

Make Me Smart November 16, 2021 transcript

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Molly Wood: Hey, everyone, I'm Molly Wood. Welcome to Make Me Smart, where none of us is as smart as all of us. Thanks for joining us.

Kai Ryssdal: I have a really stupid question. And it's a little late in our lifetime on this podcast for me to be asking this. Do we use the same music on Tuesdays that we do Monday, Wednesday, Thursday and Friday? That's a serious question because it sounded totally like, not usual. Okay, all right. Okay. Juan Carlos is looking at me like I have three heads.

Molly Wood: I know, now I'm like, do we start it in a different place? You've made me question my entire existence.

Kai Ryssdal: See what I mean? It just caught me. Anyway, sorry. I'm Kai Ryssdal of the stupid questions. It's Tuesday today, our weekly deep dive into a single topic. We're going to talk about onshoring today, bringing factories back and production back to the United States from overseas, which is to say the opposite of offshoring, perhaps. And look, with all the supply chain issues we've been having, and the tariff thing that we went through in the late Trump administration, and oh, by the way, early Biden administration, maybe not a bad idea. I don't know. And how do people actually running the supply chain feel about that?

Molly Wood: Well, and this has been this ongoing conversation, because it's sort of the opposite of globalization as giant economic impact that like, hollowed out the middle of this country and got rid of manufacturing and all these industries went away and there wasn't like, reskilling and job training, right. So it's sort of this convergence of long standing and relatively recent events, leading us to ask this question like, why can't we just make stuff here? And there was talk that we would and in fact see lots of companies bringing manufacturing back for everything from like, masks and gloves and testing kits to semiconductors. And so we wondered, are we doing that? Is that happening?

Kai Ryssdal: Megan Greene is back on the pod. She's an economist, also a senior fellow at the Kennedy School at Harvard, also chief economist at Kroll. And as you'll hear in a minute, she sometimes writes for The Financial Times. Megan, welcome back to the pot.

Megan Greene: Yeah, thanks for having me.

Kai Ryssdal: So let me ask you the, the sort of sequencing question first. Do I have it basically right that as these tariffs ramped up and then the pandemic had everybody saying, oh, wait, we need to not be offshoring anymore. Is that basically right?

Megan Greene: Yeah, that's absolutely right. And it's part of a much bigger, more global trend of economic nationalism that we saw when Donald Trump was elected, when we had Brexit, and then when we had this big trade war between the US and China. Part of the stated aim of that, actually, was to bring good manufacturing jobs home to the US. And so this has been a trend and when the pandemic hit, and much of the West was left without any personal protective equipment, lots of people said, you know what, we need to be thoughtful about, about producing stuff at home, that it's a national security requirement. So maybe we should onshore. And so most economists, myself included, thought that this pandemic was really going to prompt a big acceleration of the trend we'd already started to see where we have de-globalization and companies are basically packing up their toys and going home. That's the narrative. The question is whether that's actually happening.

Molly Wood: Sounds like maybe no, from your, sounds like you might be building up to a no.

Megan Greene: Yeah, you got me. So I think we economists have been intellectually dishonest in just putting this narrative out, but nobody's actually gonna check to see what's really happening. And to be fair, it's really difficult to check out whether it's happening, particularly if we're looking at sort of post-COVID whether this trend is happening, because we don't have that much data and a lot of the data is really lagged. Um, so the best data source we could use is put out by the OECD. It's actually updated this week, all the way up to 2018, which doesn't even include the pandemic. So it's not just that we're being intellectually dishonest, it's that our data isn't very good. But there are some things we could look at to get a sense. One ratio if you're looking at kind of the exchange of goods and services across borders is a ratio of world trade to world goods, and it increased massively from the 1970s until the global financial crisis, but since then it's just kind of gone sideways. So it means we're not globalizing as fast as we were, but are we actually deglobalizing? I think the answer to that is really no. Also you'd think if, if we had companies just pulling up sticks and moving back home, trade balances should shrink. But if you look at the data, the US trade deficit just hit a new record as imports soared in September. China's trade surplus on the other side of that is, it's way above pre-pandemic levels already. So the trade data itself doesn't suggest that we're deglobalizing. So you can look at other things, and you can look at flows of money. So our, if we're less globalized now, then you would expect that, you know, American firms would invest much less in China and vice versa. But actually, China's just overtaken the US as a top destination for new foreign direct investment. And according to the Ministry of Commerce in China and, you know, you can take their data with a grain of salt if you want to, but it looks like FDI into China, you know, not only hit a record last year, but is on set to hit a new record this year. So money's still flowing across borders. What about the fast money? So investors are, are investors sending money into equity and debt markets abroad? Well, you know, a bunch of money flew out of emerging markets broadly at the beginning of the pandemic, and China wasn't accepted from that. But actually, almost every single month since then, we've seen foreign flows of money going into Chinese debt in equity

