

[Transcript] The Realignment / 329 | Saagar & Marshall on Congress, Airline Debacles, & Taiwan + John Lettieri on Non-Competes and American Dynamism

Soggy and Marshall here. Welcome back to the first discussion episode of 2023. This is going to be a great one. It's going to be a little shorter because of scheduling. We've got breaking points and the conference coming up, but I've attached a great interview with John Lettieri of the Economic Innovation Group talking about the non-competes move by FTC chair Lena Khan. The saga and I will talk a bit about. So here's getting plenty of Friday realignment content. Soggy, there are so many things to talk about today before we get into that. If you guys enjoy these types of conversations, definitely subscribe to the Supercast realignment at supercast.com. You can also find the link in your show notes. Okay, we are recording this on Wednesday. So the FAA and travel is going to be a topic. I thought this was going to be something that we could leave in 2022. I was like, oh, that's a little dated. I don't want to bring up Mayor Pete. I mean, Secretary Pete Soggy, give us a summary of what happened and then we'll get into our takes. Well, it's a very developing situation right now. So basically before 9 a.m. Eastern time, overnight, all the way up until Wednesday morning at 9, all FAA systems were down that basically regulate the amount of planes that are in the air and allow air traffic control to keep track of everyone. More than 7,000 flights within or in or out of the United States were delayed on Wednesday. 7,000. Obviously that cascades all the way down the line in terms of delays and cancellations because multiple planes fly multiple legs for incoming flight is delayed and your outgoing flight is going to be delayed. All of this is due to a massive outage of the FAA system called the Notice to Air Mission Alerts, otherwise known as NOTAM. Okay. What does that matter? Because this is basically the third massive meltdown in the airline system in the last year, which is crazy. And it just highlights Mayor Pete and his just complete ineptitude at doing his job. Everybody out there with a snarky comment who's like, what is he to control the system? It's like, well, actually, yes. Like one of the things that you're supposed to do is maintain the integrity of the FAA system, especially because one of the things that the airlines were blaming cancellations on literally what, six, seven months ago, was specifically FAA incompetence and Pete Buttigieg claimed that he was getting to the bottom of it. And this comes on the heels of what, two weeks since the Christmas meltdown of Southwest, where at one point Southwest canceled 50% of all flights worldwide. In the entire globe, we're literally canceled because of Southwest. And it was because, again, a complete corporate incompetence. But beyond that, Southwest and all airlines are accountable to the Department of Transportation and the Department of Transportation and specifically Buttigieg and all of them are responsible for pandemic aid and its governance on Southwest Airlines, where Southwest specifically said on December 7th, 2022, that they were going to issue a dividend to their stockholders because they had enough cash on hand to do so and that they were profitable and that they were quote, prepared for the holiday system. So this is just a, it's a huge failure in our transportation system, Marshall. And I know that you personally were impacted by some of this, you know, I've had hit massive delays. And actually, if you look at airline satisfaction right now, not even airline, air travel satisfaction, it's at a bottom. It hasn't been this low in decades in the United States. And I just wish the guy would do his job. The way to think about this, because I've been getting increasingly frustrated with Secretary Pete, I want to make it as just like good faith as possible, not just us being reactionary and hating on him. I just did an episode that's attached to this one about

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Lena Khan. So once again, the young FTC chair and her big non-competes bill. More info on the back end, but basically non-competes make it so that people in not just like super white-collar, professional, entrepreneurial positions, but even fast food workers aren't allowed to work, leave their jobs in other places that are similar, which is just crazy. Like I said, they're competitive, not for the workers, bloody, bloody, bloody, but she aggressively came out with a new role proposal. And as I was thinking about this, I was like, man, Lena Khan's competence as a young, up-and-coming, ambitious person gets to what I think the critique of Secretary Buttigieg is, which is basically work. And look, there have been complaints about Lena Khan's tenure at the FTC. There's been some management troubles. And look, she came from law school, she came from Columbia University, where she was teaching and she was in the think tank world. So I entirely am open to the idea that she wasn't prepped to manage a serious position of government, but she brings energy, vision, an actual idea to the table so you're compensating for the lack of experience with some energy. And I just do not see Buttigieg in the supply chain crisis, the infrastructure bill, and now this bringing any of that to the table.

Sager, we talk a lot about Theodore Roosevelt, one of our favorite presidents, and think about Theodore Roosevelt, because this is the critique we are making here. The critique we're making is, if you are the chosen one prince who was promised up-and-coming road scholar person, I am not going to hold you to the standards of Elaine Chao. I'm not going to hold you to the standards of, let's say, some 2000s or 1990s era secretary of transportation. I am holding you to the standard of you were clearly given this position because President Biden wanted to set you up to be president. When Theodore Roosevelt was appointed to the Civil Service Form Commission in the 1880s, he brought energy. He brought aggression. He kind of rubbed people the wrong way. He was kind of immature, but he brought what young people are supposed to bring to that position when he became the police commissioner of New York City. Same thing, energy, aggression, staying up late at night. You get the sense that all he did was weigh it up because of the decisions. And then finally, with the assistant secretary of the Navy position, he brought more of that energy. When the USS Maine blew up in the Havana's harbor, he instantly runs into work, tells the Pacific scourge for to start coaling, is so full of energy because his boss had went out of town, so he just seized it. And I don't see people who just bring any of that because that is what you're supposed to bring. You could bring two things if you were in these positions. You could either bring, I think, vision and aggressive intelligence, which is what Lena Kahn brings, or you could bring aggression and energy, which is what Pete Buttigieg should be bringing, and he's just not bringing that. Nobody is asking the man to be perfect. What we're saying is, do you genuinely feel like Pete Buttigieg is doing or done anything about the Southwest meltdown? The answer is no, even today. I love this. It was like President Biden was like, I have ordered Pete Buttigieg to make the system run again. It's like, that's how it's supposed to work. It shouldn't even be a question. It should be something that he clearly been working on all day, specifically with Southwest too. Look, David Sarota at the lever actually did a great job on this. Multiple state officials warned the Department of Transportation Christmas travels can be a nightmare. These airlines are not prepared. All kinds of substantive things

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that were flagged to his administration. He went on TV, on Jimmy Fallon's show and elsewhere, and was like, no, Christmas travel is going to be fine. They've assured me this is after the period of January 2022 to September 2022 was one of the worst years on record for airline cancellations, for airline delays, and for airline scruery in the terms of the way that they were treating their average customers. Look, all we're saying, the Department of Transportation is the ability to levy fines. They have the ability to compel meetings. They have a tremendous amount of ability also in order to make sure that the FAA is working properly, pilot oversight. I mean, just an insane amount of regulatory authority. And as you said, with a Theodore Roosevelt or other type figure, treat it like a crisis, man. And that's what you're not doing. This isn't a joke. It's not also just business travelers, as you saw during the Christmas meltdown. People's entire vacations were ruined. This is often the only time that people get any time off whatsoever. A lot of it is like people visiting their parents, people visiting their kids, sometimes families with kids, and a lot of people just straight up burned valuable vacation time, like the only time that they ever get off during the year. I know personally of a couple of people who literally weren't even able to make it out of the airport or had to drive like hours and hours distance and spend extra money, of which most Americans don't even have enough savings to even make sure that something like that is possible. So look, this is something where you're supposed to work on behalf of people is one of the most critical things in the United States is commercial air travel. I think it's something like one third of all Americans sit foot on an airplane almost every single year. And it's just melting down like right before our eyes. And it's crazy, you know, just show us some competence, something. And my critique is, you know, I put it out on Twitter this morning is I said, look, Buddha judge is the most useless cabinet secretary in a generation. All of us know that he cares more about TV appearances than actually doing his job. And that's kind of what gets to your critique, Marshall. Like he was picked. He was the prince who was promised. Like he was picked by Biden. Yeah, he was the he was the guy. He's the next generation. A hyper competent McKinsey, all of that. Well, where is it? Where's the energy? Because right now it's a shit show under your administration, either be a backseater, like you said, of Elaine Chao or whoever our previous secretary of transpiration was before that. I don't even remember their name, but or you can be Mayor Pete and go on TV and be a spokesperson for the administration, but you can't have it both ways. And that's that's my miss. Yeah. And you're getting at this. Look, Mayor Pete, Secretary Buddha judge is incredibly talented at those Fox news hits. And if the case is he'd be the best press secretary, the White House has seen in a generation. I'm not going to even disagree with that. He's very, very good at it. But at the end of the end, this is what, man, you know, this like we're very down and interviewing politicians because it's difficult for it to be interesting. But I actually have so many questions for him. Like what I genuinely want to know, like, what is your theory of the case here? Because what's crazy, and this is going back to the theater Roosevelt example here, but look at the story I told about Roosevelt, what made him so talented is that he found himself as a young up and coming politician at the center of just the big issues of the era. So he's a civil service reform commissioner when that is the big issue in the 1880s. He's a police commissioner when that is a huge issue because you're looking at the reform of America as it goes from urban to rural and immigration, tenements, all those different issues. And then finally, he's the assistant secretary of the Navy right before the Spanish American war starts, which is when the US Navy

