

THE BROOKINGS INSTITUTION

ECONOMIC MOBILITY IN AMERICA

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Welcome and Introductions:

ISABEL SAWHILL
Senior Fellow, The Brookings Institution

JOHN MORTON
Director, Economic Mobility Project, The Pew Charitable Trusts

Panel One: Key Findings on Economic Mobility in America

MODERATOR: JOHN MORTON
Director, Economic Mobility Project, The Pew Charitable Trusts

OVERVIEW: ISABEL SAWHILL
Senior Fellow, The Brookings Institution

JULIA ISAACS
Child and Family Policy Fellow, The Brookings Institution

RON HASKINS
Senior Fellow, The Brookings Institution

Panel Two: Reactions and Commentary

MODERATOR: JASON FURMAN
Senior Fellow, The Brookings Institution

STUART BUTLER
Vice President for Domestic and Economic Policy Studies
The Heritage Foundation

RONALD MINCY
Professor of Social Policy and Social Work Practice
Columbia University

HUGH PRICE
Senior Fellow, The Brookings Institution

TIMOTHY SMEEDING
Professor and Director of the Center for Poverty Research
Syracuse University

Panel Three: What Should the Next President Do to Increase Economic Mobility?

MODERATOR: DAVID BROOKS
Columnist, *New York Times*

JAMES BOGNET
Former Policy Development Director, Romney for President, Inc.

IAN SOLOMON
Legislative Aide, Office of Senator Barack Obama (D-Ill.)

LEO HINDERY
Managing Partner, InterMedia Partners, and
former Senior Economic Advisor, John Edwards for President

DOUG HOLTZ-EAKIN
Senior Policy Advisor, John McCain 2008

GENE SPERLING
Chief Economic Advisor, Hillary Clinton for President

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PROCEEDINGS

MS. SAWHILL: Good morning, everybody. Welcome to this event on Economic Mobility. I'm Belle Sawhill, Senior Fellow at Brookings, and I want to welcome you on behalf of myself and my colleagues here at the Brookings Institution and from the Pew Charitable Trust. This is a co-sponsored event.

And I especially want to thank Pew for organizing and funding the Economic Mobility Project. They've done an absolutely remarkable job of pulling together a diverse group of people and doing a great deal of research around these issues and drawing more attention to this set of issues.

Here at Brookings we are also making a major commitment to research and policy analysis in this area, both within the Center on Children and Families and as part of the Hamilton Project. And in that context, I'm especially pleased that Jason Furman, Senior Fellow and Director of the Hamilton Project, is able to join us today; this is Jason right here still standing up and drinking water instead of coffee, and he will be moderating the second panel. In addition, many of our colleagues, both from the Pew Project and from Brookings, including the co-Director of our Center, Ron Haskins, Julia Isaacs, who has done an incredible amount of research on this topic that I think many of you have already been exposed to, Hugh Price, who is a Senior Fellow here at Brookings, Stuart Butler, another principal with the Pew Project, Tim Smeeding, who came down from Syracuse today,

and Ron Mincy, here from Columbia; we are very indebted to them for helping us have a good discussion of these issues today.

We're not going to introduce all of these terrific people, but their bios are in your packets. And instead, we're going to focus on the substance of our new report entitled, "Getting Ahead or Losing Ground: Economic Mobility in America."

And then we're going to conclude with a panel on the political and policy ramifications of this work, moderated by my friend and one of the most thoughtful and most, in my way of thinking, inspirational journalists in the country, and that is David Brooks.

More about all of that in a minute, but first let me turn this over to John Morton from Pew. John, thank you very much for your support of this effort and for your leadership of this project.

MR. MORTON: Good morning. Thank you, Belle, and thank you to Brookings for convening such a terrific series of panels this morning. My name is John Morton, I'm Managing Director of Economic Policy at the Pew Charitable Trusts and Director of the Economic Mobility Project under whose auspice is much of the research that we'll be discussing this morning has been produced.

As he was observing the dynamism and mobility of early American society, Alexis Datotfil noted, and I quote, "among aristocratic nations, families remain for centuries in the same condition; among democratic nations, new families are constantly springing up, others are

constantly falling away, and all that remain change their condition."

For more than two centuries, economic opportunity and the prospect of upward mobility have formed the bedrock upon which the American story has been anchored, inspiring people in distant lands to seek our shores and sustaining the unwavering optimism of Americans at home.

And from the hopes of the earliest settlers to the aspirations of today's diverse population, the American dream, grounded in the concept of economic mobility and generational improvement unites us in a common quest for individual and national success. Today, with the convergence of an election cycle, income inequality is last seen nearly a century ago, and provocative new data on the state of mobility in America. It is a critical time to refocus attention and debate on the health and status of economic mobility and the American dream.

And our project, in collaboration with Brookings and many others, was established to do just that, with two main goals. The first was to broaden the focus of the national economic debate from one which had been dominated by a more partisan topic of income inequality, toward a more bipartisan and uniting focus on economic mobility.

And the second was to provide the American public and policy-makers with a compelling fact base off of which future policy recommendations can be made. We are a collaborative initiative, as Belle mentioned, bringing together senior representatives, many of whom are here today, from four distinguished Washington, D.C. think tanks, with Stuart

Butler and Bill Beech from the Heritage Foundation, Belle, Ron, and Julia from Brookings, Sheila Zulinski and Gene Steurle from the Urban Institute, and Marvin Kosters from the American Enterprise Institute.

Before we begin with the panel, which I'll do in just a moment, I wanted to find what it is we mean when we say economic mobility. This project defines economic mobility as the ability of people to move up or down the economic ladder within a generation or from one generation to the next. And the vast majority of our project's research focuses on this question of generational mobility, as it is perhaps most in keeping with the spirit of the American dream in which each generation is meant to do better than the one that came before.

In addition to this time dimension, there's another way of speaking about mobility, relative mobility and absolute mobility. And very briefly here, when we talk about absolute mobility, we're talking about a dynamic in which a rising tide is lifting all boats, but it does not capture the likelihood that boats may be changing place in the harbor.

Relative mobility, by contrast, suggests that boats are changing places in the harbor, but says nothing about the strength of the underlying tide. In other words, the health and promise of the American dream depends upon some combination of both relative and absolute mobility, and I imagine our panelists may say something about that in their remarks.

I'll conclude here shamelessly with two excerpts -- with

excerpts from two columnists from the local paper, the Washington Post, one from the right and one from the left, who have covered the project's findings in recent months. Each sounded calls to arms that we'd like to amplify for the presidential candidates and the broader policy-making community.

The first, from Michael Gerson, on November 14th, went as follows, "Conservatives rightly reject leveling equality as a social goal, which can only be imposed by coercion at a tremendous cost to human liberty and human flourishing. But in the absence of economic equality, economic mobility becomes an essential moral commitment. When a society has neither equality nor mobility, it is an aristocracy. Conservatism accepts inequality as an economic fact of life, but it cannot accept the existence of a class ridden society where inequality is heredity and permanent." And he concludes, "Republicans need to show the capacity to speak to the largest economic challenge of our moment, the recovery of economic mobility."

