**EconoFact Chats: Inflation, the Fed, Tariffs, and AI: Making Sense of the Economy Heading into the Midterms**
**Binyamin Appelbaum, the New York Times; Larry Edelman, the Boston Globe; Scott Horsley, NPR; Claire Jones, the Financial Times**
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**Michael Klein:**
I'm Michael Klein, executive editor of EconoFact, a non-partisan web-based publication of The Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

**Michael Klein:**
I last spoke with our panel of journalists in mid-June. Since then, the continuing disruption of oil supplies due to the war in Iran have kept gasoline prices high, while diesel prices reached an all-time peak. Inflation shows no sign of coming down to the Federal Reserve target of 2%. In response, the Fed raised its policy interest rate for the first time in over three years. The Treasury Secretary attempted to bring down long-term interest rates through intervening in the bond market, but this did not achieve the desired goals. There was renewed trade war tension, especially with Canada. There are rising fears of how artificial intelligence could cause disasters. And, of course, there is an election in about one month that could change the majorities in both the House and even the Senate, which would have profound implications for policies over the next two years. To discuss these and other issues, I welcome back to EconoFact Chats our panel of leading economic journalists – Benjamin Applebaum of the New York Times, Larry Edelman of the Boston Globe, Scott Horsley of NPR, and Claire Jones of the Financial Times. Thanks to all of you for joining me once again on EconoFact Chats.

**Larry Edelman:**
It's good to be here.

**Scott Horsley:**
Thanks, Michael.

**Claire Jones:**
Great to be here.

**Binyamin Appelbaum:**
Thanks, Michael.

**Michael Klein:**
So, let's start off by discussing inflation, since affordability seems to be a dominant theme in this fall's political campaigns. The inflation rate in August was 3.4%. The biggest rise was in gasoline – 27%, and fuel oil rose by over 50% year-on-year. Inflation for all items, but for food and fuel, was a full percentage point lower, 2.4%. Is high inflation mainly an oil-based problem? If so, will it come down to if and when the Strait of Hormuz opens? Claire?

**Claire Jones:**
Thanks a lot, Michael. Oil is definitely a big driver and a big part of the inflation story in the US right now. It's also a very visible form of inflation that tends to impact the public's expectations of what's going to happen to prices. And there's also a big political problem ahead of the midterms too. However, I don't think US inflation is just an oil price story. I also think it reflects the strength of the US economy. I think it reflects the AI boom. And I think it reflects some of the pressure that we've seen with tariffs too. And my sense was that was what the Fed was responding to…that it wasn't just an oil price shock, but that there's been a broader problem with US inflation being too strong for too long in the US economy.

**Michael Klein:**
Larry?

**Larry Edelman:**
Yeah, I think Claire has listed the key drivers here in terms of inflation and why they're important. One thing that I noticed when Chair Warsh spoke at his last press conference, he repeated his observation about the breadth of inflation, and how many items in the index are growing at above 3%, versus growing below 3%. And that seems to be a new focus at the FOMC right now. And I think that as long as that continues to happen, showing the breadth of rising prices, you're going to see them being very vigilant with rates.

**Michael Klein:**
Binyamin?

**Binyamin Appelbaum:**
I mean, we've had a series of stories about why inflation is too high going back several years now. The latest story is about oil prices. It's undoubtedly part of what's going on, but it is impossible to mistake the long-term pattern here, which is that we've had inflation above the Fed's target consistently for years. The Fed has been unable or unwilling to return inflation to its target. And I don't see any reason to think that the oil prices are the whole of it for the reasons that the others have described.

**Michael Klein:**
What's interesting is for many years, inflation was consistently below its 2% target. I have an EconoFact memo on that, which now, of course, is very dated. So as you've mentioned, tariffs have been a concern here. They raise prices and they affect affordability. President Trump has put high tariffs on Canada recently, and this will affect the price of some important imports, like lumber, that's used in housing. And it'll also disrupt the deeply integrated supply chains for automobiles that are made in North America. The President continues to use tariffs as a tool of both economic and foreign policy. What do we know about the effects of these?