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becomes such a huge thing of the turn of the 20th century. And in each one of those jobs, he makes a variety of mistakes, he makes bad calls, he's immature, this this this or that, but he's energetic and at the center of it. Pete Buttigieg has found himself at the center of the Department of Transportation at the only time in any not just and by the way, not just like you're in my lifetimes from the 1990s on, I would wager in anyone who could be conceivably listening to this podcast lifetime. It matters this much. And here's another like, because once again, you've got this supply chain crisis last year, you have railroads, railroads, there was just a whole disaster at the Amtrak train line. Another question I'd ask for folks who think we're just like renting here, because I think this just genuinely really matters here is, I would love to know just if people could articulate for us what Pete Buttigieg's vision or actual like worldview around those three issues I just gave infrastructure to because what's also frustrating to and this is another question I'd ask him is these issues are just so big and so compelling. You could be bipartisan with them. You could do different things with them. You could come up with interesting coalitions, different responses. I mean, Saagar, I was thinking about this. I was talking with you back when you were visiting Austin over break about how, oh, like there's lots of Teslas here. So like not to duck on Elon Musk, but maybe I'd like an electric car, which isn't a Tesla. I think the Maki Mustang looks cool. You're like, oh, well, here's a problem with that. Even if the car itself is good, we don't really have like the electric charging infrastructure to actually make it as viable as Tesla's national network. And I was like, oh, man, talk about an issue that Pete Buttigieg could really own. Like, and here's the thing by really own, we're not even talking about like, he's literally like in the depths of the DOT every single day working to fall like, is he visiting places? Is he articulating this vision? No, like instead he's dunking on Brett Bayer with B list Fox takes that are just really pointless. So that's that's just like the real like degree of frustration there. And I just, it's just, you know, to quote, you know, Peter Griffin, obviously, it just grinds my gears how obvious this seems. And it doesn't make that much sense. I completely agree. It's really annoying. You're right on the EV thing. Actually, Biden to his credit has always talked about EV highway and all that. And look, I mean, in terms of the Inflation Reduction Act, yeah, even that they're not messaging it in terms of a way that people would actually take it away and be like, oh, that's actually quite useful to like me and my life. It's always like, you know, like much more high minded terms. And yeah, you're right. I mean, look, the guy cares more about talking about the gay marriage bill on CNN than he does about anything else. And, you know, that's sad. That's really sad, because we could really use a good Department of Transportation right now. The last quick quote, I'll add free switch topics. I saw the I'm going to butcher it, but Napoleon has a quote where it's like, you can tell a lot about a man or about the way he sees the world by looking at the world when he was 20. And I think in our case, it's actually like a little higher, because I think you could tell a lot about us, but understanding what the world looked like in 2016, because that was such a disruptive thing, like who cares what was happening in 2011. It's really just like 2016, the matter for us. But in the case of Pete Buttigieg, you can tell a lot about his performance as secretary. And I think his performance if he runs for Senate in Michigan in 2024, or if he runs for president by what politicians were expected to do when he was around our age. So for example, Pete Buttigieg is so good at like narrative

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setting,

right? He's young. He's smart. And he is smart. He's truly intelligent. He's a Rhodes scholar. He's gay, but he's gay in like a safe way. He is a mayor. He even kind of spoke of an Obama-esque like accent and a cadence for a bit. Apparently he's been getting a little better at that. But the point was like, that all has very 2012 energy to it. This is also 2012 when like, remember Julian Castro, when Julian Castro gave the big Obama speech at the 2012 Democratic National Convention and then became Housing Urban Development Secretary. Ask yourself, folks, when was the last time you heard from Julian Castro? This is also Cory Booker. There was just this era that was just about if you could position yourself narratively speaking, that was basically your job. And it just seems that he just comes from that and hasn't able to transition himself to once again, I think the Lena Kahn model of energy ideas, quote unquote, doing some things.

So that is the last word on that. The next topic that folks wanted to hear, especially from you on, because you're a little deeper in the DC things these days, are just the aftermath of Kevin McCarthy's speaker election, House Republicans. We could talk about the church committee 2.0, lots of good stuff there, but just what's your brig overall take?

Yeah, I don't know if I had necessarily have one. I mean, I just think it's returned to the Tea Party era. I think it's very simple. And this time they have the votes. I mean, what I just really couldn't get over was why Kevin McCarthy would even want to do this, you know, once you've clinched the speakership like this, you've basically taught the Freedom Caucus and others that they're going to shoot the hostage, you have no good. Here's the thing. When Kevin McCarthy goes to the White House, why should Biden believe literally anything he says, this all happened. And here's the thing, Biden was actually vice president. The last time this all happened, John Boehner, Obama would negotiate these deals with John Boehner and Boehner would be like, okay, we have a deal. And then it would be a big news to be like the speaker and the president have reached a deal. And then the Freedom Caucus would be like, no, we don't have a deal. I'm not going to vote for that. And Obama would get frustrated. And he would call Boehner and Kevin, what was his name? God, the guy who lost. I'm totally. Oh, you mean, yeah, Eric Cantor. He would recall Eric Cantor. And he'd be like, what's going on here? Like, and they're like, look, Mr. President, they don't listen to us. And so really, if Biden wants to make a deal from here on out, he needs to call Kevin McCarthy, but he should also call Jim Jordan and like Matt Gates and have them in the room, because otherwise he has no credibility. He'll literally be the weakest speaker in a century. He has barely any control over the House Rules Committee, over the floor, over the ability to bring legislation up, the motion to vacate, humiliating that any single member can just call for a vote of no confidence on your speakership and take up valuable floor time whenever they want. The iron speaker is kind of something that evolved in the post post World War II era with Sam Rayburn and Tip O'Neill and those types of folks who have real hold on their caucus and Pelosi really kind of embodied this as well. This is a return to raucousness, which is fine on a conceptual level. But if I am Kevin McCarthy, like, I don't know why I would possibly want to be humiliated on the world stage. Everybody was like, look, he's, he's vain. Like, he knows that this is the highest he's ever going to get. And that's

it. And I'm like, okay, that's fine. But you're basically just going to be embarrassed from here on out. So that's like my major meta take, which is I don't really see the point for him on being speaker. It's going to be so embarrassing for him because he also is such a bootlicker to Trump. And really just to everybody, in terms of how he doesn't stand for anything that he doesn't have the political competence that you need to really negotiate and stand your way through all of this. So I almost see him like in a tragic way of like, this is what happens whenever ambition almost trumps everything else. And I don't think it's going to be good for the Congress. You really do need a much stronger leader in this situation. Yeah, it's interesting. I had Bradley Tusk on for the first episode of the year. And he just made the point that the issue with not believing it, because actually we should really clarify like what we mean by not believing in things. So once again, previous Republican speakers in the past decade, John Boehner, Paul Ryan, the two of them like resisted in many effects, like either like the Tea Party dynamic or like the Trump dynamic. And they were obviously unsuccessful, both like as this went on and eventually we ended up just like leaving the position. But it just meant that they were rooted in some degree of certainty during negotiations. So the way that Kevin McCarthy, who once again is coming up the ranks as this happened, the way that he realized you could handle this as he said, or, you know, within his head, we're getting in Kevin's head here. I'm just going to give them whatever they want. From his perspective, he looks at Speaker Ryan and Speaker Boehner says, look, it was the fight. That's the issue. So I will move to meet them wherever I need to meet them. And then we're going to go from there. And the key thing is that doesn't work to Bradley Tusk point, because when you've just basically said, I essentially believe in nothing beyond my ambition, you have no negotiation strength because their incentive in that situation is always to just push, push, push, push, push. So that's why you saw like, you know, that's like, you and I may like agree on like the 75 billion dollars in defense cuts. But my critique of that beyond just like the policy level, is that just random? Like, you know, they were just sitting in a corner and they're just like, okay, 75 billion. And he's like, okay, we'll do that. But that's that's that's that's a at an incentive process, a disaster and just extrapolate that to basically any issue you could possibly imagine. You could agree that there were certain improvements that need to be made on the rules committee sides, for example, 72 hours to vote, which by the way, like was introduced by a Democrat.

