

Make Me Smart October 13, 2021 transcript

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Kai Ryssdal: Oh, my goodness, seriously? I guess we start there. Hey, everybody, I'm Kai Ryssdal. Welcome back to Make Me Smart, making today makes sense is what we try to do each and every day on this podcast. Thanks for being here.

Molly Wood: That's right. I'm Molly Wood. It's what do you want to know Wednesday, which means it's the day in the week where we get to answer listener questions with the help of our crack producing team. So let's get to our first question, which is a voicemail.

Drew: Hey, this is Drew from Littleton, Colorado. In last week's show, Kai said that the debt ceiling came from World War I and 1917, and I was wondering if you could give a little more background as to what that all led to and why we're here. Thanks so much.

Kai Ryssdal: Oh, yeah!

Molly Wood: I know, Kai's like, overjoyed.

Kai Ryssdal: I got this. So I'll give you the setup. And then we have an actual expert, as opposed to a guy who plays an expert on the radio. So before 1917 and the second Liberty Bond Act of that year, each and every expenditure of money came with its own debt authorization from Congress. So if Congress wanted to build like a post road in, in, you know, New York, it authorized in that legislation the Treasury Department to float a bond to pay for that specific project, okay? And so that went on for 100 and x odd years, which comes with some challenges, right? First of all, you have to do it for every freakin expenditure you want to do. Second of all, what if that project doesn't use all the money, then what do you do with the money in that account? Or what if that project needed more money, and you don't have any more money? And what do you do with that? So anyway, along comes the First World War, right? That's why we got Professor Gerald Friedman at UMass Amherst on the phone.

Gerald: Once we declared war in 1917, however, it was quickly recognized that the United States would be spending an unknown amount on the war, which would require an unknown amount of borrowing. So rather than have Congress come into session and vote each separate bonding, it was decided to authorize borrowing up to a certain level. From there, the actual level of borrowing has been reinterpreted over time, and the level has been raised as needed by the debt appropriated for each year's budgetary authorization.

Kai Ryssdal: So there was a thing in the 1970s, lots, lots, lots, lots. There was a thing in the 19, late 70s, early 80s, where they had what's known as the Gephardt rule, right, named after former congressman Richard Gephardt. And basically it said if Congress passes a budget of x bazillion dollars, then the debt limit is set at x bazillion dollars. And that was good for about 10 years until they realized, Congress did, that it could be manipulated, shall we say, for political ends. And that, in a very long story short, is kind of how we got to where we are today. It's a cool history.

Molly Wood: It really is. And I would just like to say that right up until the part where professor Friedman started talking, Kai just did that, guys, he just knew it. Just legit knew it. That's like, as excited as I have heard you sound in ages.

Kai Ryssdal: I should do a history podcast, I know.

Molly Wood: For real, though, my goodness. And fun facts from Professor Friedman, he said that to his knowledge, there is only one scholarly paper on this, by the way, by an economist at the Federal Reserve in 1954. We will have a link to that paper on our show notes. Look for Kai's history of economics podcast coming to a podcatcher near you in January 2022.

Kai Ryssdal: That's right. That's right. All right. Next question. Kind of piggyback off yesterday's deep dive is what this one does. Here you go.

Reed: Hey, Kai and Molly. This is Reed calling from outside Philadelphia. You guys have been talking a little bit about carbon capture technology, Molly has her new podcast, but every time I hear about this, I think what about trees and plants? Don't we already have carbon capture technology called plants? Can you make me smart about how they're different and why the new technologies might be better than planting trees? Thanks for making me smart.

Molly Wood: We do have trees and there are actually a lot of people who will tell you that before you try to go and invest, that is accurate, correct, there are trees. But there are plenty of people who will tell you that before you go try new invent a whiz bang show boodle doodle blob, and sell it for a trillion dollars, people talk like that it's true, that before you do that you should plant a trillion trees, trees and other plants, of course, yes, those are that is nature's original carbon capture device. Most climate change experts agree though, that because of the rate at which we are emitting carbon into the air and taking down trees, and because of there's, there's an interesting tension between how effective a solution is and how much land it takes. And planting a trillion trees takes a lot of land. We have that land, but you have to have people to plant the trees. And it takes a long time. And so there's, this is a, this is a yes and answer. We need to plant a trillion trees. And we need to do everything else we can possibly do. Including potentially carbon capture, there's, there's a couple of different types of technologies, there are about 21 commercial projects like large scale projects where carbon dioxide is, is removed from factory emissions. And then there's also the, so like, you know, the emissions are coming out and you kind of like, suck the carbon out. I'm just really talking like a cartoon today, I don't know what's happening. And then there's direct air capture, which is this idea of literally pulling carbon out of the atmosphere, there are about 15 of those plants spread through Europe, the US and