**Michael Klein:**
Binyamin?

**Binyamin Appelbaum:**
The Canada situation is interesting because we're basically trying to antagonize our neighbor and close trading partner. And the Trump administration's theory of the case is that it needs to rework those

relationships. And it is particularly concerned that, in its view, Canada is not committing to disconnecting itself from the Chinese-influenced trade sphere that the Trump administration wants to separate the United States economy from. And so we've reached a point now where the Trump administration has basically decided that Mexico is willing to take some of the measures that it wants taken to prevent Chinese-made parts or goods from entering the American ecosystem, and that Canada is being less cooperative, and that therefore Canada needs to be punished or excluded. And so we've ended up in this remarkable trade war. But my point is just that the damage isn't incidental. The damage is the point. In the Trump administration's view, the existing relationship should be broken and reconfigured. It regards that as being in the nation's long-term interest. It's not a question of sort of incidental damage to our economy. It's a question of restructuring our economy.

**Michael Klein:**
Scott?

**Scott Horsley:**
Yeah, and the Trump administration is trying to undo decades of free trade between the U.S. and Canada. Even before NAFTA, you know, CAFTA going back even to the late 80s, we've had a free trade agreement with Canada. And industries have grown up with the expectation that commerce would flow freely. There have always been frictions. You know, every Canadian drinking game has to involve a reference to softwood lumber. But, this is not a country with low-cost labor. This is a peer economy. They have some advantages with cheap hydropower that they can use to make aluminum more efficiently than we can. They treat their national forests differently than we do when it comes to harvesting lumber. But basically, they're a peer economy. And the industries have grown up with the expectation that they can go back and forth across the border without tariffs, and to try to undo that is just enormously disruptive for very little gain. It's also legally suspect. Once again, the Trump administration is relying on tariff authorities that have never been tested, but that are sure to be challenged in court. And their record in court is not very good. They lost on the IEEPA tariffs. They lost on the Section 122 tariffs. They may very well lose on the tariffs that they're using now for these new retaliatory tariffs against Canada…against a neighbor that has always been one of our strongest allies. It just boggles the mind.

**Michael Klein:**
All right. Later, Scott, I'm going to have to ask you about the softwood lumber and Canadian drinking game…so I didn't follow that. But we'll find out more about that as well.

**Michael Klein:**
Larry?

**Larry Edelman:**
To Scott's point, the Trump administration has shown itself to be very good at breaking things. And sometimes that's what's needed. But it's not shown that it can really fix things, rebuild in a better way. And I think that with tariffs…tariffs is a prime example. There are reasons to renegotiate or reset trade arrangements around the world. But the way they're going about it has been totally counterproductive. And not only counterproductive economically, but counterproductive politically for their own chances in the midterms. I think that more people are upset with what's happening with tariffs than think, go get ‘em. I think it boils down to his own particular obsession with tariffs as the tool, and its expression of

American strength and of the President's strength.

**Michael Klein:**
Well, higher prices have an especially big effect on people living on lower incomes. And these effects have been compounded by the administration's cuts to the social safety net. Scott, you recently had a broadcast segment about this. What did you find?

**Scott Horsley:**
Yeah, we talk about the inflation rate being 3.4%. But there's really different inflation rates depending on where you are on the income ladder. As people get wealthier, they don't necessarily spend more of their income on fuel or food. They might take some more luxury vacations or whatnot. So the people that are hit hardest by inflation are the people for whom food and fuel is the biggest chunk of their household budget. And that's people at the bottom of the income ladder. There was actually a, I think it was the National Academy of Sciences recommendation that came out a few years ago that suggested they should have maybe five different inflation reports to talk about different income quintiles. I think that would be probably too complicated. But it's always worth keeping in mind that individual households each have their own inflation report…their own inflation rate that depends on their particular basket of goods, and it's very different for people at the bottom of the income ladder than those in the middle of the top.

