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## Charlie Rose Talks to Kenneth Rogoff

By [Charlie Rose](#) on December 20, 2012

### **It’s almost 2013. What do you expect to see, economically, around the globe in the coming year?**

Everybody’s growing more slowly than they’d like to, if at all. Europe is basically flat. The U.S. is improving, but it’s not exactly galloping. And we’re entering, probably, a weak quarter where people are hoping it will be stronger over the course of the year. China’s slowing some. In general, all the emerging markets are slower than they were. India’s slowed dramatically. Brazil has slowed. So it’s fragile. When the U.S. is one of the bright spots, eking out maybe 2 percent growth, and 1 percent growth this quarter, you know things aren’t very good.

### **Are the days of 4 percent GDP growth going to return?**

It’s in the realm of possibility, but I think the trend growth rate is going to be more on the order of 2.5 [percent]. Some quarters it’ll be worse than that, some better. There are many private forecasters calling for it to be 3 percent by year’s end. I’d be pretty happy with getting to three. It’s not going to solve our unemployment problems anytime soon. We really need 4 percent, 5 percent growth for a sustained period to really steam out of this, but it would help stabilize the situation and give modest improvement.

### **Were you pleased to see the Fed’s new focus on joblessness?**

Absolutely. The Fed is in this difficult situation where it clearly needs to express its message

more forcefully, because it's not just about how much quantitative easing it does but about the message behind it. So I certainly have welcomed their change toward focusing on final output on unemployment and inflation. I would've liked to see a little bit looser inflation target, because I think they need to get inflation expectations up to help drive investment, but this is definitely a welcome change. I think we're still in an evolution. I think there's more to come.

**Does this economy need further stimulus?**

I don't think we can live on stimulus forever. Certainly, withdrawing it at too rapid a rate in such a fragile economy makes no sense. The real problem is that our system is so paralyzed it isn't able to be creative. The private sector is creative, but the government is just paralyzed. The tax system needs to be reformed. We need to have areas where we spend money, like infrastructure, education. There are other areas where we need to rein in entitlements—and everyone wants to keep what they have. We're in this very static situation in a changing world, and it's not a healthy one.

**What's a manageable level of debt for America, one that doesn't impede growth?**

Historically, when you start getting debt levels up at 90 percent and 100 percent of income, you're in very rarefied air. And those debt levels have been associated with lower growth—not falling off a cliff, not Greece—but lower growth on a sustained basis. It can hold back your growth for decades. I think it's hyperbole to say that the U.S. is going to become Greece. But it's not hyperbole to compare us to Japan and wonder if we'd get stuck in this slow-growth quagmire.

**Do you really think we're at risk of stagnating like Japan?**

Well, I'd say we're in a mild version of it now. We need improvements and reforms. I don't think spending money is the solution.

**What happens if no agreement is reached and we go off the fiscal cliff?**

There's a fair chance that they don't come to an agreement and we go into 2013. I don't think that, per se, would be the end of the world. There would be a hue and cry, it would get reined in after a few weeks, and they'd settle on something. I view this as a skirmish in a bigger war where you're growing entitlements, government services are getting more expensive. People are going to pay more and get less. This is just the first stage of that. I do hope they come to an agreement. I certainly hope we don't see another debt-ceiling fiasco, having the U.S. default on its debt even technically would be pretty ugly.

**What kind of agreement do you want to see?**

I'd like to see some bigger problems tackled. First of all, if everyone admits that you can't have an absolute □...□ if Republicans say, "OK, maybe taxes do have to go up sometime." And the president says, "Maybe entitlements do have to get cut." I think that's very important. Clearly, there are areas of our tax system which are egregious in terms of their inequality implications, things like carried interest. But I'd like to see a bigger plan. I'd like to see reform.

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