

## **Opportunity 08: Better Direction on Main Street**

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Transcript of participant video clips

### **RON HASKINS**

*Senior Fellow, Co-Director*

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We all love education I think everybody again in many cases is a bipartisan issue. So, let's look at education and we've done this recently. Belle and I have are involved in publishing a journal. We focus specifically on mobility issues in a journal issue that Belle edited and there were three chapters in there on education all written by renowned scholars. One on pre-school, one on K-12 and one on universities.

And they all came to the same conclusion: what our schools do at all levels is basically help the middle-class stay middle class they do not boost, by very much, the number of people going from low income to upper income. The best evidence for some success is probably pre-school and for this reason Belle and have recommended high quality pre-school the key, we have some differences here on the importance of quality.

But probably the candidate that wants to focus on this issue should focus on pre-school as indeed many of the candidates are. I have not heard any candidate say anything negative about it. Some of the candidates, mostly Democratic candidates actually have plans. Maybe there'll be some forthcoming plans from Republicans. But I would emphasize the plans; they must focus on quality because without quality it won't work.

K through 12, we probably have more going on in the country than we've ever had, certainly in my lifetime. We have all kinds of big experiments. The Department of Education has done a great job, kind of ironic the Bush administration, which is supposed to make up numbers and hide numbers and so forth. And we have really a huge increase in the quality of educational research. But unfortunately, so far what it's shown us is we're not making much progress. Compared to ourselves in the past, compared to other countries, in fact, other countries are moving ahead.

And then at the university level, which is probably where the real payoff is. If we could get more low income kids into universities that would a e key to move them into the middle-class. As in fact, low-income kids who go to university do go into the middle-class.

But unfortunately, we have not been very successful in doing that...this chapter I was referring to shows very clearly that family background is one of the great predictors not only of entering college, but even, given if you enter college but finishing college. In fact, if you compare the upper quartile with the bottom quartile in a longitudinal study of parental income-- kids from the upper quartile are about seven times as likely to get a college degree thereby reinforcing class lines in America.

So I think education is the big key at all three levels we need to continue focusing on it and doing more of what we're doing now.

**BRUCE KATZ**

*Vice President and Director  
Metropolitan Policy Program  
The Brookings Institution*

I think for a growing portion of Americans, and this gets back to what Ron was talking about I think the central issue they face is that their wages are not keeping pace with rising prices. That is obviously uneven across the country because of the way different industries are structured, given different development patterns but for a growing number of Americans what they're finding is their ability to deal with housing prices you know even with the so-called market correction. And really to deal with transportation prices is becoming more and more difficult. And, Those two elements are really the biggest aspects of household budgets.

So, again if we were going to have a group here of people, take your pick at the starting income going up to the top income and you ask them, "What do you spend the bulk of your income on?" they would say, " Well, my mortgage or my rental payment." And transportation costs. Whether it's the cost of owning and maintaining two or three cars, particularly in the suburban areas dealing with the rising cost of gasoline

I have not heard a lot yet in the campaign, with the exception of the sub-prime issue about either housing or transportation. I think we have heard something about health care, which is another obviously, price and cost that people face. We've heard something about the immediate threat of foreclosure and delinquencies and so forth coming from the sub-prime issue. And, we've heard something about education and skills.

But I've not really heard that much yet about what is really the true central cost that most middle class families face in the United States- housing and transportation. These are areas of domestic policy that are not fully owned by the federal government. They really are shared responsibilities between federal, state, local and metropolitan governments.

But I think they deserve, if we're going to have a serious conversation about this. Not just about helping people in the middle class stay in the middleclass but more importantly as Ron talked about helping people sort of enter and stay.

I think we need to put a broader swath of domestic policy on the table and have a really more sophisticated conversation about the shared partnership between the different levels of government.

**WILLIAM GALE**

*Vice President and Director  
Economic Studies*

*The Brookings Institution*

I think what I'd emphasize in talking about the middle-class is the example that you started with...we're talking about people who are on the minimum wage and people who are in the Alternative Minimum Tax on the other end. I'm not sure there's anyone who is both on the minimum wage and the AMT.

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It extends beyond that too, there are people who are income high enough to be on the AMT who don't have health insurance; that becomes a major concern. There are people with relatively high incomes that live, as Bruce talked about, in rural versus suburban versus urban areas. They face a very different set of issues. Tax reform, it seems to me, is going to be a major policy that will affect the middle-class, coming up retirement security ...there are a number of options that could make the system work better for the typical middle-class household.

And so it's very hard to define. We've come to understand that there's diversity among the low-income population. And, in the last few years we've understood very well that there's diversity in the high-income population with the people who are only making \$100 million looking enviously at the people that are making a billion!

The middle-class is just about as diverse. And, If you think of it as going from \$15 to maybe in some cases \$150,000 I don't know, I don't want to put firm numbers on it but if you live in the suburbs of New York city or the suburbs of Washington, \$50-60 thousand dollars is not really what you call comfortable middle-class income. So it's a very diverse group. I don't know that a politician can target the middle-class. I do think whoever wins the middle-class is likely to win the whole thing because it's such a big group.

