

THE BROOKINGS INSTITUTION

**ECONOMIC ANXIETY AND THE AMERICAN DREAM
IS THE DREAM AT RISK IN THE 21ST CENTURY?**

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E.J. DIONNE: I want to welcome everyone here today. It's a sign of our careful planning that we decided that the perfect day for a discussion of economic anxiety was Friday the 13th – (laughter) – and so it's very good to have you all here. I think besides this group itself is how important the issues of economic anxiety and economic insecurity have become.

But right near the beginning, I want to say two big thank yous, first to the Carnegie Endowment for letting us use this space. Over at Brookings, we are undergoing a renovation, and it's a fine act of solidarity on Carnegie's part to offer us this room. I want to thank Dan Conway of Carnegie for working on this.

Secondly, I want to thank – I must thank Korin Davis, one of the most able and intelligent people at Brookings, for her exceptional work and perseverance in putting this event together. There are others who helped and I'm going to thank them in a second, but it is actually completely and entirely true in this case that without Korin this event would not have happened. So thank you so much, Korin.

And I'd also like to thank Max Nacheman, Emily Goldman, Erin Carter, and over at Change to Win Greg Denier, and Chris Ortman and John Norris over at Lake Research. This event happened, in part, because Korin, Bill Galston, and I were so taken by the findings of the SEIU -- Change to Win -- rather, survey that Celinda undertook. All of us agreed that it would provide an excellent jumping off point for a discussion we need and a discussion we need to deepen.

One of the central questions in American politics is the rise of economic insecurity at a moment when so many of the formal economic indicators seem to be moving in a positive direction. During the Great Depression, just about everyone agreed that things were very, very bad, even if they disagreed on what to do about it. In the Depression years, the song was "Brother, Can you Spare me a Dime?" Today the song would be less mellifluous: "Brother, Can you Spare me Some Health Insurance?" or "Brother, Can you Spare me From Outsourcing?" It doesn't have the same ring, but those are the problems right now.

In the period of stagflation at the end of the '70s and the beginning of the '80s, there was a lot of disagreement about the causes and cures, but again there was general agreement that we had a problem. But in this period, there is not even agreement on the facts, on the definition of the problem. Some argue that the economic worries of so many Americans are exaggerated; that the economy is in fine shape, that we should let things roll along and not disturb this period of growth with too much intervention, especially by government.

Some who hold this view argue that the economic anxieties expressed by many citizens in fact reflect dissatisfactions rooted in problems outside the economy, notably frustration with the course of the war in Iraq. Others – and in the interests of full disclosure, this is closer to my own view – insist that citizens are rather good judges of

their own economic circumstances; their anxieties are rooted in facts on the ground, if I may use that phrase, not in some fearsome fantasy.

They are, as Celinda Lake will be arguing, worried about jobs, wages, health care, pensions, respect for the work they do, and concern about whether their children will enjoy the opportunities of earlier generations. They are worried about inequality not as an abstract, but as a reality that may be getting in the way of broadly shared prosperity, opportunity, and upward mobility. This debate is important, and it's why I am so grateful and we at Brookings are so grateful to all of the participants here and to all of you for being here today.

Just a word about the format: we're going to begin with the numbers. Celinda will offer an overview of her survey and her own analysis. Then my brilliant Brookings colleague, Elisabeth Jacobs, will offer some findings on her ongoing research in this area. Elisabeth argues that voters really do want government to create a new social safety net appropriate for a 21st century economy, but they are highly skeptical of government's capacity to succeed in doing so. She'll be talking about this by talking about what she calls the accountability gap.

Then we will rearrange the stage and we will all be up here for a conversation with Jim Kessler of Third Way, Greg Tarpinian of Change to Win, and our own Bill Galston of Brookings who will briefly reply to the presentations. Jim, who has done some very good work in this area as well, has been invited as a dissenter, at least in part. He says he plays that role a lot these days. He will be arguing that progressives need to be careful about mischaracterizing the economic times that we live in and misdiagnosing the very real and palpable economic anxiety that the middle class is experiencing.

And I promise that the audience will be brought in very, very quickly. Two notes on that: I'd ask that people keep their questions and comments brief so that we can bring in as many voices as possible. This is a subject on which people, for entirely understandable reasons, like to give speeches. I ask that, in deference to everyone else in the room, sort of make your communitarian gene work. Please keep your comments or questions brief so that again we can include as many people as possible. And in deference to those hardworking journalists who face deadlines, a class toward whom I confess an unapologetic bias, I'd like to give you the first shot at the microphones when we get to the discussion and question and answer period.

So it is now my great pleasure to introduce Celinda Lake. She is president of Lake Research Partners, one of the Democratic Party's leading strategists. She's been a senior advisor to national party committees, dozens of democratic incumbents and challengers at all levels. Celinda and her forum are known for cutting-edge research in many areas, including -- appropriately for today -- the economy and health care. I won't list all of the brilliant success stories of her career, but she is credited with identifying key voter groups and including the Reagan seniors, the NASCAR dads, waitress moms, the marriage gap, and generation D, which she will have to explain to me because I don't know about generation D. She published with Kellyanne Conway, "What Women Really

Want,” and you can draw a really big crowd if we had you back to give a talk on that subject.

Thank you, Celinda, for being with us. (Applause.)

CELINDA LAKE: Well, thank you very, very much. It’s really a pleasure to be here and very, very exciting. This is actually part of a series of surveys that we’ve done to really bear down and look at values and the American dream and the economy and how the public situates itself in the economy. I want to thank E.J. so much for really being the inspiration, and then I want to thank Korin for getting it all together, and all of my fellow panelists and, most of all, Change to Win for having this idea and following it through.

Now, we started this whole set of research – and we’ve now conducted a series of surveys – in a very different way. We didn’t start with the policies that we want to test or the things that we knew. We started, if you will, from the grassroots up and started this with focus groups, listening to people, and then conducted two surveys with a number of open-ended questions to really start and look at how people think about things. I’m going to – these are surveys of non-supervisory workers, so this is a survey of working America. And you can see the definition down there in the paragraph. And the focus groups were among the same group of people.

What I’m going to present to you is the latest survey, which was done this year. First of all, the American dream: we found out of all of this work that the American dream is a core framework that integrates issues together and gives them meaning and power. I hate to even use the word frame anymore because it’s so overused. But if I were still using that word, it would be considered a frame or a core value orientation. What was really a breakthrough here was the degree to which this work identified that the American dream is firmly rooted in work, in the workplace, and being tied to the job. It is not rooted in a Bahamas vacation; it is not rooted in winning the lottery, although that would be nice. (Chuckles.) It is rooted in work and work is seen as a core value by Americans, not just a means to an end. And so the American dream is a very powerful expression of a whole set of values. It’s not just the outcome of an activity.

People believe overwhelmingly that hard work should be rewarded and respected, and if you think that doesn’t have power to it, just think about the minimum wage campaigns initiatives that went overwhelmingly across the country with very little money put behind them.

The American dream – we asked people to define the American dream; we didn’t define it for them. And they said that the cornerstones were wages that support a family, affordable quality health care, opportunities for your children, respect for the work you do, and retirement security. Interesting, affordable home was there, too, but further down.

People believe the American dream is obtainable, but only 18 percent of Americans, working Americans, believe they have obtained the American dream today. If we think about the dream, there have been times in our history when the dream was rooted in opportunity and there have been times in our history where the dream was rooted in security. This is a time, and has been for a couple of years now, where the dream is rooted in security. And even the youngest people who are the least security-oriented are split between opportunity and security.

But security is not a safety net. It's not solely thinking about a set of social welfare programs. And I think one of the insights of this survey is that it challenges – I think a lot of progressives, we would nod our heads and say, yeah, we knew that, we knew that, that's why we proposed X, Y, or Z, that's why we talked A, B, C. We've got it wrong in a lot of different ways and one of the ways in which we've got it wrong is thinking about security only as a safety net. It's a broader agenda that includes workers and their families achieving economic security, but doing it through hard work and doing it through individual initiatives. So there is definitely an application that this should be the reward for something that you invest.

In their own words, and I'll show you some of those words, workers stress good jobs, opportunity, hard work, basic economic security. Only 1 percent of Americans said that the American dream was achievement of wealth. And while you'll see in this data quite a bit of tension against corporate, corporations and corporate CEOs, people are not particularly anti-wealthy. They just think that the wealthy use their power to keep other people from being middle class.

Workers are increasingly pessimistic about achieving the American dream, particular when compared to previous generations and for their own children and the next generation. And we have seen it now for a couple of years, but Change to Win was at the beginning of – in the beginning of their service was the first to identify for the first time that we had both a majority of college-educated and a majority of non-college-educated Americans believing their children would not be better off. For a long time, blue collar America had felt that way, but college-educated America basically thought they could buy their way out. Now, both feel that their children may not be better off.

And that is, as this survey indicates, a very fundamental violation of the American dream. People do not think it's worth working those two-and-a-half jobs and putting up with your kids as teenagers unless they are going to be better off. (Laughter.) So in many very personal ways, this does not seem – this seems like a fundamental deal-breaker in this country.

People are anxious about the state of the economy. They believe strongly that despite news accounts, working families are falling behind. And in our focus groups, they said they were so happy we were talking to them and not those experts who – god knows where those experts live and they sure don't know anything because if they think the economy's in good shape, they're not living where real people are living.

Their anger and anxiety is rooted in concern over the basics: health care, retirement, personal debt, paying the bills. And people believe that corporations and wealthy interests have too much power and that they are putting up barriers and operating in ways that put barriers to working people achieving the American dream. There is a very active agenda that comes out from this, and we did not test it all by a long shot, but we tested a number of items, and we found a very strong platform for economic security and restoring the American dream, including healthcare, social security, raising the minimum wage, and it also included collective action.

It included joining together to produce change, and it included a role for government, and we used the dreaded f-word, federal government, and people still thought there was a role for government holding corporations accountable, creating a platform where people could individually succeed, protecting workers and consumers from corporations who may no longer even be headquartered here but are probably headquartered in Holland and probably calling you with call centers from India and god knows what else.

People also -- though I think this is not a revisitation of Jimmy Carter's malaise, by the way, and in fact, one of the things I think that we get wrong is to misunderstand that this anger and anxiety means, particularly as progresses, means that people feel like losers, that they want to talk in a negative way, and that's not true at all. People do not like dialogues, in fact, about winners and losers because they don't want to be characterized as losers, and they want -- we were just talking, I think Bill is going to address the issue -- that there is this seeming contradiction of people being able to be optimistic and anxious at the same time, and particularly, individually resourceful and still wanting collective action.

Now, one of the things I always tell the clients that we are working with is some of this may seem inconsistent to you, although honestly, I think this survey helps fit it together, but we should also remember that voters are very comfortable having mutual contradictory ideas and usually deeply resent having it pointed out to them that they're being contradictory.

So first starting where America is at -- working America -- this is not retired America, this is non-supervisory workers, but where is working America at? Well, fewer and fewer people in working America believe that they are part of the middle class, and it was interesting, we were shocked by this. We thought that the middle class -- I thought the middle class would be very strong identification. This was really a change to -- (unintelligible) -- and Greg Denier's insight that there might be some tension that they were seeing as they were organizing, and sure enough, it was true. People thinking, I'm probably under the middle class. Well, you know, the middle class probably has a fancier house than I have. The people that are middle class are owners of factories. We're somewhat comfortable; they're very comfortable. We're a little poorer than middle class.

Now, on the other hand, people did not want to be called poor or lower class, and we even tested, so we said lower-middle class, and I love this quote. If you heard

someone say you were lower-middle class and this person said, well, that's probably right, I am probably lower-middle class, but I'd probably swear at them and hit them if they said that. So Americans do not want to be characterized as losers or falling behind. They don't love – often, as progressives, we love to mire together in our malaise, but that's not where real Americans are at.

People rejected, in fact, class distinctions and saw that as a distinction between America and other countries, and for them, it came back to work again. I don't see myself -- I'm not referring to high class, middle class, low class; it's just us, it's just work. You know, you're a worker. We're all workers. We all work together. You shouldn't think below anything else, you know.