And the next is from Jean Robinson, who wrote on November 23rd, "We think of the United States as a land of unlimited possibility, not so much as a classless society, but as a place where class is mutable, a place where brains, energy, and ambition are what counts, not the circumstances of one's birth. But three new studies suggest that Horatio Alger doesn't live here anymore." And he concludes, "The Economic Mobility Project's work should be part of the political debate. Every candidate for president should read these studies and then explain why it's acceptable", and he highlights

one of our findings, "that a poor kid has only a six percent chance of reaching the top."

So I'd like to encourage you all to learn more about the project and visit our web site at economicmobility.org for a full listing of our project reports. And with that, I'd like to turn it over to Belle Sawhill for some further remarks. Thank you.

MS. SAWHILL: So turning to the book or report that I see most of you have, it's really about opportunity and how much of it we have in the United States, as John has just emphasized. Put differently, does everyone have a fair shot at the proverbial American dream, or are we a more class-based society than we would like to think we are, one in which the circumstances of your birth or your family background matter a lot?

There are data in this report that shows strongly that America believes -- the American public believes there is plenty of opportunity to go around, that hard work and talent and not your family background are what matter. For example, when you compare Americans to citizens in other advanced countries, we see that Americans, much more likely than their counterparts abroad, believe that people are rewarded for effort, for intelligence, and for their skills, and that coming from a wealthy or affluent family is not very important if you want to get ahead.

So the question is, to what extent do those beliefs comport with the reality? If I had to summarize the conclusion, it would be that there is a gap between our rhetoric in the United States or our beliefs on the one hand

and the reality on the other, and that, in a nutshell, is what this volume is about.

In the volume, we look at three trends affecting the well-being of American families. The first is economic growth. This is what John just referred to as absolute mobility or the tide that's lifting all the boats. The second is inequality. And the third is opportunity or what he called relative mobility, the ability of the boats to shift in the harbor, shift places in the harbor.

In the brief time I have, I want to highlight or reinforce just six key findings from the volume that relate to this set of issues. Point one, the effects of economic growth on the typical family's income has slowed in recent decades. Between 1947 and 1973, incomes roughly doubled in a generation's time. Since 1973, incomes have only grown about 20 percent and almost entirely because more women have gone to work.

Second, inequality has increased; that fact I think is, by now, well documented. Put differently, economic growth has not been broadly shared. That's one reason the typical family, the typical middle class family, is not doing very well, because so much of the growth has gone to people more towards the top of the distribution.

Point three, the opportunity to get ahead or what we call relative mobility has not increased. It may have declined. This is a case where there is no clear consensus in the literature. Some studies find stability in the amount of relative mobility that has existed over time, and

some studies actually find that we may be becoming a more class based society in which family background matters more than it did in the past.

Point four, as Julia Isaacs will show, we have somewhat less opportunity than many people in the U.S. believe. Mobility rates for those who were born into either rich families or poor families are about half what they would be on the basis of chance alone. We also have less mobility than some other advanced countries. But there is good news, as well, the glass is at least half full, and different people will look at this data and interpret it in different ways. If you're born in the middle class in this country, your chances of moving up and being better off than your parents or your chances, for that matter, of moving down and being worse off than your parents are pretty much the same.

Another piece of good news involves immigrants. Immigrants are a somewhat separate story, because in most of the data that we use and that other researchers use, immigrants are not in the data simply because their parents were born in another country and we don't have data for their parental background. But we think they're doing pretty well because so many come from less developed countries like Mexico, and this means they are almost always better off than their parents or than they would have been in their home country.

The story for African Americans is more troubling. I think many of us have believed that the way racial gaps in income would close is because as each generation of African Americans got more education and

began to move into the middle class, they would be able to transmit some of those advantages to their children, who would, in turn, do better, and over time, there would be upward mobility for this group. But that model doesn't, as Julia will explain in more detail, doesn't seem to be working very well right now for African Americans.

Finally, almost everyone thinks that education is the way to get ahead in American society, and to a large extent that's true. But Ron Haskins will have more to say about this. My summary statement would be, family background does seem to be as important as education, but education is clearly the best way we know right now to break the link between your family background and where you end up in American society.

So in conclusion, slower and less broadly shared economic growth has meant that the average family has not seen its income rise very much since the early 1970's or over a generation's time. That could have been offset by an increase in one's chances of moving up the ladder relative to one's parents.

As John emphasized, it's very important in a society or an economy in which there isn't very much growth for people to have a sense of being able to move up through their own efforts and skills. But there isn't any evidence that there has been an increase in the ability of people to make those kinds of shifts over time. Bottom line, in my view, but others may have a different perception, is that the American dream is alive, but somewhat frayed at this point. And with that, I'm going to turn this over now to Julia

Isaacs, and then to Ron Haskins, to tell you a little more about the substance of the report.

MS. ISAACS: Thank you, Bell. I would like to take a few minutes to go into a few more of the details from our study on economic mobility. Let me start by talking about income growth over the last 30 or 40 years. As you can see from this first slide, mens' incomes have been quite flat over this period. In fact, between 1974 and 2004, the median personal income for men, this is men ages 30 to 39, actually fell by 12 percent, from about 40,000 to about 35,000 a year.

In contrast, there's been a dramatic growth for women. This is, again, women in their 30's. Their income has increased as women have entered the labor force in increasing numbers, worked longer hours, and commanded higher wages because they have college education. We see here this growth, very dramatic growth in median personal income for women, although women still make less than men. So while mens' incomes are flat, I'm again showing that graph of flat mens' income, we do see a growth in family income, which is primarily driven by the strong growth in womens' earnings. But as Belle said, this is not a huge growth in family income.

I also should say, this is family income for the median family at the very middle of the income distribution. With inequality, if I had shown families higher up in the income distribution, we probably would have seen more growth.

But now I want to move from income growth and questions of inequality to this question of who ends up in the middle or the top or the bottom of the income distribution. And I want to talk about the influence of family background on children's economic success.

So let me walk you through the slide which shows the degree to which children remain in the same ranking on the income distribution as their parents. So let me start with children who are in the very middle of the income distribution, which is that middle bar. So this is children in 1968, their parents were making between -- about 49,000 and 65,000, if I put it family income in current dollars. So these children had a lot of mobility. If you look, you see that 19 percent rose to the very top of the income distribution, 17 percent rose to the very bottom, 23 percent stayed in the middle, so that's very close to 20 percent in each of the five quintals, which is about as much mobility as you can imagine.

Now let's compare that to the children at the bottom of the income distribution, that's on the extreme left of the slide there. So their parents, from the bottom fifth back in 1968, making a bit less than \$34,000. About 42 percent of those children are -- whose parents were in the bottom fifth, they end up in the bottom fifth themselves. Six percent make this climb that we call the rags to riches climb, where you're going completely from the bottom to the top in one generation.