markets. And so if you're looking at the hard data, the economic statistics, this, this narrative of deglobalization just doesn't stick.

Kai Ryssdal: Let me, let me back you up for a minute to the world trade versus world goods thing, because I read your piece in the Financial Times, which, which, I guess, yesterday, Monday, and that was your first example. And, and I need you to unpack that. What does that mean and why does it matter?

Megan Greene: Yeah, so I mean, most economists can accept that part of globalization is, is trading goods and services across borders. And so one way to try to gauge that is to say, how much of this stuff is crossing borders? So how much trade do we have relative to how much activity do we have? What kind of global economic activity and, and that ratio, like I said, it's just kind of gone sideways. It's bounced up and down a little bit over the past couple of years, but there's no real indication that it's tanked since the pandemic hit.

Molly Wood: So if onshoring isn't happening to a large extent, I guess that raises the question, should it? You know, like, do the things go hand in hand, did we decide that onshoring needs to happen, but maybe it doesn't, or onshoring isn't happening and it still needs to?

Megan Greene: So I think one of the reasons why politicians would like onshoring to happen is because goods producing jobs, so manufacturing jobs, tend to be high wage, high hour jobs, those are the kinds of jobs that we want to be creating in our country. And so there is this idea that we lost a lot of those jobs to China, for example, when China joined the WTO, we had this wave of globalization. That is true, we did lose some of those jobs. But we lost many more to technological innovation and automation. And so we're never gonna roll that back, right. Even if we roll back globalization, we're not going to go backwards on the technological innovation front. And so those jobs, I think, just aren't coming back. And for companies that are making decisions about where to build their factories and where to get supplies from as inputs for their goods, they're making these decisions based on cold, hard medium term calculations about their bottom line. So they want to go to where it's going to be the cheapest, where they can get into really sophisticated, deep supplier networks, where they can find really efficient ports so that they can actually get the goods and send them elsewhere, and where they can get access to talent and quality. And so even if, you know, they're places like Mexico that are much closer and could be slightly cheaper just in the shipping, they don't necessarily get all these other things from nearshoring. And they wouldn't get all these other things from onshoring back to the US. And so I think there's a reason that we globalized and it comes down to companies' bottom lines. And, you know, Mexico is already closer to the US than Asia. And yet we've done, we've had all this production in Asia for a reason. That reason isn't really changing much. And so I don't think that we're going to see deglobalization. What we might see instead is firms decide that we're not going to be entirely, entirely reliant on China as kind of the world's factory as we have been in the past. And so some production might stay in China--don't forget China's a really big market for a lot of these companies to sell into. So they'll want to maintain a presence. But they might also have another supply chain that goes through, for example, Malaysia or Thailand or Vietnam that they can use for inputs for goods that they're going to export to the rest of the

world. So instead of getting deglobalization, we'll get this kind of China plus one strategy. And so then that means maybe we're diversifying away from China, our supply chains are changing a little bit, but we're not deglobalizing. I think globalization has gone so far, and also makes so much business sense by now that we're never going to actually roll backwards on it. We might just globalize more slowly than we have in the past.

Kai Ryssdal: Can we talk about timescale here for a second? Because it's only been three-ish years and supply chains get established literally over decades. And I wonder if we, and by we I mean you economists, really, were sort of naive to expect to see changing patterns in just three years.

