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The Honorable Gene B. Sperling

Director of the National Economic Council

Questioners: Maria Bartiromo, Anchor at CNBC

Floyd Norris, Chief Financial Correspondent,
The New York Times

Andrew Tisch: Good afternoon everyone. Good afternoon. Welcome to the 423rd meeting of the Economic Club of New York now in our 105th year. The Economic Club of New York is the nation's leading nonpartisan forum for economic policy speeches. More than 1,000 guest speakers have appeared before this club establishing a strong tradition of excellence. This tradition has been supported by contributions from 166 members of the club's Centennial Society. These names are listed in the program and we thank you. We'd also like to welcome students who are joining us today from Manhattan College and from Baruch. Their attendance is made possible by our members.

Today I am pleased to introduce Gene Sperling, the Director of the National Economic Council and Assistant to the President for Economic Policy. As Director he coordinates the Obama administration's economic policy and serves as the president's principal economic advisor. Mr. Sperling previously served as the NEC Director in the Clinton administration from 1997 to 2001 after serving as the Deputy Director from 1993 to 1997. Prior to joining the Obama administration, Mr. Sperling was a scholar at the Center for American Progress at the Council for Foreign Relations and the Brookings Institution. Mr. Sperling graduated from the University of Minnesota and Yale Law School and attended Wharton Business School. Mr. Sperling, the rostrum is yours.

The Honorable Gene B. Sperling: I want to thank Andrew very much for inviting me several weeks ago, and I consider it really an honor. As somebody who has helped prepare many people for their New York Economic Club speeches, it's quite an honor for me to be here myself today. There are too many other distinguished friends, both up here and out there for me to thank. And Glenn Hubbard just told me before to not say anything nice about him because he didn't want me to ruin his capital, you know, with apparently another group of people. Glenn, you're a really harsh and consistent conservative, darn you. Okay, see we're friends, I tried to help him out.

So what I wanted to start with is saying that, you know, this is a serious group and we are having part of a very serious fiscal and economic policy debate right now in which a lot of us spend a lot of our time talking about deficits as a percentage of GDP, appropriation targets and enforcement mechanisms. But I do think it is essential that we all step back and remember that none of those mechanisms and targets are ends in themselves. They are means to the values that we want our economy to stand for.

In short, we always have to ask ourselves, do the fiscal and economic strategies further our ultimate goals as a country of having an economy with a growing middle class that allows everyone to move up without having to move any other group out, of a nation where one's life is not overly determined by the accident of your birth, where everyone has the freedom to take risks, dream big, and make a better life for their children, and whether we are a society where those who work hard and take responsibility can work with dignity, raise their children with dignity, and retire with dignity?

Those are the measures, those are the ultimate measures by which we have to judge economic policy. And far from being trite, focusing on these ultimate goals actually forces us to be more rigorous, more comprehensive, more nuanced in promoting our economic policies, and teaches us that if you focus only on one specific element or one ingredient, you may fail the ultimate test of what the ultimate goal of economic policy should be about.

However passionate you are about investing in people, large public investments with no regard to whether our debt is so out of control that we lose the confidence of job creators will ultimately fail our test. Conversely, however passionate one is about deficit reduction, single-minded fiscal discipline that leaves our bridges crumbling, our workers poorly educated or a generation of children with the debt so stacked against them by the age of four that their opportunity is diminished, that will also fail our larger aspirations.

A focus on GDP or productivity numbers that does not take into account whether the gains are creating an economy that's helping us grow together as a people or dividing us between the very most fortunate and the rest of us may not necessarily promote an economy that realizes the values our country was founded on. So I think it is incumbent on all of us to remember what are we ultimately trying to do here and not get too locked into false debates that avoid those ultimate discussions.

So some of the false choices we often hear are, one, the choice between short-term growth and long-term deficit reduction. You see this false choice in the United States and you see it in Europe as well. But this is the ultimate example of a place where economic policy has to be capable of walking and chewing gum at the same time.

Of course there are moments where significant efforts to spur demand makes sense from both a short-term growth and long-term fiscal perspective. The tempering measures in 2009 to stop a global free-fall and avert a second Great Depression were good for growth but they were also good in preventing a long recession that would have led to an even deeper deterioration in our country's fiscal position. But even when we face ongoing concerns about job growth balanced with long-term deficits, the sweet spot in fiscal policy is to pass measures that help job growth and the recovery take hold alongside measures that reduce long-term deficits and increase confidence in our long-term fiscal situation.

A compelling $100 billion jobs initiative for a current year paid for over ten years can hit that sweet spot. It can provide critical demand in year one while locking in a stream of perpetual savings that reduce our deficit over the long term. That was our strategy in the American Jobs Act. It was paid for over ten years and it was part of a package that included $4 trillion in long-term deficit reduction.