So what is the view of the American dream? Well, first of all, whatever it is, 74 percent of Americans say it's harder to get today than it used to be. Only 16 percent say it's the same. Only seven percent say it's easier. And two-thirds of Americans say it was harder than in their parents' generation, and most people believe they're doing better than their parents, and two-thirds believe it will be harder for the next generation, probably the most profound challenge here, in terms of our political system.

When you ask people what's the American dream, everybody -- really rich quotes, and only a couple percentage of people said, I don't know what it is. Keeping your head above water; not worrying about going into debt; having a stable home, career, wages that match the cost of living; equal opportunity for education, employment, economic growth; enabling one to be a home owner; freedom; right to an education, right to excel, the sky's the limit; opportunity to better yourself; take care of your children and your children's children; being able to watch my children do better than me; work hard; get a decent job; secure healthcare and benefits; every person have a home, healthcare, and food; be able to survive after retirement; be able to hold on to what I have after retirement; nothing to worry about like bills never late or payments.

Now, on the one hand, it's a really kind of humbling list. It was kind of sad to think that so many people believe that the American dream is in such jeopardy. They weren't asking for mansions and millionaire's checks; they were asking for basics that I think we would all believe are part and parcel of this country, and again, only one percent of all of the people said anything that was like being wealthy is the American dream.

People also believe that hard work should lead to security, and this is a core value. Ninety-four percent of Americans believe that hard work should lead to security for you and your family. Seventy-seven percent strongly believe in that. Then we asked people - - we posed, here are things that other people have rated as part of the American dream. You tell us how important this is as a component on a scale from zero to 10, and you can see here the percentage of people who gave it an eight, nine, or 10, and in the dark blue, the percentage of people who gave it an absolute 10: a job that pays enough to support a family.

What just comes through this is you're not supposed to get the American dream just because you're an American. You're not supposed to get the American dream just because you're lucky or you were born into it. You're supposed to earn the American dream through work, but even when you're working hard, often you don't get that part of the deal anymore. Having affordable quality healthcare you can depend on, being able to ensure that your children have opportunities to succeed, being treated with respect for the work that you do -- one of the top elements of the American dream -- and having a secure and dignified retirement. And interestingly, all age groups were worried about a secure and dignified retirement. This was not something that just started over 50 in terms of workers.

So what's the status of the American psychosis? And I use the word psychosis deliberately. It's a combination of anger, anxiety and resilience, if you will -- individual resilience, but definitely a sense that there are day-to-day economic concerns that are underscoring anxiety and increased corporate power that makes it hard to come out from underneath those anxieties that underscores the anger.

Sixty-four percent of Americans believe that we are going on the wrong track, and today, as in the beginning of the survey, it was -- the first survey we did, it was 63 percent, now 64 percent, and today, every single demographic group believes we are going net in the wrong direction. When we asked people, the next generation of children, the way things are going, do you think economically they will be better off, worse off, or about the same? Fifteen percent say better off; seventy-nine percent say the same or worse off. Actually, 49 percent say worse off. Now, people work like crazy in this country to get ahead, and people believe that you should always be improving, you should always be moving up, you should always be getting, you know, buying more or having more income or being able to do more. So same is not good in these circumstances. Same is an indictment in these circumstances.

And we asked people what are the things you worry most about, personally, economically, it was wages not keeping up with the cost of living, and right behind that, gas prices and health care costs. And, again, a real sense of frustration that these things have been going on for a long time now, and it's not getting better and nobody seems to be doing anything about it. And here you go: Americans are really change-oriented.

I don't know if you ever saw the movie "The Tin Men." If you saw that movie, there were roofers during the Depression who used to sell each other tin roofs just to keep that sense of momentum going. Well, that's kind of where this psychology of this country is. People feel much better if they have -- no matter where they're at -- if there is some sense of progress, some sense of choice, some sense of moving forward. And people feel it's the other way; it's getting tougher and tougher; there's no progress, no option, no more salary. It's static. The financial situation is deteriorating because of cost of living. And small companies are not able to offer healthcare.

People in this country also believe that the American way is always making something better. There was a fascinating anthropological study that was done that has

always been one of my favorites to tell people about where they tested Germans and Americans and they told Germans, this beer is the same formula for 99 years. And the Germans said, oh, it must be a German beer; it's the best in the world. It's Bavarian beer; 99 years, it's never been changed. The Americans said, 99 years and you couldn't improve it; give it to us for six months, we'll make it better. That's ridiculous.

So this country always thinks you can make things better. And there is something really fundamentally breaking down, less because of the situation that people are at, which is bad enough, but more because of their lack of sense of progress.

Working America, 65 percent say they have healthcare, but 35 percent say they have been without it or are currently without it. About half of them have it but have been without it recently. So the healthcare piece, a big part of the concern. People also believe they are postponing retirement. Women really believe they are postponing retirement, and say, in the groups, things like, well, I'll be working at 7-11 when I'm 77.

People also worried about debt and credit card debt. A third of workers say that they have incurred debt to pay for basic necessities. This is not luxury; this number would be much higher. But of working America, 31 percent, and this is half time or more, 31 percent say that they have incurred debt for basic necessities.

People are angry about the profits going to the top, the CEOs, and the corporations not being held accountable. They feel there is no reciprocity here. The deal is off. And they are very, very angry about that. Hard work doesn't pay for the workers the way that it should, the working people. And it doesn't pay for the working people as much as it pays for the CEOs – 90 percent of people said corporations in America have a responsibility to see that their workers get ahead when they are profitable, not just the CEOs. And again, this is more a core value than just a statement.

People see a number of things happening that have been a breakdown of this relationship. Tax breaks are going mainly to the wealthy and big corporations. Corporations have gained too much power and it is hurting working people. Multinational corporations are driving down wages and benefits and disregard labor laws. And people feel that the government hasn't been the watchdog; it hasn't been the enforcer here. It doesn't do enough to ensure ethical behavior.

And people also believe that the whole calculation now is short term, not long term, that there is no sense of we're going to have this workforce for 20 years or I'm going to be working for you for 20 years. But also, even in their own self-interest, it's become so short-sighted that it's undermined profits and wages.

So what to do about it? You might think that people were like, okay, there is nothing you can do about it. I'm just going to give up. But that is not at all how people addressed it. There was a can-do attitude here and a sense that if we joined together, we could get it done. People wanted economic security over opportunity. But we offered people, talking about restoring the American dream sounds good, but nothing will

change. The wealthy and powerful make the rules and there is not much working people can do about it, versus real change is possible, if we join together. Families, working people, and community groups – we have done it before, and we can restore the American dream together. And by 58 to 31, as cynical as people were, people said, we can make real change if we join together. And the intensity by 2:1 was on the real change side.

But interestingly, this whole dialogue of change and kind of a combination of anxiety and optimism is something that I think – and the next panel will talk about it – the progressives often don't get right. Often, the Republicans and conservatives frankly have a dialogue while not consistent with the agenda, far more consistent with the values and the feelings that people have.

What is the agenda? Well, the agenda is totally on the progressive side. But we've been here before, right? Been here, done that – we get all the issues and they get all the victories. So there is a very strong agenda out there, and I think Elizabeth will talk about it more. And there is real intensity to it and overwhelming support for protecting Social Security, minimum wage, healthcare – even using the dreaded government word – and it's true across all age groups. This is not a pick-and-choose agenda. This is a values-oriented agenda, which is one of our problems. We tend to talk about it as a set of policies; it's actually a set of values.

People also think that government has a role here, and overwhelmingly believe that government has a role to make employers keep their promises about pensions and healthcare, and think they can be very effective in doing that – that they should do it and they can be effective – that there should be a more progressive tax system, that there can be a holding of multinational corporations accountable, and that there should be an end to tax breaks for outsourcing jobs overseas. With less intensity but still very strong out there – strong enforcement of laws to end discrimination – providing information so consumers can use their clout to hold corporations accountable – more working people joining together and more working people joining together even when we explicitly call it a union.

The agenda is there. The desire for collective action is there. But the challenge, I think – and the tools are there to understand this now as a fundamental framework and a values orientation of the American public. The challenge, however, is that I think the political system is largely system, what we found in this survey. And I would say even the progressive have – while we have supported the agenda, we've missed the energy and the values underneath that would actually help propel the kind of victories that would put that agenda forward.

So on that note, let me turn it to Elizabeth to make it even more concrete.

(Applause.)

MR. DIONNE: Thank you, Celinda. I just want to say, I'm with those voters. I hate it when people point out to me my own contradictions. I just want to put a couple of things on the table that have struck me very much about those findings. I think this idea of workers wanting not a safety net in the sense of a classic social welfare program really raises some interesting issues for discussion, I think, the emphasis on hard work.

And I like this description of Americans as both optimistic and anxious, and I hope we can sort of talk about how those go together. And I wonder, and I think Elizabeth's talk is going to be perfect on this, if these findings may be somewhat too upbeat about people's confidence in the capacity of either collective action or the federal government. I'd like to discuss that. And finally, Celinda sort of went by very fast, but this notion that people preferred economic security over opportunity, I think that's a hugely important finding. Again, I'd like to sort of tease that out in the discussion.

Elizabeth is going to help us on a lot of those questions. She is – we are proud to say – a research fellow in the governance studies program at Brookings. In addition to her affiliation with Brookings, she is a doctoral candidate in sociology at Harvard, a fellow in the multi-disciplinary program on inequality and social policy at the Kennedy School of Government. And she is the cofounder and co-director of New Vision: An Institute for Policy and Progress. It's a national network of both young and established scholars committed to charting the next generation of progressive ideas. And I think that's a very exciting project.

I am very pleased to say – because it means we'll have Elizabeth in town for at least another year – that in 2008, she'll serve as the American Sociological Association's congressional fellow. Elizabeth, thanks for doing this for us.

(Applause.)

ELIZABETH JACOBS: Well, I should start by thanking all of you for coming, and also thanking E.J., and again Korin, Emily, Max, and Erin who have worked incredibly hard. I sit right near Korin and I've heard her on the phone for two days straight making sure that all of you had coffee and somewhere to sit. So thanks again to both of them and to all of you for coming.

So Celinda has presented us with a great picture of public sentiment. We have a sense now from her workers as to what people think is going on. And what I'm going to try and do in this presentation is offer some evidence that the insecurities expressed by the workers in the survey reflect real economic pressures. I'm going to try and keep my remarks as brief as possible, because I think the discussion between the panelists is going to be the most interesting part. Hopefully, I'll be able to stick to that promise; we'll see.

So the average American family today does indeed have more money than they did in the past. Compared to 1970, what you see in this chart is that median household income has gone up by about 20 percent. But when you compare that to the number of hours that people are working to actually make that money, the picture looks a lot less

rosy. The red line shows that people are working harder than ever, more hours than ever, to make that money. And so in that sense, I think this shows that what is really happening is that a lot of families are running to stand still.

In addition, one way of looking at Americans' incomes is instead of taking a snapshot picture, which is what we often see in census data, in charts you see in the newspaper – it's a snapshot of the income distribution at one point in time. And what we see here is what happens if you look at families' incomes as most of us actually experience our economic wellbeing – is over a period of time. You don't just look at how you're doing this year; you don't consider your wellbeing based on how you did this year. But you think about it in terms of the ups and downs over time.

And one way to think about this concept is in terms of a roller coaster ride. You imagine that the average American is getting onto a roller coaster car. And the roller coaster he's about to ride represents the next four years of his life. The ups and downs that he experiences represent the economic volatility that is going to characterize those four years of his life.

So an easy ride indicates a four-year stretch where his income remained relatively even; a rough ride indicates a four-year stretch where his stomach was in his mouth. And the slide that you see here, this blue line, indicates that the typical working age American family's income has indeed become more volatile over time.