**Michael Klein:**
The idea that you need different inflation rates for different income levels, that was a committee that was, I believe, chaired by Dan Sichel, who's been one of our contributors for EconoFact, and he has a memo on that. Binyamin?

**Binyamin Appelbaum:**
Yeah, the countervailing fact is that we've also seen relatively strong wage growth at the bottom, or in the lower deciles of the worker distributions. So you've got sort of working class workers, people without college degrees, actually seeing more progress in how much they make, even as Scott said, costs have risen more quickly for them too. And then, separate from that wage cost balance is the fact that the Trump administration is also pulling back some of the safety net. It is making it harder for people to obtain affordable health insurance. It is making it harder for people to access food stamps and other forms of government benefits. And these things weigh significantly on many lower income families that depend on these government programs, and are being excluded from those benefits.

**Michael Klein:**
Well, when we're talking about inflation and affordability, we also need to talk about the Federal Reserve. The Fed is charged with managing the economy and its dual mandate is for both stable prices and high employment. In its last meeting, the Open Market Committee headed by the new chair, Kevin Warsh, unanimously voted to raise the policy interest rate. This is of course exactly the opposite of what the President wanted and perhaps even expected from his newly selected chairman. How does this move by the Fed change the prospects for the economy for both inflation and unemployment? And what does it say about Fed independence, something the President has tried to weaken? Claire?

**Claire Jones:**
So I'll start with independence and then move to the economy. I think coming into this meeting, we had a pretty disastrous performance by Kevin Warsh in his second press conference in charge. And I think that raised concerns that the new chair of the Fed would be, in the words of Senator Elizabeth Warren, 'Donald Trump's sock puppet.' There was a feeling that he was talking a lot about bringing inflation under control, but he wasn't willing to defy Trump and actually raise interest rates. I think the press conference that we saw this month is really…or I think the press conference that we saw in September has really lessened those fears an awful lot. It's really produced a lot of confidence that the Fed remains independent, and that Warsh is up to the job. In terms of the economy, I don't think the 25 basis point rate rise that we've seen is gonna be a game changer in terms of inflation. But we seldom have one rate rise or one rate cut from the Fed. And the sense that we got from Warsh's remarks and also the market reaction to it was that this September rate rise was the start of other moves, and that we'll see more rate increases in the coming months to cool what markets seem to think is a US economy that may be slightly overheating.

**Michael Klein:**
Scott?

**Scott Horsley:**
Yeah, and since that Warsh news conference, we've had a number of statements from members of the FOMC that have leaned definitely in a hawkish direction. Markets are anticipating at least one additional rate cut this year, maybe more than that. And as you say, Claire, that the US economy writ large seems pretty impervious to that tapping on the brakes, which just has the bond market thinking they're gonna have to tap harder or maybe even slam on the brakes. And, you know, so we've seen a pretty substantial rise in treasury yields this week, and mortgage rates have gone over 7% for the first time since the beginning of last year. It feels as if it's going to take a lot of pressure to bring inflation under control, and maybe slow this economy. And, you know, Austin Goolsbee, the head of the Chicago Fed, gave a talk in London not long ago where he talked about how the Fed no longer can look through these supply shocks the way it traditionally has because they've been so persistent, and it has to respond even though the inflation may be coming from the supply side of the economy, and the Fed's interest rate tool really works on the demand side of the economy. And he said, we're gonna have to accept the fact that our interest rate hike is going to affect sectors of the economy that aren't really the source of the problem. It's as if the Fed has a screwdriver that's turning the screws on the housing market even though the inflation's coming over here from the AI part of the economy. And that's just kind of the way it goes. The AI part of the economy is virtually impervious to rate increases. The housing market's very sensitive but that's the tool that the Fed has, and so here we are.