That second part, the long-term plan, was scored in detail by the Congressional Budget Office on March 16 and showed that it brought down our debt as a percentage of GDP and stabilized it and had a five-year average of 2.8 percent of deficits as a percentage of GDP, achieving at least the

goal of deficit and debt stability. It was an insurance policy against the foreseeable headwinds. It was designed to have bipartisan appeal. About half of it was in tax relief including cutting small business payroll tax cuts in half and 100 percent expensing. Moody's, Macroeconomic Advisors found it would have created 1.3 to 1.9 million jobs in 2012.
Now obviously the president was successful in getting the payroll tax cut and unemployment insurance extended. And no question, we have had some gains this year in the economy. Manufacturing employment is up 495,000 jobs since 2010. That's the fastest since '95. In housing we've seen a series of indicators suggesting as one commentator said on housing, we might be seeing a little more light and less tunnel. Yet while it would have been nice to be wrong that the full American Jobs Act was needed, fragility in Europe together with higher than expected gas prices have shown once again the wisdom of taking out an insurance policy for a recovery seeking to gain momentum. It also stresses, I believe, the importance in this global economy of making sure you take control of those things you are capable of taking control of.

The fact that we saw 268,000 teachers laid off since the recession ended and 30,000 in the last month is something that is completely under our control as a nation. This is, I believe, the first recession recovery in memory where you've had a dramatic drop in state and local government hiring. And it has been a major reason for the unemployment rate being as stubborn as it has been. But we had a proposal, a $35 billion proposal, one to two years, to prevent teacher and first responder layoffs. It would have helped with jobs and helped our goal. Why the heck would we want larger class sizes as a way of dealing with an economic recovery? Had Congress passed even a significant portion of the infrastructure investments, we would for sure have more construction activity and more jobs instead of losing another 28,000 construction jobs this month.

Yes, people are focused here on Europe as you should be. Yes, there is a big world we do not fully control. But whether or not we are hiring people, our country is hiring people on construction jobs, whether we are keeping teachers from being laid off, these are the types of things we have full control over. And of course we did not expect the Republican members of Congress to take our plan exactly as we proposed it, but why was there no alternative that was serious about creating jobs in the short and medium term.

The fact that we now face the fragility in Europe and the higher gas prices, again those headwinds, there's no reason we should not have taken out greater insurance against that. And there is no reason that we can't take out those insurance policies right now. There's no reason that the Republicans could not work with us on the provisions that were not passed in the American Jobs Act, cutting small business payroll taxes in half, infrastructure which has always been bipartisan, teacher layoffs. Those are the types of win-win policies paid for over ten years, so they're bringing down the long-term deficit, that we should be promoting.

We do not need to be seeking lose-lose policies such as deciding to extend tax relief for, again for those who are most fortunate in our economy. As a way to confront our current economic fiscal challenges, I do think simply deciding to extend tax cuts for the most fortunate among us is lose-lose because we know that it is the least effective bang for the buck for growth because people who are most well-off will have the lowest propensity to consume in a given year and it sends the wrong signal. It sends an immediate signal that we are willing to sacrifice our sense of shared sacrifice and our commitment to fiscal discipline going forward.

Now the second, I think, false debate that you read about a lot in the papers is over the issue of whether we face structural versus cyclical unemployment right now. On the merits, I don't think there's much question that the reason we're at 8.2 percent is overwhelming the cyclical loss of demand due to the lingering effects of the Great Recession. And I think Ben Bernanke, Goldman Sachs, Larry Katz and most others agree with that. And I think we also know that the last time we saw the threat of long-term unemployment this great in the early 90s, it was robust demand that pulled more people into the workforce to solve that.

But whether or not you are, even though it is mostly cyclical demand, it does not mean we should not also be focused on the areas of structural unemployment. I think everybody here knows that if we had more STEM majors in college, if we had a higher skilled workforce, that we would be attracting more of the jobs of the future and that there are anecdote after anecdote around the country of places where skill shortages have kept jobs wanting. That's why it is an important part of our agenda to have a new community college initiative and a new universal training initiative that is targeted on training people to where the skill gaps are. It's why we should focus on areas like simply ensuring that 50 percent of the people who enter our colleges with STEM majors complete STEM majors. If we did that, people, many estimate that alone could close 75 percent of the skill gap.

But the biggest reason why this is a false and structural...a false choice between dealing with structural and cyclical unemployment is the crisis of long-term unemployment we face in our country today. At 42.8 percent of our unemployed have been unemployed for six months or longer. And we all know what that means. You are out of a job for a few months , it is painful, it is inconvenient. When you are out of a job for a year or two years or three years, it is a different matter. People often lose their house. They often lose their spouse. They often lose their health. And they become more and more disadvantaged in gaining access to the workforce. The statistics go on and on.