Canada. But it's all super expensive. And so if you're a factory, and somebody is coming along and saying like, Hey, can you add a million dollars of capex to put this little thing on top of your pipe, emissions pipe to capture the carbon before it goes out? You're gonna say, no thank you. So right now it is cheaper until there are incentives and or the cost comes down because of widespread adoption. Right now it's cheaper to like, emit the carbon. But it is, it is an interesting and promising thing and should be combined with trees. Apparently Elon Musk put, created a, like \$100 million XPrize type thing for whoever can come up with the best carbon capture technology. It's also something that some people will say, like, there's a lot, industry is putting its hopes in carbon capture so they can just keep emitting as much as they want and never have to clean up their operation, which is also a reasonable argument.

Kai Ryssdal: Yes, except, right, I mean, ideally, we cut down on those missions, and then we don't have to sweat the carbon capture thing. Right?

Molly Wood: Right, or we do both. We clean up operations and we get carbon capture. And, you know, and then we're at the point in the climate crisis. Yep. Where everything is on the table. Do it all. Do it all. Our next, I'm like terrified of what's about to happen, our next question is about retirement. I don't have any good advice about that. I don't know.

Kelly: Hey, this is Kelly from Minneapolis. And I am currently calling you instead of calling my financial advisor to set up my next appointment, because I hate having those appointments. Because I find talking about retirement planning and my social security options of how long I'm going to live really, really uncomfortable. So I'm wondering if anyone else in other countries has better options that we do, or different options that we should be looking into? Thanks for making me smart.

Kai Ryssdal: Oh boy. Well, so the short answer to your question is, yes, that's exactly right. I'm like, are you gonna go there? Basically, everybody in the developed economy world has better options than we do, right? I mean, there are examples, like you could look at Europe, you could look at the Scandinavian countries, right? They've all got basically better options than we do. Right. So here's some statistics, thank you, Grace and Marissa, in the United States to Social Security benefit for the average American worker, about 40% of their average earnings over their career in France or the Netherlands, the number could be as high as 70% or higher, but they pay more taxes than we do, right. We have decided in this country we don't actually want to be taxed for the things that we actually want. And therein lies the public policy conundrum, right. Also in the UK, they auto enroll you in what is essentially retirement plans, 401k plans. That is not the case in the United States. And in fact, only half of us participate in a retirement plan. So it's, it's really, really tricky. You got to save on your own, social security is going to be there but it's not going to be all you need, especially if you have a lifestyle to which you have become accustomed. Start early, right, save young, money compounds over time, and oh by the way, consult your own financial advisor, go to those appointments because it's painful and scary and terrible, and I hate it, but you gotta do it cuz you're gonna turn like, 65 one day and then you're gonna live another 30 years. For reals.

Molly Wood: Well, you got to do it because so far in this country, to just reiterate, no help is coming.

Kai Ryssdal: Yeah, yeah, yeah.

Molly Wood: I'm all too familiar with this right now with parents, I have these parents and my friends have, have aging parents who, you know, didn't save enough for various reasons because of, frankly, all of these obstacles and, and, again, like, no help was coming.

Kai Ryssdal: Right, no help is coming. But we did get on the phone, right, we got on the phone with Courtney Coyle. She's a professor of economics at Wellesley, she studies retirement plans and to the question of, you know, stressing you out, which, sadly, it does, but it kind of has to to make you pay attention. Anyway, here's what Professor Coyle said.

Courtney: I think it's fair to say that the average worker in, say, a European country would be less stressed about their financial security in retirement, first of all, because they would have a pension plan combining all forms of support that would offer a higher replacement rate than what most US workers have. And maybe second of all, because other kinds of social insurance programs provided through the state, you know, health insurance, possibly long term care insurance, might offer greater protection against the out of pocket costs that can come up later in retirement, which are the major source of financial stress for a lot of older households.

Molly Wood: Like many others, totally.

Kai Ryssdal: Yeah, yes. Right. So this totally goes to the conversation we're having right now, actually, as we talked about what the democrats want to do in Congress and what Biden wants to do, and the social safety net and all of those things, right? It's, it's a, it's about health care and child care, and eventually, retirement in your later years, and you have to do most of that yourself right now.