So each data point on the slide represents a conglomeration of four years of a given family's income. So for example, the 1973 point, in the very beginning is the experience of the average family's income volatility between 1969 and 1973. And so, my intention here is to illustrate change over time, not the actual level or how big those ups and downs are; but just to get a sense of how much that roller coaster ride has changed over time. We'll get to the level point a little bit later. And what you see here is that the income ups and downs for the average American in 2002 are substantially higher than they were in 1973. So if the 1969 to 1973 experience was a kiddie coaster, then the 1998 to 2002 experience has been more like a Six Flags goliath ride.

So what; income volatility appears more substantial today than it did 30 years ago. And the question then is what does this actually mean in real terms? So one very simple way of thinking about that is just looking at the probability that a given family experiences a large income drop. And I've picked a particularly dramatic measure; you can look at the same things in terms of the 25 percent drop or smaller, but here I'm taking 50 percent drop. And that's huge. I mean, think about if your income was halved; you'd be pretty unhappy in terms of your financial commitments and everything else. Things wouldn't look good.

And that chance of halving your income – seeing your income halve over time – has risen relatively dramatically as well. In the early 1970s, just over 3 percent of American families experienced such a dramatic loss – not a small number, I don't think,

but much smaller than the 8 percent of American families who were enduring that loss in 2002.

The less educated, as one might expect, are more susceptible to these big drops. As the blue line indicates, over 9 percent of all Americans in a household headed by an individual without a high school diploma experienced a major income loss between 2000 and 2002. And this should be a particular concern given that less educated Americans start with fewer resources, both economic and social, than their better-off counterparts, and so we see the most vulnerable economically also the most vulnerable to risk.

And when we add this grey line, which hopefully shows up, we see that while advanced degree holders haven't been as much at risk as everyone else in the past, they haven't been immune to this rise in income insecurity either. Indeed, by 2002, American families headed by an advanced degree holder – so this isn't just people with a college degree; this is people like I suspect many of you in the room who have master's, a law degree, or even a PhD or med school degree – are more vulnerable to these losses as well. Indeed, that line – you see the grey line – has gone up to actually match those of the least educated households right now, which is sort of a distressing picture, I imagine, for a lot of you to know that those of you who have spent years in school are now just as vulnerable to having your income halved as somebody who doesn't yet have a G.E.D.

So turning to what might be driving this picture – I haven't done the analysis with my data to actually make sort of solid social science claims regarding causality, but an obvious place to start is to start thinking about what might be impacting this volatility in people's income. And one of those obvious places is jobs. How long are people staying at their jobs or is a break in employment actually causing some of this bouncing around in terms of the income that people are bringing home to their families?

And what we see here is that median tenure has gone down a tiny bit. In the aggregate, an individual stays with their given employer for about the same amount of time that they did in 1983 and 2006; that's the black line. And one of the reasons why it looks relatively stable is because men and women's employment relationships have stabilized a bit.

But when you break that down into what I think is actually a more meaningful way of looking at the issue you see that for the majority of the labor force, the people who make up fully a third of the labor force is made up of men between the ages of 35 and 54. And if you look at those two blue lines, you see that those have plummeted. They've gone from a median job tenure of nearly 13 years in 1983 for men aged 35 to 44. By 2006, their median job tenure was nearly half that. And despite the flood of women into the labor force and their job tenures have, we should expect, ticked up slightly – it hasn't offset what's gone on with the majority of men in the labor force.

And men are the breadwinners in most families. While many people, myself included, would like to think that women are contributing to household incomes, in many, many families, it's still the men who people depend on to bring home the big

paychecks. So the fact that men's employment situations have become as relatively unstable as they have as compared to the past is a major issue for many, many families.

And research by Federal Reserve economist Rob Valletta suggests that much of this decrease in job tenure isn't voluntary, since an obvious critique is that people are going to be leaving their jobs because this is the way the new economy works. People want to leave their jobs; they want to bounce around to new opportunities. And so, they're just taking off and finding something better.

Involuntary job loss is more common today than in the past. And the protective role of tenure on job security has eroded. So it used to be if there a mass layoff, the guys who had been around for 20 years were protected based on the fact that they'd been around for 20 years. That influence has declined significantly.

Turning to costs, which I address in the paper -- and I'm going to touch on here in the interests of trying to sort of pick out all the major issues to highlight things to talk about in the discussion later -- one of the many benefits of employment for workers is healthcare coverage. And that coverage often provides insurance not just for the worker but for their spouse and children as well.

And between 2000 and 2005 -- this is a nice sort of puzzle for people who like to argue that the aggregate economic picture has gotten so much better, so what's the problem for workers -- between 2000 and 2005, average employee compensation increased by \$3,000, which is kind of a mystery, given that we all know -- it's tough to argue -- that workers wages haven't increased by that much at all. And the reason is largely because employers are spending more and more on healthcare for each worker, and this breaks down -- what you see, the pie chart -- breaks down the amount that that \$3,000 increase -- what percent did each of that go. Where did it go -- 35 percent of it went to health insurance contributions on behalf of workers as compared to just 29 percent going towards wages.

And one of the points about this that I think is interesting to think about is the fact that most workers -- and I count myself amongst these workers -- I don't really have a good sense of how much the Brookings Institution is spending to insure me. But I'll sure as heck know, if I lose my job and I have to buy health insurance on the market, I'm going to get a sense of that pretty darn quickly. And the idea there is really that when you lose a job, it's not just the wages. People know that they're going to lose their wages. There's other stuff that means that what individuals are facing if they're out there on their own is I think even bigger than they know.

So to summarize, I've given a picture suggesting that households' incomes have risen, but Americans are working harder than ever in order to achieve those gains. Household income volatility has risen as well, suggesting that many families face unpredictable futures. Major income losses are increasingly common; not just for the least educated, but also for those with advanced degrees. Median job tenure is down; involuntary job loss is up, even amongst the most experienced workers. And healthcare

costs are rising dramatically. I haven't even touched on pensions, childcare, a host of other things that we could talk about that I think the average family is thinking about on a regular basis.

So the question is what to do? And this is where we get to the accountability gap piece that I talk about in the paper, and that E.J. mentioned. And I think, as Celinda's workers have suggested, there is a lot of hunger out there for solutions. And what I see as a major problem is that there is also incredible distrust in government's ability to provide those solutions. There is incredible distrust in government's ability to do anything right. That's what this slide right here, which is from a poll taken in February 2007, suggests that fully 83 percent of the people surveyed believed that if the federal government received additional money, it would be more likely to waste it than spend it.

And that suggests to me a major problem for Democrats who are trying to convince the public that their solutions – their private problems deserve public solutions. I think many people in this room would agree that the best solutions to many of the problems that people are facing are public solutions. But there is a great deal of – what I would argue has been a relatively concerted effort on behalf of conservatives who have been trying to erode faith in government by reducing it. And I think one of the things that people looking forward to strategizing about how Democrats, progressives can best address the real problems facing Americans today involves also addressing the accountability gap between what people want and what people expect or think the government can do.

So on that sort of mixed note, hopefully I provided some fodder for people to talk about. I'm looking forward to the discussion. So thank you.

(Applause.)

MR. DIONNE: Now that we don't have to worry about PowerPoints, I'm going to call everybody up here. And I really do hope that we can have a colloqui between Celinda and Elizabeth on how you measure confidence in sort of collective action and government action.

I also want to say, on this notion of male breadwinner, I had a wonderful experience last week. My 12 year-old daughter called me to ask me to stop at the supermarket to pick up some bacon, so I actually got to tell my 12 year-old, I will bring home the bacon. (Laughter.)

First, let me call up – it's true – I want to call up Jim Kessler first who is the vice president for policy at Third Way, veteran of Capitol Hill and political campaigns and public advocacy. Before co-founding Third Way, he served as director of policy research at AGS where he developed messaging and policy – that's Americans for Gun Safety – to handle the gun issue. He's served as legislative and policy director for Chuck Schumer, worked on his Senate campaign, and has written very widely on the subject before us today.

Greg Tarpinian is executive director of Change to Win, as you know, a partnership of seven unions with 6 million members. Greg played a pivotal role in shaping the debate about the new labor movement. Anyone vaguely connected with the labor movement has been reading Greg for many, many years. He advised national and local union leaders as executive director of the Labor Research Association, and president of LRA Consulting.

And lastly, my friend, Bill Galston knows absolutely everything, in my experience, about absolutely everything. And anybody who knows him in the room knows that's not an exaggeration. He is a senior fellow in governance studies at the Brookings Institution. He was the Saul Stern Professor at the School of Public Policy at the University of Maryland before we happily allured him away. After serving as a sergeant in the U.S. Marine Corps, he got his Ph.D. from the University of Chicago. He worked as assistant for domestic policy to President Clinton, was later executive director of the National Commission on Civic Renewal, and has published a long series of books, both on public policy, and on political and moral philosophy. But mostly, he just knows everything about everything.

I am going to sort of start tossing questions from up here, so Linda that chair is for you, because we wanted to fit everyone on. So I will stand. Let me start with Jim. You and Third Way have warned against this riding tide of populism as you see it. You've talked about the middle class in much more optimistic terms than we've heard so far. What do you see as the major challenges for the middle class and for progressives? And thanks for joining us.

JIM KESSLER: Thank you very much, E.J. Thank you Korin also for organizing this. And thank you also to everybody who is here.

As you mentioned, I worked for Chuck Schumer for eight years. I wrote almost all of his speeches, and I kind of had a rule with him that if you got a bigger applause when you were introduced than when you finished, then it was a bad speech. And my goal, since I am kind of a contrarian here, is I just want to get out of here alive. (Laughter.)

But it's true, we do have both a more optimistic viewpoint about the economy in general and the middle class. We also have some pretty dire warnings in both areas. And I want to make three points. One is, we have to be careful about mischaracterizing the economy because I'm not sure we're describing it in a way that people really believe. There is anxiety out there, but we have to be careful about misdiagnosing the cause of that anxiety. And the third point is what do we do about it?

So I really felt the presentation that Celinda made and Elizabeth made were – there's a lot of interesting things here, but part of me also said I feel like I've heard variations of this story before for the last 25 years from Democrats and progressives. I remember in 1984, Walter Mondale saying the only jobs that American kids are going to

have is sweeping up around Japanese computers and cooking hamburgers. And we all remember Mike Dukakis in 1988 saying good jobs, good wages, and I'm not talking about flipping hamburgers – part of our hamburger obsession. And the fact of the matter is that this economy then and this economy now has never been – we are not a nation of hamburger flippers. And in fact, we're importing hamburger flippers and people who clean up around offices from Mexico and Nicaragua because we can't actually fill those jobs.

Then you had Al Gore with his people versus the powerful and then you had John Kerry with his Benedict Arnold companies and comparing George Bush's jobs record to Herbert Hoover. One of our obsessions is trying to connect what's happening today with the Great Depression. And look, the voters never bought into it. I mean, one thing that these candidates all had in common – they were really good Democrats. They not only lost, but they lost to the middle class. In fact, in 2006, in Congressional races, Democrats won voters between \$30,000 and 75,000 in income for the first time since 1990, the first time.

And you know, if you look at all the issues – healthcare, et cetera, education – all the things that Elizabeth had in her presentation and Celinda had in her presentation, we've been waiting on those things for years. So I think the voters are trying to tell us something; they're trying to tell us that the way we describe the economy is not the way they would describe it. The way we would describe their economic circumstances is not the way they would describe it. And they see us in some ways sympathetic to them, but maybe not relevant to what their hopes and dreams are. They are basically optimistic people, which we saw in those presentations.

Point two – there is serious anxiety in America among the middle class. Democrats, I think, are misdiagnosing it. Let me just roll out a couple of numbers. The median household income in this country is \$46,000. That's not a great income. That is certainly week-to-week living. But if you look at the segment of the population that is working age, because we don't have a jobs program for 21 year-olds and we don't have a jobs program for 81 year-olds, if you look at people in the prime age, 25-60, the median household income is \$62,000. If they're married, it's \$72,000. And if both spouses had some income during the year, it's about \$81,000–82,000.

That is not a tremendous living. That is not an extravagant living. But it is not drowning. And it is not one step away from losing your home. It is the difference between struggling to get by, which I think is the Democratic message, and struggling to get ahead, which I think is the hopes and dreams of people.