Andrew Oswald has found that it's a worse impact on mental health being on long-term unemployment than any other ailment that happens to people. Higher suicide, higher mortality rates. This is why things like the American Jobs Act were important for getting demand so that we could bring the long-term unemployed back into the workforce. It's why, in addition to the demand in the American Jobs Act, we promoted reforms in the unemployment insurance system from work sharing to a controversial proposal to allow people to use their unemployment insurance for short-term work experiences. All of this was designed to reconnect people to the workforce.

So the point should be clear. If you are someone who is concerned about structural unemployment, you should be obsessed with immediate job creating measures. You should be warning everyone you can that if we do not undertake effective job creating and job connecting policies right now we as a nation risk allowing the crisis of long-term unemployment to add significantly to the future ranks of the structurally unemployed.

Now the third false choice I want to mention is that if we're serious about deficit reduction and spending, it means that we cannot afford to have significant and important public investments in our children, in science, in research. You know I do believe that Pete Peterson and many of the people who have for 20, 30 years, told us that we need to deal with a long-term plan for entitlement revenues were not just concerned about the effect of crowding out private capital. They were worried about the effects of crowding out important public investments in research and innovation, in infrastructure, and our children, the things that have made us great.

So here we are today, we have already agreed to and locked in a spending path that will bring domestic discretionary spending to its lowest levels since Dwight Eisenhower was president. This is the area where NIH, the National Science Foundation, Head Start, Pell grants, all of these areas are here, all of these areas about the future. And yet right now too many people want to go back for another round and cut down, and have such steep cuts in discretionary spending, that all of the areas that I mentioned will be fundamentally hurt and cut back. And we as a country will be poorer and we will less meet the larger aspirations our country is supposed to be about that I talked about at the beginning.

And then there is other times where simply cutting back in certain areas of public investment is just plain penny-wise pound-foolish. I mean there is nothing fiscally disciplined about putting off deferred maintenance. If I choose to cancel my NFL Direct TV subscription which I, as a Detroit Lions fan am not going to do this year of all years, I would save $230 in consumption. I would save consumption. If my wife tells me the pipe from the bathroom is broken in the basement and I say, nah, I don't really want to deal with it, I don't get points for fiscal discipline. I don't get points for being a fiscally sound dad or husband. I am doing something that is fiscally foolish. You will pay more later. So you have to ask yourself, when people, serious people, fiscally, people who have stressed fiscal discipline like David Walker, put the price tag of deferred maintenance, things we have to do anyway in our transportation system at $85 billion a year, why we would be deferring deferred maintenance now.

Let me put it this way. Will there ever be a better time to invest in the deferred maintenance our country needs to do on our highways and our schools ever? With ten-year interest rates at less than 1.5 percent, with construction unemployment at 14.2 percent, will there ever be a better time? Or put it the other way, what is possibly the argument for putting off this now when we could do it cheaper now and have a stronger effect on our macro-economy, on things we need to do anyway.

Finally I want to address the issue that is very important to us which is really taking shared sacrifice seriously. It is not my goal to be partisan here today. But I cannot avoid pointing out that the single largest obstacle, the primary obstacle to us coming together as a country, to do the type of grand compromise, the type of general grand compromise that asks for significant entitlement savings and significant revenue savings and done so in a way that protects those who are most vulnerable, the number one and single obstacle is the complete resistance by a large amount of the Republican leadership to having any revenues on the table.

After all we've been through as a country, the current budget that was put forward by the House Republicans and passed, it's the official Republican budget, does not include one penny of revenues. Not one. Indeed it actually calls for losing several hundred billion in revenues. So after all we've learned about our need to come together for a grand compromise, the next move is a plan that doesn't have one penny of revenues.

Now let me give you three reasons why this is so harmful for our progress. One, it just does not make sense to suggest that revenues are not part of our deficit challenge. Yes, we have a significant entitlement challenge. Yes, the number of people on Social Security and Medicare has, as we've known, gone up dramatically. Social Security will grow from 45 million recipients in 2000 to 70 million in 2020. But let's remember something else, every single one of those demographic realities existed in the year 2000 when I left government the last time as National

Economic Advisor. Every single one of those demographic realities existed and we were looking at balanced budgets and surpluses as far as the eye can see.

So what changed? Yes, we had the enormous cost of the Great Recession. We had two wars. We had a new prescription drug benefit. But there is no question that revenues played a major role. Now obviously we support a lot of the middle class tax relief that was passed at that time. But we support the Affordable Care Act too, and we chose to pay for every penny of it. Had the Bush administration simply paid for the tax cuts that they passed in the early 2000s, the permanent, the ongoing ones that we're talking about extending, it would mean that our deficit going forward would be $500 billion less a year. I might be talking about something different. Pete Peterson might be spending more time going fishing or something else had we had $500 billion lower deficits a year. That just makes, all that does is make the following point. Revenues by math, by what's happened since 2000, are part of the problem. They just need to be part of the solution.