Now, if we look at those who started at the top, you'll see on the extreme right, that 39 percent of children whose parents were in the top

remain in the top. So we call this kind of stickiness at the ends of the income distribution. So what you can see from the slide is that family background and particularly family income does have an influence on where children end up. And I'm measuring the children's' income in the late 1990's to early 2000. Now, I want to talk about the differences between black and white families. And in the report, we did the same analysis by race. So starting at the bottom quintal there, that 42 percent, among black families, the children whose parents were in the bottom fifth, 54 percent of them stayed in the bottom fifth, so that's more than half, compared to 31 percent of poor white children. So it's hard for children to escape from the bottom, but harder for black children than white children.

And if I could do the racial comparison for the middle income group, we again find disparities for black and white families. So for white children, it looks very similar to what you see there for all children. It was 20 percent of white children going to the top if their parents were in the middle, and 16 percent to the bottom.

Among black middle income children, only eight percent rose from the middle to the top. And a startling 45 percent of black children whose parents were in the middle of the income distribution fell to the bottom of the income distribution when they were adults.

As Belle said, this data suggests that black middle income families are not passing on their economic advantages to their children in the same way that white middle income families are. This is probably one of our

most provocative findings and generated a lot of discussion in the media, in policy circles, and I think around dinner tables, when we first released it in November, and I imagine we'll be coming back to it in some of the panelist discussions later this morning.

But in my remaining time, I'd like to go to the final comparison I want to show, which is international comparisons. We think we have a lot of mobility in this country and often think that we have more than in other countries; however, the most recent data suggests that's not true.

I'm again looking at children in the bottom. This is now males' earnings. Forty-two percent, this is the same -- similar 42 percent, of American men born at the bottom fifth stayed there, whereas in other countries it's more like 25 to 30 percent. So we have less mobility out of the bottom than in other countries.

You'll see that the countries included here are mostly in Northern Europe. There are other studies that include France, Germany, and Canada, and also find more mobility in those countries than in the United States. Now, I'm not saying we're lagging in economic growth than these other countries, I'm saying that in relative mobility, up and down the income distribution, we actually have less than other countries. So, in conclusion, I think we found some mixed evidence about the American dream. Family incomes are up overall, but much of that increase is due to women entering the labor force.

Moreover, family background has a strong influence on

children's' economic success. If your parents are poor, or African American, at any income level, you don't rise as high on the income ladder.

We do have some mobility, but not as much as we think, and actually less than in some rich countries. The American dream is working to some extent, and for some people, but not for everyone.

MR. HASKINS: A great American, deep thinker, republican, probably the favorite republican of the people in this room for which the competition is not very stiff, named Dan Quail, said the following; "We're going to have the best educated American people in the world." I'm not sure exactly what that means, but the first part means that there was a time when we said we're going to have the best educated people in the world, if that had turned out to be true, my presentation would show it would have had a big impact on mobility, it would have had a lot more mobility, and Julia's figures would look very different than, in fact, they did. So let me build the argument this way. First, in I think very impressive data, these are high school drop-outs, high school graduates, college graduates, and people with advanced degrees, professional degrees, or PhD's.

And as you can see, there are big separations, the separations are getting bigger, and as you can see, it's virtually flat, even for high school graduates, so they're not making more money, even if they graduated from high school, you had to do more than graduate from high school if you want more money, and maybe most importantly, if you want to increase your income, you have to have a degree beyond high school. So the point of this

chart is that college is a real key to economic mobility, it's a virtual guarantee of economic mobility.

You could think of our whole volume, especially the parts that we're dealing with, the factors that effect mobility, and much of the public policy in this as an attempt to overcome family background. Family background is, you know, it's the problem in all of these data because it exerts such an influence on kids and it's kind of the -- it's the enemy of mobility because families are able to have their influence radiate down through the generations, and we have plenty of data showing, for at least four generations, maybe five generations. But here we see that if kids go to college, they really can do much better than if they don't. So here are -- all these kids are from the -- their parents are in the bottom income quintal, and here are kids with parents in the top income quintal, and if you don't go to college, the chances that you will wind up all the way at the top, five percent, so a very modest chance.

But if you get a college degree, the chances you will wind up in the top is increased by almost a factor of four. So college produces great mobility among kids from low income families.

And even kids from families that are already wealthy, there's a huge difference, they still need to go to college, it more than doubles their -- it almost doubles -- it more than doubles their chances of making it to the top of the income distribution, the top quintal, if they get a college degree.

I would note, though, for how powerful family background is,

that even kids with parents in the top income quintal who do not go to college are more likely to wind up at the top than kids in the bottom quintal who do go to college and get a degree. So this chart shows very clearly that even if kids are in the bottom, they can greatly increase their economic mobility if they get a college degree.

So now let's look at the chances that kids actually -- kids from low income families actually go to college, if they -- this is kind of what Quail I think was talking about, that if these kids are able to go to college at high rates, it greatly increases their chances of moving ahead. So do they?

Here are enrollment data by parents income quintals. So kids from parents in the bottom quintal all the way to the top, and this is the average. And as you can see, enrolling in college is directly related to parents' incomes. So rich parents' kids are much more likely to go to college and poor parents' kids are much less likely.

And if we now -- these are not just going to college, but actually finishing and getting an AB degree. You can see the exact same relationship holds, only 11 percent of low income kids actually get a college degree. And if you compute the -- we couldn't figure out how to put the percentages on here, but another feature of this chart is, the kids from low income families conditional on going to college are less likely to graduate. This is a very important signal. They have difficulty in college. Even if they make it to college, the game is not over by any means. They have a much higher probability of flunking out or not finishing for some reason than kids

from wealthy families.

For example, kids at the bottom, only 32 percent of them actually finish, whereas the overall average is 53, in kids near the top, it's almost 60 percent. So that's another problem that they -- not only are they less likely to go to college, but they're less likely to finish.

Now, another point that's extremely important, I think there are two points in this chart, this shows the probability of going to college, conditional on test scores, and this is based on work done by Elwood and Kane, and what it shows is that even for kids from the bottom, if they have higher test scores, these are math tests in the senior year, they are much more likely to go to college.

A very striking relationship between the kids test score and going to college, so that's a good thing. That's something like merit, that kids, even if they're from the bottom, they do have a chance to go to college, and kids from the top, the same kind of relationship holds. But as you can see, at every point, the kids whose test scores are roughly equivalent if their parents are in the upper -- in the top income quintal, then they're more likely to go to college, so 27 compared to 15, 59 to 33, and so forth. So even your family background goes have a major impact.

And, by the way, all these charts, we show -- you can look at the whole thing, it's very orderly, I just -- the middle to make it simple because you're sitting in the audience trying to figure this out.

So education is clearly a key. We see it very clearly, and

longitudinal data, and in several different data sets, and if I had a half hour to go through the literature with you, I would say the things that I have said here are really consistent with what's in the literature.

So if you go to college, we can really have a major impact on mobility in America.

