

Frank Sesno: I have good news and bad news for you.

Jack Lew: Where do you want to begin?

Frank Sesno: The good news. I had a chance at GW today to talk to a group of high school seniors who want to go to college, 40 of them. They all actually want to be journalists; they want to make your life really pleasant. I said: who here knows who Jack Lew is? And the good news was, several of them raised their hands.

Jack Lew: And the bad news?

Frank Sesno: The bad news that was after I said: he's the guy with that loopy signature thing. But they knew! They knew, they are following it all.

So I heard you say back that we're actually going to see your new signature when on these bills?

Jack Lew: In the fall.

Frank Sesno: Starting on...

Jack Lew: The five dollar bill.

Frank Sesno: A collector's item?

Jack Lew: Well, I think I plan to use mine.

Frank Sesno: Alright, well, we have a number of very interesting questions that have already come over twitter and from some people in the audience. I want to start by thanking you for being here. You have been a great friend to US GLC and you bring a remarkable global perspective to a remarkably global job that you are in now, so all the best with that.

Jack Lew: Thank you very much. It is great to be back here at US GLC. I said back there, and I really mean it, it is really hard to put together a room in Washington where there are so many people who care so deeply for the US role in the world and supporting our ability to use soft power with bilateral and multilateral assistance, so it really is a pleasure to be here with you.

Frank Sesno: Well mister Secretary I appreciate that, and I know everybody in the room does to. Let me ask you to start if you would with the big picture, the big perspective. You spend a lot of time at the White House, up close, right at the table. OMB, you know where the dollars get spent, and how and what the pressures are. Now you're at the Treasury Department with a very unique global view of things, looking at all sorts of interactions. If you were to talk about, and to describe the president's approach to global engagement, in his second term, forged by the

lessons he learned through his first term, the world as you confronted today, the economy global and otherwise as confronted today, how would you describe second term global engagement agenda?

Jack Lew: I think the president's approach will flow right out of the first term. The US is the indispensable country in the world, but we can operate alone everywhere in the world. We have to lead, we have to have a shaping will, and we also have to have recognition that in a world of emerging powers and limited resources, we can get more done working together. Working together doesn't just mean between countries, it means public and private sector working together, it means the NGO world working with the public parties. I think that the approach that the president took in the first term really laid a foundation for this week's trip to Africa. The ideas that he is going to be developing flow out of it. It is in the US interest for developing countries in the world to be stable and prosperous. It is in the US National Security and in the economic interest. And perhaps most importantly, it is consistent with our values. To have a world where people starve because they don't have the tools to plant crops and grow food, when the tools are available, especially in many parts of the world, because women are 70% of the agricultural work force, but they are not able to own land often, they can't buy fertilizer. The role of women in the developing world is critically important to the well-being of the economies in the developing world. So I think we could talk about the areas of the world where there are real stability issues. There is one approach in those kinds of places.

There is the broader set of countries where the goal is for them not to be stability problems. And that is why we have to be there developing clean power sources, agricultural approaches that are sustainable, health systems that are sustainable, and I think that in the first term, I was privileged to play a role developing our bilateral approach. In my current role I'm more involved with our multilateral approach. One of the things that was very important to us in the first term and now is to have those pre-coordinated. If you look at the priorities of the World Bank and the priorities that we are pursuing, they definitely held very nicely together. That is really important, and we have to do it on a bilateral level.

Frank Sesno: You are working for some reform in that area as well, so it is really important you have some of that flexibility. You feel that you need to be more responsive? Explain that.

Jack Lew: Well, the World Bank reforms have been very important in terms of managing better, from the basic things like procurement reform to how they operate in countries. That is important because that is how you get the job done, but it is also important to keep the support for our participation at a high level. We have to make it clear that with scarce dollars, they are being spent well, whether we

spend them directly bilaterally, or whether we do it as part of a multilateral conversation.

Frank Sesno: So what type of agenda, in terms of the reform to maintain that public and political support?

