

Center for Strategic and International Studies

The Trade Guys Podcast

“Rumble in the Jungle”

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SCOTT MILLER: I'm Scott.

WILLIAM ALAN REINSCH: I'm Bill.

MR. MILLER and MR. REINSCH: (Together.) And we're The Trade Guys.

(Music plays.)

H. ANDREW SCHWARTZ: You're listening to The Trade Guys, a podcast produced by CSIS, where we talk about trade in terms that everyone can understand. I'm H. Andrew Schwartz. And I'm here with Scott Miller and Bill Reinsch, the CSIS Trade Guys.

In this episode we'll talk about President Trump's trip to the G-20 to meet with Xi Jinping to talk U.S.-China trade.

NATIONAL ECONOMIC COUNCIL DIRECTOR LAWRENCE KUDLOW: (From recording.) The president told us a short while ago there is a good possibility that a deal can be made, and that he is open to that. He is open to that.

MR. SCHWARTZ: Plus, we'll talk about the General Motors plant closing and what that means for the United States trade landscape.

REPORTER: (From video.) The presidential tweet sounded very much like a threat: "The U.S. saved General Motors, and this is the THANKS we get!" wrote a very disappointed Mr. Trump. "We are now looking at cutting all @GM subsidies, including for electric cars."

MR. SCHWARTZ: All on this episode of The Trade Guys.

Ladies and gentlemen, there's about to be a big deal happening, the G-20. It's in Buenos Aires, Argentina. Xi and Trump are going to meet. I kind of feel like it's the Rumble in the Jungle. (Laughter.) But Buenos Aires isn't exactly the jungle, it's –

MR. REINSCH: It's not. Brazil would be the jungle, not –

MR. SCHWARTZ: Brazil would be the jungle. So Buenos Aires, it's not the Rumble in the Jungle, but there's a lot at stake with trade. So what about it, guys?

MR. REINSCH: Well, we know – and we've said this before – it's going to be a brilliant success for the president.

MR. SCHWARTZ: (Laughs.)

MR. REINSCH: All his meetings are brilliant successes.

MR. SCHWARTZ: Yeah, yeah. OK.

MR. REINSCH: Whether anything happens or not. My prediction has been it's going to be a little bit like the Kim Jong-un meeting in that they will announce great things. They will agree, I think,

to have further discussions. I think they will each appoint somebody senior, recognizably senior, to engage in those discussions. A lot of the – a lot of the controversy or gossip in Washington has been about will anything tangible come out of this besides an agreement to talk. Will Trump promise to delay the tariffs?

MR. SCHWARTZ: And the tariffs – the backdrop on the tariffs here is that the president is threatening to go forward with plans to ratchet up tariffs on \$200 billion worth of Chinese imports. And then – but there's more, that he's also threatening that if the Buenos Aires Rumble in the Jungle doesn't result in a deal, that he would slap tariffs between 10 percent and 25 percent on all remaining imported goods from Beijing. This would mean the tariffs on all of the more than \$520 billion worth of goods that the U.S. imports from China.

MR. REINSCH: And you know what fascinated me about that is –

MR. SCHWARTZ: This is big numbers.

MR. REINSCH: – he actually was – he actually knows what is in that category because he actually talked about laptops and iPhones.

MR. MILLER: He talked about very specific products.

MR. SCHWARTZ: Yeah.

MR. REINSCH: And that he actually knows what the consequences are going to be – which I think is a good sign, that he knows something.

MR. SCHWARTZ: I mean, people say he doesn't study policy, but he is studying this policy. And these numbers that he's threatening, he – as you said, Bill, he knows what's in these numbers.

MR. REINSCH: Yeah. My sense in talking to administration people about that is they don't – I don't know about him, but the rest of them really don't want to do that –

MR. SCHWARTZ: OK.

MR. REINSCH: – because of the consumer impact and the rather significant consumer impact. The alternative, which is to raise the existing 10 percent tariffs 25 percent on January 1st, which he's also threatened, I think they're a lot more likely to do that, particularly if there's no progress in Buenos Aires.