In this stage of the Pew Project, we have not concerned ourselves with policy, we're just starting to do that now. And I have already started to look very carefully at our policy. Some of you may know that we also publish a journal called *The Future of Children*, and issued -- Belle edited it about a year ago, it was entirely devoted to opportunity, it's a great chapter -- opportunity and mobility in America, it's a good place to start. There are three chapters on education, one on preschool, one on K through 12, and one on college. Tim Smeeding, who was on the second panel, wrote the one on college. And they all I think would agree that college is key, that education is key, higher test scores, so forth, all the things that we believe, but they all also conclude that as they are constituted now, the preschool programs, K through 12, and college programs, if anything, reinforce the family background that kids bring with them to the schools. So we have a lot of work left to do.

And in closing, I'd like to say I'm especially interested and I hope some of the candidates representative of the campaigns who are on the last panel talk about this, that since college is such a key, that we spend a ton of public money on college, and a lot of that money is directed primarily

toward middle class and upper income kids.

And so that means we could do a lot of important work and get a lot of those kids you saw with high achievement in a revenue neutral package if we could pass it through the Congress, so there's some serious possibilities here. Thank you very much.

MR. MORTON: We're going to turn this over now to about 20 minutes of discussion. I'll start the discussion with some remarks from the floor, and then if you have questions, I'll turn to you in about five to ten minutes, so please have them -- chew them up. Ron, I want to start with you, start with where we ended on education. The findings are confusing to me.

At one point you show historic returns to education. At no point have we seen the gap between expected income for high school graduates and college graduates, at no time in history have we seen that gap be higher, and yet we see graduation rates that are flattening, if not even declining in some cases. Can you tell me a little bit about your views on why that might be, why this disconnect?

MR. HASKINS: Okay. So I -- in fact, I have written that you would think that showing the data like I showed in chart one, where the more education you get, the more money you get, a lot of kids would really be convinced by that and they would go to college and a lot of kids are. But all the kids are not convinced also, and they not only don't go to college, they drop out of high school. And I think you're right, at high schools there are lots

of -- I've sat through presentations about high schools presenting data that is really a little flaky, and our data on high school drop-out, there probably is a lot more drop-out than is reported officially by the schools. So why kids actually do that, I don't know. I don't think I can answer that. I would say that probably the most frequent response that people make in the literature is that kids learn early that they don't really have a shot, that they go to a crummy school, they live in a crummy neighborhood, they have a disorganized family, they're poor, they don't know much about college aid, and so they don't work hard, whereas if they knew that they had a real shot, maybe they would work hard. That certainly is a frequent explanation.

And, in fact, I think that's a very important explanation, because it suggests one of a whole range of things that we could do to increase college attendance by kids in school, that is, give them hope early on that if they work hard, they really can go to school, there's a place for them, there's financial assistance, there are lots of colleges that want them, which, in fact, there are, and if they work hard, things will work out well. So I think that's -- we don't have good data, but I think that's the answer.

MR. MORTON: Let me turn to you, Bell, and say one of the things that the reports do focus on which we didn't touch on in today's presentation is the question of family structure and the extent to which family structures have changed fairly significantly over the last 40 years, during the period of time that your research looks at. To what extent has that family -- changing family structure influenced and effected the findings that you see

here?

MS. SAWHILL: I think it's had quite a big impact. First of all, we didn't talk about it, but none of the data that we showed you are adjusted for family size. We know that families have gotten smaller, and we talk about that in the report, and that means that the same income doesn't have to support quite as many people, and therefore, those families, even though their incomes haven't gone up a lot, are somewhat better off for that reason alone.

The second point is that, as Julia stressed and showed, much of the increase in family income that has occurred, at least for this typical middle class family is the result of more two earner families, more women working, and that comes with it child care expenses, other work related expenses, the stress of nobody being home to take care of all the things that need to be taken care of at home. So I would -- and we don't adjust for that either, so that goes in the opposite direction, and in my view, more than offsets any gains from having fewer people to support. There are also fewer adults doing the work of families, if you will, or having to pay someone else to help with child care and so forth.

And then finally, we have a lot more single parent families than we used to, and we know that their incomes are much lower than the incomes of two married parents, and that has brought the averages down somewhat and led to additional stresses, as well.

And I hope that those of you who are on the second panel may

discuss a bit the extent to which that might explain some of the discouraging intergenerational news amongst African Americans in particular, where the number or proportion of single parent families is especially -- has grown especially high.

MR. MORTON: Thank you. Julia, your report that you referenced here on race showed that, as you mentioned, nearly 45 percent of children born to African American middle income families back in the late '60's had fallen to the bottom quintal or the bottom 20 percent by the time they were adults. This would appear to be perhaps one of the most distressing findings of the entire wealth of research that you folks conducted. You spent a lot of time with the media in briefings afterwards discussing that finding, and perhaps you could share with us some of the -- the flavor of the discussions and some of the reasons why perhaps we might be seeing these figures; what's behind these figures?

MS. ISAACS: Well, I think that's a great question, what is behind these figures, and I will say, as you know, in this report, we were just trying to point out the figures, and we spent less time on the underlying analysis interpretation, getting out a facts book in a year is pretty ambitious in itself.

But there are some things that I have begun to look at, some preliminary analysis, to look at these middle income blacks and middle income whites, so their incomes are the same, but there are other differences. And I guess I would just mention three; one, different levels of

education, people at the same level of income, the white families tend to -- more likely to have graduated from high school and more like to have college degrees. This is the parents back in 1968.

The second would be a difference in wealth. The white families were more like to own their own home than the black families. And the third was a difference in family structure actually among the parents. Everybody in the middle income back in 1968 was married, more than 95 percent, in both the blacks and whites, but their children, if we look at marriage rates in like 1996, I think our data looked, the white children -- there was a big drop in marriage rates among the white families, 70 percent were married, but among the black families, it was a much larger drop, it was less than 40 percent were married. And so family income is often lower when there's only one parent in the family, or it could be a single individual, not a parent, in some of our families.

MR. MORTON: Thank you. I'm going to ask one more question, then if there are questions in the audience, the folks with the mikes could take note of where they might be and cue them up, please.

Bell, you had -- your chapter on trends in mobility suggested that there may, in fact, be no clear trend. There's some research that suggests that mobility may be static in America, there are others that suggest it may be downward, but by and large, it's inconclusive. What would you say to those who say, well, what's all this fuss about, why is this an issue if, in fact, there's inconclusive data on the status of generational mobility in

America?

MS. SAWHILL: Well, I think that's one reason we say that the glass is half empty and half full. I think a lot of people look at the data on inequality, though, and we know that that's increased. I don't think that that's particularly debatable any longer. And it's increased a lot.

And a lot of people are concerned about that, particularly people on the left, as you suggested in your opening remarks. And people on the right tend to say we shouldn't worry about outcomes, we should worry about opportunity. We don't believe in equal outcomes in this country, we believe in equal opportunity.