**Binyamin Appelbaum:**
You know, I think there's a tendency to think about the Fed chairman as the embodiment of the institution. That's historically how we've covered the Fed and talked about the Fed. And I think right now it is possible that that is not the case. I think we don't know yet but I think one can read this…what happened, the decision to raise interest rates is clearly a vindication of the Fed's operational independence. It demonstrated very clearly that the central bank retains not just the power but the willingness to act in ways that Donald Trump doesn't like…which is uncomfortably close to unique among government institutions right now. And it was necessary in the Fed's view to maintain…they didn't describe this as a tightening move, they said they needed to do this just to maintain their posture relative to the economy. And they were willing to do it and, you know, full marks for that. Does this prove to me that Kevin Warsh

is willing to stand up to the President? I think that's premature. And the reason is, he had no choice. He needed to stay at the head of the parade, his colleagues made it very clear in which direction they were marching. And Warsh did what anyone would do in that situation, which is to walk in front of them and wave the baton. But I don't think it's clear who's leading the parade right now. I don't think it's clear how far Warsh is willing to go to defy the President. And if we can return to the metaphor of a sock puppet, I think he's established that he's not a sock puppet, but I'm still not sure if he's a vertebrate. So that question remains open.

**Michael Klein:**
I like these metaphors that we have. Larry?

**Larry Edelman:**
You know, ironically…the most important thing or the biggest impact that we could have on inflation right now is not by the Fed, but by the administration and finding a way to get out of this stupid war in the Persian Gulf. It's not the only thing that needs to be done because, as the other panelists have suggested, you know, inflation is more than just the shock from oil. But if, you know, if the administration was really that concerned about rates, it would find a way to open up the Persian Gulf. And it doesn't seem to be in too much of a hurry to do so.

**Michael Klein:**
So the Fed controls the short run interest rates, but the long interest rates, like the 10-year treasury bond, are determined by the market. As I mentioned in the introduction, Treasury Secretary Scott Bessent tried to bring down long-term interest rates through intervening in the bond market. In particular, he may have been concerned about that 10-year treasury bond rate because many other interest rates, like those for mortgages and car loans, are priced off of it. Claire, you had an explainer in the FT on this treasury move. What were they trying to do, and why didn't it work?

**Claire Jones:**
So what the treasury was trying to do was double what is known as buybacks of longer-term U.S. government bonds. The idea was that if the treasury buys back more of these bonds, it will add to demand in the market, and that will lower the cost of borrowing for the U.S. government longer term. Why didn't it work? I mean, that's a very interesting question. I think there are a few answers there. One is the tool itself. These buyback operations were set up to deal with illiquidity in certain pockets of the treasury market. They weren't ever designed to be a macro policy tool to do something like yield curve control. So there's a sense in which this is a poor tool for achieving what Scott Bessent would like to achieve. I think the other sense is that you've also got a lot of economic fundamentals pointing in the other direction. You've got concerns about U.S. fiscal policy. You've got concerns about the U.S. economy overheating. You've got concerns about inflation…and all of that tends to push up the government's cost of borrowing. There's a debate as to whether or not all the issuance by AI companies is also crowding out investment in government bonds, whether or not that's the case I'm not in a position to judge…but, there's a lot of fundamental factors that are leading to a rise in U.S. government bonds that such small buyback operations can't hope to really do much against.

**Michael Klein:**
I think that point about trying to buck fundamentals is really important and that the government doesn't have as much control as some people might think. Another example of that is the effort to try to affect the value of the yen, which the Bank of Japan and the U.S. government tried to do. And that also didn't work. Binyamin?

**Binyamin Appelbaum:**
And it is particularly fascinating because this is a man who made his fortune betting that market forces moved by fundamentals were stronger than the will of a government that didn't like where the market wanted to go. And now here he is standing there trying to tell the tide not to come in. And he looks like a fool and a proverbial fool. This isn't even a new form of foolishness. This is one of the oldest acts in finance. And his willingness to do it, frankly, it's fascinating to talk to people who knew him when he was a trader because they can't understand why this man who had mastered this principle so successfully has now entirely lost track of it.