So we didn't need Matt Gaetz to do that. There are a variety of like reforms you can do. But I think this has just been it's like a balancing act. Like the justice speaker could be too powerful. The speaker could be not powerful enough. And that's like the weird dilemma that we're in right now.

Yeah, I agree. That's where that is where we at. Yeah. And look, I mean, I'm fine with some cuts in the right places. But like, the point is, is that this is just like, this is more driven from a deficit, hawkery mindset, where across the board, and I'm like, I don't agree with that, I think that's stupid. I think that these things should be intentional. And I think all of it should be part of a broader strategy. And you're right, you know, with McCarthy, I mean, does anyone believe that Kevin McCarthy cares about the intelligence community or the church committee or any of that explain this like, what's that? What's the church committee? So the church, the new church committee, or I think it's called the committee for the weaponization of government,

right, is the official name for it was just passed officially by the House of Representatives. So establish a new select committee in power to have subpoena power over the intelligence community, and over specifically like covert operations and trying to look at domestic intelligence gathering on American citizens. The original church committee was something that was created in 1975. It was created after the Watergate and kind of the abuses of the FBI and the CIA over the last 20 years came to the fore. The reason why it was important was not only exposing all of like the crazy shit that was going on in the agencies, but also wrote new rules that the agencies had to abide by whenever they were conducting law enforcement activity and kind of ended the Hoover era. It was basically like the consensus of the intelligence community from 1975, when the rules pass up basically up until 2001. So the whole point is, is that if we have concerns over domestic surveillance and FISA and the post-911 era, and so much more of that, like you would bring back a type of church style committee. And I actually did a mile on this. And one of the points I made was as I was like, look, if you're just going to make this like culture war bullshit, it's really just not going to be all that effective. That doesn't belie by the way, you know, investigating Hunter Biden stuff or looking at past FISA warrants and all that, but you have to do it in a better bipartisan way, because otherwise it won't have any credibility. And that's what made the church committee so powerful in the first place. So that's the church committee itself. But like, and I want to, I want to follow up on this real quick. Go ahead. Yeah. Really fascinating. I'm reading, you remember Charlie Wilson's war? Yeah. So I actually have the book. Yeah. And the book is fascinating because like you're reading this book and the book is about like the US effort to fund the Mujahideen in the 1980s against the Soviet Union, obviously this bears relevance to the war in Ukraine right now. But even in like the mid 80s, they're like, no, no, like we can't put scopes on the we cannot put like, like, you know, like scopes on rifles that we give to the Mujahideen, because that could be construed as a sniper rifle. A sniper rifle is a weapon of assassination. And as per the church committee, we the CIA cannot do that. So once again, like that seems wonky, but the point is there was a government like committee that was so important that at that granular level, it made impact. And that's all that matters versus like the Benghazi committee. And this is also why Kevin McCarthy wasn't speaker last time, because he admitted that the Benghazi committee was just to make Hillary Clinton not president, which was not what you were supposed to say. So if this just turns into Benghazi committee 2.0, where it's about like Matt Gaetz getting on social media, and they want to like have a long winded speech about

how, you know, this FBI thing did this bad thing. Because like the key thing too, and that that's where the 70s are so interesting, like, unironically, like once again, guys, you know that of the two of us, I'm the one who's like more like quote unquote pro like intelligence community, the 60s and 70s were just out of control. Not just like Herbert Hoover is like tenure, domestic spying, assassination, lack of accountability, all those different things. That was so bad that that really did merit a serious response. If you come out of an unserious response, it just weakens the actual ability to do these things. And by the way, dude, I checked it out. The committee passed with 84 votes in the Senate just to start it. There was an actual like serious effort there. And I think people who are excited about this on Twitter, like not that it matters too much, should remember that the best thing for the intelligence community, if you think there's a legit critique of them would be a joke would be

would be joke hearings. That's how this actually works. But sorry, go off your point. Yeah, that was actually that's the important point. The problem, though, is we live in such a different era and everything's been polarized. If you're a Democrat, you basically can't say anything bad about the intelligence community unless you're a dissident Democrat, and you're basically going against your base after seven plus years or whatever of Russia Gates. So it's tough. I'm not saying that you can recreate it completely. But I'm saying you should try and get as close as possible to something like that because here's the other thing. Information is the only thing that matters. You can lie and screech about how the FBI or whatever is doing its job. If you get a subpoena and it shows an illegal program, the repress has to report it and has to be acknowledged. So my point is, is like competence and trying to bring on some sort of Democrat or whatever that at least in the aggregate would agree. And that's my point is like looking at the total Pfizer program and releasing the data on illegal activity or even in terms of warrantless surveillance or if you're worried about the FBI and secret informants, like you can there's all kinds of ways to go about this if you're actually like worried and want to do your job properly. And anyway, I think, especially from a media level in terms of what they've been leaking, not only domestic politically, foreign policy as well, I think is totally out of control and needs to have like a genuine investigation into some of all of that. That's my point is that you have to do this in a right way. There's a good, there's a right way and a wrong way to do it in a very, very partisan era. In my opinion, the right way is information and that's actually what Frank Church did. One of the way that Frank Church was able to go after his critics is he just exposed the program. I mean, once the program is public, you can now you can defend it if you want to. But he's his competence at just exposing what was happening. It made it undeniable. And that's my kind of wish for if they want to do this is like, you have to be undeniable. You can't do some, you know, stupidly worded committee report, like just release peer documents. And look, again, the press is corrupt, and the press is bad. That said, they will have to cover it if it's a big enough story. That's just how it works. So make it may do the work and the benefits that you want will follow. Yeah. And, you know, the other committee that's was voted on yesterday was the China Committee. That's going to be shared by Mike Gallagher has been on the show. He's actually going to be coming on the realignment in the next few weeks. He's actually a good guest. Folks like him, he's smart. So, you know, he gets the format, which which which I appreciate. So folks actually, by the way, folks, we're going to do realignment Q&A in a few minutes here. But folks definitely asked to be able to like submit questions. I definitely think folks should submit questions for the Mike Gallagher episode, especially the importance of the China Committee. Okay, so last few things here. So one, just like an update on Taiwan situation, soccer, I'm sure you saw this, there was a big CSIS like war game that came out a few days ago. I'm going to do some coverage of this on like the interview portion of the show, basically that showed that the US is actually capable of winning a war for Taiwan with China at, of course, terrible, terrible, terrible cost. Tens of thousands of deaths sunk in aircraft carriers, hundreds and hundreds of ships sunk. Like obviously, there's like a big debate in DC about like the effectiveness of war games, like what they show. But I think the thing that really matters here for our purposes is you should just be aware of that this is the discussion.