Megan Greene: Yeah, I think it totally depends on the industry. To be fair, there are some supply chains that can repattern pretty quickly if firms are motivated. But, you know, if you're gonna go ahead and set up shop in a totally different country, you have to build infrastructure, you have to build factories, that takes a long time. So a great example is the Taiwan semiconductor manufacturing company has decided to build a big semiconductor plant in Arizona. And everyone's been very excited about the, the immediate change that this would pose to supply chains, but it won't be operational until 2024 at the very earliest. So to your point, it takes a long time and it takes significant resources in order to build new factories and new supply chains. And so I think it'll take a while, but also some firms are thinking, is this really worth us doing? It takes significant resources, maybe we'll just stick where we are.

Molly Wood: I wonder--this is a maybe slightly curveball question related to this. But there has been a lot of talk about domestic supply chains. And when we think about something that could disrupt this kind of diversification, but not deglobalization trend that does feel really likely, I wonder if that thing is climate. Like if there were all of a sudden a carbon tax on how much these goods had to move all around the world, involving a lot of like, jet fuel and, you know, diesel, would that be a disruptor? Is that a reason for domestic, for more domestic, you know, production and less travel?

Megan Greene: Yeah, so you're right, shipping and air freights are pretty carbon intensive. And so if we do decide that we're applying a carbon tax everywhere, that would incentivize companies to optimize based on minimizing the carbon emissions in their supply chain. So, you know, getting inputs from halfway around the world obviously isn't ideal. I guess I would question whether we're really going to embrace a carbon tax, an outright carbon tax. It seems like parts of the world like Europe have certainly embraced it. I'm not sure if you guys saw, I think the Atlantic wrote an obituary for the carbon tax in the US, because it was just so far off the table politically. Yeah, it's brilliant. You know, it seems to come back into the political discourse a little bit, I think it's incredibly unlikely still, it's no longer completely impossible. But I think it's a long way off. And my base case scenario would be that the US wouldn't actually embrace a carbon tax, instead there would sort of be an implicit indirect tax through lots of regulation, so it's not a real tax, it just has some of the same effects on businesses through regulation. And, and then you wouldn't have the same impact on supply chains. There's another option other than a carbon tax where governments and central banks decide they're just going to subsidize this

green transition, which I think is also a possibility, in which case I think firms wouldn't need to worry so much about repatterning their supply chain so that they're more green. They would benefit from the subsidies in any way that they can implement green initiatives and green investments instead.

Kai Ryssdal: But, but in any case, really quick, Megan, just on the way out here, either one of those, figuring out some kind of carbon price or, or any of the other things, that's, I mean, that's not happening tomorrow, right?

Megan Greene: No, unfortunately not. I think it's, that's gonna be a long way coming and the longer we wait, the more abrupt the adjustment has to be, so the more disruptive it will be to growth into supply chains as well.

Kai Ryssdal: Megan Greene, she's an economist, also senior fellow at the Kennedy School at Harvard, Chief Economist at Kroll, and she writes for The Financial Times sometimes too. Megan, thanks a lot. Appreciate your time.

Molly Wood: Yeah, thanks.

Megan Greene: Thank you.

Kai Ryssdal: Yes, there you go. You know, it's, capitalism doesn't care whether you live or die. As she said, it's all about the bottom line. It is. It is. Right? I mean.

Molly Wood: I know. Yeah, totally. It honestly, capitalism cares about--

Kai Ryssdal: Speaking of which, oh, I'm sorry. Yeah.

Molly Wood: You know, and I'm so--so it really is a question of like, will American consumers say they want things that are made in the USA? Will there be some pricing pressure on carbon? And I'm not suggesting that there will be, it's sort of just like, what will be the inputs that cause a change, if anything? And also I just think it's so fascinating that everybody was like, oh, yeah, it's totally happening. No, it's not. It's not. No, it's not. It's not happening.

Kai Ryssdal: Super quick, I should have made this a news item, but just in the whole capitalism doesn't care whether you're live or die. Did you see that Jamie Dimon, the CEO of JPMorgan Chase, went to Hong Kong and was excused from the mandatory quarantine period because, says the Chief Executive of Hong Kong, well, it's a really big bank, really big bank, and it was a really important meeting. And I'm like, oh, okay. Okay.