So what is that anxiety? The anxiety we believe, at Third Way, is that it's the anxiety associated with change, and that we are in a period – a unique once in a century period – of just vast, convoluting, unremitting, economic change that is going on that is roiling people. And they're just uncertain. And I won't go into all the different changes; you see it every single day. But you know, the middle class knows that the rules for

success have changed. And they feel they are on their own to figure them out and that nobody is really there to help them.

So the issue is, how do you address that anxiety? And what they've been told by Republicans essentially is, look, have faith in the markets. The markets will sort it out. If we cut your taxes, we get government out of your way, et cetera, et cetera, things will work out. You know, in some times, maybe people buy that. They're not buying it now.

From Democrats – in particular, I'd say the populists – is that they're hearing that we can stop change from happening, that we can build a wall and we can stop illegal immigrants from coming over from Mexico and we can solve our immigration problem. Or we can erect towers, and in that way, we're going to protect jobs. Or we can change a little bit in the tax code and that will stop some outsourcing. And look, among some people, this has some appeal. But the middle class, just in their gut, knows that you just can't stop this change, that there is too much going on, and they're just not buying it, as evidenced by the fact that they almost never vote for us.

So what we need to do, I believe, as Democrats, is we have to care as much about helping people get ahead as we do about helping people if they fail, and that we have to help people understand what is going on with change and preparing them for the future. And I know my time is up, but let me give you just one example, and I have one prop. Here is a chart. Everyone gets one chart.

This is median household income of men with high school degrees from 1968 to 2005. This is 1974; it's \$42,238. In real terms – this is real dollars – 1974 was the best year for you as an American with a high school degree if you were a man. It has been all downhill since. In 1974, 35 percent of the top income quintile had a high school degree only; 32 percent had a college degree only. So there was a split. Today, the ratio is 4:1 in favor of college degrees versus high school degrees. There is nothing that anyone is going to do to reverse that trend, to reverse that change.

I guarantee you this – we will lose more jobs and more in wages in this country for working people because our public education system is failing too many people – because 42 percent of the kids who are freshmen in college never earn their degree, because college tuition has increased faster than inflation for 26 consecutive years – than we will lose in jobs and in wages to India and China. I guarantee those are the things that are holding us back.

In this new rules economy – and there are many new rules – what are we really going to do to make sure that people get to and through college? That's just one thing. If we are not preparing the middle class for these new rules, if we are trying to convince them that these huge changes in the world can be stopped or radically slowed, we are committing, I believe, public policy malpractice and we will be dooming the middle class. And we will be creating the dire economic circumstances that Democrats have always described that may in fact become true, and that may in fact, who knows, elect them.

MR. DIONNE: Thank you very much. See, Celinda wanted you to get more applause at the end than you got at the beginning. (Applause.)

MR. KESSLER: Still haven't gotten out alive though.

MR. DIONNE: You realize the real moral of that chart is they kicked Richard Nixon out of office and it's been all downhill ever since. (Laughter.)

I want to bring in Greg Tarpinian. But I'd like you to respond to Jim and also just talk about to what extent is the current level of economic anxiety rooted in reality as opposed to erroneous or exaggerated perceptions. And if I can throw an extra question onto that, we were talking before about the notion – and this certainly was proven in the 2006 election – that the Reagan Democrat as a concept – not necessarily as a label – may be disappearing. Yet, in some ways, from Jim's discussion, some notion of a Reagan Democrat still exists as a kind of aspirational voter. And I'd just love you to address that as you talk about the issue of economic anxiety. And welcome, thanks for being here.

GREG TARPINIAN: Thank you. It's great to see everybody here. This is the first time that Change to Win has done anything at the Brookings Institute, and it's really good to be here.

First, you asked me essentially whether the workers in Celinda's poll and the American people are suffering from false consciousness, whether their perception of anxiety is not rooted in the reality of their lives. And I remember in the 1960s – I was very young then but I read about it – and there was a concept of false consciousness. And it stated that it was a time of growth in the middle class; it was a time when American workers, blue-collar workers, were buying their own homes, sending their kids to college. Automobiles, their standard of living was rising; it was perceptible.

And the New Left and some theoreticians of the New Left came up with a concept called false consciousness, which said that if workers only knew how bad off they were, there would be a revolution. Well, essentially, your question says to me, if workers only knew how good they had it, they wouldn't be so pessimistic. And I just think that that's the fundamental question. Are workers in this country or the American people just being fed a negative ideology from somewhere that we don't know about or are they crazy, because that's the only two explanations.

Now, I think we can say – we see on the nightly news everyday – I watch the news; I read the newspapers; I watch CNBC, which would be very consistent with what Jim just laid out. But the reality of the matter is that workers every day hear about good economic numbers; they hear about a rising stock market; they hear about the 135,000 jobs that were created last month; and they are still pessimistic. So there is something fundamental going on.

And one of the data points that Elizabeth showed, which was interesting to me, because I remember 1991-92. George Herbert Walker Bush's popularity was at 90 percent after the repelling Iraq out of Kuwait. He had dropped 29 percent favorability on the eve of the '92 election, and the economy was growing. And people were wondering what was going on. Well, if you look at her data point on the reduction of the volatility in income in 1991-92, and the volatility of income in 2002, it's very similar. So what we're seeing is not simply a short-term reaction to rising gas prices or to the cost of healthcare, but there is a secular change going on.

And we would argue – and Change to Win was formed on the basis of this argument – that the jobs of the 21st century – at least the growth sector of the jobs of the 21st century – are not the jobs that are going to be filled by people with college educations; 99 percent of the jobs over the next 10 years will be in the service sector; three-quarters of those jobs will be in what we call underpaid occupations from retail sector to hospitality to healthcare, home care agents, so on and so forth. If every American had a college education, what we would end up with is college-educated greeters at Wal-Mart.

And so we think that while education is important – that's certainly a key component to productivity and real wage growth – it is not the be all and end all, and it is not the silver bullet. I remember that Robert Reich, one of his central theses when he became head of the Department of Labor, said if we could only just educate enough people, then the jobs would come. And that just has not proven to be the case.

The reality is that real wages, depending on the sector, are either stagnant or declining. We are not back to where we were in that 1974 point that Jim referenced. The one fact in 1974 that was not mentioned was that nearly 30 percent of the workforce was organized in unions in 1974. Today, in the private sector, it's below 8 percent.

I think that Celinda's survey reveals some startling things. I think it's true what Elizabeth said. That is that government – there is a huge mistrust of government and its ability, particularly after eight years of Bush or seven years of Bush. Americans want a government that works; they don't want a government that doesn't work. This government has proven that it does not work.

However, I think workers are smart, because they realize that individual solutions alone are not going to propel them from where they are upwards, that they will require collective solutions. And now, I'm answering your second question, which is, they know that there is an inequality of power in the workplace and in the labor market. The housekeeper in a non-union Phoenix hotel making \$8.00 an hour with no healthcare benefits and no pension is doing the same job as the housekeeper in New York City making \$20.00 an hour with a pension and healthcare. It's a question of power.

So when they say that collective action is a solution or they say that leveling the playing field is a solution, they're right. Now, getting from here to there is another question. But they do understand that if workers do not have power in the marketplace –

and their marketplace is the job market – that if they don't have power at work, when they go to work everyday.

I told you that less than 8 percent of the private sector workforce is unionized. That means that 92 percent of American workers go to work everyday in what amounts to a private dictatorship, because they do not – the Constitution does not apply at work. So the ability to generate healthcare benefits, the ability to generate pension benefits, to generate real wage increases, is as much or more a function of power than it is of anything else.

Now, certainly, the changes in the global economy and so on and so forth have undermined that power. So Change to Win exists in order to organize the jobs of the 21st century, the underpaid jobs. We resist – as Celinda's poll shows – we do not call them low-wage jobs; we don't call them poor people.

This is where I agree with Jim. I don't believe that the Democratic Party has had the right narrative. From Walter Mondale on, we thought – I remember thinking back in 1984 that Reagan is done. Official unemployment rate went to 10.8 percent; we said it was 25 percent, how could he possibly get reelected? But the aspirational question, I think, is a key one. So people are simultaneously anxious and aspirational. They don't want to be called low wage. They do, however, know that they're underpaid for the work that they do. That is to say, the simple value of the American dream – the core value – is being able to have economic security when you work your butt off, bottom line.

And the only Democrat who got that – and I'm not saying his policy prescriptions followed that logic – was Bill Clinton in 1992 when he said that he was there to represent the people that work hard, play by the rules, and he was going to put people first. It was an optimistic message; it was a positive message. We need a positive message, I agree. But we cannot ignore the fundamental realities that exist on the ground. Thanks.

MR. DIONNE: Thank you very much. (Applause.) Jim will later defend the private dictatorship at work. (Laughter.) I just want to say, for the record, I never liked false consciousness arguments when I was a student in the '70s, and don't like them now. And I knew there was a problem when – this is true – a friend and I, in the early '70s got into an argument with somebody where we found ourselves defending the aspiration of workers to own a washing machine and a better car. And we just decided the people we were arguing with had never met an actual existing worker. But so thank you for bringing me back to false consciousness ideas.

I want Celinda and Elizabeth to come in, but if you would sort of hold off on your response, because I'd like – we've got wonderful people in this audience. I'd like to be circulating the mikes to get a couple of comments from the audience and then let you folks come in. However, I need to get Bill Galston in first; the raised eyebrow is really good. So that's the plan – I'll go to Bill and then get Elizabeth in as well as Celinda.

Late '90s, most people believed there was a clear strategy for turning the structural changes in the national and global economy to America's advantaged. Is there a plausible way for the U.S. to do that now? What is it? And since you worked for Walter Mondale and he's getting bashed here, you are welcome to say anything nice about this very nice man. But Bill Galston, talk about these structural changes, and actually bring together in a coherent narrative in three minutes everything that you've just heard.

BILL GALSTON: I was just thinking, as Jim and Greg were talking, hey, you're looking at Walter Mondale's issues director. (Laughter.) So there's an easy solution to all the country's problems; just throw me out of Washington.

As for your introduction, E.J., it reminded me of the story of the two business executives having lunch. One of them had just hired a hotly touted consultant. The other one asked, well, is he as good as he is cracked up to be? And the first one said, oh, that guy, he knows everything about everything, but that's all he knows. (Laughter.)

So let me just – I'm going to answer your question, but I'll take a running start at it. I think we can all agree that there is a lot of anxiety out there. And I think it's important to analyze it correctly.

For most of the Change to Win folks, the folks you represent and the folks you poll, anxiety has a lot to do about the perception of obstacles to progress and success. There is a portion of people just higher up, but still clearly in the middle class by anybody's definition for whom anxiety revolves around the fear of loss. I think it's important to keep both of those things in perspective at the same time.

I think you're absolutely right to suggest that anxiety is not the opposite of optimism. People can be anxious and optimistic at the same time, and I think that's what needs to be captured rhetorically. What people want, it seems to me, is optimism but without happy talk. They want a roadmap to future success that doesn't gloss over the uncertainties, difficulties, and fears of the present.

What is today's middle class anxiety, the fear of loss portion of this equation, all about? In my judgment, it has to do with things like corporations – big – and businesses – small – backing down from our out of defined-benefit pensions, healthcare. It has to do with wage income stagnation. In the question and answer period, I'll be happy to go into details about the experience of the middle class – including married couples with children – over the past 20 years to illustrate that point.

As Elizabeth pointed out, based on a lot of evidence, that has to do with income volatility and also job instability, which has increased more in the higher ages than the lower ages. I can guarantee you, if a guy is 53 and he's looking for a new job, the chances are, it's not because he's decided to chase better opportunities elsewhere; it's because he lost the job that he previously had, which leads to the fear of wage and benefit loss in a successor job, which is also well founded empirically. And this is a point where

I hope economists will do some analysis going forward – there has been a real decoupling in the economy of seniority and productivity, a fact that was let out of the bag in a leaked Wal-Mart memo a couple of years ago.