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Like you could take whatever position you want on Taiwan questions, US-China relationships, but I just was back in Oregon and I was talking to a few friends and they were just saying they were kind of pretty checked out on the foreign policy side. And it's just hard for me as someone who like does this for living to like see that, see that the project of J-26, see all the events that happened last year with Nancy Pelosi going, Biden's various various statements that we would in fact intervene on Taiwan side, just pay a lot of attention. So we'll link to that war game. And once again, the purpose of a war game isn't to be perfectly predictive is just to really like think about things. So that's my main suggestion there. What are your big, big thoughts if any contextual? I didn't read a whole lot about it. It's interesting, you know, with China, I'm probably, I think less and less that it would happen anymore in the immediate future, just because their domestic political situation is such a shit show right now. And you can make a counter argument for why that actually makes it more likely. But COVID-zero, I think, is causing the biggest crisis in Xi's presidency or premiership in at least a decade, way more so, I think, than Hong Kong. Put the fact that the protests happened, put the stopped aside. The fact that the fact that they happen at all is crazy. What's even crazier, though, is that ultimately he had to he basically had to bow reopen the economy. But they are about to go through. Remember all of the domestic political problems that we had with supply chains and all that when we reopened to quote unquote, a year and a half ago, that's happening in China right now. And look, they've got a year and a half, they better buckle up. I mean, I'm already watching. They've been ordering a shit ton of oil and natural gas. So I think that the Chinese domestic situation right now is one where they are really also caught flat footed. I know you listened to Joe Rogan with Peter Zaihan. One important point he actually did make is that Xi has actually sidelined some of the most competent people in government. And because of that, he has basically just a bunch of cronies at the very, very top and basically throughout the entire CCP at the highest levels. And I think that there's a real crisis in terms of actually having to manage a lot of this right now. So that's kind of where I think a lot of Chinese attention is going to be. I mean, the one thing we know about him and them really, their control freaks and the fact that they have had to bow to their own people on COVID zero, they're not going to let that go. They're going to have to try and either ramp up the surveillance or ramp up something in some sort of direction to make this happen. That's kind of where my read is right now on China. I think that they're cowed. I think they're in economically precarious position. Their economy is not doing well right now at all. And they're a year and a half, if not two years behind the entire West. So they're in for it, I think, in terms of what they need to deal with at home. Yeah. I mean, I need to look a little deeper into the story, but apparently some of their wolf warrior diplomats have been replaced at a strategic level. This is just such an interesting thing from our perspective because it just really shows, once again, you could be deumerous about democracy and America in the West, but man, like, same thing is true of Russia, right? They're just what's Winston Churchill cliché ourselves here and say that democracy is the worst system except for all the other ones. And I think just the story of once again, regardless of how people come to the Ukraine debate, regardless of who come to the China policy debate, what I think happened in the 2010s or the US had a lot of our democratic liberal system weaknesses just very upfront. We had to navigate through that. We got hit by that, especially at the start of COVID.

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Now we're seeing our two rivals slash directional enemies are now experiencing their weaknesses very, very, very upfront. Except the real issue for them is that they seem to have made a variety of moves based on an assessment of our weaknesses, like not taking into mind their ones. So once again, to your point around she shutting off dissent, even internally to Putin creating a literal COVID bubble around himself before the Ukraine war started. We're nearing the anniversary of that, obviously. Those are just really critical factors. So people should always keep that in mind during a moment like this. I think my closing thought is I just did an episode with Robert Kagan. We're talking about US foreign policy. And it's just interesting that we tend to focus a lot on, I think, our sort of systemic weaknesses and just not enough on the fact that we're in a moment where what's unique is that unlike, let's say, 2001 to 2009, they are now making moves themselves and we can be primed in good places there, too.

John Nuteri, welcome to the realignment.

Marshall, thanks for having me.

Yeah. I want to start with news folks can use. The Federal Trade Commission chair, Lee McCann, is proposing a new ban on non-compete clauses for employees and employers. So A, two questions to start off. What are non-competes? And then B, after you explain what it is, can you give your best faith, most steelman defense or explanation of the way the status quo works? Sure. Non-competes or covenants not to compete are clauses that are included in employment contracts that stipulate restrictions on an employee's future employment opportunities once they leave the employer in question. So in other words, if I accept a job and I sign an on-compete agreement, I am surrendering myself to certain restrictions on what my future job opportunities will be. These are often timed. So there's a duration component to this one year to your three years. It's geographically constrained usually. So within a certain state or region or a certain number of miles from the current place of business, it's by industry. So if you take another job, you have to exit the industry that you're currently in where your skills may be and have a cooling off period elsewhere. So there's a number of different forms they can take. But at their heart, they all have this common theme, which is in the name. They're designed to limit your ability to contribute to competition against your current employer once you leave that employer. And sometimes they even apply after you've been fired. So you may leave through no choice of your own, but still be bound by the terms of an on-compete agreement. So your second question, what's the steelman argument? The one you hear most often, and I think there's a quarter of legitimacy to it, maybe a kernel of legitimacy to it. Yeah, don't overstate it. The idea that employers want the security of knowing if we train a worker, if we invest in that worker's skills, that they're not going to leave as soon as they get upscaled to a certain level or get access to proprietary or critical information. They're not going to walk that across the street and go shop into the nearest competitor. And so non-competes are a very blunt, effective way of dampening any possibility that you're going to go start a competing organization, that you're going to go work for a competing organization. And just like the name implies, they are directly meant to stifle that kind of competition. And at the core of that, there is an understandable rationale. Employers have an interest in protecting trade figments and proprietary business practices and other things that make their business unique. And so the question for policymakers is, what's the right tool that enables employers to do so

without negative externalities for the rest of the economy and for workers who have nothing to do with those arrangements? And that's really at the heart of the debate. Man, so many interesting things come from that. So number one, you're using the term workers. Worker brings to mind a person who's a just pure employee, it's not a matter of them. So for example, a worker at a McDonald's, I know people in the food service industry, they can get caught in non-competes. And if you're just a worker at McDonald's, you're not going to leave and start a competitor. There's no, a fry cook isn't going to launch in and out or anything like that. So it seems weird to apply a non-compete in that context outside of just pure, almost kind of bad faithery. But on the other hand,

there is a scientific or more entrepreneurial context, think of like Silicon Valley and how actually the microchip industry came up, like the traders, they leave shockly and they form their own firm and they blow up and go from there. So I could see an argument for the original firm wanting to basically maintain their trade secrets or actually do the upscaling. So to what degree are like, who actually is affected by this then? Yeah, this is the question that gets us into where the theoretical application of non-competes meets reality. How are they actually used in practice? A lot of people are under the impression that non-competes really narrowly apply to very highly skilled senior executives, people with direct access to and influence over trade secrets and the like. And while it's true that non-competes are relatively more concentrated at higher income levels, they are pervasive across industries and the income ladder. So lower wage workers, as you noted, fast food workers are covered by non-competes, janitors are covered by non-competes, summer interns are covered by non-competes. If you go through, I mean, landscape workers, some of the stories are so absurd and heartbreaking that it really boggles the mind. But this is just part of the arms race. It's become part of the arms race between employers where they're using every tool at their disposal to prevent and avoid competition altogether. And so, because why have to win the competition if you can avoid it? And there's really very little disincentive in most places for employers to do so. So it gets added to that stack of other HR and personnel policy that it's just part of the standard pro forma way that you engage with your workforce.

And so, but as you noted, the effect of non-competes is very different depending on who's being bound. A knowledge worker who has a deep bed of expertise and experience is much more likely to be the one that goes out and says, I'm going to build a better mousetrap. I'm going to start my own firm. And through that, we get a lot of innovation in the economy. Well, if they're bound by a non-compete, that prevents a whole chain reaction from happening that is broadly beneficial to American dynamism, to American innovation, and to all sorts of other things that we want downstream to be happening. That's one effect. The effect on a lower wage, lower skill entry level worker is they simply have fewer options, fewer ways to advance themselves in their career. But at any level, when you look at the aggregate way that non-competes are applied, and I should say, we're talking about 30 million plus workers on the low end estimation. So, this is again, roughly one in five American workers are currently covered. Surveys indicate that maybe as much as 40 plus percent of workers have signed one at some point in their career. So, this is not tangential. This is something that far reaching is going to have very large economy wide effects. And one of those effects we know is to depress wages, including for workers who are not covered by a non-compete. They have such a chilling effect, and they interrupt that healthy churn in the labor market to such a degree that even workers

who are not bound currently, it's a less healthy labor market. There's less competition for their labor. There are fewer spots on the ladder to grab. And so, it's really pernicious across a number of different paradigms. It creates fewer opportunities for less attached workers who have weaker skills or less connections, less advantages coming into the labor force to find that first anchor and then build upon it. And it prevents the higher skilled part of our labor market from going on deploying those skills to maximum efficiency. And again, including things like starting a new business or really helping to commercialize innovation. Now, we have this great natural experiment in California where the state going back to the 19th century has never enforced non-competes. And so, there is a reason. If you know anything about the history of Silicon Valley, you will know that the fact that the state does not enforce non-competes is absolutely crucial to the fact that Silicon Valley becomes the best innovation ecosystem in the world. Because workers were free to go start firms, to go hop across the street, to take their knowledge and know how and apply it. And there are other ways that employers can protect their trade secrets. So, it's not that folks like me are not out there advocating for employers to be left in a large and have no recourse, except there are other tools that don't have the negative externalities that non-competes have. They're not as blunt an instrument as non-competes. And as a result, they don't dampen the kind of innovation and entrepreneurial potential that has made our country so great. So, without that just kind of quirk of history, the history of Silicon Valley and of our country looks very different because a lot of things would have never happened. A lot of companies would have never been born. A lot of innovations would have never taken root the way that they did. It might have happened elsewhere in the world or in the country, but certainly not with the kind of intensity that they had in Silicon Valley. So, then it seems like two key ways to illustrate what you're saying are A, like at the higher skilled end. The nightmare scenario from Facebook's perspective is the person who's working on Facebook Messenger back when that was