MR. MILLER: No, I think that's right. And look, it's always a little dangerous to make predictions about an event that will have happened by the time our listeners, you know, listen to the podcast. But –

MR. REINSCH: We should hurry and get this one out before then. (Laughs.)

MR. SCHWARTZ: Oh, no, no. No, no, we're getting this out quick. They will not – have listened to this by that time. (Laughter.)

MR. MILLER: OK.

MR. SCHWARTZ: And we're in the prediction business here.

MR. MILLER: Fair enough.

MR. SCHWARTZ: Yeah.

MR. MILLER: That's somewhat of a relief. But I do agree with Bill that I think the most – if there's a positive outcome, they'll have a deal to – they'll make a deal to make another deal. In other words, they'll agree to set up some negotiating structure.

Now, the outlines of this are present. And so if you – if you basically – the United States were to basically to a Juncker-type agreement where they –

MR. SCHWARTZ: Jean-Claude Juncker, the trade whisperer from Europe.

MR. MILLER: That the U.S. agrees to suspend further action on tariffs or to postpone it for a period of time, and China agrees to some net new market access for the United States, and they agree to some – to talk about how to adjudicate the intellectual property theft that's going on or some of the other sort of many related issues. That would look like a package that would maybe calm the markets. But certainly, it sets up a program of negotiation into the future, which would be, I think, better than we are now. It would allow face-saving on all side(s). It would – it would support the president's interest in sort of having a – having a victory on this rather than just more tariffs.

MR. SCHWARTZ: So does it defuse tensions or does it raise tensions?

MR. REINSCH: Well, in the short term I think Scott's right that it defuses them. To the extent that it may not amount to anything in the end, it will – it will bring all the tensions back at a later point.

Somebody asked me about this earlier in the week, and the way I thought about it, I thought: 60 percent chance they agree to have a negotiation that's a serious one; 10 percent chance they – it breaks up in acrimony and nothing happens; 30 percent chance something like Scott was saying, that the president – basically, they negotiate a market-access package that makes the president happy with some cosmetic IP things where the Chinese don't really do anything but it makes it look like they do something – I think 30 percent chance of that. If that's the way it's going, I think Trump is not going to give up the tariff weapon permanently. He'll say –

MR. MILLER: But he may suspend the use of it.

MR. REINSCH: He'll suspend it, yes, pending other things. Will the Chinese go for that? Frankly, I'm skeptical. I think the Chinese are not going to make concessions, even market-access concessions, unless they get something tangible from Trump besides postponement.

MR. SCHWARTZ: Well, so what do they have to lose here? And what are – what's their angle?

MR. REINSCH: Well, there's a big debate going on over who gets hurt the most by this –

MR. SCHWARTZ: Yeah.

MR. REINSCH: – basically, us or them. I think – my view is that over the long term we get hurt more than they do and they can wait us out. There are people in China that are pointing to the economic slowdown in China anyway, that began before all this and is probably accelerating because of this. And there are growing numbers of people in China, allegedly, who are getting nervous about all these – all this and are pressing Xi to, you know, get out of the box, make some kind of deal, and make all this go away. It's hard for me to see how he can do that in a way that is face-saving for him.

MR. SCHWARTZ: Well, why won't he make a deal that's face-saving for him?

MR. MILLER: Well, it's –

MR. REINSCH: Because Trump won't let him make one that's face-saving for him.

MR. SCHWARTZ: No matter what, no matter what he concedes, Trump's going to push forward –

MR. REINSCH: I think Trump is –

MR. SCHWARTZ: – push his face into the dirt, Rumble in the Jungle.

MR. REINSCH: Trump's kind of in the humiliation business on this. (Laughter.) He has to win because – and somebody else has to lose.

MR. SCHWARTZ: It's like a professional wrestling match.

MR. MILLER: Right. The other part of this is –

MR. REINSCH: (Laughs.)

MR. SCHWARTZ: They don't end in draws.

MR. REINSCH: This is a picture that it's hard for me to conceive, the two of them in the ring.

MR. SCHWARTZ: Yeah. (Laughs.) Right, breaking chairs over each other's heads and so forth. (Laughter.)