And then the question is, how much equal opportunity do we have, not just is it getting better or is it getting worse, but, you know, do we have a lot or a little. And I think that one way to translate that question is to ask how much does -- did the circumstances of your birth effect where you end up, and there has been too little focus on that question and perhaps too much focus on just looking at cross sectional snapshot data on how much inequality there is. The kind of data that we normally look at when we see, you know, the rich are getting richer and the poor are getting poorer, to use the way the media often talks about it, is based on just looking at a snapshot of the population at one point of time and then at a later point in time. And that doesn't tell us anything about whether the individuals who are now rich might have once been poor, or vice versa. In other words, it gets -- doesn't get at the underlying process by which people achieve wherever they are.

So I think what we've done here is, dug down beneath those descriptive snapshot type pictures to look at the process by which people become either rich or poor and to see how much genuine opportunity there is to move up or down in American society.

When you don't have as much economic growth as you have in the past, then it's more of a zero game, not -- you can't count on that tide lifting all the boats, and therefore, this question of how much opportunity we have becomes much more salient and important.

MR. MORTON: As you've both said, you've had declining growth rates for median income over the last 20 or 30 years, and then also the entry of women into the work force in fairly significant numbers over a 30 year period, which has plateaued and stabilized. So I think one of the questions you've been receiving quite a bit and the remarks and comment back on these reports is, where is the next bump going to come from. Women have entered the work force, you've got marriage, which you have some thoughts on, I'm sure.

MR. HASKINS: Yes, I mean that certainly is the most straight forward solution. We do have an example of an entire demographic group that literally shifted its entire distribution, and that's single moms in the 1990's, low income single moms, their whole distribution of income shifted to the right, and it's because they went to work. The data -- Census Bureau data is absolutely clear, their welfare income went down because they left welfare, their earnings and EITC and other benefits went up, except

for cash welfare, and they actually were better off. Molly Dow sitting out there in the audience, published -- why would you believe a recovering republican when you have a paragon of virtue from the Congressional Budget Office, said exactly the same thing.

MR. MORTON: I'd like to invite some questions now for our final moment, so if you could raise your hands, I'll start in the purple and then go to the dark purple.

MS. POPLIN: Hi, I'm Carolyn Poplin from the Center for American Progress. This is a question for Mr. Haskins. I've heard the argument a lot about college raising; how much is a college education the cause of the improvement and how much is it a marker for those people with the skills and the drive and what have you, so that maybe it isn't the college, it's the fact that these are the people -- it's a marker for the people who --

MR. HASKINS: Okay. Let's assume that you're correct; if you recall the third chart that I showed, there's still plenty of kids whose math scores shows that they're above the middle distribution and even kids in the top of the distribution who did not go to college.

MS. POPLIN: Right.

MR. HASKINS: So even if you were completely correct and it isn't college itself, it's a selection effect that the best ones go to college, even under that circumstance, there's still many thousands and thousands of kids, year after year after year, who could go to college, who could finish school, and would get the income bump if they went to college.

The second thing is, I'm not sure that if you actually created opportunity, that those scores at senior high, if those kids really believed that they could go on, that those scores might go up. I mean Americans are always optimistic about things like that. We could have good schools, and everybody could meet a certain criterion, and people could move up, and if they really believe -- can you imagine if you lived in inner city Washington and bullets flying all over the place and your school is broken down and teachers turn over half during the year and so forth, do you think you're going to go to Harvard? You might not even have heard of Harvard. So I'm just saying, if we create opportunity, build it and they will come.

MS. POPLIN: The other thing is, the tuition at the small girls school from which I graduated in 1969 has gone up 40 times since I graduated.

MR. MORTON: Okay. Another comment from the floor here? Yeah, please.

MS. : Good morning -- from CNN. My question is for Ms. Isaacs. If you could please elaborate on the term "stickiness", as well as address, you mentioned that certain European countries seem to be doing better than we think here in America; how exactly are they doing that? Is it because perhaps they have subsidized health care? So if you could elaborate on exactly how they're doing better.

MS. ISAACS: My guess is people in the back can't hear very well. The mike is -- I don't know if there's any way to turn it up or for people

to speak into it more, but -- so the first question had to talk more about the stickiness at the ends.

I guess by stickiness, I meant less mobility than those whose parents were at the bottom of the income distribution, and also those whose parents were at the top, were more likely to end up in the same point in the income distribution as their parents, so there's less mobility at the end, whereas in the middle, we saw lots of mobility.

I should add that when we do the international comparisons, we don't find much difference across the country. It does seem that for the middle income Americans, we do have the similar mobility to other countries. It's at the bottom where it looks like we have less mobility than in other rich countries. I'm not comparing us to less developed countries.

I don't think we know why. That would be a great topic for further research as to -- there are a lot of differences across the countries, there's also a lot of data differences, it's even hard to compare the mobility. And then to look at the underlying factors, that would be a great study, but I don't -- it hasn't really been done to this point.

MR. MORTON: I think one of the possible explanations that certainly we've heard is that because -- precisely because income inequalities are greater in the United States and the income bands are further apart, it takes more, it takes a greater absolute change in one's income to move between the ranks.

And so precisely because of our increased inequality here, it is

easier to move up in other countries, because there's more compressed income bands, and I think that's part of the explanation.

MS. ISAACS: And I think that would be particularly true for like the Northern European countries. But between us and Canada, I think it is a bit of a puzzle why we have less mobility than Canada.

MR. MORTON: Yeah, for sure.

SPEAKER: And just one quick question for any other panelists.

MR. MORTON: Okay. One quick one.

SPEAKER: It's really quick. Is the American dream as we've known it dead, is it alive, does it have a -- where does it stand?

MS. ISAACS: Well, I wouldn't say -- I mean you don't want to overstate the stickiness at the bottom, so when I say 42 percent of those who are in the bottom stay in the bottom, 60, let me do my math, 58 percent are going up, more than half are going up. So I think it's very much -- I mean others may disagree, but half full, half empty, there is mobility, there just is not as much as in other rich countries, and I don't think there's quite as much as people believe.

MR. HASKINS: Well, I certainly think that the glass is more than half empty. I don't even go along with half empty and half full. I say that because, first of all, the middle class has done okay, rich people have been astounding, and we have put more and more, yes, we've emptied out the middle class because they've gone up in the distribution about 75,000, that

has been the biggest growth in the American economy. So we have a huge number of people whose income is over 75,000, and that -- it's exploded, so that's a positive.

And then secondly, I think the system is highly predictable. For example, because I've already said, if you go to college, if you study in school, there will be money available to go to college, you go to college, you finish college, you can get a good job, you can do way better than your parents, as the data show very clearly. So it's a good system, it has flaws, but I think the glass is more than half full. And hardly anybody here has mentioned individual responsibility; that's a crucial part of this picture. People drop out of school, they have children before they get married, they quit work or don't work, there are lots of individual decisions here that are flawed and that play a role in this, as well.

MR. MORTON: I want to take one or two more questions, brief ones. Please keep them brief. We'll take these two and then conclude the panel.