Second, dismissing serious revenues eliminates the power of compromise. Now when I make these points, again I don't say them with partisanship, I say them with disappointment, because I know there are many serious Republicans in this room, there are serious Republicans in Washington, even in the Congress, that understand that you have to compromise to make progress in our country. In 1983, Tip O'Neill and Ronald Reagan, 1990, Speaker Foley and President Bush, 1997, the people who came together on the Bowles-Simpson Plan, even Prime

Minister Cameron and Chancellor Osborne have a deficit reduction plan that has one-third revenues for two-thirds in spending cuts. So asking for that type of compromise is not unusual. It is our tradition when we make progress.

Third, asking the most fortunate among us to contribute is essential for a sense of shared sacrifice that's necessary to get public support for broad-based deficit reduction. I believe we are a nation that is willing to contribute if we feel everyone's in it together. But without any willingness to have revenues from the most fortunate we hurt that basic social compact.

Look at what's in the House Republican plan, to cut a third of Medicaid, to risk maybe 19 million poor people, many of them, many middle class families who have a child with disability, losing their coverage, and we're going to ask that kind of sacrifice. Why? So that we can avoid asking for any revenues at all. Even if you have more moderate sacrifice on farm subsidies and other areas of Medicare, how is a politician supposed to go to a town meeting and say we're all in this together and you've got to sacrifice things you've been receiving for the last ten, twenty years. You do, middle class families. But not those who are most fortunate. I think when we do this, we hurt what we need to bring us all together. It's not about class warfare. It's not about punishing anyone. It's about having the sense of shared sacrifice where you can actually tell other people who are being affected by tough deficit reduction measures that you're doing it to contribute to shared prosperity, not so somebody else can avoid doing any sacrifice themselves.

Certainly we can do better than this. There is no reason that we as a country should not be able to come together on a balanced grand compromise that includes sound and smart entitlement savings, revenues from those who are most able to contribute, immediate support for jobs in the recovery combined with a serious plan to bring down and stabilize our debt as a percentage of GDP. And as I think the Bowles-Simpson Plan made clear, you can do that without harshly hurting those who are most poor or most vulnerable in our society.

Because we as a nation, though, have unfortunately been resistant to coming to such politically difficult grand bargains when we do not have a gun to our head, I think we should be willing to embrace as opposed to resist the carefully designed enforcement mechanisms whose aim is to be so undesirable that it forces all of us to come together and agree on the type of balanced compromise that most of us and most of our country understand is part of our path forward.

In 1990 it was the threat of sequesters that led to the first significant deficit reduction agreement in 1990. What we should put permanently to rest once and for all, however, is the effort by anyone in our political system of threatening to put our nation in default for the first time in its history as a means of pushing one's agenda. Few things can be as harmful to America's financial standing than an annual spectacle of an annual countdown clock to whether or not America will be at risk of default. The era of threatening default by anyone of any party for any reason needs to be over. And if you want to come to me sometime later and use these words against me at a time that Democrats were threatening default for their way, go ahead. This is a principle we should all agree to and agree to now.

So again there is no reason we should not be able to come to a balanced and honorable fiscal solution. The president has been willing to put forward serious reforms to Medicare including savings from new beneficiaries that by 2022 are actually higher than are in Bowles-Simpson. He's detailed ambitious reforms from agriculture subsidies to pensions to civilian workers which are very difficult for many of our supporters, but are the type of sacrifice we are willing to ask for, if we will all be in this together, if we can put away some of the false divides, if people can think beyond the narrow metrics that we often look at and just ask ourselves and remember, why do we do fiscal policy? Why do we do economic policy? It's not to hit a particular target or a particular ideological goal. It's to have a country that has a growing middle class where there's room for everybody to come up without moving everyone out. That's what our country is about. That's what you should all measure all of our economic policies against how well it is promoting that standard. Thank you very much.

QUESTION AND ANSWER PERIOD

ANDREW TISCH: Thank you Gene. Mr. Sperling will now be joined by two club members who will ask questions in an alternating fashion. Maria Bartiromo, anchor at CNBC, and Floyd Norris, Chief Financial Correspondent of The New York Times. And if you have any questions, you can email them to questions@econclubny.org and President Jan Hopkins will read them.

And Maria and Floyd, if you have a followup question afterwards, just interrupt me and I'll be glad to let you have the followup. So Maria, why don't you start.

MARIA BARTIROMO: Thanks Mr. Sperling for your comments. We appreciate it, and I think we all would like to get your take on Europe which I'll get to later on. But first, investors everywhere and business people throughout the country are worried about the upcoming fiscal cliff when the Bush tax cuts as well as spending programs will expire. That's at the end of this year. Are you worried about this and what are you doing about it?

