

Make Me Smart September 29, 2021 transcript

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Molly Wood: I am here and I'm sorry it took so long. I'm getting angry texts.

Kai Ryssdal: Oh, whoa, whoa, holy cow. Drew's like, oh, Molly's here? Boom!

Molly Wood: Wow. Okay, well, I was a little late. Oh, hi, everyone. I'm Molly Wood. I'll stop talking about how I'm late to the show that's already happening. Because you don't know I'm late. You're listening right on time. Welcome back to Make Me Smart. The podcast where we make today makes sense. Thanks for joining us.

Kai Ryssdal: Oh, my goodness, when we show up. I'm Kai Ryssdal. It's what do you want to know Wednesday, the day in the week where we get to answer some of the questions all y'all send our way. So we will do that today.

Molly Wood: Yeah, I peaked ahead. We got some fiscal policy geeks up here today. And I'm stoked. Let's get to our first one of many.

Sasha: Hi, Kai and Molly. My name is Sasha. I'm calling from Carrabassett Valley, Maine. And I'm curious if you could make me smart about the really practical implications of failing to raise the debt ceiling. I've heard that it will collapse the global economy. And it sounds really bad. But I don't quite understand how exactly my life on the ground would change and the implications for sort of everyday people in everyday life. Thanks so much. Bye.

Molly Wood: Before we begin, I have a fun fact about Carrabassett Valley.

Kai Ryssdal: Oh, I was gonna say that is a great name.

Molly Wood: I know, it sounded so charming. And I was like, what is the deal, and it seems like one of the better known things about Carrabassett Valley is something called the anti gravity complex, which I got really excited about, but just wanted to let you know, it appears to be a fancy indoor skate park. I know, I was like, dude, I love this town! It was like, a bunch of kids skateboarding and I'm like, oh. But still, it looks like a really, very charming town. Okay, now, please do the substance.

Kai Ryssdal: So briefly as briefly as I possibly can, because I could go on about this for belief in ever. So practical implications for people on the ground. If you or if you know somebody who gets a social security payment, who gets a Medicare payment, who gets a child tax credit

payment, who goes to a medical facility where doctors are paid by the government, anybody who gets any kind of support from the federal government should be worried about the debt limit, because what's going to happen on the day that the debt limit blows up, which currently is the 18th of October so say Janet Yellen yesterday, is that the Treasury Department is going to prioritize paying off the bonds that it has, that it has issued, and it's going to do that, because the US Treasury market the the bonds that the government sells to finance all this stuff we have in this country that the government pays for, it is the most liquid, it is the biggest and it is the most sue thing debt market in the world. You will always get your money back if you lend the American government money. We hope, okay, and the Treasurer is going to work really hard to make sure that still happens. So they're going to make those interest payments, they're gonna make the coupon payments on the bonds. What does that mean, though, if they can't borrow more money to do that? That means that they can't pay some other bills, Medicare, Social Security, military, they just cannot do it. They literally don't have any money. So that's how you will be directly affected. The other larger implication of this is that if somehow the Republicans in Congress can't see their way clear to the traditionally bipartisan chore of raising the debt limit, artificial though it may be, the global economy is going to crater because not only will we enter a huge recession, where Moody's estimates we're gonna lose 5 million jobs and trillions of dollars in wealth. But also, nobody's gonna lend us money. Nobody's gonna lend us money, nobody's gonna buy our bills, nobody's gonna buy our bonds, nobody's gonna buy our notes. That's how it would affect you. Listen to Marketplace today. We did two minutes right at the top of the show on exactly this topic.

Molly Wood: Yeah, remember, some other time recently when I was on the show, and I was talking about that newsletter, Heather Cox Richardson and I said that starving the United States economy is just as deadly to it as taking up arms against it. That's what he means. That's this.

Kai Ryssdal: That's this. Yeah. Yeah, it's really bad. It's really bad. Wow.

Molly Wood: We should definitely just fool around with that though and play politics. That sounds fun.

Kai Ryssdal: We definitely should. Definitely should. Jenny in Virginia wants to know this. Why is childcare so expensive and still such a low paid job? Where is the money going? That's a great question. Holy cow.