The meta-problem – this will get now to the answer to your question – there appears to be at this point no compelling narrative of success, individual or collective. If the slogan in the New Deal was, “buddy, can you spare a dime,” the slogan right now would be something like, “buddy, can you spare a paradigm.” (Laughter.)

And consider the life cycles in my lifetime. I was born in January 1946. I’m just about the oldest boomer any of you young people in this crowd will ever meet. Consider the cycles in my lifetime.

The old narrative – the one that I grew up on, you know, the United States, which was the great arsenal of democracy in World War II, turned into a global manufacturing juggernaut with shared prosperity. That’s the world that I grew up in. Then, there was the great disruption to which I responded in the speeches that I wrote for Walter Mondale, many of which have already been quoted – a period of manufacturing decline; a period where economists, especially popular economists, were writing books about Germany and Japan on the rise and ready to take over the world, and of course, step on our head.

Then, there was a period for most of the Clinton administration where there was a new success story. And the new success story – (laughter) –

MR. KESSLER: Sorry about that. Celinda and I coordinated that.

MS. LAKE: We’re getting anxious.

MR. GALSTON: The new success story was, very simply, hey, there’s globalization. But guess what, it works for us. We’re going to be dominant, globally dominant, in technology and innovation. And once again, there is going to be shared prosperity. And in the last five years of the Clinton administration, by god, there was for the first time in a very long time.

Right now, we’re living through the latest great disruption. Maybe, people are beginning to think, globalization doesn’t work for us. India and China have replaced Germany and Japan as the symbols of the disruption and of the threat the disruption poses, which raises a very interesting question for the next 20 years. As threats, will China and India go the way of Germany and Japan, or do they portend a permanent change in our global standing? And are we merely passive agents in this transaction? And it is very much against the American grain to regard ourselves as passive agents. But on the other hand, as I said at the outset, it also goes against the American grain for happy talk to contradict what people can see in their daily lives.

So in conclusion, where do we stand? Well, we have lots of advantages. We have, by developed nations' standards, population growth that is vigorous and an American people that increasingly looks like the world. That's an advantage. We have an unrivaled spirit of innovation. We have universities and research centers that are second to none. We have financial transaction institutions and a legal system that is pretty much characterized by global standards by transparency and the rule of law and relative non-corruption. And we happen to speak as natives the language that is the language of global commerce.

Our disadvantages – a benefit structure linked to jobs, an increasingly uncompetitive model. We have a substantial portion of people who are not even getting out of high school. And they regrettably will constitute a dead-weight loss for the economy and the society unless we do something about that. We have an aging infrastructure and a polarized politics.

Is there a narrative for success? Yes, and here I very much agree with the Change to Win survey. The narrative involves – and by the way, this is also consistent with the Third Way – it involves better public policies – not only better public policies, but as a necessary condition, better public policies.

And here are some of the things that I think the success narrative in policy terms is going to require. First of all, and I'll have a long debate with Change to Win about this, the only way that your folks are going to enjoy the health security and pension security to which they're entitled is if we change the paradigm, and health and pensions are decoupled from the employment sector, because that employment sector will never be able to provide them that. Secondly, wage insurance to deal with the fear of falling.

I would also advocate a paradigm shift in compensation towards profit sharing, so that as profits improve, workers' wages improve. We need a way of breaking through the education ceiling. We've gone through a generation in which there was a surge in college graduates as a percentage of the total workforce. We're now looking forward to 20 years where there is stagnation unless we do something.

We need better mechanisms for better sharing the fruits of trade and innovation. Here, I agree with Jim, an economy based on trade and innovation is not going away. But, it will not be sustainable politically unless the fruits of it are more widely shared, and we're already seeing that in the Congress.

In short – and here I think I agree with everybody – in order for this new success narrative to have legs, what we need is improved collective security in the service of individual opportunity. That's the formula for the future in my opinion. Thank you.

(Applause.)

MR. DIONNE: Thank you so much. By the way, my favorite New Deal slogan was always, "If you want to live like a Republican, vote Democratic." And one of the

reasons I like that slogan is that it assumed that the workers in the country actually aspired to live well as they assumed Republicans did. And that's an interesting piece, even in the midst of the Great Depression, there was this optimism that everybody keeps referring back to.

I'm going to call on, say, three people right off the top to sort of mix up the conversation, then bring back in Celinda and Elizabeth. Jim put one very helpful thing on the table that I'd like to mention and add to. He said people prefer programs that focus on helping people get ahead rather than simply helping them if they fail. But I think this whole discussion also puts a third issue on the table, which complicates it all, which is helping people not to lose or helping people not to lose as much. And I think that just complicates the whole policy approach when it's not binary.

And that's my cell phone, which I forgot to turn off.

So let's have – who wants to ask the first? Sure, we've got two up here. Let's do the four here. If you could all be brief, and then we can go back to the panel.

Q: Okay. I guess my question is, Bill, you've mentioned the vast number of people who don't get out of high school, and you mentioned that four out of five workers are college educated.

MR. GALSTON: No, I didn't say that. No, I said that in the top income quintile in 2004, there was a 4:1 ratio between college degrees and high school degrees; and in 1974, there was a 1:1 ratio; and that that trend is not changing.

Q: Either way, the question is, if people become more college educated, what do we do with the people who – what happens to the people who aren't becoming college educated? Where do they work? Where do they – since we are becoming a less manufacturing, less worker-based society, even if we get these people out of high school, anyone who – as you said – a lot more people are graduating from college, so now what happens to the people who don't?

MR. DIONNE: That's a great question. And it's actually right down the middle of the plate for Greg, I think. There were four hands right here. Yes, ma'am. By the way, could you identify yourself, although the questioners can be off the record if they want.

Q: My name is – (inaudible) – I'm from Amherst, Massachusetts. I have two questions, one for Celine and one for Elizabeth. My question for Celine is with all those things you mention about American dream, in your survey, do you include non-blue-collar workers? I wonder if non-blue-collar workers such as managerial workers, do they share the concerns such as having enough wage to support family, have health insurance, the type of opportunity for children? Because I have some doubts about that.

And the question for Elizabeth is in terms of the income increase adjusted for inflation, you observed that indeed the income has risen over the years. And you subscribe that due to two income – both husband and wife – work in the family. I wonder if you would break that down by the number of hours they worked. Is your increase in terms of the family income, because my hunch is people are working harder today as dual family income, but if you adjust by the number of hours worked, there is a decrease. So people are working harder as a family, but the income is dropping. We are experiencing more stress in our life. So that could be in part explaining the anxieties and the frustration and the other negative parts.

But if I could sneak in one more question for Greg, I am just so curious about the CEO pay increase. It's a rip-off in my mind, CEO's pay increases while the workers wage stays stagnated. So what to do? Don't give me the prescription we want to have more unionization, but something other than that. How do you?

MR. TARPINIAN: Start burning tires in the streets.

MR. DIONNE: This, please, my friend over here. Greg, we'll just assume you believe in more unionization. Please?

Q: Peggy Orchowski. I'm a Congressional correspondent for the Hispanic Outlook on Higher Education. So I've been covering higher ed and immigration have been my two big issues for years. So they're really coming together now. Immigration – that's the big one – I assume you all support some kind of immigration law. Maybe not; maybe you're all open border libertarians. But if you do have immigration law, do you see that in terms of protecting American workers? And not just on the bottom; we are talking about the top. The whole H1D thing where American kids are not studying science and stem cell – where we're getting to depend on foreign labor – it's like our dependency on foreign oil. We're getting to depend on foreign labor and innovation in our universities. And I'd just like your comment on what role does government have in protecting American workers?

MR. DIONNE: And then the gentleman, my friend over there. By the way, Peggy was the first person I think I know who predicted the whole immigration bill was going to go down long before everybody else did.

Q: Bruce Stokes at the National Journal. It's a question actually for Celinda, to address whether there is a contradiction between Bill's argument that you need to decouple security things like education and healthcare from work, which from an economics point of view and a recent history point of view probably makes a whole lot of sense. But it would seem to me, if I understood your data correctly, is that average people, working people, believe that the way to get the American dream is through work, and they wouldn't – I guess implicitly – then trust that this social safety net that – Bill didn't use that term, but what he's talking about – would either not be there or it wouldn't work, or whatever -- and if you could address that contradiction.

MR. DIONNE: By the way, anybody who cares about these issues should read Bruce in National Journal who writes some of the most sophisticated stuff on all of this. Thanks for being here. Why don't we take that collection of questions? And can I start with Celinda and Elizabeth and then go across the panel to take whichever pieces are appropriate or that you feel like?

MS. LAKE: (Off mike) – well, let me just take one factual one. This -- most everybody, who was non-supervisory, so it did include white collar. And what was remarkable is, we kept looking and looking and looking at income differences and education differences, and frankly, there weren't – oh, I'm sorry – thank you.

The question on the table was did we look at professionals; did we look at white collar workers? As long as you were not a manager, non-supervisory workers – so you couldn't be the owner of a small business; you couldn't be the manager – then we did look at you. And what's really dramatic in this data, honestly, is the uniformity of opinions. I mean, there's not a lot of age differences on retirement; there's not a lot of education differences; not a lot of differences by type of employment. So yes, we did look. And part of why it's the American dream and not just a blue-collar dream or blue-collar America is because of that.

I had the sense – I hadn't heard Bill propose that, and I was thinking to myself the same thing. And I guess you could decouple it from the job, but I was thinking the same thing, Bruce, that you can't decouple it from – I think it would be much, much harder for you to decouple it from work.

And I was thinking about all of the other fights that I have been in recently. We worked very closely with Change to Win on immigration. And as we were trying to – in the first period of immigration reform; it's obviously gotten more complex – when we tried to get people to be for legalization, the way we did it was people said, if you're working hard, pay taxes, and learn English. And you didn't even have to know English, just be learning it. And we said, well, do you have to be here for five years? People said, no, I don't care, just work hard, pay taxes. You can't be any more American than that. If you're working hard and paying taxes, you have earned something. So I do think – it's maybe more for Bill to answer, but I think it is a challenge. Decoupling it from a job may be okay, but decoupling it from work, then you're going to get into free rider issues and the deserving and non-deserving. And I think it's a very different dialogue.

MS. JACOBS: I'll start with the question first, since that's one of the things I was addressing in that slide where there is the blue line that shows median income going up, household income going up, and then the red line was showing the number of hours that the average household is working. And they track up together. And so, I mean, it's not – it doesn't entirely cancel out the gains; there have been some real income gains. I'm not so pessimistic as to say that there has been absolutely no progress. There's definitely been progress. But it's come at the expense of a lot of extra working hours, which of course comes with additional costs, such as childcare, when you have two people going to work to make maybe a little bit more than they made, but certainly, most families

aren't making double, which means that they're not able – necessarily – to account for the additional costs that come with emptying out all of the adults from a household.

So that's to answer the direct question. And then, a couple points from my notes based on what people have said so far. First, and I think Bill raised this, is that I think it's really dangerous to create a false dichotomy when we talk about policy between the idea of policies based on a security framework and policies based on an opportunity framework. In my mind, there is synergy between those two ideas. We can talk about insuring security to promote opportunity. We can talk about security-based policies as a springboard as opposed to a safety net. And I think that sort of moves us towards a positive direction as opposed to think about catching people from falling; we're talking about lifting people up.

And then another point is really just about this idea of the middle class. I think we toss around this label middle class sort of cavalierly, especially when we start talking about strategy questions. And I think it's become quite clear that the workers that Change to Win and Celinda has surveyed are probably not those married two income families who are earning \$80,000 a year. I don't know if that's the case. It's possible that they are. But I think we are using the same label to talk about potentially two very different groups. And it becomes important, if we're talking about targeting messages to win elections, to decide who we're talking to and whether we want to come up with one overarching message that will appeal to everyone or whether we want to be sure that we're giving.

We have an overarching message that speaks to everyone but that we have ways of talking about pieces of it to different corners of the electorate that we're trying to appeal to in ways that make sense to them. So I hope that made sense; it came out a little bit more convoluted than I intended. But hopefully, you get the general idea.