THE HONORABLE GENE B. SPERLING: Well, first of all, as I said, you know, this president has put forward a plan with more than enough deficit reduction to turn off the sequesters and has put forward measures that we could do right now that could give more confidence to this recovery, more momentum to this recovery, more job creation. So we have put forward a vision. Unfortunately, those who are most essential in Congress have not agreed to it. Of course, we are concerned about the impacts of Europe on our economy. And of course, we have been concerned about the impact of gas prices, though we're happy to see those receding in the other direction at the moment. And we would like to do everything that is responsible to increase certainty. And I think there's, you know what I just don't quite, what I'd ask all of you to not necessarily buy into is that the only way that you can increase certainty in the economy is to take away any sense of momentum for us dealing with our long-term fiscal situation. I mean I, you know, during the Boehner and Cantor talks, Biden group, I was often the one who presented the enforcement mechanisms. And people disagreed on everything. What they didn't disagree on, what John Boehner, Eric Cantor, John Kyle, others, what they understood was that when you do an enforcement mechanism, the idea of it is not for it to go off. The idea of it is for it to be so mutually odious to both sides that it forces us to come together and compromise on those things that have for too long kept us from making progress. So I think we should be hesitant in suggesting that the only way that we can make progress on certainty is to take away the gun that we carefully put to all of our heads to make us compromise on a grand bargain that would move us forward. I think there's three things we could do right now that would be very important for confidence. And I've talked about them. One, I think both sides could make very clear that we are not going to use the threat of default, Democrats or Republicans, in our budget battles going forward. Taking away the uncertainty that we would have another spectacle over the debt limit would be important for confidence. Secondly, we can work on bipartisan measures right now to help create, to help create jobs going forward. As I said, the packages the president put forward included cutting payroll taxes for small businesses in half. That was a proposal that was put forward by a significant number of conservative Republicans in both the House and Senate, for 100 percent expensing. The infrastructure, the teacher layoffs, these are things we could do together. They could be mutual wins, Democrat and Republican, but most importantly they could be wins for the economy. And then we could have, we could pay for them over ten years in a way that does a bit of a down payment for lowering the deficit. That's one. And then two, again taking the threat of default off the table. And third, of course the president is more than willing, President Obama, to extend the tax cuts for the middle class to give the certainty to 98 percent of Americans, and those with the highest propensity to consume and have an impact on growth, that we could extend those tax cuts. We could take those three measures right now and we would go a long way to providing more confidence in the economy and less concerns about the fiscal cliff. And both sides could make clear that we're willing to have some, do something that's in the spirit of a grand compromise which means agreeing there will be significant revenues and significant entitlement reform. And even if we could not get that done before November, the expression of that from all sides would go a long way to creating confidence. And you're hearing that expression from me right now. But I just don't buy that the only way that we can do it is to tell everybody we're already taking away, we're already taking away any of the pressure on us in the lame duck to finally work together, and that the only way we can provide certainty is to add $100 billion to the deficit for tax relief for those of us who are very fortunate which is not the right way to send a signal of shared sacrifice and seriousness about long-term deficits.

MARIA BARTIROMO: Gene, if I may, I just have a follow up. I know we have very smart people and informed people in the audience, and I'm not sure if they got the answer there. Are you saying you are willing to extend the tax cuts as well as the spending programs like infrastructure, like unemployment benefits, which will all expire at the end of the year? Are you saying you are willing to extend the tax cuts and the spending programs right now beyond the end of the year to avoid the fiscal cliff?

THE HONORABLE GENE B. SPERLING: I am saying that we are willing to extend the tax cuts that are in place, so-called Bush tax cuts, for those under $250,000.

ANDREW TISCH: Floyd...

FLOYD NORRIS: Thank you Mr. Sperling. The economy has not done well the last four years. Why should people believe that things will get better if the president is reelected?