Molly Wood: I know, seriously. Yeah. And what is remarkable about that is because, is that everybody needs it or so, so, so many people, not everybody, obviously, but lots of people do. So, some numbers up front. First of all, the average cost of childcare in the United States stands at more than \$8,000 a year, the median pay is about \$12.24 per hour. And apparently one of the reasons is because if you have, you know, if you're a quality child care center, you have to have a lot of staff, you have to have a lot of employees so that you can have a low child to staff ratio. Labor costs account for 80% of childcare center;s budgets. So if you are essentially a small business, and that's all you can afford, that's what happens, right? You just don't pay as much. Childcare centers, of course, have to pay rent. And in increasingly expensive housing markets,

there's liability insurance, licensing fees, and these really, really narrow margins. And the only way it works out is to run at full capacity. If they raise pay for workers, that means parents will have to pay more. And parents might not be able to do that or not be willing to do that. So this is why, of course, we're having these conversations about universal pre K, subsidies for childcare that are based on your income, and all of these other ways to make childcare more affordable for people because making it more expensive is just going to mean that like, poor people can't have childcare and rich people can, and you just further this inequality and keep people from being able to go back to work in some cases. But either way, obviously, it's a huge concern. We brought it up the other day on the show and said that all these childcare workers are quitting because they can make more money, who knows where, childcare employment is down 126,000 positions. And of course, what this primarily impacts is women and mothers who can't go back to work.

Kai Ryssdal: And look obvious, as Molly said, you know, people at the upper end of the income spectrum don't have this problem the same way that, that folks on the lower end do because mostly they can afford it. But I talked to Indra Nooyi on Marketplace yesterday, the former Chairwoman, Chairman and CEO of PepsiCo, and she was like, I'm, I took the job at PepsiCo 25 years ago and my mother moved in with us so that I could have childcare. Right, so they could be nearby. I mean, it's a, it's a real freaking thing.

Molly Wood: Yeah, I mean, people put it together in all kinds of different Django ways. And it's, I mean, honestly, when my kid went from daily, you know, daycare, to public kindergarten, I was like, we are rich. At first, like that first school, actually, that I went to, I was like, oh, yeah, give me, give me all of it. Oh, it's honestly like the bill. It's crazy.

Kai Ryssdal: The first five years of life, there is nothing more stressful, I swear to God, than childcare, right? Honestly, I know, it's what are we gonna do with the kid today? Right. Yeah.

Molly Wood: And that I would like to point out is a very special feature of the American system. Like we're it in terms of advanced economies, or whatever we're calling them. The United States is the one without universal health care. The one. Yeah, it's embarrassing. It needs to stop. Oh, hey, look, Congress. What a segue. Recently, the House passed a \$768 billion defense bill, which is more than what was proposed in the President's budgets, President Biden's budget. So Richard in California wanted to know how exactly does the Department of Defense spend its money? Oh, the eternal question.

Kai Ryssdal: So let's, so let's, first of all, that's, that's right. \$10,000 challenge, but, and we'll get to that in a second. But let's put this into context right 750 ish billion dollars. That's for one year, right. The Biden human infrastructure plan that Congress has now time that while the Democrats right, because the republicans are sitting just sitting back and watching and you know, rubbing their hands together with glee, but the democrats are telling themselves and not over the President's three and a half trillion dollar bill. That is three and a half trillion dollars over 10 years. So the President's infrastructure bill is half the size, annually, of the Pentagon's budget, annually. So there's that. The Peterson foundation says about 40% goes to

operations and maintenance, 23% goes to personnel. paying the people, right, 20% goes to buying weapon systems and 14% ish or so goes to research and development for new weapon systems. There's another study that says nearly half of defense spending broken down in those categories, um, since September 11, has gone to private contractors but. and here's my favorite but most hateful part of the Pentagon budget, we don't actually know this because it wasn't until a couple of years ago that the Pentagon was actually required statutorily to audit itself and in point of fact every audit it has ever done it has failed, like if you ran a company, and your local accounts came in and said, no, no, no, we're gonna not give you an unqualified review. That's what has happened to the Defense Department every time they've had to be audited. Right, the auditor to set on this is garbage man. Are you kidding me? Are you kidding me? So now, there, yeah, there is an audit the Pentagon act of 2021, which would take any element of the defense department, which is to say Army, Navy, Marine Corps, I guess coast guards and Homeland Security, but some anyway, whatever the big is, you know, if it can't pass an audit, would forfeit 1% of his budget back to the Treasury, and then that would be applied against the federal deficit. So the defense budget is rightly scorned for being a mess. But it's enormous. It's an enormous mess.

Molly Wood: Yeah. I just totally want to go back to the if we were to spend \$700 billion a year for 10 years, that would be twice the price tag of the Biden infrastructure plan. Yeah. Imagine if we spent \$700 billion a year on like climate adaptation and resilience and solutions. Just as one example. Wait, wait, wait. Imagine if we spent \$100 billion a year on universal child care?