And the last point is – I mean, I don't want to become the harping on trusting government person on the panel – but Jim raised something that I just wanted to raise a red flag that I think it's really dangerous to ascribe mistrusting government to the Bush administration's bungles and to partisanship. I think that it goes much deeper than that. And I'm willing to place blame on the Bush administration for making the problem much worse, and in addition, from a policy perspective on the part of conservative strategists in really trying to erode the idea of what government can do. I'm perfectly willing to be as partisan as the next guy on that one.

But I do think it's a bigger problem. It's an idea of government waste. It's not just an idea of incompetence that people are reacting to. It's really about waste, mismanagement, and this idea that I could really do this better than those 80 people who are working together to send me my Social Security card and taking six and a half months to do it. I mean, the passport example is sort of a perfect one. I'm sure you all followed that in the news that people who needed passports to go on their honeymoons couldn't get them because the agency wasn't able to process them. So my point is that it's not a

partisan issue alone; it's a much broader problem, I think, that we need to be able to address.

MR. DIONNE: Thank you. Bill?

MR. GALSTON: Yeah, just two points, very quickly. First to Bruce's excellent question, I probably don't need to tell you – probably don't need to tell many people – that if you look at the trends over the past 20 years, firms large and small have been backing out of or down from defined benefit pensions and also health insurance big time. And it doesn't take much of a crystal ball to see that sometime in the next 20 or 30 years, we're either going to have nothing, or we're going to have a new paradigm. There's no third choice. And that goes in spades for most of the employment sectors that the Change to Win folks are focusing on.

And by the way, this is not an argument between New Democrats and the labor movement. Andy Stern, with whom I've had many discussions, is way ahead of me on this issue. He thinks the old paradigm of employer-based health insurance in particular is dying even faster than I think it's dying.

So all of which leads me to a very unfashionable conclusion, namely, the logic of global competition means that the public sector in the next generation will have to be significantly larger, because it will have to take on new responsibilities that were offloaded in the World War II and heyday of the manufacturing era onto the private sector. I think there is no alternative. How that fits in with the consciousness of workers aspiring to get into the middle class is a question that I'm not competent to answer. But I can tell you this. If they're expecting it through the workplace in the next 20 years, they will be bitterly disappointed. And I would not counsel Change to Win to focus its energies on that, because you will be disappointed too.

I wanted to take up one additional point. And I think that Celinda underscored this with an offhand comment that I want to expand on just briefly when she said that for Americans, it's not just a question of taking a snapshot of where your life is now; it has to do with an expectation about steady progress. And if you look at the experience of all families, including married couples with children – who have done better than most other families; indeed all other families during this period – what you see is the following pattern, which is absolutely pervasive in the economy. From the late '80s until the mid-90s – a period, on the whole of stagnation – it took until the mid-90s for all families to recover the median income that they had had in the late 1980s. Then you had five good years. And then what we're now living through. For all family, every category, median incomes, the incomes of the middle quintile have not yet recovered to where they were at their peak, which was either 1999 or 2000. So in the past 20 years, there have been exactly five years where this expectation of growth has been satisfied – five years.

So if you're wondering why people aren't too thrilled, just looking at the past 20 years, which is about as far back as anybody cares to remember, will give you a pretty

good idea of why people don't have a sense of forward motion, and that in and of itself is an affront to that fundamental expectation that Celinda put on the table.

MR. DIONNE: Thank you. By the way, would I be libeling you, Bill, if I said that what you just described as a solution sounds an awful lot like European social democracy – (laughter) – or social and Christian democracy European style?

MR. GALSTON: Could we call it Judeo-Christian democracy? (Laughter.)

MR. DIONNE: Yes, I like that. That is a – Abrahamic democracy. (Laughter.) Thank you.

MR. KESSLER: First of all, Bill, I couldn't agree with you more about the points that you were making about the coupling benefits from the employer. And, you know, if were looking at, you know, we have this new-rules paradigm, there are new rules that affect businesses too, and they are in a whole different environment as well. And it's – you know, you see that it's very difficult to provide both wage increases and keep up with the benefit ladder as well.

Let me make just a comment on immigration. Third Way was a major supporting – worked with SCIU on immigration bill. In 1980, one out of 16 people in America was foreign born, and today, one out of eight people in America are foreign born – you have 36 million, I believe, foreign-born people here. As Bill said, I think that is one of America's principal strengths, and it's one of our longest-lasting strengths.

And we attract basically two types of people. One is we track people who are very intelligent, who come here let's say to get a graduate degree and they stay here. That to me is like picking up the first-round draft picks in basketball. And then we get people who are poor but are seeking to build a better life, and they are inveterate optimists and they are hard-working people, and I think there is both – it's incredibly good for this country, and I think for, oh, 230, 240 years, it has been the main strength of this country.

On your question that I didn't catch your name about high school grads, but, you know, if we have more college grads, et cetera. First, I disagree with Greg that the 90 or 99 percent of the jobs that we are going to create in the next 20 years are going to be low-wage jobs. In 1984, we said that 1994, we said that 95 percent of the jobs that we were going to create are going to be low-wage jobs, and they weren't. It's hard to know what the next-best next new thing is going to be, but if we, you know, as Bill was saying, we have an innovative economy; we have university systems; this is the best place in the world to start a business; it's the best place in the world to lose a business. We have intellectual property protection – you know, on and on and on. We have these strengths; we will create these jobs.

There will also always be a place in America for less-skilled, less-educated workers as well, but I would just say that the balance right now in this country is a little

bit off, that we are not – if we had more educated workers, we would have – you know, if you talk to employers – I do fairly often, they are looking for people to hire, for the most part, that aren't greeters at Wal-Mart; they are looking at people who are decision makers, et cetera.

And I just want to make one more point, and it's this – the women from Amherst talking about women and two-wage workers. And one of the biggest trends here is – I have another chart – (laughter).

MR. DIONNE (?): Cheated. This is your second chart.

MR. KESSLER: Nineteen seventy and 2004. Forty-two percent of undergraduates in 1970 were women; 57 percent of undergraduates in 2003 now are women. And for graduate degrees, Master's – I'm sorry, that was graduate degrees. This is undergrad – oh, I'm sorry. Now, graduate degrees – 39 percent in 1970 were women, 60 percent in 2004 were women. Women – one of the things that is happening is women's salaries are ascending and men's salaries are kind of stagnating. My prediction is that 20 years from now, women will earn more than men, okay. But that is a crossing line. (Laughter.) I may be wrong. I was wrong before. I said for many years that the Red Sox were going to win the World Series. I was right once.

MS. JACOBS: That is all you need, right.

MR. KESSLER: That is all you need.

MR. DIONNE: You were right. It's going to happen again this year.

MR. KESSLER: I think so, too. (Laughter.)

MR. TARPINIAN: I think that is an explanation for why all of those people with advanced degrees are job hopping and seeing their income all over the map. There are too many people without tenure.

You know, it's – I'm going to answer a couple of questions. I just want to deal with a couple of misperceptions that I picked up. One is, on Celinda's poll, it was not simply the jobs that I mentioned that were polled; it was all – it was non-supervisory workers earning less than \$100,000 a year. So the \$81,000 family, the \$62,000 family were included there. So that is an important point.

I think that there is another – it's interesting this perception that somehow, because we said that workers are the center of the American dream, that we believe that all benefits should come from employment.

MS. LAKE: Right.

MR. TARPINIAN: That is not what we are saying. What we are saying is – and that goes to the question of decoupling. The reality of the matter is that, all things being equal, the way the economy is going right now, the globalization competitiveness and everything else, what you said is correct.

And, you know, we are all for public solutions to the healthcare crisis and to the retirement crisis. The job tenure numbers that were shown earlier indicate just the level of job-hopping, whether it's personally induced, or whether it's induced by the changes in the economy is not really relevant.

The reality is that most workers spend less time at one job than they ever did. So the 30-year defined benefit plan, when I'm there for 30 years and I get out, I'm going to get this thing is obviously, in many cases and not all, because I don't want to – I don't to say that we are not for defined benefit pension plans because we are. We don't necessarily think they have to be delivered by the relationship with a single employer, okay, that they can be public, they can be portable, and so on and so forth.

When we talk about work as the center of the American dream, we are talking about people's self-identity as well in terms of how they define themselves, the reality is that work is – takes up a majority of people's day every day, how they think of themselves, how they see themselves, and how they deliver for their families is based on their job. The truth is that while employment costs are rising, the rising healthcare costs and the rising costs of other benefits, whether it's workers' comp or others, don't reflect themselves in the disposable income that people have. And people are hurting. They are working more hours for the same income as a family, and that is what is going on; that is what is driving this.

You know, somebody said, you know, I don't want to – you just say unions are the answer, and I don't want to say that; I want to say collective action is the answer, at every level, and I think the poll results show that, that working people understand – they said that how is America going to change, or are their lives going to change, or how is the American dream going to be secured by people like us getting together, whether in the workplace, in the community, in the political sphere.

And that goes to the fundamental question of power. The fact of the matter is that, again, all things being equal, without any collective action, without any public expression of this angst. And it is taking place. There is a spotlight on CEO pay. There is a spotlight on hedge funds and private equity funds now. There is a – that is happening; people are waking up. They are not displeased that some people are rich; they are displeased that they do not have the opportunity to have access to the fruits of their labor, and that is the age-old question. They see others getting rich at their expense; they see others getting rich because of the work that they do, and it's so glaring that it's raised that issue.

So for us – I made a crack about, well, we need to be burning tires in the streets. The reality is that progress has never taken place, advance has never occurred in

American society or any other society without mass political action or mass action in the workplace, in the community. So I just want to say that collective action comes through clearly in the poll, and people are optimistic. I think they may be pessimistic about their ability to get together and produce that outcome, but they understand that that is the only way to do it. It's not going to come by enlightened corporate executives, and it's not going to come by enlightened politicians; it's going to come by the action of the people.

MR. DIONNE: If people are brief, we can bring – we have got one – I want to – Gary, the gentleman behind him, the gentleman there, and then the gentleman in the front. If everybody could be brief, and then we can get you all in.

Q: I'm one of the 90 percent of Americans that think part of the American dream is having the rest of the country respect what you do, but I'm an economist, so I'm resigned to the fact – (laughter) – that is never going to happen.

MR. GALSTON (?): At least you're not a –

MR. DIONNE: At least you're not a lawyer or a journalist. (Laughter.)

Q: I think all of us can agree that inequality has risen a lot, which explains why the median has done some much worse than the average income growth statistics. We can all agree that insecurity feels like a much more pressing issue to a lot of people, and we can all agree, I think, that the risk that people think they face from loss of their health insurance feels like a much more acute problem today than it did 25 years ago.

But the elephant in the room here is why, given all of this, do voters keep sending the same cast of conservative characters back to Washington to govern them. Could it be the case – I'll offer two alternatives here – that voters are just very lazy people; they don't take very much time and effort to learn about what is in their own interests, and even if they bother to, they don't take the trouble to go vote.

MR. DIONNE: False consciousness rears its ugly head again. (Laughter.)

Q: Or, alternatively, is it the fact that there are some other issues out there that actually animate people a whole lot more than these economic issues no matter how high they always rank when we ask people about what they are worried about. It could be that a lot more people are worried about keeping Terri Schiavo hooked up to the ventilator, keeping gay people out of the wedding chapel, and keeping Latinos on the other side of the Rio Grand.

But you may have some third alternative. What explains this big disconnect between what is clearly a situation where a huge portion of the middle class is not seeing their economic situation improve along with the American dream, and yet the same cast of characters keep coming back to Washington to somebody I hear – and doing the same things and not changing anything about the situation of these middle-class households.

MR. DIONNE: (Inaudible) – where it's clearly the failure of Democratic political consultants and they take the whole blame. (Laughter.) Who is – the gentleman in the back, yes, please.

Q: Thomas Schaller from the Baltimore Sun. Thanks for putting this together, E.J.

MR. DIONNE: And the author of a great book called – plug your book.