Molly Wood: Okay, sounds great. Good, sure, great. Yeah, that is about is, that's about as object lesson as it gets. Jamie Dimon now officially in the Aaron Rodgers club. Do whatever the hell you want club. Delightful. Alright audience, what do you think though? Has the, have supply chain issues changed the way you're shopping? Are you like my one friend who bought the

peloton because it's made in the USA as opposed to a cheaper option? Are you shopping locally for the holidays or anything? Let us know. Our number is 508-827-6278 also known as 508-UB-SMART. You can also leave us a voice memo at makemesmart@marketplace.org. Just record it with your computer speakers, so easy.

Molly Wood: It's a really big bank.

Kai Ryssdal: And it was a really important meeting. It was a really important, really important meeting!

Molly Wood: Oh, man. Okay.

Kai Ryssdal: Really, we're doing that? Okay, I've got two and the general category is technology is awesome, technology is terrible. Okay, so the first one I'm going to start with is awesome just because it's wild. So Steph Curry, basketball player extraordinaire, Golden State Warriors and three pointers out the wazoo and all this and that. So he, over the past number of years, has been working with a technology company to refine his shots. So for him, just making a swish is not good enough. That is to say, going in the basket without a net. Okay, this is a story out of the Wall Street Journal, go into the basket with hitting, just hitting the net is not good enough. Steph Curry wants to swish within a swish, and so he's used technology to narrow the rim of the basket when he shoots so that every time it's going to be straight down the middle. And Steph Curry shoots at some outrageous percentage from the floor and from the three point arc. And I just thought this was super, super cool. Here's a guy using technology to refine his already awesome skills. And I just thought that was amazing. I just thought that was awesome.

Molly Wood: I'm gonna be a little bit snotty.

Kai Ryssdal: Okay, go ahead.

Molly Wood: We talked to Rachel Pike on marketplace tech in 2019.

Kai Ryssdal: Oh, there you go.

Molly Wood: About exactly this, but it is so interesting. Yeah. I mean, I love it. I love to see that she is like, blowing up and good job to The Wall Street Journal for picking that up. But I was like, wait a second. I think I talked to that lady. We'll have the story in the show notes.

Kai Ryssdal: Super cool. Super cool. Second one, technology is terrible. I don't know, this is also out of the Wall Street Journal. And I'll just read you the lead. A group of investors is pooling millions of dollars in cryptocurrency in an attempt to purchase a rare, first-edition copy of the US Constitution being auctioned off at Sotheby's. Contributors would not receive realized ownership of the Constitution. Rather, they would get a governance token that allows possessors to advise on where the Constitution should be displayed, how it should be exhibited, and the mission and values of constitution DAO, which is the group in question. Stop, stop, stop.

Molly Wood: I don't even know how I feel about this stop. Wow.

Kai Ryssdal: Sotheby's figures it's going to go for \$15 to \$20 million. The group has raised \$5.2 as of this morning, or around 100,211 ether. So I don't think they're gonna get it if they bid, you know, somebody like David Rubenstein is going to get it probably because who can't use two or three copies of the constitution.

Molly Wood: It is really interesting that the one they're trying to buy is evidently the only copy that is currently in private hands. And the goal at least of this DAO, the, which is a decentralized autonomous organization, says they want to put it into the hands of the people, that's why they have the governance about where it would be displayed and, and all that.

Kai Ryssdal: What could possibly go wrong? That's all I'm saying.

Molly Wood: Well, I mean, we let like, some rich guy buy it and put it in his house, so.

Kai Ryssdal: He put it, he put it in the Capital. David Rubenstein bought it and put it in the Capital.

Molly Wood: Wait, this current one?

Kai Ryssdal: No, not this current one. The one David Rubenstein bought--

Molly Wood: Yeah, that's what I'm saying. This current one is the only one in private hands.

Kai Ryssdal: Right. Right. Who kept it in his garage or whatever, yes.

Molly Wood: I mean, certainly if the ownership changed or whatever, that's a question, but just doesn't seem any worse than--

Kai Ryssdal: Well, that's fair. Anyway, I just, it was just, I don't even know.

Molly Wood: It is weird, though, to think of like, I don't know, when you have like, crypto and rare copies of the Constitution in the same sentence. You're a little bit like, I don't know how I feel.