MR. MILLER: But at least from President Xi's point of view, it's not just about economics. He's got – he's got a policy to protect.

MR. SCHWARTZ: Yeah.

MR. MILLER: And this is a much bigger part of their sort of political program. And so I think that's probably – if there's not face-saving, I think we do get into the mode where this thing could easily degenerate and we wind up –

MR. REINSCH: But Scott's right. What we're asking them to do is basically to dismantle a non-market economy, dismantle state-owned enterprises, and forget about their publication Made in

China 2025, which means forget about trying to create global champions that will challenge American leadership. That's his whole program.

MR. MILLER: This is way more than an economic problem, yeah.

MR. SCHWARTZ: And so they're not going to do any of that.

MR. REINSCH: Right.

MR. MILLER: Yes.

MR. SCHWARTZ: They're not going to do any of that.

MR. REINSCH: Right. That doesn't mean they won't promise to do something that looks like that.

MR. SCHWARTZ: OK. But so where does that leave us? Like – and I don't even mean us the United States government. Where does that leave the American people? Since this is supposed to be an America first policy, since this is supposed to benefit the American people, does this kind of negotiation with the Chinese benefit the American people?

MR. REINSCH: You know, this goes back to previous discussions about how much we've lowered the bar. If it ends up by not making anything worse, I guess maybe that's good.

MR. SCHWARTZ: Yeah.

MR. MILLER: That's not a terrible outcome, right.

MR. REINSCH: If the tariffs are not raised or more imposed, victory. But it doesn't solve any of the serious problems that underlie all this.

MR. MILLER: We've got to start thinking outside the tariff box here, OK? Let's say that the president and his –

MR. SCHWARTZ: I just got in the tariff box. How the hell am I going to get out? (Laughter.)

MR. MILLER: Well, we all may need some help. But think of it this way.

MR. REINSCH: We'll open the lid for you, Andrew.

MR. MILLER: Let's stipulate that the president's diagnosis of the problem is right regarding the U.S.-China relationship –

MR. REINSCH: Yes.

MR. MILLER: – and that this rivalry needs to be dealt with. We ought to be deploying the things in the United States that would allow us to achieve technological superiority with or without China. In other words, we should have the kinds of programs in our economy that lead to success in these key industries in the future, and we ought to bring about – bring out other economic partners and

allies into this program. And we ought to out-innovate, we ought to out-produce, out-deliver China instead of worrying about, you know, forcing them to change. We can change ourselves. We can get better at what we're doing.

MR. REINSCH: I love this guy. I've been saying this for 30 years and nobody's paid any attention. There's only two ways to deal with an adversary: hold him back or run faster.

MR. SCHWARTZ: Yeah.

MR. REINSCH: Trump is all about holding him back. I think our experience over the years is holding them back leaks. It doesn't really work that well. The key is running faster, which is what Scott was just talking about. We're good at this. America is –

MR. MILLER: We do this all the time.

MR. REINSCH: We are historically the world's greatest innovators.

MR. SCHWARTZ: We're good at innovation. We're good at moving –

MR. MILLER: Yeah. Yeah.

MR. REINSCH: And our government over the years has been great at mobilizing resources, public and private, to fill gaps in our economy, and to help us innovate and grow. Look at – this goes back to the Lincoln administration, believe it or not. I have this rant coming on here, I'm sorry.

MR. SCHWARTZ: No, good, we love rants.

MR. REINSCH: You know, we have the – one of the reasons we have world-class agriculture is because of what the Lincoln administration and subsequent Republican administrations did in the 19th century: Homestead Act, land-grant colleges, all these things.

MR. MILLER: Yeah.

MR. REINSCH: Wireless communication. We did that for the Navy after World War I.

MR. SCHWARTZ: Yeah.

MR. REINSCH: Aerospace, OK, after World War II.

MR. MILLER: Yes. Right.

MR. REINSCH: We are really good at this, but we've squandered our advantage in recent years.

MR. MILLER: Well, and it's a very farsighted, long-term program. Bill mentioned land-grant colleges. Massachusetts Institute of Technology is a land-grant university.