MS. NEWBORN: Helen Newborn at the Ford Foundation. Have you, or could you please factor in what's happened to jobs, the quality of jobs in this 30 or 40 years, so that when you talk about people at the middle whose children do worse, what kinds of jobs are they getting? Are they getting the same jobs with benefits and stability and the kind of income rise that we know happened in the '60's and '70's, and doesn't that account for a lot of why families are falling down the ladder?

MR. MORTON: Anyone?

MR. HASKINS: I don't think that's a major factor. There are several -- I think there's a lot of disagreement about this among economists, but there are several analyses, like Steven Rosen's new book, that shows that actually the typical job and the new job pays more than the average job in the past. So it is not the case that America has created a bunch of hamburger flipping jobs, we certainly have done that, too, but there are lots of good jobs, and that's why the middle class has moved up despite what you might here on, you know, reading in the newspapers, it's moved up about a half a percent a year for the last 20 years, and we've had the huge increase in people earning over \$75,000.

So I think bad jobs are an issue, especially at the bottom, but we've done a lot, the government has done a lot to try to help with the earned income tax credit, changed food stamps so it's easier to get, make sure the kids are covered by Medicaid. So government has tried to respond to make those jobs at least livable without directly intervening in the economy.

MS. SAWHILL: I think we have very different views up here and we may not have time to get them all out on the table. So -- but we should move on if other people have questions.

MR. MORTON: Disagreement has been expressed.

MS. ISAACS: I do say for maybe the African American families, that the decline of manufacturing in the Midwest may have impacted those families more, and so there -- I would think jobs does have something

to do with some of these things.

MS. SAWHILL: I would just remind you that we do not look directly at jobs in this report, but we do look at male income, and -- basically male wages and earnings, and they have been stagnant. In fact, over a generation's time, if you compare young men who are in their 30's today to young men who were in their 30's a generation ago, their income is actually lower in inflation adjusted terms. So if your definition of, you know, good, bad jobs has to do with how much income they produce, that's a negative.

The positive that we could talk about more is that more jobs do come with health care than a generation ago anyway. There's a lot of talk about the recent decline in employer provided health insurance, but we don't count in peoples' personal income, the fact that they're somewhat better off because at least some of them, and more than in the past, have health coverage, and that's worth something.

MR. MORTON: Only because I promise and our time is up, but I did say you could get your question, so if you could keep it brief, we'll conclude with this.

SPEAKER: This is to Julia. One striking thing in terms of the low -- kind of low income workers is, in comparison to other industrialized countries, is the incredible deficit most low income families have, not only in terms of the work place, of not getting time off, all those vacations, but they don't have health care as much, pensions, you know, all that, and on an

absolute level, they're less than other industrialized countries.

I guess it speaks to what kinds of policy initiatives one can imagine in terms of the low end, in terms of really providing them opportunities. It strikes me that if their children had good health care, that if they knew they were going to quality schools and could go to college, you know, all those things, and their parents had some time off to be with them, all that, that it strikes me that would push toward greater opportunity.

Is that something you're looking at, the kinds of things that are provided in other industrialized countries that we certainly don't, their private goods here, and that low income families can't afford?

MS. ISAACS: We haven't looked at it in the report that we are releasing today or that we distributed, but that is something that I think in the future, John may be able to say more than me, what the future of the Economic Mobility Project is, but we do need to look more at policy differences and how policies across countries and policies in the United States can make a difference for mobility.

MR. MORTON: The next phase of the project hope to take this back space and move it into a more policy focused agenda for sure. So thank you very much for your time. Please remain in your seats. We're going to transition directly into the second panel now, and thank you for your attention.

MR. FURMAN: So I think that was a very stimulating discussion and presentation of the findings that we've all heard, and now we

have an opportunity to hear from some of the nation's four most experts on this topic, some commentary on what we just heard, maybe even a little gentle criticism or highlighting some of the interesting points that weren't made so far, and we'll just go alphabetically, everyone will have five minutes, then we'll have a little bit of a discussion, and open it up to you. The first will be Stuart Butler from the Heritage Foundation.

MR. BUTLER: Thank you, Jason. And, of course, as you know, the Heritage Foundation is very much a part of this project. The work you've just heard from Brookings is primarily looking at the situation, what's actually been going on. Our part of the project, which will continue from that, and we've been working very closely with the Brookings Institution and with the other partners, is to try to explore some of the reasons why you see these kinds of patterns, what's it play in all of this.

And in particular, to what degree, choosing your parents wisely, if I can put it that way, makes a difference to your own long term income situation, because when we look at the whole question of mobility, as been mentioned, intergenerational mobility, we are looking at the issue of to what extent a child and can track closely without their parents, and what does that mean, and are we concerned about it.

And I just want to make two broad points, or at least look at two broad issues; one is just to explore again what these questions really mean in terms of the language we use, and then second, to just refer again to some of the concerns that were raised in the first panel.

I think that it's very important that we recognize that a lot of ideas have been tangled up in this whole discussion and a lot of values associated with it. The difference between opportunity, which really means those ladders that you saw up on the wall earlier on, are there ladders available for people to move up, and certainly millions of immigrants coming to America, and I'm one of them, but millions coming and crossing the borders certainly feel that there are enormous opportunities in America, but also, why do some people move up those ladders and others don't, and some people go down that ladder, and to what extent is this related to the situation we're in with regard to your parents, and particularly your parents' income, and that's really what we're looking at here and puzzling with.

And as we think particularly about the role of parents in this equation, in terms of their influence, I do think it raises some ambivalence in the way Americans look at that issue. Certainly, there is a difference between parents influencing one and the whole idea of a society that has opportunity. We can see everybody moving up, as I think Isabel said, the boat -- all boats rising, but relative differences being concerned.

I think secondly, we're very ambivalent in America about how fair it is and whether we're in favor of parents giving you a big head start in life, in terms of taking advantage of opportunities. When we think of very rich people setting up their kids in Wall Street and people making tons of money, we're kind of bothered by that. On the other hand, we have a long history and a long way of thinking about, it's really important for parents to do things,

to pass on some traits, and approaches, even money to help their kids move up in some way. We think of that as a solidly American idea. It's not only just American, incidentally.

If you look back in the -- it says that a father should do four things for their child, one, they should encourage them to study the -- education, so that's very important; secondly, get a wife, you heard from before, marriage is very important; thirdly, learn a skill, get a trade, that's important; and then fourthly, learn to swim. It's difficult to imagine, but I think of that as health insurance actually.

But the fact is, we do think that passing on certain traits, certain really beneficial traits, attitudes, perseverance, even setting people up in business, is something that we applaud. But that means lower mobility, that means that the child is more likely to track the parent, and if the parent doesn't do that, we'd open the evidence the reverse is true. So when we think about mobility and the role of parents, I think we are a little ambivalent about whether that's good or bad. And I think also when we look at the international issues, the international differences, if we have an economy, as I think we do in the United States, that generally rewards very strongly certain kinds of traits, optimism, perseverance, getting an education, wanting to succeed, that's probably going to be true for parents and for children, and probably -- and does lead to "lower mobility" in the United States than countries where that doesn't tend to be the case, the economy doesn't. So I think when we look at those numbers, I think a lot of questions that we need

to explore are there.