Q: “Whistling Past Dixie: How Democrats can Win without the South,” and did in 2006.

My question, Elisabeth – first of all, I don't think this undermines your larger thing, but when you look at that very first graph, hours worked are not keeping pace with earnings, right. I mean, if you look at that very first graph and you asked a ninth-grade SAT student to analyze that, they would say those two lines track together until 10 years ago and then they bifurcate. And before I came in this room, if you asked me which was the blue line and which was the red line, I would have told you that the blue line is the hours worked, and the red line is the income, but it's just the reverse.

So we have heard several times that people are working harder and their wages are not keeping up, and that is simply not true from graph one. So I would like you to clarify this fact, because coupled with what Jim said, you know, 25 to 60, people maybe are actually doing better and maybe there is a false consciousness. And I don't know if that is because – when I ask my parents and grandparents what they say is, yeah, you guys are working harder, but you think an Xbox and a Blackberry and a cell phone and two cars are now needs in ways that we didn't 30 or 35 years ago.

The on the other hand to Jim and to Bill, I would ask question in response to Celinda's polling, which is this: 15, 16 years ago, Bill Clinton gave that speech to the DLC in Cleveland, and among the words on his card were opportunity and responsibility. And if Celinda is right, opportunity is now eclipsed by economic security, and that this notion of equal opportunity for everybody and an ownership society which I think was that sort of notion taken to in a sort of extreme in the last decade is not what people want, and when people are talking about responsibility, they are not talking about individual responsibility; they are talking about corporate and government responsibility.

And so in the wake of the 2006 elections, when we're talking about the notion that the conservative movement has died, I'm wondering if the Clinton movement is, though not dead, perhaps on life support.

MR. DIONNE: Excellent questions. We had two more hands that – yes, this gentlemen – yeah, right back there and then the gentleman in the front.

Q: The panelists talked a lot about how people view themselves and how we view other Americans. But I wonder whether anyone would address how we view the rest of

the world. The fact of the matter is that we basically, with India and China, doubled the labor force in the world. And one of the things Bill -- that Bill Clinton brought to the table was a happy story about globalization; it was that we were going to get all of the brain jobs and they were going to get all of the brawn jobs, and that hasn't proven so. And I'm not clear what story -- what optimistic story, what forward-looking story, what story that allows Americans to be aspirational we tell ourselves now about the rest of the world.

MR. DIONNE: Thank you. Poor Bill; he has been around long enough; he has got to defend Walter Mondale. Now he has got to defend Bill Clinton, but it will be very -- (laughter) -- and then this gentleman, please.

MR. GALSTON: It's worse than that, E.J. (Laughter.)

Q: Hi. I'm Cecilio Morales with the Employment and Training Reporter.

I just wonder in all of the talk about the people with high school or without high school degrees, people who need to -- whether there is some place in your agenda for the workforce development programs, and that is one.

And next to that, I'm just wondering why in the agenda there is no addressing the question that -- the issue of behavior once you get in power. Just yesterday, I was in appropriations hearing, and the Republicans came up with we want to cut 350 million and OB (?) rolled over. Oh, yes, let's get along together; yes, we will do whatever you say, even though we have the majority and what not. And just a few -- just last year when you had a situation like that, the Republicans would say, we had the majority; go take a hike.

So what is happening? Why isn't there enough spine and why isn't their spine part of the message? (Laughter.)

MR. DIONNE: Thank you. And then what I would like to do is start with Greg and finish with Celinda, since it's her survey that has provided such a useful discussion point.

MR. TARPINIAN: That is going to be good because I have to scoot of here right after this. Sorry.

The question about why -- the first question about why is it that people continue to put the people that vote against their interests or against their economic interests in office is a useful question because I think it goes to something that we all agree on here, and I think it comes out in the survey, which is that Democrats have talked about essentially safety nets, government-provide safety nets rather than talk specifically to the question of workers and working people generating enough reward from their work such that they could live the lives that they choose.

And I think that is the distinction between – I mean, when – that is the art when – the New Deal was not about handouts; the New Deal was about work. The Work Progress Administration was about work; the Civilian Corps was about work; TVA was about work; it was all about work. And the values – you know, we can go through; we can do a political-science analysis.

But it's clear that – I think we all agree that we need to put – Bill Clinton talked about personal responsibility. We're also adding to this equation corporate responsibility and government responsibility. But the truth of the matter is, people don't want a hand out – I think somebody, one of those guys said it – they don't want a hand out; I'm not even sure they necessarily want a hand up; they want a level playing field. They want to be able to make progress. They don't expect anyone else to do it for them.

And I think that has been the problem with the Democratic problem. I think that is changing. And I think that change is starting to change in the last election. The truth is that while Bill – what Bill talked about in terms of globalization is continuing – it's true; it is going to continue. The backlash against it, which I think led to a lot of the successes in the '06 cycle – Sherrod Brown, Jim Web and others, it's true that the solution is not protections, but it's also true that there has to be a solution, and the solution has to be something that takes into account the vulnerability of the American worker.

One other thing I wanted to just mention in regard to immigration because, you know, I'm sick and tired of hearing George Bush and Ted Kennedy, for that matter, say that these are the jobs Americans won't do. It's not true. These are the jobs Americans won't do – no. These are the jobs whose wages have been bid down so low and they are going to the lowest bidder, and the lowest bidder happens to be undocumented; happens to be an undocumented worker.

The reason we supported legalization, a path to legalization is because we were – realize, we are not deporting 12 to 20 million people; that is not happening. We realize that even with the best border security, we're going to continue to have undocumented. But at the same time, the only way those folks can participate in the American dream is if they have the same rights on the job that Americans have. Now, we want to expand the rights on the job that Americans have.

Now, we want to expand the rights on the job that Americans have, so we would also want to expand it for them. But the bottom line here is if you go to a – there are still, for example – I'm going to intermission here. I golf.

MR. DIONNE: If you want to live like a Republican, dot, dot, dot. (Laughter.)

MR. TARPINIAN: You have to – if you go to a – there are some golf courses in America that are still unionized, and it hit me recently. I went golfing in a unionized golf course. The greens – the grounds people were all union. They were all white workers. You go to your typical golf course; it's all undocumented Mexicans. Now, it's the same job, right; it's the same job. So if you go to Europe and you see the people that are

picking the gum off the street in England, they are English, but there are sections of the public sector that are becoming – in Europe are becoming decoupled from the unions.

So, I mean, all of this stuff is all relative: A meat packer in 1920 when Upton Sinclair wrote “The Jungle” had the worst job in America. By 1940, he had the best manufacturing job in America. He was doing the same exact job, but he had a union; he had power on the job. That meat packer today is back to where it was in Upton Sinclair’s days. If you go to the Smithfield Plant in Tar Heel, North Carolina, what you will say – when I said private dictatorship, they actually have a jail in the factory.

Now, we only think that stuff only goes on in China, right. They have a jail in the factory when workers act up individually. Now, if workers take collective action, they are protected by the National Labor Relations Act; but if they take individual action, they are not, and they are taken by security and cooled off in jail. So this is America today. It’s not China today; it’s America today; it’s the global economy today. Thank you.

MR. DIONNE: Thank you very much. If you got to go, we understand.

MR. TARPINIAN: I have got to catch a plane, I apologize.

MR. DIONNE: I just want to say, in light of budget policies, we started six minutes late so we’ll go 10 minutes over. (Laughter.)

MR. KESSLER: Thanks a lot, Greg. Let me start with the question, why are they voting for them. Yes, culture issues are important, but I don’t think it explains it. Yes, national security issues are important. I don’t think it explains that either. Democrats did poorly when cultural issues were not fully ignited. And they did poorly when the – when national security was a B-list issue in the ’90s, at least in congressional races. I think there is a bunch of reasons. I want to give one reason.

I think we have a misconception of how much they earn, and therefore most of what we offer do not have an – does not have an appreciable positive impact on their lives, and we think it does. And that is the whole 46 versus whether you’re between 60 and 80,000. And someone who just wrote a book on that was Chuck Schumer where he talked about the Baileys in Long Island. And the Baileys really – nothing – virtually nothing the government does benefits them.

So, for example, if you look at signature democratic programs, like raising the minimum wage, which I don’t want to give the impression that I don’t support or Third Way doesn’t support – we do. But the minimum wage used to affect a lot of people in 1980; it affects about 2 percent of the workforce now and a lot of it is young people.

You look at Pell Grants, which are extremely important, but if you’re over the income of 32, \$33,000, you don’t get Pell Grants. If you think the median income of people with college-age kids is 46,000 (dollars), then a Pell Grant cut off at 32,000 might make sense. But the median income of somebody with college-age kids is 60, 70,

\$80,000. So once you start getting to these programs like Pell Grants and EITC, et cetera, et cetera, which Democrats talk about -- they are just missing these folks.

So I think that we're swinging a lot and we're missing with people who are dead-center, middle-income, middle-class people because we have the wrong conception about what their situation is in life.

Let me address Tom's question, which I think is a simple question with a very long answer, and I won't give a very long answer. I mean, I think it's a really worthy question. I think the -- it's interesting about opportunity and security, and Elisabeth, you made the point that you thought that that was a false dichotomy, or maybe Bill made that point. You both --

MS. JACOBS: We both did.

MR. KESSLER: -- made that point. And maybe you're right. We at Third Way tend to be more on the opportunity equation. Celinda I think seems to be more on the security equation. But one of the things that I notice is once was once security is kind of bleeding over into opportunity. And I think that where it used to be kind of a clear dichotomy, I think that it's become a real area of threat.

So, for example, I look at healthcare more as a competitive thing. You have got to get it out of the way -- got to get it out of the hands of business because you need business to compete. And I don't think that your -- you know, you need to be able to make it so that business can compete globally and still provide increasing wages, like the -- healthcare is just taking up too big of a proportion, one from one percent of compensation to 3.5, 70.2, and it's just going to be going up.

I don't think that Clinton's philosophy is dead. I do think it got derailed. I think when Bill Clinton was saying we need to build a bridge to the 21st century, which at the time I thought of as, like, a really vapid statement, I now believe actually was a very smart statement and I just was too dumb to understand it.

MR. DIONNE: Or maybe your standards have changed. (Laughter.)

MR. KESSLER: Maybe. And that is this: There is a whole bunch of changes going on in the world. We have got to help people get from here to here. Yes, there is a billion-and-a-half new people in the labor market from India and China, et cetera, but we have to get people over that bridge for this -- what is really a transitional period, probably a long one, 20 years or so, that countries had, like Germany when they reunified, but on a smaller scale because it was only Germany, but would happen to Korea if they were unified and suddenly they had a pool of very poor people, you know, joining a pool of very rich people. We have a billion-and-a-half new laborers who are bringing in from countries with very little capital. So there is an imbalance there and it's having an effect. But it means you have to figure out in this new environment what to do.

MR. DIONNE: Could I – by the way, I'm going to 45 seconds just partly to challenge the premise of Gary's question. I agree, by the way, with what you have Schumer have said that family, the Baileys, but in the '80s, the Democrats lost a lot of elections partly because Ronald Regan took over at a time of economic trouble, and things seemed to get better, and it was not a misperception that things seemed to get better in the Reagan years.

In the four elections since 1992, the Democrats won popular vote pluralities in three of four. I won't start on Florida. And even in '04 with the war on terror and before the reaction against Iraq had set in, President Bush got 50.8 percent of the popular vote. So this premise I think – I just reject – I don't reject the premise that Democrats and progressives have problems they have got to deal with. I do reject the premise that it's in some catastrophic situation, and that if you look since '06, the very factors we're talking about, plus Iraq, have led to a very serious erosion in the Republican Party's position. And I think that is a response to real events. It's not that the whole country has suddenly become liberal. I think it's a response to some of these facts that we are talking about, but anyway, that is all I'll –

MR. KESSLER: Let me just give you one statistic, though, to respond to that, because if you look at 2004 and you look at John Kerry, and you look at White voters, okay, just white voters, there was a tipping point in which a white voter was more likely to vote for George Bush than John Kerry – an economic tipping point. That was \$23,300 in household income. And for congressional Democrats in that year, it was \$23,700. So, you know, we win African-Americans by nine to one of all income stripes and we do fairly well among Hispanics, but if you look at whites, you know, I think it is a little bit illuminating there, especially when you look at the economic issues. There is a real problem there.