**Scott Horsley:**
Yeah, and it didn't have much effect on bond yields, but it generated an enormous amount of sort of comical memes for social media, most of them showing the Treasury Secretary trying to bail out the ocean with a teaspoon. And the Treasury Secretary doesn't have a whole lot going for him except for credibility. And to squander your credibility in this circumstance, God help us if we really need the Treasury Secretary to come out and say something to calm markets and no one believes him.

**Michael Klein:**
So Benjamin, what you're referring to is in 1992, when working for George Soros, he bet against the Bank of England, and Soros and Bessent and some others made huge amounts of money, right?

**Binyamin Appelbaum:**
Yeah, he also had a famous rate on the yen, which he now thinks the government can control, but back then knew that they couldn't. The Bank of England one is absolutely the outstanding example of investors recognizing that governments would be foolish enough to essentially humiliate themselves trying to resist market forces, and that you could make a lot of money betting that they would ultimately fail. And I presume someone's out there making a lot of money today on the back half of Scott Bessent’s trades as Treasury Secretary.

**Michael Klein:**
So we've talked about inflation and it's higher than its targeted rate, but the stock market remains strong and the August job figures exceeded expectations. 162,000 jobs were added that month. The expectation was only for about 53,000. Is this another example of what was called under Biden's presidency, a vibe-cession? Are people more negative about the economy than is warranted by the numbers?

**Scott Horsley:**
Well, the number that I think most aggravated people during the Biden administration was the cost of living numbers. The cost of groceries, the cost of gasoline, the cost of housing. And those haven't really improved. I mean, the thing that we heard over and over again in 2024 was you can't eat GDP. So, you know, yes, the stock market's doing well. The handful of giant tech companies that are investing

enormous sums in AI, for them, the sky's the limit. But for the people that are struggling to fill their grocery cart every week, it's still tough and they're not satisfied. And, you know, Binya talked earlier about how wages have or haven't kept pace with the cost of living. We had a string of years there where average wages were growing faster than prices. But since the war with Iran began, we've watched inflation grow faster than average wages. So people are losing ground in real terms. And that's really frustrating. Besides that, of course, there's the psychological effects that most people think that their raises are a reward for good behavior. And then cost increases are just a punishment that comes out of nowhere.

**Michael Klein:**
Larry?

**Larry Edelman:**
Thanks Michael. I just coincidentally had a conversation with the Chairman of several private equity-owned companies. That's his, he once was a CEO, and now he's gone into private equity to run the boards. And we were talking about this, and his take on it was that businesses feel like they're struggling, and they're nervous. And what's making them nervous is inflation and interest rates, Trump's unpredictability, the tariffs, and AI. And his take on why the stock market continues to be strong isn't so much this unbending faith in AI paying off, but in the fact that with interest rates rising, people are starting to panic, and they're taking more risk in equities than they normally would, especially among retirees, or people close to retirement. I don't know if I entirely buy that. I myself have been thinking maybe I've got too much in stocks, but at least that's the view from one chairman.

**Michael Klein:**
Claire?

**Claire Jones:**
Yeah, I think it is important to have a bit of a global perspective on this. I mean, I was talking to my mom earlier today, and she was driving past the garage, and she said petrol is now almost two pounds per litre, which is about $10 per gallon, which is, you know, which is pretty astounding. So relative to elsewhere, the rise in the cost of gas does not look exceptional, but it is what people are used to paying, and I think what this brings to mind really is that the cost of living pressures that we've seen since the pandemic and continue to see for a variety of reasons are really a global issue, and they aren't just influencing in the political economy in the US, but in Europe too.

**Michael Klein:**
So part of the bad vibes could be what's going on with artificial intelligence, and there are a lot of concerns, both the prospects for it to do real harm, and also the opposition to building data centers. Starting with the data center issue, they may support construction jobs while being built, but there are a few jobs associated with them after they start up and they're running. And they also seem to be driving up the price of electricity, and this also seems to be another example of a focal point for voters who are against building data centers in their community, and see it as some very rich people trying to take advantage of them. How do you see the debate about data centers playing out? Binyamin?

