

General Discussion: Luncheon Address

Ms. Malmgren: I had the privilege of also working with the National Economic Council. What I found shocking, coming from a trading floor myself, was that there was no Bloomberg in the White House, and one of the issues that is really interesting is even if there was a Bloomberg not many people in politics know how to read the signals. So, how do you close this gap between what traders tend to focus on and what policymakers tend to focus on? Not everybody in the policymaking world can read those signals quite as well.

Mr. Rubin: If I give you an honest answer will you promise not to tell Mike Bloomberg? I think it's a blessing they don't have Bloomberg terminals. I think we would all be better off if we just sat back and tried to think a little bit about what's going on.

Mr. Sinai: I just wanted to ask how you assign probabilities to various decisions.

Mr. Rubin: Well, how do you make any judgment? The more you know, the more facts you have, and the more you draw out views that are different than your own, the better informed you will be. The better informed you will be, the better will be that ultimate leap, which is your probabilistic way. I don't think, and maybe I'm wrong,

there is a way to sort of objectivize or quantify that kind of decision-making that you were suggesting. I can tell you what I do. I take a yellow pad and write down all the stuff one way or the other, and then I try to think of the weights to put on things. But the weights are all just sort of subjective judgments. I kind of think the more you know, and the more you know about the views of people that disagree with you and what they think and so forth, the better the judgments you will make.

Mr. Ip: You said you think the Fed chairman should be outspoken for sound fiscal policy. So, do you applaud Alan Greenspan for speaking out in January 2001 on fiscal policy?

Mr. Rubin: Well, let me answer that this way. I think that Alan has stood for sound fiscal policy the whole of his time at the Fed. I think he has been terrific. As you know, I was opposed to the tax cuts of 2001 and wrote a 1,200-word op-ed piece in *The New York Times* to that effect. I think you probably are addressing Alan's testimony. If you read that testimony enough times, and I have, it is actually as complex a statement as Alan says it is. I would not have done those tax cuts, but having said that, that testimony is a very carefully balanced amalgam of all kinds of different views. I don't think you can either agree or disagree with it. It talks about PAYGO, it talks about not infringing on Social Security surpluses and all the rest. That was a truly complex framework for making this decision. I think the framework was probably right. I would not have done the tax cuts. But I think what Alan provided was a framework for people to think about in my view. What do you think Alan?

Mr. Greenspan: When's the last time I ever disagreed with you?

Mr. Rubin: You disagreed with me on financial modernization, and then you waited until I left town, which was not the most gracious thing to do.