MR. DIONNE: Bill. I look at those numbers differently, but I won't go there.

MR. GALSTON: Okay, well, I'm not going to – I'm going to – I'm going to try to respond to the four questions that were addressed to me, but very quickly and I'm going to tick a lot of people off because I'm going to go quickly.

First of all in the workforce development issue, I'll make two points. First of all, I worked on that stuff when I was in the Clinton administration – a lot of those programs were well intentioned but simply did not work. That remains to true to this day. And we need to develop our workforce, but whether defending the panoply of programs we have inherited is the right way to do it is something about which Dave Obey and I share serious doubts.

Second, let me just underscore the point of departure for that conversation: high school dropouts enjoy, if that is the right verb, terrible prospects in the current economy and it's not going to get any better. High school dropout rate is a whole lot worse than the official statistics have lulled us into believing for the past two generations, and we have got to address that not with workforce development programs but with a program to

track every single child in ninth grade to make sure that the fewest possible slip through the cracks. I could go on for hours about that.

With regard, very briefly, to a second question, namely the India and China question, I absolutely agree that the addition of 1.5 or 2 billion new workers into the global economy has created a situation in which India and China bulk as large economically and psychologically today as Germany and Japan did in the 1980s. That was the premise. And then the question is, what is the success story that we can tell ourselves that makes sense going forward? I tried to sketch it, but a lot of it – a lot of it has to do by conceding this fixed reality.

And one place where I disagree with Jim – it's not the case when you look at China that you have lots of low-wage workers and no capital. In China, there is an enormous amount of capital and that just doubles the problem. It is the first less-developed country that is actually a net supplier of capital to the rest of the world, and that has to do with 45-percent savings rates, which – (chuckles) – more about that – more about that later.

With regard to Gary's question, two points. First of all, I co-authored a paper a couple of years ago. I will be happy to show you the relevant chart. For most of the past 30 years, the economy has not been the number-one issue in presidential elections, and that simple fact explains a lot. The closer the economy is to being the number-one issue, the better Democrats tend to do, but I'll be happy to show you that chart.

But there is a second problem, and that is that – and Elisabeth and others have pointed to this – the fact that voters think that while Democrats' hearts might be in the right place about doing something about the economy doesn't mean that there is any confidence that if they have the power, they would know what to do with it in order to bring about that result. There is an efficacy gap, a confidence gap, and a trust gap, and this is a vicious circle that needs to be turned into a virtuous circle, and that takes some heavy lifting and the collapse of the Clinton healthcare plan did not do anything to improve the public's view of that.

Finally, to, you know, to Tom Schaller's question. And I agree with Jim; it's a short question that deserves a long answer. In reality, the Clinton program blended opportunity and security. If we hadn't believed in health security, that isn't – that we would not have given our initiative that label. Clinton understood from the get-go that opportunity and security went together in the same way that he understood from the get-go that individual responsibility and collective responsibility went together.

But you have to recall the rhetorical situation, the Democratic and political situation the Democratic Party found itself in, in the late '80s and early '90s, where we were perceived as not understanding or caring about opportunity and for sure, we were perceived as a party that believed in the collective responsibility but not individual responsibility. That was the political problem that Bill Clinton set out to solve

rhetorically and programmatically in the late '80s and early '90s, and he did so very successfully.

I would be the first to concede that both rhetorically and programmatically, times have changed. And I have had many quarrels with my new Democrat friends about the extent to which the Clinton rhetorical and programmatic formally is one that we ought simply to reincorporate into the current stance of the Democratic Party going forward. I don't think that is the right thing to do. So I'm not sitting here to defend the past but only to say that the past have a logic of its own that was correct for the time.

MS. JACOBS: I'll start with Tom's point about hours versus income, and the key word there is income. And this is maybe my mistake for putting income on the chart as opposed to just earnings because what you see there is income and then hours worked. And it makes some sense to me – I mean, granted, this is just sort of rough stuff up there, hence the working paper as opposed to the final draft – but it makes some sense that in the '90s, income and hours were diverge because a lot more people were seeing gains from the market, which isn't going to come into ours. So I suspect that that is part of it.

That isn't to deny that I also think there is a tipping point. There are only so many hours that most families can actually contribute at a certain point. Things are just going to stop. And, yes, the economy actually has grown and so wages ideally, they are going to grow, and that is what has happened. So a combination of to a precaution to your point and also an apology for perhaps a misleading slide.

Q: (Off mike.)

MS. JACOBS: Yeah, I mean, there is a lot of work – there is some work that has been done and I think there is a lot more work to be done to try and tease out what the relationship between how people are spending their time and how their financial circumstances have changed. There is a lot left to be done on that.

And this was – a piece of your question, which, it goes to the point that the question opened a big, big door, but this idea that expectations have grown, and that, you know, our parents say, well, like, you're doing fine; it's just that you want a Blackberry and three iPods. And I think – I mean, there is definitely – I think there is probably something to this. Again, this is sort of intuition as opposed to data, but I do think there is something to that.

I think expectations have grown. I think one of the reasons that has happened is because inequality has grown dramatically and people see the fruits of a lot, a lot of money. You know, we have got MTV "Cribs," we have got a million reality shows about how you can become a superstar, and those things appeal I think because people see that as something that they would like to obtain. And it means that something like – and I applaud this – sort of a way of participating in that. You can argue that that is a good thing, a bad thing, something that we shouldn't worry about as policymakers, but I think it's definitely a phenomenon that is worth taking into consideration.

And I point to that – as well, Pew did a survey a while back that I have had sitting on my desk. I have been trying to figure out exactly sort of what is to be set about it. And I think now is probably the time to bring it up. The broad point of it was really that luxury items become necessities. And so things like a washing machine or air conditioning were considered luxury in – I'll get the date wrong and show my youth because they have always been considered a necessity in my lifetime. (Laughter.) But they at one point were considered a luxury and not as a necessity in the same way that a cell phone during my lifetime has turned into from a luxury to a necessity.

And I think – I mean, we can say that people have higher expectations for what they should have, but to a certain extent, I think they are right. If you want to be a fully participating member of the American workforce, you probably need a cell phone. I mean, I think that is – so how to exactly deal with that in the context of this discussion is up for grabs, but I think it's an important point that you raised as sort of a side point at the end.

I wanted to touch on Jim's point about 23,000 being the tipping point for white voters going for Republicans. And I think it's kind of contradictory to the earlier message that we were hearing that actually people aren't that anxious; actually, the people that we really want to talk to in the middle class is making something like 80,000 a year because if we are talking about the tipping point being \$23,000, then I don't think anyone in the room would argue that if we're talking about a \$23,000 a year household, or worker – I'm not sure which you were talking about – but that person is facing serious economic stresses, and I think that is a return to the whole discussion we have had here on its head if we have been talking about whether or message of anxiety is the right one or not. If we're trying to talk to \$23,000-a-year voters, then arguably, it's undeniable that they are a little bit stressed out about their economic circumstances.

And one last point raised to me about this idea that women are graduating from college at greater rates – have graduate degrees at greater rates, and this idea that women are going to be higher-earning than men, which I love as an idea – (laughter) – which is – I think it's great, but I think it's also really scary because a lot of other things need to happen if that is going to be a tenable situation for American families because right now women leave the workforce to take care of children.

As much as many of us would like to think that we can be complete superheroes and not stop running at all and at the same time have kids, it's still predominantly women who need to slow down in order to take care of their families. That doesn't have to be the case. This can be something that can be shared. There are obviously private solutions to that, but there are also public solutions in the form of childcare and really addressing the fact that the way that families are managing labor market challenges are really different than they were in the past, and that we as a society really haven't caught up our basic institutions to actually help families manage that piece. So I could talk about a lot of other things, but I'll stop.

MR. DIONNE: Thank you. And Celinda, if you could also give the place where people can find your presentation.

MS. LAKE: You can find it on the Change to Win website.

In terms of – three quick answers, one, to Tom, to your point, and I'm sure you have read it, and I know Elisabeth is familiar with – Elizabeth Warren's book just deafening (?) that whole theory of – wanted an iPod, and she makes three real points. One is necessities; two is a point that Elisabeth referred to as well, that if you're putting more hours in the family, then your childcare, et cetera, expenses go up. And the third one, and actually the one that I find most interesting is this whole volatility point, that in a more volatile economy, when you have one or 1.5 working people per family instead of 2.5 jobs with one person and 1.5 jobs with the other person, then if somebody lost the job, you had expansion capacity. If a husband lost the job, then the wife went back to work, so to speak. Now with everybody working, you lose the job, you lose the house.

So the point that she makes is that there is much less – I think it's by far the most interesting point about what is this – and then I was thinking of merging that with your data about the volatility. We are talking about a very dramatic transition where stability may be the point.

The second – which brings me to my second point, which I think the linkage of opportunity and security is actually controlled. And in fact, we did a survey for women voters – or for women and society in general and tracked it over time, and in the '60s, women want equality, and then in the '70s they wanted respect. In the current era, they want control. Now, the number was – wanted more control. And I think that the linkage of security and opportunity is that you can be secure in the opportunity, that you have some control.

Right now – for example, when we tested healthcare security and the American dream focus groups, the first two answers out of the box – who said why is health care linked to the American dream, they were not what I had expected. One person said – and these are all non-supervisory workers again. One person said, well, you can't start your own small business because of health care right now. You couldn't give up your health care and you could not – (inaudible) – health care.

And the second answer was that if you – you know, that you want to get ahead, and you have to raid (?) – you have a healthcare expense that isn't covered; you have no control over your policy. Your employer and your insurance company are offering a discounted policy; you don't even know what is in the fine print. You have to raid whatever you put away for your retirement to cover your healthcare, to cover the fact that your kid is out in college and not covered to cover mom's prescription drugs. So I think the linkage of control – of security and opportunity is control.

And then I would say that the reason Republicans are beating Democrats is not even that the social issues they have won so much – and as a point of fact, in 2006, by the

way, we run – but because – it’s Elisabeth’s original point, which is 90 percent of voters said they know what Republican economics is. (Inaudible) – 50 percent of voters said they know what Democrats’ economics is. I would like them to tell me what it is some day. (Laughter.)

So you can beat just out of your heart; you have got to offer – if we are going to win on the economy, we have to offer an alternative on the economy. And it’s not just that our alternative has been safety and not security; frankly, our alternative in most cases has been completely absent, and I would include even the last 2004 election, except for the state of Ohio, and there it was anchored on minimum wage. John Kerry didn’t offer a comprehensive economic view. He didn’t defend himself on security and he didn’t offer an economic alternative. To this day, I can’t tell you what the John Kerry Democratic alternative on the economy was and neither can the voters.

So that is why we’re not winning, not because the social issues are – (inaudible) – but because it’s a blank slate for voters about what is our alternative economic view. And that is where Bill and Third Way and Elisabeth have all made such enormous contributions.

MR. DIONNE: I want to thank you. I think first, the first moral of this is if you are a Democrat and run for president and lose, Democrats will bash you forever as you have heard. (Laughter.)

I want to just summarize a few quick points – it will take me 30 seconds – of this really rich discussion and then I want to say thanks. It seems to me – one of the things I heard that I found fascinating is there is an imperative to marry the ideas of security and opportunity and to sort that out. There is an imperative to manage the transition of health care and pensions from the private economy to the public sector in some way. The issues we are talking about are not simply economic; they are about values, and they are about power. Education alone will not solve the problem, but it is an essential part of the solution, and I think we need to square that circle. Public policy needs simultaneously to address the sharpening worsening position of workers at the bottom of the economy and the weakening position of workers in the middle of the economy. So let us begin anew.

I want to thank all of these participants, and especially Celinda for creating a survey that provoked such a great discussion, and thank you all for coming and for asking such great questions.

(Applause.)

(END)