sexy and relevant to our discourse takes it, leaves and starts a new company. But that's like IP theft. You can prevent IP theft. That's right. We're also saying, hey, you worked on social messaging products. You can leave Facebook to start your own company as long as you didn't steal. That has nothing to do with the non-compete clause. And that's what seems like the perfect version is. And then on the lower skilled end, it seems like the situation you'd want to have is you'd want a situation where workers actually have a lot of different, like let's say fast food restaurants were competing to offer better wages, better benefits, like something competitive market-wise there. So, I think the last main question before I ask about Lena Kahn's specific reforms would be, when you're speaking with policymakers, especially with your work at EIG, who do policymakers kind of prioritize when they're thinking about this? Are they prioritizing the workers side of the story or the employers side of the story?

That's such an important question. We have a status quo right now. The status quo is that there is a presumption that employers have the right to constrain a worker's future job opportunities with some exceptions. And our argument has been we need to invert that. There needs to be a presumption that workers have the freedom of exit and to go where the job opportunities are best for them and where the fit is the best with some exceptions. And so, we really need to invert that paradigm. And I think that's what's in the process of happening. But the status quo heavily favors employers by default. And the shift towards

reform, which is growing and has been for years, has taken to account the needs of both workers and employers, because this is not just a workers versus employers thing.

Employers are looking to hire the best possible talent. Non-competes shrink the pool of available talent when you're going to hire. So, it's bad on both ends. It constrains options on both ends.

And especially for newer and smaller businesses that are trying to get up and running and grow, it's particularly bad for them. So, really, it entrenches incumbents in a more advantageous position. I would say policymakers, as they learn about the issue, from a human perspective, the most sympathetic part of the workforce are those lower wage workers who have less leverage, less bargaining power, fewer options, and where it's the most obviously ridiculous. No matter what you think about non-competes and whether they're legitimate in some cases or not, almost everybody agrees. We don't need a sandwich worker or a janitor to sign a non-compete, because there's no trade secret in question here. It's absurd and it's abusive. And so, that's where you've seen the most natural consensus forming. But I think there's also a lot of consensus forming around this idea that if we really do want a healthy labor market, and if we really do want wages to grow the way that they should, and if we want entrepreneurship and innovation to flourish, we also have to think about what's happening at that higher end of the skill ladder, and not just call it a day by exempting lower wage workers.

So, let's get to Lena Kahn's proposal. A, what do you think of Lena Kahn's proposal, and B, how does it compare to some of the other state and federal reforms that have been put up to the table? Yeah, it's a very far-reaching proposal. It's about as far-reaching as you can draft. It rescinds all existing non-competes, requires employers to notify their employees that their non-compete has been rescinded, and it prospectively limits the vast majority of non-competes from ever being formed in the future, with the exception of the sale of a business, which is, this is the, there's always that exception, there always should be that exception. But if you're spelling a business it's predicated on you not putting a new label on the same old business model and starting it over just as soon as you've sold it, and that's also a transaction between two equal parties, you know, it's a real negotiation. So, even folks that are on the very strongly pro-reform

side of this issue like me, everyone agrees that there should be some exceptions where they're valid, and so it's a question of how wide that is. The FTC proposed rule is as far-reaching and comprehensive as it gets, and reflects what I think is the platonic ideal of non-compete reform. It's national, it's backward and forward-looking, it includes those exceptions, and it has, it would have the effect, I think, of effectuating very large-scale benefits across the economy to workers, to productivity, to innovation, etc. So you're going to get the most bang for your buck because it's not just segmenting one industry or one class of worker or some exception that's really looking at that full palette and saying, let's let competition flourish, let's encourage the economy to be more dynamic, let's allow workers to put their skills and expertise to highest and best use, and that's where you get the most benefit. So from that standpoint, substantively, I'm very happy with where they came out with the proposed rule, but of course, it's a proposed rule, not a final rule, and so this is going to be the kickoff to a comment period where they're going to consider a lot of different factors. That's really interesting when you're talking about the national scope. So obviously, in this case, I understand why you're pro a national reform. What's your theory of the case when it comes to state, local, and federal? When it comes to

different models, I guess you could probably argue that we've already run the laboratories of democracy tests because look at California. So to your point, if California hasn't had non-competes or hasn't enforced them since the 19th century, it doesn't seem to be particularly helpful to say, well, let's just see how this state performs versus this other state for the next 10 years, and then maybe reform can happen that way. How do you think about that?

I'd say we've also had a lot of natural experiments beyond just California. There's three states, including California, that don't enforce non-competes at all, California, Oklahoma, North Dakota. They all seem to be doing just fine. California, of course, is there a historical reason for that? I'm trying to find a tie between those three states.

It would be hard to find it. With California, it goes back to their state charter. It's actually kind of a quirk of history that it was included that way. And then you have this full spectrum of states that run the gamut from pretty loose enforcement and limited enforcement all the way to very strict enforcement to the point where the courts in those states will rewrite an unenforceable non-compete if it gets challenged to make it enforceable in Porter's favor. So really, it's called the blue pencil rule. And so you've got a big range. And as you said, we don't really have to guess. We've also seen piecemeal reforms happening, and there's a growing body of evidence that studied the effect of those reforms over time. And they take a lot of different forms so that we don't just have to say there's one type of reform that's happened and what's the effect. It's reforms by industry. So the tech industry in Hawaii saw tech workers, saw non-compete reform, and it had exactly the effect that in theory, you'd expect to see. Wages went up, mobility went up, and it was good for that sector. That was a very specific sector-based reform because they're trying to keep and attract tech workers and tech industry. In Oregon, they did a low wage reform, and it had exactly the effect you'd expect. Better wages, better mobility, better job satisfaction, etc. And these are statistically significant effects. These are not minor changes. These are the kind of changes that we'd be very happy if a big elaborate program resulted in those types of boosts to wages and mobility. But in this case, it doesn't cost anything. It's not complicated. It's just setting a different playing field. So then the question is, why should that not just be left to states?

I mean, that's also a very legitimate question that isn't just the purview of states, to which I would say the federal government has a well-established role in employment law and setting the basic parameters for what the relationship between employers and employees should be, should look like. And that's why we have a vast history of the federal government doing just that. Certain things are across that line and are prohibited, regardless of where you are in the country, and certain things are left to states to modify as they see fit. And I think this fits into that category of what is the basic arrangement between employers and employees supposed to look like, where the federal government can take into account a wide range of

interests and make rules based on those interests and factors that apply everywhere and will set the terms of engagement going forward. And I think that's, so there's certainly a jurisdictional argument for the federal government's involvement. It's just by default never had anything to say about it until this FTC ruling. But there has been a legislative effort federally to actually codify non-compete reform into federal law. And so we've seen over the years, as there's been more and more

of an interest in reform driven by greater and greater evidence for the benefits of reform from the research community, that has filtered into Congress as well. And so we'll get to this in a moment, I'm sure. But I think even with the FTC's ruling in the best case scenario, there's still a very strong case for state and federal policymakers to continue doing that work in their own jurisdictions, and not just rest on an agency to do the job.

So I want to really zoom out because we got really wonky here, but I was trying to make a, and you did a very effective job of, I think, making a point. And I'm just wondering in terms of your actual day job, how much of addressing what we could say ails the American economy today is about big, sexy, giant reforms versus, okay, let's sit down, let's look at non-compete. Oh, millions and millions and millions of people are affected by these things. Oh, this is actually kind of a snap of a finger. So you can make these changes pretty quickly if you actually made them. How does that kind of like balanced out as you're thinking about this? Because most listeners are not waking up thinking, if they're contesting the status quo, hey, let's get to non-compete reform. How do you balance those two instincts? Yeah, it's, I think you have to have both. You have to have a menu, especially with divided governments, and for long periods where big sweeping changes may not be practically possible. You have to have a menu of things that can get done that may seem relatively targeted and technocratic. And I think at a first approximation to most people's ears, non-compete reform is one of those very arcane, technocratic things that it may not rise to national attention span. But it's both technocratic and far-reaching, and it attaches to what I think is a bigger vision for how the economy should look.