MR. SCHWARTZ: Yes.

MR. MILLER: It was created by the Morrill Act in 1865. And –

MR. REINSCH: I didn't know that. That's interesting.

MR. MILLER: It is –

MR. SCHWARTZ: Scott knows everything.

MR. REINSCH: He does know everything.

MR. SCHWARTZ: It's unbelievable. (Laughter.)

MR. REINSCH: All I have is opinions; he has actually – actual facts. It's great.

MR. SCHWARTZ: He has a lot of facts. It's unbelievable.

MR. MILLER: But it really takes that kind of foresight. But you also have to have confidence in your own ability. And one of the things – you know, the United States is THE best at innovation. You look at – whether you look at patent holders, you look at new ideas, look at the core – the core champions of the high-tech economy, they're all American firms with partnerships around the world. And we can – we ought to be able to do this.

Look, one of the problems with the – with the Chinese economy that we have identified, at least CSIS has identified over the years, is central planning wastes capital. I mean, China has – spends too much to get too little out of its programs. And that is not unlike, say, the military rivalry between the Soviet Union and the United States in the Reagan administration. The Reagan bet was if we – if we build up, we can do it more efficiently –

MR. SCHWARTZ: And better.

MR. MILLER: – and better. And so –

MR. REINSCH: And bankrupt them in the process.

MR. MILLER: Yes. And so his – Reagan's idea of the Cold War was we win, they lose, all right? And I think our idea about economic rivalry with China ought to be we win, and whether they lose or not is – we're indifferent.

MR. SCHWARTZ: OK. So, yes, we're the greatest innovators. Yes, we have the great companies. But this week one of our great companies, GM – General Motors – says it plans to close five manufacturing plants in the U.S. and Canada, three of them in the United States, one of them in a very key state of Ohio. Some people think this has something to do with trade. Some people don't think it has something to do with trade. The president says it has nothing to do with trade. And he had some tough words about it. He said that GM's CEO Mary Barra needed to – you know, better get back to Ohio and get back soon. What about this? You know, we're talking about innovation here. Meanwhile, our car industry seems to be at a bit of a crossroads here.

MR. MILLER: Well, look, underneath it all there's a piece of consumer sovereignty going on here. Consumers make choices about vehicles. They are free to do so. And there's been a major trend

in the automobile business is the movement away from passenger cars and towards what they call crossovers and sport utilities.

MR. REINSCH: SUVs.

MR. SCHWARTZ: And then all the young people are taking Uber. Not just the young people, but a lot of people are –

MR. MILLER: Well, hold on.

MR. SCHWARTZ: Uber and what's the other one? Lyft.

MR. REINSCH: Lyft.

MR. SCHWARTZ: Yes. We can't be Uber-only people.

MR. MILLER: But those are – they are going in around in vehicles. Somebody else own it, but those are still vehicles. Keep in mind, five years ago, 2013, not that long ago, 50 percent of the U.S. market was passenger cars and 50 percent crossovers, SUVs and trucks. Today that is 30 percent. Seventy percent are crossovers, SUVs and trucks. Now, what that – what happened is, if you look at the announcement, the facilities that are scheduled to close all make passenger cars – Oshawa, Hamtramck and Lordstown.

MR. SCHWARTZ: In Lordstown, Ohio they make – which is a famous place. You can see it from the highway as you're going past Pittsburgh, past Youngstown, towards Cleveland you see it. It's a big plant. They make the Chevy Cruze.

MR. MILLER: A small passenger car.

MR. SCHWARTZ: Which isn't selling well.

MR. MILLER: Which is down 27 percent versus a year ago in sales. So it's selling poorly. But it's in a segment that's contracting.

MR. SCHWARTZ: And so President Trump's statements on this, where he told CEO Mary Barra, well, you know, it's not selling good, so let's get something else in there that sells better. So is he wrong?

MR. MILLER: Well, plants can be converted, but automobiles are a long-time, capital-intensive business. And converting a facility – Lordstown has made small cars for a long time. They made the Chevy Vega there in the '70s.

MR. SCHWARTZ: Yeah.