Molly Wood: I think it's so interesting how few people in America maybe really even understand how much we don't have compared to similar economies. Like it seems really instructive to me every time we answer one of these questions, it's like, oh, no, they totally have that somewhere else. You know, we are no, we definitely are the only major economy in the world without paid leave for parents, and, you know, universal health care and pensions. Yeah. Yep. Yep. Hmm. So we'll see. There are some interesting programs, though, speaking to this question of like, what states are doing, evidently more than a dozen states, including Oregon, Illinois, and California, have launched their own state run auto IRA programs, you know, the, the auto enrollment thing to help people start saving immediately. There's also legislation in, pending in Congress, fingers crossed, that would require employers to make certain part time workers eligible for their company's 401k also. Yeah. Tell us more, tell us more, by the way, we have, we're like, seeking your input here at make me smart, makemesmart@marketplace.org. How does retirement work in your state? Are you saving? Do you have a pension? Do people still have those anymore?

Are you freaked out? Are you like Kelly, you're just blowing off your appointments and calling us instead? Email us.

Kai Ryssdal: Go to your appointments. Alright, last one real quick. Remember, on Monday, there was a leaf blower that interrupted the podcast. Josh from Ohio wrote in here it is.

Josh: I was excited to hear you mention my personal nemesis, the lawn care industry. As a new homeowner, I'm beginning the slow process of removing this worthless grass in my yard, and installing what I think of as a carbon garden, so trees and perennials, creating habitat, sequestering carbon, and meantime not running my mower and releasing more carbon and not putting a bunch of chemicals that end up in the creek behind our house. But I wonder if you could make me smart about the size of this industry as a whole in our country. Thanks for making me smart.

Molly Wood: A carbon garden, look at that, we circled right back up at the top. That's amazing. Yeah, that is absolutely amazing. Large, by the way, the landscapes are. I've never met a person who had an industry as a nemesis. So I'm curious about that. Although I guess many Americans have pushed would probably say healthcare, in 20, or like, wait, cable. cell phone service?

Kai Ryssdal: Yeah, the cable guy, cell phone company, right? Yes. Yeah, totally.

Molly Wood: I'm off on a tangent. The landscape services industry, according to research analytics firm and our crack producers, has a market size as of 2021 of \$105.1 billion. It's big. That's pretty big. I had no idea, and apparently during the pandemic, a lot of people got more into gardening and landscaping, so sales of powerline gardening equipment went up. Of course now nobody can find them because of supply chain issues. I will say that I have wondered a lot about the leaf blower thing, like I've thought to myself of all of the issues and fights that California could pick, as the leaf blower thing really the one because it sort of punishes like a lot of these very small landscaping outfits, or like the one guy who has to pay a lot of money to replace the commercial, you know, gas powered leaf blower, although evidently they are pretty terrible. Yeah, I didn't know this, how bad they are. The California EPA estimated that operating a commercial leaf blower for one hour would emit more pollution than driving a 2016 Toyota Camry for about 1,100 miles.

Kai Ryssdal: Yeah, yeah, they're terrible. But also, just to the bigger point that you made, I forget what day it was, about, about doing the work, so, so you wonder whether this is the battle that California ought to fight, I think, and this is about climate change and environmentalism and all that stuff. I think we got to fight all the battles, right? I think we got to fight all the battles the same way we got to do all the work, we got to find all the battles. That's what I think.

Molly Wood: Yep. And you got to start somewhere. And if these things commit, evidently create more ozone pollution than light duty passenger cars in the state of California, okay fair. Yeah. All right. That's it for us today. We'll be back on hollowed out shell Thursday, keep sending your

questions. What is your industry nemesis, for example, and your make me smile suggestions because they're so fun, atmakemesmart@marketplace.org, or leave us a voicemail, our number is 508-827-6278, 508-UB-SMART. Make Me Smart is produced by Marissa Cabrera.

Kai Ryssdal: And, and hosted by Molly Wood, whose lines I'm stepping on right now. Go ahead. I'm sorry.

Molly Wood: I mean, if you want this one, that's cool. With help from Marque Greene. You got to admit they crushed it today on what do you want to know Wednesday. So many good answers with experts. Today's program was engineered by Lianna Squillace, who claims that sailing is not a decent substitute for yachting, you cannot interchange those words. Tell us what you think about that. Our intern is Grace Rubin.

Kai Ryssdal: Oh my goodness. Ben Tolliday and Daniel Ramirez composed our theme music. Our senior producer is Bridget Bodnar. And there you go. My goodness.