Jack Lew: Well I think that we have been very successful in pursuing the reform agenda. I mentioned procurement, and that is a very important area. Transparency, in terms of how the business the World Bank is done. I think the challenge, as Dr Kim has said, ending poverty...

Frank Sesno: Which he talked about here today?

Jack Lew: Which he talked about here today, is built on a foundation where the pillars are all of the things that we have been pursuing for the last four years. It is built on making sure there are sustainable economies, making sure there is enough agricultural production so that food is available broadly, that women and children can go to get health services, not just because it is being provided by international players, but because organizations are growing up within countries to be able to provide ongoing care.

Let me tell you, when I was in Tanzania myself when I was in the state department, it was very striking to me. I expected to be most impressed by the kind of medical science and the outreach. The simplicity of things that make a difference is what really struck me. Putting a tin roof outside of a waiting area, so that when women had to wait for three hours to see a doctor, they won't be sitting in the rain, made a big difference. They were willing to wait for three hours, just not in the rain.

Frank Sesno: We had a very interesting conversation recently over at the university about this, and it is about this word innovation and I want to ask about that. But one innovation that was pointed out, in agriculture for example, is simply changing the hours of business that are often conducted. Because with so many women who then have responsibilities for children, they then need different hours to have access to others in the business world. So these innovations can take place at a lot of different levels. It could be an hour that a business operates or a roof over their heads.

But use that word for me and take us inside to what you are doing, or what you would like to do, and talk about what you think is the most innovative, or some of the most innovative, initiatives in terms of the Smart Power agenda, that you and the administration are now working on.

Jack Lew: You know I think that it really depends which area you look at. If you look in the health area, I think one of innovations that we have brought in was saying if you

have a very successful program to use a platform to reach out to people to treat HIV, then you have a platform to extend other services, from preventive health to reproductive health; that if you have technologies that are simple and sustainable, like Smart Stoves, you don't always need a big project to make a big difference. The big projects have to be smart. The big projects have to do things that can last, beyond the international presence and not just become monuments to well-intentioned plans, but not sustainable in country.

Frank Sesno: We had a conversation up here a few minutes ago that touched a lot on public private partnerships. You are involved in a lot of that in your role as treasurer. Where do you see some of the most innovative initiatives there?

Jack Lew: You know I think if you look in the food area, the partnerships between the dozens of companies that have got involved in international effort, which we are very much a part of, that ranges from companies that have products that they can deploy, seeds and the like, to technologies that can be used to market, they want to develop. And we need to harness this. This can't just be about doing good. It is about doing good, to help in poverty and to improve the quality of life, but it is also very practical. From the government's perspective it is about security. We are safer in a world where people have stability and they are not starving, and for participants in the private sector, for NGOs, it is about pursuing their mission, and for businesses, it is about pursuing their markets. And those don't need to be hostile to one another.

Frank Sesno: There is a question here that I'll do to now, it came across Twitter stream for us, that they want to ask you. Big Climate speech today, Africa tomorrow: any connection?

Jack Lew: Well obviously in the Climate speech today the president spoke a bit about the international piece. I think Africa will get much more deeply into the need for clean power sources in Africa. But one of the things that the president said in the speech today, and it is very important, is that we as the world community can't continue to support coal burning power plants that don't meet basic standards. We have to encourage sustainable technologies and we have to do it in a way that is affordable in the country that is getting the power. I think that is a big challenge, but we have the capacity to do it.

Frank Sesno: I noted in his talk, he was talking about \$7 billion in financing for climate mitigation and adaption projects in the developing world. Do you see a substantial change on the horizon then for how America is going to engage the world with the climate agenda, assuming a different place in the calculus?

Jack Lew: Well I think the climate issue is truly one of the kind of formative issues of our day. We saw in just less than a year ago that the magnitude of damage that people don't think of as being possible in the East Coast and the United States,

think about what that does in the developing world, where it can just wipe out every bit of an economy. Resilience is important, adaptation. The answer can't be that you can't run an economy. The answer can't be that you cannot grow food. It has to be adapting to doing it in a way that is consistent with what we all have to be a part of, which is recognizing the limitations of our natural resources.