MR. MILLER: So it's a small car – it's tooled for a small car.

MR. SCHWARTZ: So, now the problem with this is – too, though, is that for every job at that plant, there's, like, another seven or so spin-off jobs in that community that are now going to be at risk.

MR. MILLER: Yes.

MR. SCHWARTZ: So you're talking about Ohio, which has become a red state, which is crucial for the president to be reelected, now having a very big problem in a district that Tim Ryan, a Democrat, represents. This is not only an economic problem. This could be a political problem for the president. And some people are going to blame it on his tariffs. What about that? Ron Wyden, senator – ranking member on the Senate Finance Committee – yesterday said: The chaos and uncertainty created by the president's, quote, "ham-handed application on tariffs" has resulted in this loss of American jobs and will continue to lose American jobs.

MR. REINSCH: Well, they clearly haven't helped. And I think they've clearly hurt. The root problem is what Scott said. There's been a shift in consumer demand away from what these particular places meet. At the same time, the tariffs have made these – made the companies less competitive because they buy steel and aluminum.

MR. SCHWARTZ: Right.

MR. REINSCH: And their input – and steel and aluminum are a big chunk of the car that you still –

MR. SCHWARTZ: In fact, GM said – warned last June that potential auto tariffs, combined with the tariffs already in place on steel and aluminum against China, could lead to higher prices and lower sales. So here we are.

MR. REINSCH: And – exactly. Here we are. And so I'm not surprised. It doesn't help. And I think you've made a good point about the politics of it. I think you're going to find a lot of people in Ohio saying, you know, where's the make America great again, you know? Things have gotten worse, not better.

MR. SCHWARTZ: Yeah. It's not great – it's not great if we lose our jobs at the auto plant. But it also not great if the restaurant goes out of business and the car dealership goes out of business and Walmart has to start laying people off, and so on and so forth. That is not a good scenario for America.

MR. REINSCH: Well, and it's even – it's more than that. When I worked for Senator Heinz, we learned – Pennsylvania's an interesting state, because it's got lots and lots of little jurisdictions that are their own taxing areas. And they derive revenue from local businesses. And so in Pennsylvania when the plant closes, that can be 80 percent of a community's budget. So it's not only the bar next to the plant that closes and, you know, the 7/11 and the deli. It's the library and the police department and the fire department that have to cut back dramatically because there's no tax revenue.

MR. SCHWARTZ: Yeah, and you're left with nothing but high school football and ketchup. Heinz, ketchup?

MR. REINSCH: (Laughter.)

MR. SCHWARTZ: I'm a big fan of Heinz. You know that.

MR. REINSCH: So am I, yeah.

MR. MILLER: The mayor of Lordstown – the mayor of Lordstown, Ohio basically said he probably has a million-dollar hole in his budget next year.

MR. SCHWARTZ: Right.

MR. MILLER: (Laughs.) So exactly what Bill's saying.

MR. SCHWARTZ: So this is real.

MR. REINSCH: Yes. This is not –

MR. SCHWARTZ: This is real.

MR. REINSCH: This is not good, no question about it.

MR. SCHWARTZ: So if you're President Trump and his advisors, are you thinking about this going into your meeting in Buenos Aires, the rumble in the sort-of jungle in a couple days? Are you thinking about this?

MR. REINSCH: I think he's probably thinking more about strong-arming Mary Barra into building something else at the Lordstown plant.

MR. SCHWARTZ: Yeah. Maybe right.

MR. MILLER: Well, keep in mind maybe something else that's going to happen at the G-20 meetings, or around the G-20 meetings, is the signing of the USMCA. Now, keep in mind that – so the leaders of Canada and Mexico will be there for that signing ceremony. But we also have Section 232 national security tariffs on steel and aluminum from Canada and Mexico. And there have been several promises over the past eight to 12 months about how these tariffs were an instrumental purpose and when we got a better deal we'd lift the tariffs. USMCA is supposedly the better deal. Tariffs are still in place. So one way – one way to actually create some relief for producers of products like automobiles would be to settle the 232 dispute with Canada and Mexico, lift the tariffs, free up the trade –

MR. SCHWARTZ: And can that be settled or begin to be settled at the G-20? Or –

MR. REINSCH: They've been working on it. My theory is that they want to – they want to – they, the U.S. administration – wants to convert the tariffs to quotas in the Canada and Mexico cases. That's what they did with Korea. That's what they did with Brazil. I think they prefer quotas because they're – for obvious –

MR. MILLER: Because they like them.