And this is certainly how we've tried to frame it at EIG is, look, if we want an economy that does certain things naturally, that plays to our strengths, which is that we've always been a very dynamic, entrepreneurial, very mobile, restless country, and that's produced certain results for us over generation after generation. And it set us apart from the rest of the industrialized world. If we want to maintain that, we cannot be dampening our human capital and restricting the most important elements of our labor market from doing what they do best.

And so it gets to a bigger vision, but it's a very practical thing that you can do in the here and now that it's not going to, on its own, fix everything. But I think in this case, this is one of those technocratic changes that would actually have very far-reaching effects.

In fact, I think it's one of, in terms of bang for the buck, it's one of the highest leverage things that Congress or any policymaker could pursue because of how pervasive non-competes have become. But most changes are not like that. And so you need the vision to draw people in. Everybody, people need to be inspired by what the potential of the economy is. And I think even policymakers need to be inspired by the vast, untapped potential that we have as a country to do better and to spread the benefits of this engine of prosperity that we've built to a broader and broader set of constituencies. But then you need the job of translating that bigger vision into practical steps that can actually cut across party lines and create coalitions of strange bed pillows. And I think this is one of those issues that does that very well. Yeah, two related questions that may have the same answer. So, A, what is your slash EIG's vision of the American economy? And then two, I'd love to hear you talk about what the untapped potential right now is. The vision is, I think, pretty straightforward. And we wrote a paper last year that comes as close to being a manifesto as you can get for us called The Case for Economic

Dynamism. And our mission as an organization is to promote an economy that is more dynamic and more inclusive. And by that, we mean an economy where entrepreneurship, innovation, mobility still run hot like they did historically. And we talked about how that has been so key to our success. And by inclusive, we mean across many different types of people and geographies. So, not hyper located in one or two locations, not distinct to one or two different types of industries, but across industries, across geographies, and across different types of people so that everybody has a chance to participate in the American dream. And I think we've, at the heart of the paper, and at the heart of our thesis on the economy, is that we've really bought a story that's not true. And I think it's affecting the way that people approach the economy and the way policymakers pursue economic policy writ large, which is, for a long time, we've been told that the 21st century is this period of unprecedented change and disruption that we're living in some kind of, you know, something akin to the industrial revolution and its scale and scope. And that there's never been a time where people were as disrupted, where startups were as vibrant, where change was as strong as it is today. And every indicator we have tells us that's not true. And so the paper is really an attempt to say, look, we've bought this myth about the economy that's totally upside down. We've actually been living in a period of unprecedented complacency, where startups are down, geographic mobility is down, job switching is down, and IPOs are down, the velocity of innovation is down. And that has real consequences. If we allow that to continue long enough, that erodes a lot of what's made our economy so prosperous and strong. And so it's a call to action to renew those elements that made us great in the first place, and that make us the envy of the world. Because you can coast on that for a long time, but you shouldn't do that. You should renew those elements and make sure that they can be passed on to future generations. And so that's really what the vision is here, is to identify those areas of policy where there's a chance to renew American dynamism by tapping into those core elements. Again, like labor market mobility, and this is why non-competes are such a great example, because they constrain all the things that have made America dynamic and innovative. And the solution is not really complicated. It's actually very straightforward. And I think that's the kind of idea that you have to translate to policymakers, not just the vision, but here's something right now that you could do that makes a lot of sense for everybody. It's broadly beneficial

and not distinct to one type of work or not one type of industry or community.

You know, so many questions come from that. A, I'd love to hear how you would describe, let's say, 2020s era, America's 2020s era economy, because look, I do a lot of books, I get a lot of pitches from publishers, and I'm drowning in fourth industrial revolution, automation, everything is different. If you don't think that's an act, and if this report, and you know, when your broader work doesn't, don't believe that that's the actual reality we have reflected upon us, what is maybe like a different metaphor or a different framework you'd offer for listeners and policymakers? Because it's not just that people are told these things, but they're also at least a useful heuristic. It provides you a way of saying, oh, GPT-3 comes in. Okay, that's an automation question, this, this or that. So would you offer anything to counter this kind of received wisdom? That's a really good question. I'm not sure I have the perfect metaphor to replace the one we've been given. But I'd say, without a doubt, there's still things about our country is still, relatively speaking,

a highly dynamic place, a highly entrepreneurial place, and still a place where there's a lot of economic opportunity for a lot of people. But I think there's been this, it's been overstated how much those things are true. And it's in many ways just an outdated notion. We're still stuck with 20th century notions about the key ingredients or attributes of our economy that look less and less true as time goes on. What's interesting right now, Marshall, is that the pandemic reshuffled the deck in ways that were very unexpected when it comes to some of the key indicators of what we call economic dynamism. And one of the most important is the startup rate. So the rate at which new businesses are born has been on a very long and steady decline, but it really crashed with the Great Recession. So it's very interesting. So 2008, 2008, 2008. So 2008. So this, you see the big, after a slow and steady decline, you see this crash. And even as the economy recovers over the subsequent decade, startup rate stays way below historical norms, never gets close to getting back to its pre-Great Recession levels. And that just became, it was so long running that people started to think, maybe this is just the new normal and we're never going to be able to get back to that big step back up that you'd expect to see with a recovery. And then the pandemic hits and we see new business

formations spike to levels we haven't seen in a very long time. And so that latent entrepreneurial potential, it's there. And the pandemic forced and created opportunities for would-be entrepreneurs to step out of their comfort zone and to service new industries and new types of demand, but also it forced them out of jobs or comfort zones they may have had previously and actually by necessity they became entrepreneurial. And in either case, the fact that that was possible is a really positive sign. The question for us is, is that going to be true the further and further we get out from the depth of the crisis? Is that going to, is that new normal going to maintain or is it going to drop? And our concern would be, and we note this in the paper, that those headwinds that were there

before the crisis, they're still there. And so if we don't do something different from a policy perspective, I think we should expect that entrepreneurship is going to drop back down to those pre-Recession norms. And we're going to be right back where we started. What we could do, though, is recapture, we could capture that momentum and do something with it with smart, targeted policies that help unlock more and more of that potential and make it sustainable, that entrepreneurship and innovation and all the things that go along with that can stick around for the long term. And we could really usher in a new era of American dynamism. I think that's the potential vision there, but it's going to take more than just luck, it's going to take policy making to make that possible.

You know, I'm curious. So a couple kind of related questions come from this. So A, let's assume folks are just buying American dynamism as an important metric. Why is startup formation the proper way of measuring a dynamic American economy? And I'm curious how you think

about the broad Amy Klobuchar-esque antitrust argument where she would say, yeah, the issue there

is that what else happens after 2008 in terms of the great recession, the financial crisis, you have Google, Facebook, these big tech behemoths who are sort of coming at this. So how do you think about these dynamics put together? Yeah, so the startup, that's a great

question. The startup rate is first among equals in a cluster of indicators that add up to dynamism. So startup rate is one of the most important. I would say it's the most important because of the role that startups play in the labor force, in delivering innovation and commercial form, in stoking competition within sleepy industries or business models. Startups set off a chain reaction, and most startups fail. So it's not that they're guaranteed to succeed, it's far from it. But when you have a strong velocity of startup activity flowing through the economy, it forces a reaction from all those different sectors that it touches. And so obviously, a startup means one more firm means one more firm competing for the same worker's labor, just good for workers. So you've got more job opportunities, you've got more negotiating leverage, the more employers are competing for a given worker. It forces incumbent companies to do better at what they're doing, whether goods or services, and with their labor force to do better to keep their employees. And because new firms are inherently less risk averse, they're more likely to be the ones that pioneer some new technology or some innovation that is a paradigm shift from what's currently there. Just like people, companies as they get older tend to become more risk averse. And so, proportionally speaking, if your economy is becoming populated by older companies, which ours is, it's going to be inherently less high potential in taking the kind of healthy risks that propel productivity gains and innovation and all that forward. And so, but the simplest way to describe the importance of startups is that they are the engine of job creation in our country. On net, when you think of every year, millions of jobs are created and millions of jobs are destroyed. And the jobs number we hear every month is just what's, you know, that's the tip of the iceberg. It's the net. Well, on net, every year startups account for the vast majority of all net new job creation. Established businesses of all types, large and small, if you aggregate all the older established businesses together, they tend to shed jobs every year on that. So it's the startups that actually give us the boost. They're the engine of job creation. So if you lose that, you're losing the most powerful engine for economic opportunity for the average worker. So that's why we put such an emphasis on that trend in particular, because it's so oversized and its impact on the broader health of the economy.