THE HONORABLE GENE B. SPERLING: Well, since you've put this in the historical context, let's go there. Let's go there. So what was the United States economy like in the first quarter of 2009? We had lost, we were losing 800,000 private sector jobs a month. I know we say a lot of numbers, but take that in for a second. We were losing 800,000 private sector jobs a month. What do we know about GDP from the fourth quarter of 2008 to the first quarter of 2009? We now know that it fell in the fourth quarter 8.9 percent and 6.7 percent in the first quarter. So take that in. In the six months that Barack Obama was coming into office, our economy was shrinking at an annualized rate of 7.8 percent. Other than the demobilization around World War II, that was the greatest loss of growth our country had experienced since the Great Depression. What was the stock market in early March? About 6,500. And where exactly did you see prospects of increased demand to halt this downfall in January? This president came in and within one month, within one month, on February 13, 23 days after taking office, passed the American Recovery Act, signed it on February 17. By March he was going forward, March and April, with an overall stress test for our banks. Nineteen banks went through it. Today they have $350 billion more capital. The ten banks that were found in our stress test to need more capital had raised $77 billion in Tier 1 capital by November 2009. Our economy was growing by the second half of 2009. How many of you would like to see that type of boldness, that type of swift action on the banking systems in other countries that you saw and we experienced in our country. As a result, a year later instead of losing 800,000 jobs we were gaining jobs. Now we know, we here know the reality. It is already tougher to come back from a financial crisis induced recession than a normal recession. Yes, you'd love to have the types where, you know, the Fed just lowers rates and there's pent-up demand and it's morning in America in 1984 because everyone is just buying new houses. But when you have a recession driven by high leverage and risk and financial crisis, obviously as the economy heals, people start to de-leverage. They strengthen their balance sheet as they should. And you get a recovery but among any country coming back from a financial crisis, it is always going to be a tougher way. And we have faced headwinds from Europe repeatedly, from gas prices from the Mid-East. And I think what I would say to anyone is that this was a president who came into office and acted boldly and swiftly. He did things that were politically unpopular but economically essential and necessary, from his policies on the banks to saving the auto industry. And that our economy has gotten, has recovered because of it but not nearly as fast enough as we need or as we want. And some of that has been because of unexpected headwinds, but some of that has also been because of the resistance of those in the United States Congress to follow his vision on things like the American Jobs Act, things that would have strengthened our recovery, helped our recovery take hold. As David Axelrod said the other day, if you're the architect of obstruction, you don't get to brag about lack of progress. And I think that I would remind the American public where we were, what types of bold and courageous actions they take. Americans say they want their politicians to be willing to put politics aside and do the right thing. I promise you, there was no good politics in the stress test. There was no good politics in deciding to restructure, help engineer the restructuring of GM and Chrysler. There was no great politics even in the efforts and the progress that's been made on deficit reduction and the courageous efforts he made over the summer to try to get a grand compromise. But I would argue those have all moved our country in the right direction. And that if we stay with a vision that was reflected in the comprehensive economic strategy that he's put forward which is a focus on helping this recovery take hold and job creation and understanding that even in fiscally tough times you have to invest in your children, in science and innovation, and that a willingness to take on even his own supporters and own party at times to be part of a long-term fiscal discipline package is the type of leadership we need going forward. Right?   Did I get that right, Glenn?

PRESIDENT JAN HOPKINS: I have a question from the floor which is why did the White House reject the Simpson-Bowles Agreement?

THE HONORABLE GENE B. SPERLING: You know I think that if you look at Simpson-Bowles, and let's just ask what Simpson-Bowles fundamentally is. You can go through all the details, and I think there's probably not many people who agree with every detail. And we have details that we don't agree with on Social Security, some of the Social Security benefit policies, the extent, I think, of the defense cuts, other aspects. But look at what the core, what's the core of Bowles-Simpson? That you would be willing to do significant entitlement reform and significant revenues. That you don't over-cut non-defense discretionary spending. And that you ask those who are most well-off who can contribute more, to contribute more, and you try to protect the most vulnerable. That's not my interpretation of Bowles-Simpson, that's what the document they put out says, and I can show you the exact words and times. So we have a budget that does seek to protect the most vulnerable. We have now cut non-defense discretionary spending a little more than Bowles-Simpson has suggested and we shouldn't go further. And the president has been willing to put forward Medicare savings, detailed in his budget, including a new Medicare beneficiary, something very difficult for a Democratic president to put forward. He's been willing to put specific crop insurance, agriculture subsidy savings, civilian worker retirement savings, that I, in my lifetime, and I've been around 20 years in Washington, had not seen a Democratic president come forward with. So I believe that what President Obama, and I think the facts show that what President Obama has stood for and been for is very consistent with the overall framework of Bowles-Simpson. Significant revenues, significant entitlement savings, not cutting investments in the future, overly cutting investments in the future, and protecting the most vulnerable. And I think if the leadership in Congress, in the House, was willing to embrace those general principles, then we as a country would be, I think, on the verge of getting the type of grand compromise that all of us, I think many of us in this room, certainly I think our country needs.

MARIA BARTIROMO: I have a question about jobs. But, Gene, did you just say you have a budget?

THE HONORABLE GENE B. SPERLING: Yes.

MARIA BARTIROMO: Okay. I'll come back to that.