MR. SCHWARTZ: (Laughs.)

MR. REINSCH: They like quotas. There's a certainty about quotas. What usually happens in this case – and I think now the argument really is over numbers. How big the quota is going to be? The administration seems in the past to have been willing to have big quotas, but with no growth. So

eventually you hit the ceiling and it begins to bind. But in the short run companies can sign off on it because it doesn't have any immediate impact. I mean, it seems to me that's the direction this is going.

MR. MILLER: I think that's right. And of course, if you're – if you're just negotiating numbers, you can usually find a way there. There's no principle at stake, you know? You say 70, I say 30, you find a way to meet in the middle.

MR. SCHWARTZ: All right. Speaking of numbers, a new study – and this really speaks, again, to the rest of the Trump administration these next couple years and potentially his reelection. A new study, if you believe these numbers, found that all the Trump administration tariffs, if put in place, could shave nearly 1.8 percent off of the United States GDP in 2019. That includes an across-the-board 25 percent tariff on all Chinese imports, 25 percent on – tariff on automobiles and auto parts, and existing penalties on steel and aluminum imports. So this is real money.

MR. MILLER: Well, what you have is a conventional forecast – macroeconomic forecast using the worst-case scenario for tariffs.

MR. SCHWARTZ: OK.

MR. MILLER: OK? So –

MR. SCHWARTZ: This same study, it's done by the Koch Industry. Now, the Koch brothers have – benefit from international – from free trade. So they commissioned this study. But if this study is to be believed, the analysis estimates that there's a loss of 2.7 million jobs in the United States in the first year that the tariffs are put in place.

MR. REINSCH: As Scott said, it's a worst-case scenario. It is directionally, though, the same as most other studies that have been done. The OECD did a study that came to similar conclusions, smaller levels, but they didn't make the same assumptions. If you assume the worst, which is what Koch did, I mean, those are compelling numbers, when it means our growth is going to go from 3.8 to 2 (percent).

MR. MILLER: Yes. Now –

MR. SCHWARTZ: Yeah. And I'll give you another number. They even broke it down to this. It also finds that all trade barriers, if they're – if they're implemented, would cost each U.S. household about \$2,400 in the first year. That is not small potatoes in most U.S. households.

MR. MILLER: No, that's absolutely right. But keep in mind, macroeconomic forecasts, like this, talk about one direction for a single effect. So what happens if we do all these tariffs? What's not left – what's not included in this assessment is what are the other positives that offset this? And macroeconomic forecast rely on both the positive and negative. One of the reasons tariffs haven't hurt so far from a macro standpoint is you've had big positive effects from increased spending and lower taxes, OK, that have filtered into the economy. So you have net economic growth, but probably at the margin there's been some downside risk for tariffs already that are sort of baked into the current economic numbers.

MR. SCHWARTZ: OK. So what are some of the benefits? Like, how could some of this be countered?

MR. MILLER: The Trump administration's policies are essentially Main Street economic policies. So what they're hoping for is continued out-performance by sort of tangible, conventional industries. One area where there's substantial upside is hydrocarbons, oil and gas. And that, as both a tax reform and regulatory reform, have pushed U.S. production of hydrocarbons to record highs. And, in fact, in places like the Permian Basin, where there were limits on infrastructure in terms of delivering their output to market, they're overcoming those infrastructure barriers and getting product to market, which is why you've seen oil prices fall from \$70 to \$50 a barrel.

And so this kind of overperformance is a good source of both economic growth and job growth if it's done well. So there are always offsets. But, you know, that takes nothing away from the validity of a free market sort of libertarian economist like someone who would work for the Koch family or the Koch brothers foundations, to look at this as a libertarian would do it and say: What's the effect of the tariffs only? And say they're probably negative, because that's what we generally believe.