So another question that I'd love to hear an answer to is just let's take a step back and kind of another step back and look at this like 2015 to 20, let's say 2020, basically the Trump era of American politics that really centered on a bunch of economic arguments and debates. So the rural, urban divide, kind of the homilology effect, the rust out was left behind during the era of globalization. You have the debate over whether or not we need a learn to code movement, which became kind of a pejorative, but I think was centered at a core argument of, to what degree do we need to upskill workers into new industries to deal with changing economy? Where did we kind of settle across all of these categories? Because a lot of these, I'm not saying the issues have been resolved, quote unquote, but obviously like the narrative, especially because of the COVID era, has kind of shifted away from them. So what's just your assessment of what happened during that period and these broad narrative arguments? This fits very closely into the founding of my organization of why we do what we do because around that same time, we launched as an organization in 2015, so exactly the year that you started with. What we were seeing in the economy that really concerned us was one of the things in addition to the decline of startup activity and overall dynamism was the heavy concentration of economic activity in a relatively small number of places. So not only was the

recovery weak to the Great Recession, it was highly, highly concentrated in a certain number of places. It looked nothing like the geographic distribution of recoveries from previous eras where you could close your eyes and put your finger on the map. Most places looked more or less like the national story. They were growing about as fast in jobs and about as fast in businesses as the country was. That really broke with the Great Recession. And so by 2015, what we were seeing the data was something is different here. There are places that are legitimately being left behind at a scale that had not previously been seen and this is going to become a motivating and animating factor in American politics because how could it not? If you've got all these places disconnected from the national story of growth because you have these huge winter take-all areas of the country and then everybody else kind of treading water or sinking when the economy is ostensibly in recovery, that's going to create a lot of confusing dynamics and it's going to challenge our current toolkit for how we actually effectuate economic policy. And Trump certainly tapped into that and I think helped, the rise of Trump helped to change the conventional system because at the time, the idea of place-based policy, place-targeting policy was really a backwater. Mainstream economists ignored that stuff. There wasn't a lot of new innovation happening in policymaking that was oriented around how do we help struggling regions and communities. And we came in as an organization and that was one of our chief priorities right out of the gates was saying, hey, let's define the problem because this is different than what we've seen previously. B, we need to update that toolkit. We need a toolkit that fits with today's challenge, which is highly fractured and uneven growth across the country by region. And so I think that's one of the biggest legacies of that era is that what was kind of ignored pre-2015 has now become very mainstream thinking to the extent that you've got people like Larry Summers who could not be more of a bellwether for mainstream economics, talking about how this may be the most urgent, the most urgent economic challenge of our time is what to do to help struggling regions of this country and other countries because of the downstream effect that it has on populism and economic turmoil and social turmoil rather. So I think that's one of the biggest ones to me. The other is industrial policy, where again, much like with play space policy, there was this a version to thinking about how, not even thinking about how, but thinking about whether it was right for the government to be leaning into this idea of industrial policy and trying to prop up certain industries or encourage certain types of specific economic activities on an industry scale in our country, the way that a lot of other countries have for a long time. And I would say the way that we have just maybe by a different name in this country. That's no longer true either, where the conventional wisdom has shifted pretty dramatically towards, you see this with the CHIPS Act, well, of course, we should be trying to foster a more robust semiconductor industry in our country. That's become much more mainstream. It's a total sea change from what it was prior to 2015. I think the other question when we're talking about restoring American dynamism, when would you say peak dynamism was? Because we started with, it was already on the decline going into 2008, and then it crashed. But a decline is from some height. When would you say, when does like, when does EIG look at as like the Halcyon nostalgic past? We try not to get too nostalgic around here, but this is, and I'll try not to get too wonky either, but this is a data problem. Our data on say the startup rate only goes back to the very late 1970s. So we have an idea of what it looked like before, and we know that people were super

mobile and there's a lot of, we have anecdotal, an anecdotal sense of when things were the most frothy. But since the day we started having access to the data, it's essentially been on a steady and then very steep decline. But I would say that middle 20th century period was clearly a time where you think about the country was really still being you know, Western cities still being populated. You had a lot of mobility geographically. It was just much more normal for people to start a bunch of different jobs and careers throughout a lifetime.

A lot of companies being born, a lot of industries with the rise of the technology industry in particular. So I'd say, you know, that 50s, 60s, 70s period, 50s and 60s in particular, you know, if I had to put my finger on it, that would certainly be one of those peak times. But because we've had, we have such a bad country geographically, and because we tended to have such

a fast-growing population, so that post World War II population boom fueled a lot of the dynamism of the middle 20th century. And again, the inverse is happening now. That's one of the indicators I didn't mention is we've got a really dramatically declining population growth rate, both because of fertility rates going down and because of immigration in recent years going down as well. And so you've got that as a headwind too, because there's a really strong relationship between startup rates and birth rates, as it turns out, and population growth overall.

So at a time where those ingredients were really strong, in fact, they were so strong that they overcame terrible policy. Like we had terrible tax policy in the middle of the 20th century, terrible. It didn't matter because the ingredients were so strong for the good stuff that it just overwhelmed a lot of the policy mistakes that we made. Well, today we have none of those advantages,

none of the shock absorbers that we used to have still exist. So bad policy really hurts today, which is, I think, an argument for why policy still really matters.

Oh, that kind of anticipates a question I had. So to what degree is American dynamism about proactive government policy? Or is it natural dynamics? So let's say if it's the turn of the 20th century, you have urbanization. So that's obviously going to increase the economic dynamism moving from the farm to the city for opportunity. That just is, you know, obviously there's government policy there to like a very large degree, but that's also kind of like a very individually based. It happens in all different countries, different economies, etc, etc, etc.

To what degree is this affirmative government policy or just like an inherent feature of the economic cycle of a country? Another great question. And it depends on where you are in the country's history and economic cycle. But I'd say the ideal here is that you want an economic system that requires as little intervention as possible. And you'd want the basic parameters of where economy functions to do most of the heavy lifting by design rather than by intervention. And so maybe the easiest way to talk about this, linking back to our previous discussion, non-competes, because they depress wages, because they depress mobility, because they depress startups, they make it the way we respond to that and say, oh, we need a policy to fix those problems rather than going upstream and saying, what we actually should do is remove the impediment upstream and then downstream we're going to get better results. And then any other intervention we choose to have on top of that is going to be more effective because we got to the root of the problem. So we spent a lot of time

in policymaking dealing with symptoms rather than causes. And the further upstream we can go in dealing with causes, the more the economy naturally produces, for us, because of the structure and nature of our economy, more dynamic results. So that's an example of where going upstream

and policy that prohibits those barriers from ever forming, it obviates the need for downstream having to do more policy intervention to compensate for it. And I'd say that would be the ideal. So policy should really be about maximizing the inputs that are core ingredients to broad economic dynamism. So another thing we talk about in the paper is we should be really maximizing our advantages as a magnet for skilled immigration. And if we had an immigration policy that reflected the fact that we are the top destination for the most skilled, knowledgeable and entrepreneurial people around the world, we would look very different in terms of immigration policy. And then that policy would itself do a lot of heavy lifting for us to solve downstream problems. What would be the difference? How would the difference be? Much more productive, much more entrepreneurial, much stronger innovation sector. And I should clarify, man, what specific policy changes would be different? Yeah. Well, right off the bat, most countries have specific pathways to welcome would-be entrepreneurs. And so you have a startup

visa that a lot of our peers in the industrialized world have adopted long ago. We have nothing like that. So we know that immigrants are disproportionately entrepreneurial, highly likely to be entrepreneurs compared to native born Americans. If you look at the Fortune 500, you see what share of those companies were started by an immigrant or the child of an immigrant. It's very high. So that's where you get so much bang for your buck. We should have a specific pathway that welcomes people who want to start a business here, create jobs here for American workers. That's a no-brainer. We should have regional development visas, the way that Canada and Australia and other countries do, that says in exchange for you settling in an area that may have potential but needs more human capital, we're going to give you a fast track to permanent residency. And that's the carrot to go settle in an Akron or a Cleveland or a Buffalo, New York, or what have you. Areas that we know are very welcoming to immigrants but are stagnating in their population and need a boost of human capital and would really welcome high potential immigrants to come settle there and build the American dream in their backyard.