Kai Ryssdal: Yeah, no, I know. Sorry, wait, very quick, random thought for the producers listening down the line. We should do an episode on Aetherium and smart contracts because--oh, Juan Carlos agrees--I don't understand them. And I feel like I should.

Molly Wood: Is he nodding?

Kai Ryssdal: He is literally nodding. Yes.

Molly Wood: That's awesome. Right on. Also agreed. Yes, definitely do that. Aw, that was the first time I said it.

Kai Ryssdal: Like in the past tense, like in the future imperfect or whatever the hell it was.

Molly Wood: Yeah. This story broke yesterday, I'm just quickly, quickly changing the subject because it is not time for crying yet. I have a couple more days to work on this. This story broke yesterday, and there were too many things in the lineup, I'm just going to be totally honest. And I was like, I will get my chance to talk about it. And it turns out that it has only grown in terms of coverage. And that is a story about how the Russian government conducted an anti satellite missile test on Monday, blew up a satellite in space, causing all of the astronauts on the ISS, including two Russian cosmonauts to have to take shelter because of the debris that, you know when hurdling, such as things hurtle through space, and it's like, not the first time it's happened, but somebody described it as, you know, a NASA scientist as just sheer madness to blow things up, to shoot things out of space and create this increasing debris. And it is so, I just think it is such an interesting story because it's so sort of fundamentally anti-globe to do this sort of thing.

Kai Ryssdal: That's a phrase--sorry to laugh--that's a phrase.

Molly Wood: Yeah, right, or like, anti-human, anti-humanity to do things like that, you know, there's this, um, not only is it dangerous to all of the people on board the ISS, but there's this theory called Kessler Syndrome, which is that, or the Kessler Effect, which I believe may be the premise of that movie *Gravity*?

Kai Ryssdal: Yeah, the opening sequence of *Gravity*. Oh, have you not seen that?

Molly Wood: No, it seemed like, like it had a lot of feelings.

Kai Ryssdal: Not till the end, not till the end.

Molly Wood: Okay. Alright. I'll think about it. The, the, the, the theory is essentially a cascade, it was proposed by this scientist in 1978. And they basically said, okay, well, like if the density of the debris in space because of space pollution, which we are doing all the time, is high enough that those objects start to collide with each other, then each collision generates more debris, increasing the likelihood of further collisions, and pretty soon you basically get a, an impenetrable wall of junk all around Earth. And I know that we don't like to think in terms of, you know, even 100 years, let alone like 1000s and 1000s. But like, if we get stuck on Earth because of our own crap and become like, Octavia Butler calls it smooth skinned dinosaurs, like we go extinct because we cannot flee our own planet because we created so much crap with stupid stuff like this, like, let's just shoot a satellite out of the sky and see if we can, or the space, like that's just gonna be in some ways, frankly, it occasionally feels like the fate we deserve. But like, come on, humans.

Kai Ryssdal: Yeah. Yeah. Two very quick things. Number one, the United States has done these tests too, right? I mean, we haven't done them in like 10 or 12 years. So that's item number one. Item number two is, it's a little bit off, but the whole Kessler syndrome thing is a little bit the, the way Seven Eves breaks down, from Neil Stevenson, right? I mean, that whole with the moon and I won't give it away but, but you know, that.

Molly Wood: Yeah, that. The thing where like--I know. But everyone just, just go read it because that's, that's exactly this. Except the way, way, way, way worse version. Best case we just get trapped on Earth and go extinct. Worst case, we ignite the atmosphere with all our junk. Should we let someone else talk?

Kai Ryssdal: It's not even Thursday.

Molly Wood: It's only Tuesday and Molly's getting existential. Alright, mailbag time.

Molly Wood: We heard, and this is not that surprising since over 4 million people who quit their jobs in August, but we heard from a lot of you who gave us a big old yes, and to last week's episode on the great resignation or the great bye bye or the big bye bye. The, the, the--I'm trying to think of a word that starts with a P so I can say the peace out. Anyway, plenty of people called and shared stories. Oh, the professional peace out.

Kai Ryssdal: Yeah, that's a good one.

Molly Wood: I'm cracking myself up right now. Anyway, plenty of you did some version of this, and we made a montage. Here we go.

Hi, Kai and Molly. I'm one of the 4.3 million people who quit their job in August. I also realized that my job was a soul sucking existence.