Frank Sesno: So, how does it change, or does that change, when we talk about Smart Power and engaging with the world? The way we're doing and what we're doing?

Jack Lew: Obviously it's challenging. I think it was very significant that in the recent summit between President Obama and President Xi that we reached an agreement on the HFC issue, to put that under the Montreal protocols. I think that we have to recognize that merging countries, developing countries have enormous needs to grow in order to deal with the stage of development they are at. We have to help through bilateral and multilateral assistance and advice, to steer that in a path that is consistent overall with a sustainable future for the globe. The answer cannot be us telling merging countries: you can't grow. We have to help them adapt and find ways, and that is what these programs are really about. It is not about telling them to eat their spinach, it is about telling them they can grow their spinach in a sustainable way.

Frank Sesno: Mister Secretary, nobody knows the sequestration story and the austerity story better than you. I have this picture of a gigantic calculator on your dining room table. At a time of such austerity, how do you make the case to the American people, how do you make the case to a skeptical congress, that these dollars spent are the investments that you say they are.

Jack Lew: It is a great question. Let me answer it in multiple parts. I think that, first we have to make the case that it's in our security interest, both our national security and economic security. Now, national security is a case that's fairly easy to make when you look at a world where unstable countries have been the source of hostile acts to us, and more stable countries are going to make the world a safer place. Economic security, you look at something like the IMF. Very important institution; it gives us the ability because we have a veto power in the IMF through a share to leverage our influence in the world, and whether it is in North Africa after the Arab Spring or in Europe in a moment of crisis, it gives us an opportunity, the United States, to play a much larger role to keep things from becoming a threat to the US economy. We have legislation that is going to have to pass this year in order to keep that going at the IMF.

Frank Sesno: You're worried about that legislation?

Jack Lew: I'm working on it. I don't worry, I work.

Frank Sesno: You don't worry while you work?

Jack Lew: Well, it is something I think all of us have to worry about because the US leadership in the world is composed of many different elements, one piece of it is our ability to have to influence that we have in the IMF. I think that a second area where I would go in terms of making the case, is that we run these programs well, and much better than they were run at points in the past. We talked about the reform agenda before; we can't be afraid of reform, we have to embrace reform, we have to always want to do better, no matter how much progress we've made, we have to make more progress and show that we are spending tax payer dollars wisely for a good purpose.

The third thing which is I think probably least well understood out in the country, is how small a share of the federal budget farm subsistence is. If you ask people, they think it is a huge percentage, but in reality, it is not even 1%. If for less than 1% of the budget you can do things that enhance your economic and national security, that is a wise investment. That is why there is so much support for our military leaders, for this agenda.

Frank Sesno: So do you find that more challenging, or not? To argue on behalf of these expenditures and investments.

Jack Lew: More difficult than what?

Frank Sesno: Than it has been, given the climate of austerity? Because on the one hand, you can point to clear cases where the investment has paid off., You have the data to prove this, right? On the other hand, we are living in tight times. On the other hand, we have got a globalized world, and people know that.

Jack Lew: We are going to have to make tough trade-offs everywhere. We are going to have to make tough trade-offs in our foreign assistance program just as we do within our domestic programs. So I don't think it is a question of whether you make the tough choices but I don't think we can entertain the option of withdrawing from the world.

Frank Sesno: Right.

Jack Lew: That is the case. Frankly, I make the case on a bi-part basis and I find an awful lot of people agree with it. It is very hard for them to say: I'd rather do this than something in my district. That is always going to be the case. The first four years were not easy for economic times. We actually increased our levels of foreign assistance.

Frank Sesno: How has sequestration affected this?