**AUSTAN GOOLSBEE**

*Lead Economic Advisor*

*Obama for America*

I would only start, on the issue of fiscal irresponsibility, not only do the Republicans know about it, they invented it! We had a surplus the last time the Democrats were in office. Calling for two, four, eight trillion dollar tax cuts, while at the same time saying, "We gotta get rid of the deficit," I will simply leave to you to evaluate whether that will work.

So, let us think for a bit about the nature of health care. On the Democratic side, I would say, all of the candidates have put forward very responsible plans that if you look at the health experts in the United States we can argue about the details of those plans and I'm happy to do that.

It is a total mischaracterization to say the Edwards or the Obama or the Clinton plan puts the focus on getting everybody covered by a government program, that's not at all what it does. It creates a government option that people could enroll in if they aren't employed, for example; if they can't get private health care, which right now if you're an individual, you don't have a job, you don't have employer provided health care, good luck trying to get a policy. I mean, the average policy in the individual market, if you aren't disqualified, is between five and 10 thousand dollars.

It creates a marketplace where you can choose if you like what you currently have or you want to enter into an exchange and buy private health insurance, you can do that. And, there is a public option and that you can choose that if you wanted. So, I think it's a bit of a bugaboo to have them say, "Ahh, they're trying to take over the sector."

Anybody's got to look at the current situation and acknowledge and Governor Romney almost alone among the Republican candidates has been emphasizing health care, I should say, in fairness. The issue of cost saving and getting the price down is unbelievably important and is a multi-year thing. The coverage is an important issue, as well and is immediately pressing. This issue of the mandate, if you haven't followed it is, "Would you put in place a law requiring everyone to buy health insurance?" Whether you have mandate and in Senator Obama's plan does not start with a mandate it says, "Let's put all of focus on getting costs down the most," of any of the plans.

In the Clinton plan and the Edwards plan it does call for a mandate. Every, every mandate we know, in the short run, has to have an exemption and I will say in the case of the Edwards plan, they at least made clear, "We will have a mandate once health care is affordable. And, we will have an exemption for hardship, for financial hardship." Of course, you have to do that. It would be totally immoral to require people go buy health insurance that they can't afford. I believe it is unfortunate that the Clinton campaign has tried, a bit, to portray their plan as covering everyone immediately, clearly fudging the issue of what is going to happen for the millions of people who couldn't afford health care now.

**JIM BOGNET**

*Policy Development Director*

*Romney for President, Inc.*

Taxes are a very important issue and Republicans voters are fans of the Bush tax cuts. They think the pro-growth tax cuts and the pro-growth tax policies we've had the last eight years have really helped and are very concerned about that those are going to expire in 2010, 2011. And, you know all the Democratic candidates have been very clear that they do want repeal those tax cuts. So, we've been out there, the governor has been talking very forcefully about a very aggressive tax cutting agenda, extending all the tax cuts of the last few years. One thing we're really proud of is that he's put forth a middle-class tax savings plan, which goes to the point of the discussion today, "what is the middle class." And, he says for everybody with adjusted gross incomes of under \$200,000 a year, we should have a zero percent rate on interest, capital gains and

dividends. So, it's really extending pro-growth tax cuts even farther, covering a wide swath of the country. That would be 95-percent of the people in the country who qualify for those. That would probably be something very different from the way the Democrat candidates would address how to help the middle class.

So, we've kind of gone with the traditional route of how to take the burden off the American people on taxes. There are also other big, big questions out there on the economy. We have the housing crisis, which we're certainly going to be dealing with the after effects for the next few years. We also have health care. I think it's probably more traditional that Democrat candidates would be talking a lot about health care. But, Governor Romney really feels that health care is really going to be a major issue next year.

**LEO HINDREY**

*Senior Economic Advisor*

*John Edwards for President*

There is a great debate in this country as to what is middle-class is. We don't even have that debate anymore. We answer quite simply that there seems to be two-to-ten percent of the population and everybody else. And, where I would ask the audience and frankly Jim. "What part of this report card could you possibly like unless you are among that top two-to-ten percent?" That there's not an indicator out there, there's not a characteristic in this economy that you can feel good about unless you're in that top two-to-ten percent. So, when you say you want to do anything more the same, I'm appalled!

What concerns me and I think concerns John Edwards the most and he speaks about it literally everyday, is the predicament that we have gotten the middle class into is not happenstantial, it's purposeful! How can you look at these trade practices, these compensation practices, these tax practices, the non-health care practices, the non-education practices, to draw back to Ron's comments in the prior panel, how can you look at those five and not expect exactly the crisis that Austan was speaking to and John and Barack speak to every day. It's a crisis but it's a man-made crisis.

And, I think I think the easiest time Austan I have is to sit with people who say, "Gosh let's just do more of the same." It's hard to argue against somebody who is similarly motivated to change. But it's very easy to contrast yourself with people who like this report card because I don't like it and John Edwards hates.