Kai Ryssdal: Right. Right. Yeah. And look, the Pentagon has been so smart about this, because sorry, not, not the Pentagon, Congress has, well, Pentagon has as well, right. But what happens is there are defense contractors and installations in every single state, right, so all 435 members of the House have a vested interest in that spending, all 100 senators, all 50 governors, right. They've all got a vested interest in this spending. And that's why it keeps on going. Beware, as Dwight Eisenhower said, the military industrial complex. It's a real thing.

Molly Wood: Yeah, it's a real thing. It's a real thing. And it's a guaranteed moneymaker. Because even though we, for example, just pulled out of a 20 year war, Congress gave the bind administration, I'm sorry, the Pentagon more than the administration had asked for. More. Yeah, that's, that's actually that's where that pork is. Alright, our last question today comes from Patricia in Arizona who asks what are hawks and doves in relation to monetary policy? A really fair question like, this should, we should be definitely defining this every time.

Kai Ryssdal: The hawks, when you're, okay, so when you're talking to hawks and doves in monetary policy, literally imagine the birds, right? The hawks are raptors, they have sharp talons, pointy beaks for ripping apart their prey, really good eyes to see with, right. And those are the people, when you're talking about monetary policy, who are really worried about inflation, who do not want inflation to get out of control, even a 10th of 1% year on year, right? They want to kill it as soon as they possibly can, because they worry that inflation, once started will run out of control. The doves, on the other hand, are the people who are like, yeah, inflation is fine. Let's worry about the labor market and workforce and pay levels and those kinds of

things. And it kind of helps if you think of people when you think of this. So I don't know how many of you out there will remember or have heard of Paul Volcker, used to be chairman of the fed back in the early 1980s, appointed by Carter. And then in the early 80s, when inflation was at like 14 and 16%, he crushed inflation. He was an inflation Hawk. Right. Janet Yellen, Ben Bernanke, inflation doves they're like, yeah, you know, inflation is fine. Let's worry about the labor force. And so that's, that's how it comes from.

Molly Wood: I actually just learned in our prep notes, thank you producers right here that evidently there is in fact a third bird. Which I want to say all day every day, third bird, a pigeon. The people who sit somewhere in the middle. I didn't believe that at all. But then I looked in this story that we did our Marketplace ages ago from David Gura and pigeon is actually in here. Yep, pigeons. Yep. That is hilarious. I will, I'm going to strive to be a fiscal pigeon. But now I don't want to tell anybody to have a fiscal pigeon because very embarrassing, we need a third, a better third bird.

Kai Ryssdal: Yeah, well, that's the problem right? Because pigeon carries all kinds of connotations. Right? Oh, you're such a pigeon. Yeah.

Molly Wood: I don't want to be a fiscal flying rat. Come on. Give me better friends. A better bird. Tell us what, you tell us your suggestions for the third bird.

Kai Ryssdal: And why, and while you do that, think about how you're going to get them to us right? Because we're done for today. Back tomorrow with hollowed out shell Thursday. Send us your questions, would you? share your comments or your bird suggestions, makemesmart@marketplace.org. Did you see by the way that the Lord God bird, the ivory billed woodpecker is now extinct. And there are a whole bunch of others listed today. Craziness. Craziness. Yeah, yeah, that's, sorry. That was a weird turn. Makemesmart@marketplace.org, leave us a voicemail if you like: 508-827-6278, 508-UB-SMART.

Molly Wood: It's like you said hollowed out Thursday and then you had to skip ahead to the hollowing. Hey, on the other hand if you see a make me smile and you want to share that with us, please do and we will use them on the show. Make Me Smart is produced by Marissa Cabrera. Today's program is engineered by Charlton Thorpe and our intern is Grace Rubin.

Kai Ryssdal: He missed this yesterday, by the way, yesterday was Marissa's one year anniversary on the show.

Molly Wood: I know, I can't believe I missed it. I'm sorry.

Kai Ryssdal: Ben Tolliday and Daniel Ramirez composed our theme music. Our senior producer this week is--Bridget's off doing something, I don't know what--is Donna Tam.

Molly Wood: What a good year. Who has had a more impactful first year than Marissa?

Kai Ryssdal: Oh, nobody. Totally true. Totally true.

Molly Wood: Every bit of it.

Kai Ryssdal: All right. And here come the fire trucks to take us away. All right.

Molly Wood: All right. See you guys tomorrow.

Drew: I'm fine unless you wanna credit the right engineer.

Kai Ryssdal: Oh, no!

Molly Wood: Today's program was engineered by Drew Jostad.

Kai Ryssdal: Oh my goodness.

Molly Wood: Dang, wait, wait, wait, wait until the last nanosecond.