THE HONORABLE GENE B. SPERLING: So, Maria, on March 16, so anybody in this room who would like to email us, I will send you the March 16 Congressional Budget Office analysis of our budget. I don't think the Congressional Budget Office can do a detailed analysis unless there is a detailed budget. The President of the United States, just so everybody understands how it works, the Congress puts forward a bunch of resolutions which are very broad categories. And it's just, they do it as part of their House and Senate Rules. Really the only person who is compelled to put a line by line budget where you actually have to say we're going to charge a little bit more for very generous Medigap policies for new beneficiaries, something the president has in his plan which is a very politically courageous thing to put in, the only person who has to put that level of detail is the President of the United States when he puts forward his budget. When the president puts forward that budget, we put out our estimates. I think we do a good job of that. But many people say, no, let's look at the Congressional Budget Office, they do an independent analysis. They found, March 16, the Congressional Budget Office analysis, I know you'll all run to your computers, CBO.gov., that our plan brought the debt and the deficit down on a very significant path, that it brought down the debt as percentage of GDP, and then stabilized. And it brings down the deficit under three percent, averaging under three percent for the last five years, and goes as low as 2.5 percent. So, yes, the president has put forward a very detailed budget.

MARIA BARTIROMO: The question really is about jobs. We could talk about Europe. We could talk about Congress, etc., but the bottom line is people are not feeling good. The last month we had only 69,000 jobs created and we know that the downward revisions occurred for the prior two months. What is your plan to create jobs specifically? And how does shared sacrifice play into that?

THE HONORABLE GENE B. SPERLING: So, you know, I think that's what we've been trying to discuss which is, you know, as I said, I mean we worked very hard on putting forward the American Jobs Act. The American Jobs Act was a judgment by the President of the United States, a difficult judgment, that even in light of the difficulty of putting together another large package, that our view in September of 2011 was that our economy still needed more momentum and we needed to take out a greater insurance policy against the type of challenges we've seen in Europe. And we specifically looked at and tried to come forward with things that would have an impact in this year. Now, you know, we all have lots of important policies. I talked about our STEM policies, our community college policies. Republicans have policies they think are important over the next five or ten years. But we tried to look at what are the policies that would actually be scored by people at Moody's, at Macroeconomic Advisors, as having a significant impact on demand and therefore jobs. And, yes, we put together things we believed in, and some of them we knew were unlikely to be supported by the Republicans. But this was a Democratic president asking for payroll taxes to be cut in half for small businesses, for large businesses to have another year of 100 percent expensing. The last time I was in the White House the one thing that was absolutely bipartisan was infrastructure and extending the transportation authorization. These are things we could work on together. They don't have to take everything in the president's package. They don't have accept how it is. But this was our view. And that you could do that and then pay for it over ten years so it was paid for and help bring the deficit down. And I wish we were wrong. I wish things had turned out to be so great that the American Jobs Act in its entirety was not needed. But I think we all know that it's awfully good that this president did insist that we extend the payroll tax cuts and unemployment insurance. We know disposable income and we know spending and growth in our country would be even weaker, would have been hurt even more by the higher gas prices if we hadn't done that. And I think, had we done that full package, I think serious independent economists believe that we would be on track to have a million more jobs in our economy over the next 12, 18 months. And that, that would be extremely important right now. So I don't think it's too late. I don't think it's too late. But we have to have a willing dance partner to get something done. And again I think we understand at this point, we want to pay for it over ten years, so that means if you did $100 billion, you know, small business payroll tax cut, combined with teacher layoffs, and it cost $100 billion, all of that $100 billion would go into the economy right now, help jobs, but you would pay for it, let's say at $10 billion a year over ten years. That means that $10 billion a year is contributing to deficit reduction for the foreseeable future. That is the fiscal sweet spot that I was talking about. And I do believe, and I do hope that people will put politics aside and be willing to work with us on that. Work with us on things like housing, universal housing refinance. I've not really detected recently that Republican families like to pay 7 percent on their mortgage when they can pay 4.5 percent. So we have a universal refinancing proposal that could give more momentum to the housing market, put an extra $3,000 in people's pockets. That's one of the President's to-do lists. So I think, you know, we're the ones who have tried consistently, and as recently as last Friday, to come out with things that do impact jobs. I think there's a lot of support. We just need to ask people to put politics aside and work on something that's a compromise, that's bipartisan, but would help our economy right now, help jobs now, help this recovery take greater hold. And take out again more insurance against the things we can't control, or cannot completely control in Europe and beyond.

ANDREW TISCH: Okay, we're going to make this the last question. Floyd.

FLOYD NORRIS: Mr. Sperling, you speak rather eloquently about the spirit of shared sacrifice. Shouldn't you admit that the need for revenues is going to go below the wealthy and the middle class? At some point they're going to have to pay more.