And let me end by just saying that I do echo the concerns that have been raised. As you look at this work, there are certain things we've got to really understand better in terms of the elements in mobility. This issue of stickiness, at the bottom, why do certain people not move up the ladder, even though they're able to go to school and so on, and I think we do know some things about that which we will be exploring.

The situation of the household itself, single parenthood seems to be an enormous barrier to mobility. Attitudes to savings in some cases caused by attitudes by the parents. If somebody does not gradually save and improve and think in those terms, they don't tend to do so well in the future, that's very, very important. Money itself, we see very differences in the propensity to save among lower income people, I don't just mean dollars, but propensity to save, between different racial groups in this country. That seems to be connected to whether people move up or not, certainly if they go into business.

The issue of whether middle class values can sustain other things in our society, other pressures, other factors that influence people. The fact is, it is true, it takes a village to raise a child, and if other elements of the village, social factors, conditions in the neighborhood, housing are not right, it's very difficult for people to move up, and it's very difficult for people who are in the middle to stay there if those conditions are not right.

And also, as we've said, education critically matters, and we're

at the stage now in this society where 20 or 30 years ago, a high school diploma was the critical item to have in order to basically succeed in an average way in this country. Today, we know that's no longer the case, it's a college degree that is critical. And so when we seen these patterns of high drop-outs of school and people not completing college, that is a major factor in whether people are going to be mobile or not compared with their parents. So we see a lot of things to look at. We at Heritage and others on the rest of the project will be looking very intensively at these things to learn a little bit more about why these patterns you've just seen are the way they are and what we should be thinking about them.

MR. FURMAN: Thank you, Stuart. Next we'll turn to Ron Mincy from Columbia University.

MR. MINCY: Thank you. So I want to focus on the sort of 800 pound gorilla in these findings, and why some things about social mobility in the future are obvious, but the political implications of dealing with them are much more dark and cloudy.

The most important aspect of these findings, for me, was that men contributed very little to the upward mobility of their children because the earnings of most men stagnated throughout the period that we studied.

So upward mobility among white children was accomplished because of the increasing labor force participation of women, coupled with the rising earnings of women, because they overcame discrimination in education, in employment, and their earnings rose, as well. On the other

hand, there was very little upward mobility among blacks, primarily because the growth in labor force participation among black women was not very strong during this period. Black women have always had high levels of labor force participation. And then secondly, their earnings didn't grow that much.

And then I also want to focus on the findings related to race. When black children -- the findings were, to repeat, when black children from middle income families reach adulthood, only eight percent were in the top income families, less than a quarter remained in middle income families, and almost half, 45 percent, lost ground, ending up in the lowest income families.

In fact, regardless of where their parents began, almost half of black children ended up in the lowest income families. This, to me, was the, you know, I don't have words.

I conclude that improving the mobility of Americans will require increasing the earnings of men and women over time, and the most important way to do that, as we heard several of the speakers refer to, is to make sure that more people are going to college. What has happened then in recent decades? We know that the intergenerational correlation between parents' income and children's' income, the highest factor that researchers have been able to identify in that is education. That intergenerational correlation is 13 percent for the parents' education than the child's education. However, it is single digits for every other factor that researchers have been able to identify.

Now, the curious thing about the economic period that was examined in this is that as we approached 2000, the rate of return to a college education was nearly the same for black men, black women, white men, and white women, yet we were in the 35 to 36 percent returns on a college degree for all of those populations, yet in the subsequent period, what we observe is that the college enrollment rates and graduation rates of white women eclipse those of white men in about 1980, continue to grow throughout the rest of the -- over the next 20 years, and now the college enrollment rates of white and black, sorry, of white men and white women continue to diverge, despite the fact, again, that the rates of return to education were nearly identical in the late 1980's.

Secondly, we observed that the college enrollment rates of black women are now in excess of the college enrollment rates of white men. And so part of the increase in the earnings associated with black women is their increases in education attainment. On the other hand, the college enrollment rates of black men were lower, have been lower, and continue to decline throughout the more recent decade.

And so it's pretty obvious to me that if we're going to -- where is the next ump going to come from? It's going to come from ensuring that more men are going to college and graduating from college, so that, in addition to the earnings of the mom, of the rising earnings and the rising labor force participation, we will get some kick from the dad, as well.

This is a pretty provocative, radical thing to talk about. But it is

absolutely important with respect to black families. Again, it has a lot to do both with the potential for contributions to social mobility from mothers and fathers, and the possibilities of increasing marriage rates in the African American community.

If the earnings of black men continue to stagnate and fall, and part because so few of them go to college, then I don't see much prospect of increasing the marriage rates among African American families and contributing to social mobility among black people. So the policy conclusions around this, though, are also important. I'm surprised at the lack of attention that has been paid to high achievement programs that take children from middle income families who are high achievers and make sure that the rates at which they graduate from college are more akin to what you would predict based upon their SAT scores.

So there are programs that my colleague at Columbia University, whose name is Beatrice Bridgelaw, has been examining, like the Myerhoff Program at Baltimore Community College, like programs in Schenectady and Xavier, that make sure that children of color who go to college actually graduate and do well.

Again, I think it's critical that we pay more attention to the number of men who are going to college and who are graduating from college. I have to find a better word than critical for black men. But we know something about how to do this, how to ensure that children are better prepared to go to college in the first place, and once they arrive, to ensure

that they are more likely to graduate and do well. And it seems to me that in the places around the country that are doing this, like Xavier, Schenectady, and Baltimore Community College, that we ought to make sure that we replicate these programs throughout the country, that we enroll more men, especially black men, in them, and that we ensure that these men do well, they graduate, and they add to the earnings of their wives, so that their children do better in the next generation. Thank you.

MR. FURMAN: Next we have Hugh Price from Brookings.

MR. PRICE: Thank you. First, I'd like to salute Pew and my colleagues at Brookings and everybody else who was involved in producing this really thought provoking set of papers. And I want to focus principally on the one by Julia Isaacs on the downward economic mobility of the children of the black middle class.

And I'm less interested, frankly, in why it's larger than white children from the middle class, but on why it's so large, namely 45 percent of the children of the black middle class have descended into the bottom income quartile.

That is such a startling finding that it calls out for some further examination, and when I say startling, I mean in my more than 40 years in this field, including nine heading the National Urban League, whose very mission was to help black folks gain a beach head in the middle class and hold onto it, the erosion of that beach head is startling. I would expect some flattening, perhaps some modest decline given what has been happening to

the middle class generally. But the rate of ascent is so large that it's counter intuitive, and I'm seldom at a loss for theories or explanations or policy recommendations, but today I am totally at a loss, and I only have questions.

And the questions I have cry out for further statistical analysis, as well as for ethnographic analysis. For example, in the field of the area related to occupations, I'm interested in knowing what were the major blue collar and white collar occupation groups that helped propel black parents into the middle class and sustain them there.