So those are the kind of things that other countries have already done. They've already proven to be effective. We know we could do it but we don't have an immigration system that's designed to leverage immigration as an economic tool per se. We have H1B and that's about it. And it's a deeply flawed program that itself could be improved dramatically. But we don't think about immigration as what it actually is, which is one of our absolutely strongest national advantages

that should be deployed not just for compassion sake and I'm all for that but too much of the immigration debate is about compassion versus self-interest. We should be a self-interested country when it comes to immigration and what that would look like is being very aggressive about recruiting talented people from around the world in large numbers through a number of different pathways that solve for our core challenges as a country. And I think if we did that people would actually have much more confidence in the immigration system because they would see firsthand how it's benefiting American workers and communities. But we don't

do it that way. So I think that's another one of those low hanging fruit policy issues that doesn't cost any money. This is really key now because as you know, Congress is not going to be spending money in the next two years the way it has over the last few years. So we're in a much more fiscally constrained environment. So what are the things you can do to really benefit the economy without spending a bunch of money? Immigration is one of them, not some competes. That's another one. And so I would say the third thing we talk about in the paper is land use and zoning. So making it easier to build housing and infrastructure. Those are things that don't cost money on their own, but the economic effects are huge and they're pervasive. They go, they're widespread across all different parts of the country. That's the kind of thing we should be focused on. And in the immigration space, there's so much low hanging fruit to improve the system and make it more skill focused that it's just a matter of fine tuning the political willpower and the right coalitions to get that stuff done, which is easier said than done. Obviously, it's a very complicated issue, but there's no shortage of ways that we can improve it and make our country more dynamic in the process.

You know, it's interesting. You were hinting at nimbyism, not in my backyard when it comes to construction. This gets back to the earlier conversation of state, federal, local. How do you think about that breakdown, especially when a lot of the what's the most nimbiest policies are very local? And I think frankly, the best case for nimbyism is often local in the sense of like, hey, we get that it's important to have new housing, but we democratically should be able to determine what our community looks like within reason. So how do you think about that? As I'm trying to get at is I'd be much more comfortable with YMB policies that come at the state level than YMB policies that come at the national level. Given like those different dynamics, how do you think about that? Yeah, we live in a system of federalism and there's a differentiation of power between different levels of government and that's as it should be. So the way we think about this here is that, yes, ultimately state and local governments should have the final say and they should be able to have self-determination about how they plot out land use and zoning. And there's really no working around that in our system. But that doesn't mean the federal government has to subsidize policies because nimbyism comes with a huge negative externality for all the rest of us. We know it's bad for the environment. We know it's bad for lower income people. Sorry, why is it bad for the environment? Because nimbyism prevents density and density is great for the environment. And when you have really strong nimby policies, it forces perpetual sprawl. And perpetual sprawl means that people have to use cars. Public transportation is not an option. So they're commuting longer distances, they're using more fossil fuels, et cetera, et cetera. Not to mention it's just a tax on people's time. They have to drive an hour each way to get to the same job that they could have had if there were more apartment buildings in that city. It's bad across a number of different axes. So those are the kind of externalities that the federal government can say, it's up to you, but if you want access to certain funding streams, you're going to have to meet a certain minimum threshold of land use and zoning that we know doesn't impose the same level of negative externalities on the rest of us. So I think that's really where the juice is at the federal level. But those tools may not be persuasive. Some communities may say, we don't need that highway funding. We're happy to go without it in exchange for maintaining community character or whatever the argument may be. I think this is one of the thorniest issues of our time. And it's one of

the most important issues of our time because there's no simple issue, no simple answer to solve the problem on any national scale. I am encouraged though, there are a lot of states and localities that are experimenting with liberalizing their land use and zoning and allowing more economic liberty, allowing duplexes and triplexes, as radical as that is, and the sky hasn't fallen in those places. So I think when you see places experiment and succeed with those types of yinbi policies, my hope would be that that gets copied and pasted elsewhere. And certainly the trend line is in that direction, but it's very slow moving. And for people who want to see a quick change, that's deeply unsatisfactory. My last main question is going to be where decisions in the private sector, especially for remote work come down to this dynamism question. I mean, this is my own life. I moved from DC to New York to Austin because since COVID, I've just been 100% remote and I can live where I want to live. And that's an example of dynamism and moving and all these different things pursuing my own version of the American dream. Obviously, Disney just announced that four days in the office, this is one of Bob Iger's new reforms. At a broad scale, obviously, most people in the country didn't get full remote, but that's just an example of the private sector really sort of setting a specific dynamic there. How do you think about the private sector side of things when it comes to dynamism? I think you're going to see continued innovation on that front and experimentation. Things like remote work are here to stay. That is not going away. And some kind of hybrid work arrangement is going to become, I think, a permanent norm for many types of work. And so ultimately, companies have this imperative to attract workers. So if it is necessary to, and so much of economic life has been organized around that fact, if the workers that a company wants want to live in a certain type of city, companies are going to prioritize those types of cities. If those same workers, because of the pandemic or other types of revelations that come to them say, en masse, we want to live outside of those cities, New York to Austin, as so many people have done, then employers are going to follow. So employers are not unilateral in setting the terms of debate in this whole thing. They are really going to be fundamentally motivated by where can they attract the right type of workforce. So I would say there's a lot of power with states and localities that, especially right now, put workers at the center of their economic development strategies. And this is a new and exciting development that I think has a lot of potential to boost dynamism in a lot of different types of places. The traditional playbook has been, let's use state and local dollars to poach companies and lure them into our jurisdiction. And that's where a lot of subsidies have gone. And I think a lot have been wasted in the process of doing that. But if instead you can poach the workers in a world that's increasingly remote, so those workers who have a lot of options for where they settle and you get them, then the employers are going to follow. And it's a chance to really reshape the economic geography of our country. And so you have these incredible experiments happening in places like Tulsa. We did a study, the first study on Tulsa remote that looks at the benefits of their remote worker recruitment program, which started before the pandemic, but took on a whole new dimension with the pandemic and everything that's come. It's been hugely successful. And Tulsa is not the first place you think of when it comes to building a knowledge economy or a tech industry, but they're using remote work to jumpstart a density of that type of workforce that then attracts employers and then helps them build that ecosystem. So I think that's where that laboratory of democracy and economic experimentation really plays out in real time here is in the

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pandemic era, it's all about how do you get ahead of that trend and figure out how to apply it to your local economic development strategy. And some places are going to do phenomenally well, and that's going to make them, if they succeed, much more dynamic, much more entrepreneurial. And, and it's going to be a far cry from what would have been possible before these types of trends were effective life. But again, I think employers, they're going to be very guided by where they feel like they can access the talent that they need. So this gets into immigration, this gets into remote work and all those other factors. And two, as we talk about the CHIPS Act and the follow through on regional innovation hubs and where are we going to do some of this domestic manufacturing and reshoring that is so politically in vogue. If you really want to be successful with that, creating local policies that have, that maximize those key ingredients that are attractive to the kind of workers that you are going to need to build those successful hubs. That's what those policy makers should be focused on right now. So it's not just a federal government issue. This is very much, I think in the hands of state and local policy makers as well. And I think that's going to become much more a part of the conversation over the next two years as the federal government may stall out. And what it can do policy wise, I think that puts the onus on state and local policy makers to pick up the ball. I think that's an excellent place to leave it. So obviously, John, we're going to link the manifesto on dynamism, anything else that you'd like to shout out for our listeners.

EIG.org. Get in touch. We'd love to hear what you have going on around the country and anyone who's interested in getting involved in that type of work. We know where to put you.

John, thank you for joining me on The Realignment. Thanks for having me.

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