Jack Lew: Well, sequestration is affecting everything. It was designed to be something that would be unacceptable to everyone and it is not surprising that is has

unacceptable consequences everywhere, because it was meant to be something that everyone would want to avoid. I actually think the consequences are starting to sink in. I think that if you look, whether it is on the domestic defence or the international parts of the ledger, we're doing less of things that we need to do. It is going to affect people's lives, and unfortunately, if left unchecked, it could affect our security.

Frank Sesno: Are there places, or examples, in the international ledger and security ledger that you are especially worried?

Jack Lew: Well it is a little hard on the international side for me to point to the specifics because of the lag in terms of when the funding actually gets out. One of my great frustrations at the state department was how long it takes to get the money that is appropriated out into the field because of all the hurdles that you have to clear. So I think that it is going to have a little bit of a lag, in terms of really bidding on the international side. On the domestic side it is hitting broadly. By its basic nature it is not hitting with the kind of on/off switch that government shutdown would have for programs. But if you in a community and there is 1000 less kids getting a head start, or 1000 less people getting meals on wheels, that's real. If you are in the military and you are mothballing bomber wings and taking pilots out of the air, it means they are not going to have the flying time in an emergency to go back up, and the equipment may not work when you try.

So we are doing things we would have never chosen to do. I think they are short sighted. I think the right answer is to replace sequestration with a balanced mix of medium and long term policies that address what are the real challenges.

You take a step back and you look at where we are in terms of our fiscal policy. There's not an urgent fiscal crisis today; we have done more deficit reduction, the economy is getting better and it is helping. What we have is in the medium and in the long term the need to deal with the growth of programs and a sensible balance fair way, and the fact that we've done some raising of revenue, but not enough to replace the enormous gap left by the tax cuts of a few years ago. The good news is, there are compromises in the middle, that could cause that gap, could replace sequestration. If you look overall, we're arguing about composition, not about the amount of deficit reduction.

Frank Sesno: President has made the case, both the one who was in Mexico and now in the eve of going to Africa, that global engagement is critical to economic prosperity at home. He keeps bringing the story home. He keeps trying to make this relevant and explicable to ordinary Americans. Can you dive into that a little bit more for us, and make some specific connections?

Jack Lew: You know, I think it's true in so many ways, that we have a global economy now, whether it is markets for our goods or sources of raw materials, or exchanges of

knowledge. There is virtually no aspect of life that isn't very much affected by things that happen around the world, not just in the United States.

Frank Sesno: People don't appreciate that View X sells really well in China.

Jack Lew: Not all American cars, but View X too.

Frank Sesno: Yes. They are hot.

Jack Lew: You look at Europe and China. They are our largest export market. It makes a huge difference to us that they do well, because those markets grow. We don't just buy from them, we sell to them. In the developing world, the amount of consumer demand that could be tapped, when you go to remote villages in Africa, you see America toothpaste on the shelf. Even in the store that doesn't have a cash register. That's not the reason alone, but it is good for the American economy for there to be a consumer market in the most populous countries in the world.

Frank Sesno: We have a few minutes, and I want to do mosts and leasts of a few things. You know this space very well. You know US GLC in this issue set. As you look around and think about the world, where do you see the most interesting opportunities right now?

Jack Lew: This is so much different a period than four years ago, so we have opportunities to build new relationships in places like China, to work in the developing world, with merging countries, that have enormous resources, that they increasingly want to tap in a responsible way. I can't say that there is one; it is part of the nature of the global world that I don't think there is one. We don't get to choose that we are going to focus on either Africa or Asia or Latin America or Europe or China. I think what we need to do is in the aftermath of the financial crisis, in the aftermath of the United States facing the economic fallout, we are in a much stronger place as a country. I think that the world admires the resilience of the America economy, and notwithstanding the debates of the last few years, the resilience of the American political system. You look around the world right now and four years ago there was a lot of speculation: would the United States be able to be the player in the world that it used to be? And now everybody is looking and saying: how do we get our growth to where the United States is? How do we emerge from our financial problems and economic problems with democracy intact? There is a lot for us to do in the world, and the United States is the indispensable leader in the world.

Frank Sesno: How about most significant challenge at moving the global engagement agenda forward?