**Binyamin Appelbaum:**
I am fascinated by the statistic that investment in AI, capital expenditures on the build-out of AI, are set to reach a scale as a share of the economy that exceeds any prior era in American history. This is on pace to become bigger than the railroads, which is sort of the emblematic instance of a transformation of American infrastructure, but it's bigger than everything else that came before that or after that as well. And I think when you sort of put it in that perspective, it is not surprising that that is proving to be hugely disruptive, economically and politically. It is a transformation of our economy, and it's not surprising that people have strong feelings about how that disruption is affecting their communities and their lives. And I think the data center thing, this is not an original point, but it strikes me as a true one, has become a focal point for a lot of broader frustrations about AI. A lot of these fights are not actually about data centers. They're about the sense that ordinary people have almost no opportunity to control these companies, to respond to them, to place pressure on them, to regulate them, and that this is the one chance they get to weigh in on this colossus that's walking across the landscape and changing everything. And so they're really upset about it. And to me, it speaks to the need to create more opportunities for us to address AI comprehensively, instead of just constantly talking about data centers, which are a very small part of a very big thing.

**Michael Klein:**
Larry?

**Larry Edelman:**
Gosh, I couldn't agree more. The data centers are the symbol of AI's disruption and all the fears that people have about AI and losing their jobs. It doesn't help also that they use a lot of energy and a lot of water, and it just makes it that much easier to resist them. I saw a curious case in my backyard in Gloucester, Massachusetts, where a company was trying to put a very small amount of space…it was not a data center because it was only like 10,000 square feet – in a public storage building on the waterfront in Gloucester, and it still sparked the same concern that this was a data center when this is not something that goes on for football fields and football fields. It was basically a big IT room, and so it's just gotten to the point where anything associated with AI becomes tainted and something that draws the ire of the general public.

**Michael Klein:**
Claire?

**Claire Jones:**
I mean, again, I couldn't agree more with this idea of data centers becoming symbolic of this technology…this technological colossus that's going to reshape the landscape untrammeled, but what I find quite interesting is when you talk about generative AI on a personal level, people are like, I love using it. It's so handy. I found out this from ChatGPT…I found out that from Claude, I did a brilliant presentation that used Claude code, et cetera, but then on a societal level, it produces these very deep concerns, so I find that dichotomy quite interesting. I guess on a market level, what concerns me, to go back to Binyamin's railways analogy, is that it's this boom that…whereas with the railways, we're still using quite a lot of the infrastructure that that capital developed. In this case, we could be investing in infrastructure that proves obsolete five years from now, either because we don't need this storage space, because we have different semiconductor trips, so I think if I was an investor, that would concern me too,

that we don't know if what we're investing in is actually going to be needed five, ten years from now.

**Michael Klein:**
Following with the railroad analogy, we have a memo by Charles Collyns who talks about that, and apparently what happened with the railroads is there were lots of different railroad companies, and many of them did not survive. Those that did, did very well, but if you were investing in one of the railroad companies that didn't survive, you lost your money, so it's an interesting point. Will AI be similar…that there'll be a couple market leaders that survive and the others go by the wayside?

**Binyamin Appelbaum:**
And that railroad boom ended in a recession in the 1870s that at the time was widely referred to as the Great Depression, although we no longer call it that.

**Michael Klein:**
Yeah, there's a new book out just about that, and it's titled 1873 by Ahamed Liaquat, which I'm looking forward to reading. So, to conclude, I'd like to just ask about the bigger concerns about AI, and this is really speculative. AI may provide benefits and improve productivity. Claire was mentioning, you know, how it can do some nice things, but it can also cause huge problems, and a central question is whether the productivity increases due to AI, does it make people more productive and raise their wages, or does it just replace people and they lose their jobs? It's really early in this era, in this AI era, and I myself don't really know which way to come down on this. Do any of you have views about, is AI going to be a job enhancer or a job destroyer?

