Larry Summers Reflects

In the decade since Lawrence H. Summers departed Massachusetts Hall, the former Harvard president, now Eliot University Professor, took a sabbatical; resumed teaching; joined President Barack Obama's administration to help secure recovery from the recession; and then re-engaged as a teacher, economics scholar, and participant in high-level policy discussions around the globe. Harvard Magazine visited Summers at his Kennedy School office for a reflective conversation about these activities and some of the ideas that interest him now. The complete transcript appears at harvardmag.com/summers-16; highlights follow.

• On the economic crisis: The economic statistics were, by almost any measure, worse in the fall of 2008 and the winter of 2009 than they had been in the fall of 1929 and the winter of 1930. And we were able to produce an outcome that, while unsatisfactory in many respects, was infinitely better than the outcome that played out in the early 1930s—or the outcome that has played out in Europe and in Japan.

• On higher education's role—and challenges: I still think what I thought throughout my time as Harvard president—that universities have never had a greater opportunity to transform the world, because the world is ever more driven by ideas. It's ever more driven by personal connections that cross boundaries of nations, of class, and of ethnicity. And the older I get, the more I realize that the ways in which people think and act are products of the experiences they had when they were young. So I'm ever more convinced of the importance of universities.

At the same time, I hold to the conviction that I expressed in my inaugural speech as Harvard president and my valedictory speech that the greatest threat to universities in general—and to Harvard in particular—is complacency, and an excessive attachment to tradition. One of my wife's colleagues put it very well when he said Harvard will have to choose in the years ahead between its commitment to preeminence and its commitment to doing things in its traditional ways. I've always been clearly on one side of that—respecting tradition, but focusing on the future.

• On technology and distance learning: I think Harvard has the potential to multiply its impact on the world threefold or fivefold or tenfold, through reaching the entire planet with the knowledge that is here and the capacity to teach and impart knowledge that is here, in a way that would have been unimaginable when I was a graduate student here in the 1970s or when I was on the faculty in the 1980s. Any student, anywhere, could have substantially the experience of taking Harvard's great courses and increasingly benefiting from the interactions that make this such a great place....

Distance education and the use of the Internet are perhaps the most important things that are going to be disruptive in higher education.

• On today's economic situation: Let me talk about...the macroeconomic and analytic research I've done on the idea of secu-
lar stagnation...A striking fact about the world right now is that the United States has a 10-year bond rate of 1.8 percent—and that is very high by global standards.... What that’s telling us is that markets don’t expect a return to 2 percent inflation even over a decade....

Something like this occurred during the 1930s and led Harvard economist Alvin Hansen to put forward the idea of “secular stagnation.” Essentially, Hansen’s idea was that an economy may find itself with a propensity to save that is very high, relative to its propensity to invest in new physical capital. Introductory economics would say that in such a situation the interest rate should decline, discouraging savings and encouraging investment, and bring about balance. But there are limits to how far interest rates can fall, since people can just hold cash, and since excessively low interest rates may create financial bubbles. So it may be that interest rates never get low enough to enable investment to absorb all the desired saving. The result is a tendency toward sluggish growth, low inflation, and very low interest rates—exactly what we’ve seen....

So I believe we have a real macroeconomic challenge that’s very different than the one that we have had traditionally: generating enough demand in a financially sustainable way to absorb all that the economy is capable of producing.

• On policy responses: There are a number of things that flow from this analysis.

First and most obviously, it makes a compelling case for expanded public investment in infrastructure. Money has never been cheaper, material costs have rarely been lower, and there are large numbers of construction workers who are still out of work....Our infrastructure investment rate is lower than at any time since the Second World War, and if you take depreciation out, it is essentially zero. Increased public investment would raise employment in the short run, would increase the economy’s capacity in the medium run, and, by avoiding deferred maintenance, would reduce the liabilities that our children’s generation will inherit.

Equally important is stimulating private investment. There’s no better time than the present to shift away from coal...and to start producing power in more environmentally sustainable ways....

There’s also, in my judgment, a compelling case for immigration reform that would keep more skilled workers and entrepreneurs in this country.... And critically, in the current economic context, where we’re short on spending, measures like increases in the minimum wage and support for fair treatment to union organizers, which promote economic equity, offer the prospect of increased spending, increased demand, and economic growth.

• On steering through “political distemper”: We’re caught in a difficult moment of political distemper. I’m inherently an optimist (though Donald Trump challenges that optimism)....What worries me is that we seem to be losing faith in our public institutions—and responding by making it harder and harder for them to succeed as their resources are cut and more and more requirements are imposed on them. Then there is a vicious cycle of poor performance, reduced support, and poorer performance.

The ultimate challenge for the next president is to reverse this cycle. Without confidence in their government, I think the American people will have trouble being confident in their future. And without an America that is confident in its future, other nations will become ever more insecure and fractious.

Campus Campaign

Harvard’s own 2016 campaign is in full swing, as eligible degree-holders Mull their choices in the annual election of members of the Board of Overseers—unusually contested this year—and Harvard Alumni Association (HAA) directors. The full slates—eight HAA-nominated Overseer candidates and the five challengers who successfully petitioned for a place on the ballot, vying for five places on the 30-person Board—appear on pages 74-75. Ballots were mailed by April 1, and must be returned by May 20, in time for the results to be tallied and announced during the HAA’s annual meeting on the afternoon of Commencement day, May 26.

As reported (see “Crimson Contest,” page 29), a group of five candidates organized by Ron Unz ’83 under the “Free Harvard/Fair Harvard” (FHFH) banner announced in January that they would petition for places on the Overseers’ ballot. They were successful.

Their campaign advances two linked proposals. First, they “demand far greater transparency in the admissions process, which today is opaque and therefore subject to hidden favoritism and abuse.” That message is coupled with language about “powerful statistical evidence” of an “Asian quota” in admissions—leading to their statement, “Racial discrimination against Asian-American students has no place at Harvard University and must end.” Second, they “demand the immediate elimination of all tuition for undergraduates since the revenue generated is negligible compared to the investment income of the endowment.” They link this proposal to the notion that moving from financial aid to a tuition-free model would more readily promote diversity in the student body because, they suggest, “relatively few less affluent families even bother applying because they assume that a Harvard education is reserved only for the rich,” despite the existence of financial aid.

In opposition, a group of alumni organized as the Coalition for a Diverse Harvard have focused particularly on the admissions part of the FHFH platform, and on some of the FHFH candidates’ expressed antipathy toward admissions policies that incorporate consideration of applicants’ racial or ethnic background. As the Coalition’s website notes, the