Jack Lew: Look, the challenges are many. The scale of the challenges is daunting. You talk about ending hunger in the world. You know, you are dealing with one farmer at a time, and there are millions and millions and millions of farmers, so you can't have a retail relationship where one or another great power comes in and does it. You have to build systems in countries that are economically sustainable, socially and politically sustainable, and it is hard. It is easier in some ways to come in and put in an American or a developed world footprint down and do things for people. The real challenge is to go in and help build a system where you can leave, and the things that need to happen without you; to make yourself dispensable.

Frank Sesno: A couple of other questions from the Twitter verse here. This is from Phillip, in [Walfen 03:16:14] Massachusetts: I'd be interested in knowing about the immeasurable effects that budget cuts have had on the economic growth and whether a diminished deficit outweighs the cons of sequestration.

Jack Lew: Well I think that the American economy has this year proved itself stronger than some expected, because we had a lot of head winds from fiscal restraint. The payroll tax was allowed to expire, sequestration unfortunately kicked in, and the economy is still growing in the two percent range, and there is a lot of forecast that show the end of the year or beginning of next year considerably stronger.

I think you have to distinguish between things like the pay roll tax cut and sequestration. The payroll tax could not be permanent; it was not something that was consistent with funding our long term needs and social security. It was a question of when it was withdrawn. Sequestration is avoidable. It can be replaced. If you look at what it means macro-economically, it is a half to three quarters of a percent of GDP. It is about 750,000 full time equivalent jobs. If you could give me a piece of paper that I could enact into law to create another half to three quarters of GDP with, I would think you would be a hero if you could present that plan. So, replacing sequestration and avoiding the kinds of unintended consequences that I've just gone through, remains a pretty big challenge. The good news, looking at next year, is there is not any obvious next round of head winds from federal policy. What we need to avoid is any self-inflicted wounds. I mean, we went through in 2011 a real spectacle in this town, where for the first time in my more than three decades in this business, there was actually a debate about whether or not the United States government should or could default.

Frank Sesno: It was amazing.

Jack Lew: No one would have believed that that would have been something that was debated. I think, hopefully, we're beyond that. I don't think anyone is going to bring us to that level again, but we have to avoid self-inflicted wounds, and it really would be better for the economy if we could replace sequestration.

Frank Sesno: Alright, very quickly because I know we have to get you out of here, but this is one last question I want to get from the outside in. What action does the United States government intent to take to bring about sustainable stable prices for food commodities across the globe that are rising through commodity exchanges?

Jack Lew: Well, markets obviously have rhythms of their own. Markets go up and markets go down. We cannot legislate market prices. We can help to ensure that countries around the world, that right now do not have the ability to grow enough to feed their own people, have access to the technology, the tools, the knowledge, to do better. By the laws of supply and demand, that is going to have an impact on market prices, by definition. So, I think that we have to do our part helping to share the bounty that we have, but more importantly we have to help to grow the ability for countries around the world to meet their own food needs.

Frank Sesno: It has been a long day for a lot of people in this room. You're about to leave us, but maybe you want to take 60 seconds for your parting thought to this group and to this conversation about both global engagements Smart Power and making that case.

Jack Lew: Well, Frank I appreciate the chance to be in this conversation with you today and talk with this group. I think this is a group I need to least make that case to, because you're here because you know that engagement and using all the tools of Smart Power, along with the traditional tools of Military Power, is what gives the United States the ability to play the role in the world that we need to in the future. It would be a much less promising future if we were to withdraw the tools of Smart Power. It used to be called Soft Power, as opposed to Military Power, but I think it is a huge innovation to call it Smart Power, because the two together give us really an enormously enhanced ability to make the world a safer and better place, and a place where our economic and national security, and the next generation's, is going to be safer. This group is here because they know that.

Frank Sesno: And so are you. So thank you very much for all that you do and for being here today and for sharing your thoughts. Really incredible, thank you.

Jack Lew: Thank you.