THE HONORABLE GENE B. SPERLING: Well, you know what I can tell you is that the

President of the United States has put forward in detail, and I'm going to send Maria a bronze...maybe we could bronze it...I'll pay for it myself so it's not government swag, a bronze copy of our budget, where we put forward $1.5 trillion in savings, where we do not impact those who are under $250,000. I think it can be done in a way that is, that is largely simply returning tax rates to where they were in the 90s when we had robust productivity growth, robust small business creation, and obviously robust job creation. And I think when we have right now people struggling paycheck to paycheck, and when, and this is important, Floyd, when so many of the spending savings, you know, the spending savings tend to fall often on, you know, more typical Americans. So they will be getting shared sacrifice. If you have, as we do, a new beneficiary savings that says that if you want to take a Medigap policy that we think leads to overutilization of medical care, the new beneficiary is going to have to pay a little more. That affects, those are the types, there are lots of shared sacrifice within a comprehensive debt reduction plan. And I think in light of that, when you're doing, on the revenue, that you should look first to those who are as lucky as I've been life, as lucky as many of you have been in life where we can contribute a little bit more. And we do it in the spirit of shared sacrifice so that we have shared prosperity and get confidence in our economy, and get confidence in long-term investment. Not have to cut back on early childhood intervention. Not have to cut back on critical research at NIH. And when we do that I think we'll all be richer in the long run.

MARIA BARTIROMO: Andrew, would it be okay if I just asked one question about Europe since it hasn't been discussed at all? Would that be okay, Gene?

ANDREW TISCH: Yes.

MARIA BARTIROMO: What is the administration's plan if the situation in Europe accelerates and causes a contagion in the U.S.? And should the IMF put money into the Eurozone which of course would include U.S. taxpayer money?

THE HONORABLE GENE B. SPERLING: So, you know, those are all totally good and legitimate questions. And let me do the best I can here which is you have to have a very fluid situation and there are lots of details that would not be that helpful for me to be commenting on. But let me, in light of that, you know, do the best I can to answer how we see things. I mean first of all, there's no question what happens in the Europe economy affects us. I don't have to tell anybody that. The New York Times had quite a story yesterday about the companies that are seeing lower sales there. Exports have been a contributor to growth. That's obviously going to put pressure on our best, largest trading partner. And there's no question that this president is focused on this very significantly and is spending a significant amount of his personal time on the issue. And some of that is quiet and behind the scenes that I won't discuss, but you've seen, at the G8 you've seen the, you've heard the video-conference he did with Hollande, Merkel and Monti, his call with Cameron, the G7 finance ministers call that Secretary Geithner did two days ago. So there's been, there's no question that we are very, very focused and in every way that is constructive, in every way that we can have a positive impact, we are trying to do so. What I would say is, I'd make a few points. One, I do think that you see this publicly, but I think we see it in the calls that the President and Secretary Geithner have with their counterparts, that there is no question, unquestionably a heightened sense of urgency in Europe among its leaders, a heightened sense of the need for action. And I think secondly, there has been, if you look at the last few weeks, I think a lot of movement in the understanding that there needs to be a strengthening of the banking systems and reform, institutional structures in Europe, and obviously particularly Spain. That there's an increased awareness that where things are so interconnected and regional, that it is difficult to therefore have resolution authorities and deposit insurance and supervision that is purely national. And I think you saw that being expressed in the speech that Mario Draghi gave, the Head of the ECB, gave last week. Third, I think you've seen more recently in Europe a greater willingness to understand or a greater sense of balance between growth and austerity. I think there is a much greater understanding that you cannot, that Europe cannot put itself in a position where their fiscal policies are encouraging negative or vicious cycles whereby austerity leads to lower growth which then leads people not to hit their deficit targets, therefore leading to more austerity, lower growth, and so forth. And I think there has been a pulling back from those types of policies. And I think you could see that when the European Council recently said in regards to Spain that while they still needed to hit their three percent deficit target, that they could do that with a credible two-year plan instead of a one-year plan. Those are all things showing, I think, a greater sense of balance between austerity and growth in Europe. On Greece I think, you know, obviously the eyes of the world are on Greece and will be as they go closer to their June 17 election. But it's also important to remember that when the G8 met, that they put out a very clear statement from the leaders of the G8, that they very much want and believe it's important and essential that Greece stay in the Eurozone and that they, while continuing their commitments to reform. But, you know, finally there's also no question that most of the things we're talking about here are bridges. They're bridges to long-term structural reforms. They have to make competitiveness reforms. They have to make...that some people believe are greater, with justification, than perhaps some of the fiscal, even greater than the fiscal challenges that they've had. And ultimately those are decisions Europe has to make. But again I think, you know, from our perspective we do see heightened urgency. We do see a heightened sense of action. We do see greater movement, greater awareness on the importance of strengthening the banking system and a better sense of balance on austerity and growth. But ultimately, you know, whether or not there's a path or how promising the path forward is, is going to be dependent on the ability of their leaders to make the types of very difficult decisions that we're talking about, that every country has to make in their own political and economic context.

ANDREW TISCH: Gene, thank you very much. Maria, Floyd, thank you. Much as we try to be as opportunistic as possible, we will have our next meeting, or a future meeting, so mark your calendars, November 20. We have Ben Bernanke scheduled. And I'm sure we're going to have a number of sessions before then. But in any case, enjoy the summer. And lunch is served.