**Scott Horsley:**
Well, I think it's almost sure to be both, and you know, what your occupation is going to determine which side of that line you're on. I think a lot's going to depend on how long the transformation takes. In the long term, whatever that is, obviously the economy will adjust, but many of us will be dead. So, you know, is it permanently disabling? No, but it may be disabling for the course of a working life of a lot of people, and they're understandably concerned about that. And they're particularly concerned if they think the gains are all going to go to a relative handful of investors and tech gurus and not be shared with the workers who are most directly affected.

**Michael Klein:**
Larry?

**Larry Edelman:**
I was just listening to an interview with Jensen Huang, the CEO of NVIDIA, whose company, it was mentioned, has contributed 15 cents out of every dollar of return on the S&P 500 over the last, you know, few years. So, this company has a lot riding on the success of AI. Of course, it makes the chips that many of the AI models are trained on, and he said, when asked specifically about the impact on jobs, it will change every job, he says, but that doesn't mean it will eliminate every job. And I think it's too early to know. I think a lot of people are going to be hurt. I think a lot of people are going to lose their jobs. A lot of jobs will be created, but as we've seen in the past, the people who lose their jobs due to automation aren't necessarily the ones who are able to fill the new jobs that are created. And I think this is at the heart of the uncertainty about AI, is just not knowing how it's going to play out, because even the smartest people in the world, people far smarter than myself, don't know, and they're just speculating, as I am right

now.

**Michael Klein:**
Binyamin?

**Binyamin Appelbaum:**
Yeah, I mean, I don't know what's going to happen, except that I think Scott's being a little optimistic when he says that in the long run, many of us will be dead. I'm pretty sure it's all of us. But the thing that, to me, we ought to be focused on is what role can public policy play in encouraging the development of AI in ways that are complementary, or if there are areas in which we think it's better for it to replace jobs…I think there's a good argument that autonomous driving is an example of that, in taking care of the workers who lose their jobs as a consequence. To me, the effort to predict this is fraught. We have stories of how hard it's been in the past. One of my favorites is about accountants. It was widely predicted that the first computer revolution was going to eliminate accountants. It seemed like the thing that computers were designed to do was to keep accounts, and why would we need accountants anymore? Instead, what happened is that we ended up having more accountants because the ability to create spreadsheets and to track expenses, it turned out, created more demand for more rarefied and advanced forms of that service. Whenever I hear someone predicting that a particular line of work is in trouble, I'm always a little skeptical that they can possibly know that. To me, a more useful focus for us, for everyone right now, is to figure out how we create the policy frameworks to deal with whatever way this is going to move as it moves forward.

**Michael Klein:**
I would just add to that, this country doesn't seem to be very good at helping people adjust to a new economic landscape. For example, with trade, there was supposed to be the trade adjustment assistance, and it never really played out. People who lost factory jobs in the 1980s, they weren't retrained to be programmers or anything like that. That's, I think, a real concern, and maybe it requires a rethinking of the role of government in a way that government, to my mind, has failed people in the past.

**Scott Horsley:**
I'll just say to that, there was a lot of comparisons early in the COVID era to the way the Europeans dealt with job dislocation and the way the Americans dealt with it. The Europeans had a much greater safety net than the US did. Ours was a much more sort of draconian way, but in the end, we actually adapted to the wrenching changes in the economy much more quickly and rebounded more quickly than Europeans did. I'm not sure I put a great deal of faith in government as being the salvation there, even though I do think they'll have an important role to play in designing the guardrails.

**Michael Klein:**
Well, the next time we speak, AI will not have played out fully because it'll only be three months from now, but we will know the results of this upcoming election, and we'll be able to talk about what we think the consequences of that could be. I look forward to that conversation, and as always, I really enjoy talking with the four of you, and feel like this is one of the highlights of the EconoFact Chats, this opportunity to draw on your expertise and your insights. Thank you once again for joining me today.

**Panelists:**
Thank you, Michael.

**Michael Klein:**
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