MR. SCHWARTZ: Professor?

MR. REINSCH: Well, I just was in a meeting about energy, among other things. And what intrigued me, of course, is that Scott's right about the short-term economics of it. But the other thing that happens when prices hit \$50 a barrel is new investments in new production gets postponed because it isn't economic anymore.

MR. MILLER: Correct.

MR. REINSCH: And so what you've got is a short-term – you've got a short-term shot in the arm of increased production, and the construction that goes along with it, and the pipeline that go along with it, and all that stuff. Those plans now are starting to be put on the shelf, because at \$50 a barrel the economics for the oil companies is very different than at \$80 a barrel or \$70 a barrel. I think we got up close to 80 at one point. So there's a little bit of a – you know, a cyclical thing here going on.

Where I end up, though, on a lot of this stuff is – and going back to the GM thing – is, you know, you can do all these little things. You can do the tariffs. You can do all this stuff. At the end, there are fundamental – there are economic fundamentals that are going on here. You know, the GM thing is based because consumers changed their buying patterns. You know, that has nothing to do with – this has been going on for years. It has nothing to do with tariffs. It has nothing to do with government policy. It's something that is out there that's happened.

The challenge for government is to design a policy that adapts to all that. And I'm not sure we've done that. We applied stimulus with the tax bill when we didn't need it. We cranked up an enormous deficit that we can't afford. What happens when the economy, as most people are predicting, starts to – growth starts to slow? If we slide into a recession in 2020, what are we going to do then? We've already done the stimulus and we've already over spent. You know, we don't have any more tools, except more of the same.

MR. MILLER: Yes. And it gets – you're right, Bill. And it gets very complicated. And what you'd hope for is a little humility on the part of policymakers.

MR. REINSCH: Dream on.

MR. MILLER: Because what you'd really need are neutral rules –

MR. SCHWARTZ: That's not part of the job description.

MR. REINSCH: (Laughs.) Humility? No. It's not. (Laughter.)

MR. MILLER: Businesses really want neutral rules that are predictable and consistent, because life changes, OK? Betamax is unpopular, and VHS is popular, OK? Trucks are really popular, and cars are really unpopular. Those are underlying demand that any producer in that segment – in that business has to deal with, OK? And if you're dealing with it in the context of a regulatory and legal environment, that is where the rules are neutral and predictable, you'll have an easier time and a more efficient way to accommodate those changes in the market. It's just by adding more barriers or trying to micromanage, it just gets – it makes life more difficult for everybody, and more expensive for the consumer.

MR. SCHWARTZ: Betamax was so much cooler than VHS.

MR. MILLER: There's so many times when the technologically preferred product loses.

MR. REINSCH: That's what I thought, until I was stuck with 20 Betamax tapes and – (laughter) – and nothing to be done with them.

MR. SCHWARTZ: Well, now everybody's stuck with CDs. Because, like, you know, cars still have CD players, but I mean most people are streaming. That's where the – that's where the music is these days.

MR. REINSCH: Yes. Yes.

MR. SCHWARTZ: We have CDs. We have Betamax tapes. We have a bunch of cars that we're not going to drive anymore. We're now – and people want trucks. And then we didn't even talk about electric. That's another issue. So I mean, we'll see what happens here.

The Trade Guys have been en fuego today. We'll have to see what happens with the rumble in the jungle, or the sort-of jungle, or Buenos Aires.

MR. REINSCH: We'll talk about that next week.

MR. SCHWARTZ: We'll talk about it next week. Thanks for being here, guys.

MR. MILLER: Thank you.

MR. REINSCH: Thank you.

(Music plays.)

MR. SCHWARTZ: To our listeners, if you have a question for The Trade Guys, write us at TradeGuys@CSIS.org. That's TradeGuys@CSIS.org. We'll read some of your emails and have The Trade Guys react to it. Thank you, Trade Guys.

MR. MILLER: Thanks, Andrew.

MR. REINSCH: Thank you.

MR. SCHWARTZ: You've been listening to The Trade Guys, a CSIS podcast.

(END)