore they are on the other side of the table from the public service unions and they sort of want to gain their support in one form or another. So if it were up to me, I would make all public service compensation determined by an independent commission and not by the people who they might or might not vote against. I think you would get --

(Applause)

MR. ZUCKERMAN: I think you would free up a lot of resources that should go particularly at state and

local levels to education, which I think is the single most important obligation of state and local governments.

MR. RUBENSTEIN: What about the solution of annexing your former country, Canada?

(Laughter)

MR. RUBENSTEIN: If we could get all that energy and combine those two, as we tried many years ago, would that solve our problems?

MR. ZUCKERMAN: I think it would. It certainly wouldn't solve the problem for Canada, but I do take your point --

(Laughter)

MR. RUBENSTEIN: So we are at our closing minutes. Mort, would you like to make a closing statement?

MR. ZUCKERMAN: Yeah, I mean, I sort of again want to echo something that David said. I mean, I have every reason to be optimistic about this country. I think it does have an enormous range of unbelievable talents -- talents in its people, talents in its basic philosophy of

government, talents in its educational system. It doesn't mean that we have done as well as we should. We have to find a way to address the problems.

It is -- we have developed somehow rather, and particularly at the national level, a polarization of our political system that almost paralyzes us from doing anything that has to be done. At some point somehow whether there's going to be a breakthrough and there will be some kind of leadership that coalesces in the Congress and in the executive branch where they know how to work together and solve these problems. That's the way it's been done in the past.

It will look as if it's much more difficult today, but I do believe that here you will get into the issue of personalities and I think where you get somebody who knows how to work on both sides of the aisle, both in the Congress and in the executive branch, and we can solve a lot of these problems because we do have the talent to do it and we do have the history where we have done it. I

just hope we reinvigorate that history.

MR. RUBENSTEIN: So let me conclude by thanking all of you for coming to the Aspen Ideas Festival. I think it's a wonderful gathering of people. I've learned a lot myself here and I've met a lot of good people and interesting people, and I hope you all felt it was a useful part of your time to come here and that it was worth the effort and money and energy you put into it.

And I also would like to conclude with this. Tomorrow is the Fourth of July, which is the day that we kind of mark how great it is and how lucky we are to be Americans. And let me just quote from one part of the Declaration of Independence that was signed on July the 4th, 1776.

"We hold these truths to be self evident that all men are created equal, that they're endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness." I hope you all will pursue some happiness today and on the Fourth

of July and remember why it's great to be an American.

Thank you.

(Applause)

* * * * *