It's so nice not to be in a toxic place anymore.

I've been applying for similar jobs for years and never even got an interview before.

I left an eight-year career during the pandemic for something new.

And I put everything that I wanted on the table. I was terrified. But I got all of it. I admit that I took a pickup in this job. But there's more to work than salary.

Eight months later, I'm in the running for a promotion because the guy above me quit.

Now I feel like I'm able to live the life that I want. And work is just another part of that.

Kai Ryssdal: That's, that's like the last year and a half in a microcosm, right. That's the whole thing. It's crazy.

Molly Wood: Yeah, that's I mean, that is amazing. That is it. That is every economic report, right? And quits rate and this and that in a bunch of human voices. From, specifically, Patrick in Texas, Sherif in Sacramento, Rachel in Dallas and Ryan in Philadelphia. Apologies if it was Shara. Shara or Shara, one of those.

Kai Ryssdal: That was a good montage, props to the producers.

Molly Wood: That's great. Well done, producers.

Kai Ryssdal: And thank you, oh, by the way, for calling in your stories. Keep doing it. Keep doing that. Yeah. All right. Leave you today as we always do with the answer to the make me smart question. What is something you thought you knew but later found out you were wrong about? Shria in California has this.

Shria: Something I thought I knew that I very recently found out I was wrong about after the birth of my now 11 month old. I thought babies were stinky little buggers. Between the spit ups and the poopy diapers, I was prepared for all the odors. But I came to discover that despite the poops and the spitting, they actually smell quite lovely most of the time. And on days when I feel crippling climate anxiety, that baby smell insights equal parts fear about her future, but also instills in me a steely resolve to fight tooth and nail every single day to leave her not just a livable, but a thriving planet. I guess what I'm trying to say is thank you to this podcast for continuing to have nuanced conversations about the climate emergency that go beyond the headlines. You are the podcast version of that new baby smell. Thank you, Kai and Molly.

Kai Ryssdal: Oh my god, we're the podcast version of that new baby smell.

Molly Wood: I mean, way to make a metaphor. Way to make--bravo Shria, that was beautiful.

Kai Ryssdal: That was a nice little turn, nice little turn.

Molly Wood: I may have teared up a little. Yep.

Kai Ryssdal: Send us your answer to the make me smart question. Whatever comments, whatever you want to say, we're here to hear it. Our phone number is 508-82-SMART.

Molly Wood: Oh man, I want to smell a baby so bad right now. Is that a weird thing to say? Okay, we'll be back tomorrow for what do you want to know Wednesday. I maybe shouldn't have said that out loud. But it's just a mom thing. There is, because the dogs, they stink. There's no. they act like babies forever but they smell terrible. There is still time to send in your questions. Once again, 508-82-SMART is our phone number or write to us that makesmart@marketplace.org. Somebody bring me a baby!

Kai Ryssdal: Liv, my 14-year-old, said to my wife the other day, we're talking about whatever it was, Liv was like, Mom, you could just pop another one out! And my wife looked at Liv and she was like, shut up.

Molly Wood: She's like, get away from me.

Kai Ryssdal: Make Me Smart is directed and produced by Marissa Cabrera. Our intern is Grace Rubin. Tony Wagner writes our newsletters but not the show page.

Molly Wood: That's right. Today's program was engineered by Juan Carlos Torrado with a great second on a story idea. Mixing by Emma Erdrink. Ben Tolliday and Daniel Ramirez composed our theme music, which we use every day. The Senior Producer is Bridget Bodnar. It does sound a little different on Tuesday. I don't know why. Donna Tam is the director of on demand, and Marketplace's Vice President and general manager is Neil Scarborough. Made it!

Kai Ryssdal: Just made it, because the rule is, of course, when the music stops, you got to stop talking.

Molly Wood: You got to stop talking.

Drew: Hey, everyone, it's Drew. We're planning some special surprises for Molly before she leaves. And we'd love your help. Send us your goodbye wishes for Molly so we can share them with her honor last week. You can email us with your note or voice memo attachment at make me smart@marketplace.org Just put goodbye note for Molly in the subject line. Or leave us a voice message. Our number is 508-827-6278. That's 508-UB-SMART. Thanks for your help.