What has become of those occupations in the current economy, have they grown, have they shrunk, have they been outsourced, globalized, has the income potential from those occupations diminished?

To what extent of the children of the black middle class holding these occupations now; has there been any impact, if at all, from undocumented immigrant labor? What major white collar and blue collar occupation groups provide middle class incomes and lifestyles today? Are these growing or shrinking in the contemporary and projected economy? What is the incidence of young blacks from the middle class in those occupations today that provide middle income lifestyles and incomes?

In the realm of education, I'm interested in the comparative educational attainment of black middle class parents and of their offspring who descended into the lowest income quartile, not generally the comparative educational attainment of black middle class children generally,

but of those who descended into the lowest income quartile.

What are the educational requirements for occupations that provide middle class earnings and lifestyles today, and what is the degree of black educational attainment among the children of the black middle class vis-à-vis those academic requirements? What are the drop-out rates among the children of the black middle class who descended into the lowest income quartile? What is the effectiveness of their schooling?

Our colleague here at Brookings, Bruce Katz, and all of his colleagues in the Metro Division have done very important work on spatial dimensions of economic opportunity. To what extent have the children of the black middle class gravitated, not only professionally, but geographically, to where the economic action is today? Of course, we have to look at whether there are any continuing racial discrimination effects in education, housing, the labor market, and the opportunity structure.

In the field of criminal justice, I'm interested in the extent to which, if at all, the children of the black middle class who have descended into the lowest income quartile have been involved in the criminal justice system and hampered in their labor market prospects by that involvement.

We've mentioned the need to look at issues of marriage and coupling in comparative male and female incomes, so I don't want to touch on that. Lastly, I'm interested in the question of whether and to what extent the descent into the lowest income quartile by these children is a matter of volitional behavior on their part.

Is there any ambivalence, and this is where ethnographic analysis is critically important, is there any ambivalence or guilt on their part about the advantages they enjoyed growing up as middle class? Are they willing or unwilling to make the sacrifices, expend the energy needed to attain and sustain middle class status today? Are they dispirited or alienated about the opportunity structure? Have they embraced the hip hop mindset of an alternative culture? Do they believe in the system? Finally, let me say that it's often said that blacks are canaries in the coal mine, in other words, we are often a harbinger of larger trends that will effect the broader society. Is that the case here?

Is what has happened to the children of the black middle class merely an early warning sign of broader dysfunction in the system that will begin to spread? And perhaps if we look at the earning levels of men in their 30's of all races, there may be a little canary in the coal mine going on here.

In closing, let me say that Julia's paper was extraordinarily provocative. She shared it with me in its draft form, and I'm sure, as she'll recall, I was speechless, I remain speechless, as you can tell, I don't have any theories.

But it raises hugely important questions about the American ideal of upward mobility and whether that ideal is truly operational or merely aspirational. In other words, does the opportunity structure work? These papers should provide the impetus for probing more deeply in order to understand the extent to which the opportunity structure does work and for

whom, under what circumstances, who's left out, who opts out, why, and what we can do about it. And answering those questions are hugely important because the existence of an opportunity structure and the optimism to propel ourselves through the opportunity structure is, I believe, what has defined the American psyche and what has driven the U.S. economy and civil society throughout our history. Thank you.

MR. FURMAN: John, I hope you were taking notes because you have several years of work ahead of you with the Mobility Project to answer these questions. Finally, Tim Smeeding from Syracuse University.

MR. SMEEDING: Good morning, everybody. I'm here with Ron, I guess, and I see -- there. We've been advising this project for a couple of years, so we've been watching what's been going on, and I'm actually at the Russell Sage Foundation this year working with that guy named Yanti, Marcus Yanti, who really does know the most there is to know about comparative mobility, and you can ask him lots of questions; we're trying to learn more, too. But I guess I should say I want to summarize a few things and then talk about what everyone else is talking about, a little bit about education policy. From my perspective, this is a pretty good and balanced summary of what we know. And we're not going to know anymore for a while. We could go back and examine some more of the mechanisms of what we have, but the bottom line is, we have less mobility than we thought, less mobility than we aspired to, and less mobility than we believe we have, okay.

Now, while this has been going on, the kids or the adults who we're looking at now weren't the adults of the inequality generation. The inequality generation were born in the '80's. Those adults haven't grown up yet. So it's hard to say, go back to the boats, we know the odds have gone up, we know the row boats are sinking, and we know that the tug boats are running a lot harder to stay even, that we know.

But what's going to happen to their kids, and how well are their kids going to do? From what we've seen so far, there's no evidence that we've increased mobility, and if we start to look at let's say college graduation as the great leveler, and I've written that -- the last time I was in this room I talked about the same thing, I see some of the same people who were here. And, in fact, we're not doing too well. So what should we do? Well, the first thing I think is, you have to look at families. I'll go right where Stuart was, where he started. There's no way you're going to stop parents from doing everything they can for their children. It's probably not wise, it's probably not efficient, and you're not going to get elected on the grounds either, okay.

But what about the kids who ended up getting born to the wrong parents, what are we going to do for them? My own work shows that in the United States, if you come from that top 20 percent, you've got about 50,000 a kid to spend on your kid; if you come from the bottom 20 percent, you've got about 9,000.

So your resources differ. Your capabilities differ, too. Low

income people we know bring their kids to school and walk away and let the school take care of it. High income parents who drive those teachers crazy, how come he's not learning, how come this, how come that, whatever, okay, so there's this big difference, okay.

So how can we increase mobility, and we're back to education, which I think the report said should be the great leveler, but it's the great reinforcer, and the facts are that it really is. Now, I always like to do this in this audience; is there anybody in this room who's a parent, who from the inception of their child, not even the birth, from the conception of their child, thought that that kid wasn't going to go to college? No. Well, believe it or not, there are a lot of kids out there who are born in families who don't really think about this because they're too busy trying to do everything else. These kids end up going to the wrong schools, they end up not doing well, in eighth grade they all want to go to college, by the time it comes to graduate high school, they're not quite there.

I should say a little bit more about this, I guess. It turns out, you know, we can read all the books we want about all the colleges that people here graduated from, those top quartile colleges, that's 150 colleges, okay. Most low income -- only seven percent of kids from the bottom end of the distribution go to those colleges, okay. that's to enroll, and only about four percent actually graduate from those colleges. The kids we're talking about go to community colleges, they go to Saginaw State, they probably go to some of the schools that Ron mentioned and so forth, and

that's where the real battle needs to be fought, okay.

After I did this last time, David Wessel was on the panel, and he's a good friend, a great journalist, and he was on the *Wall Street Journal* and he just showed -- he looked at the fraction of over age 30 who had graduated from college since the mid 1980's, and it's a flat line. Women are up a little bit, men are down a little bit. This is graduated, not enrolled. A lot of people enroll, not everybody graduates, so that's one of the big issues, okay.

And if you wonder why people over age 30 are earning more, we're not doing well. You compare us to other generations. And my generation of college, the cohort, in terms of college graduation rates, we led the world. Now, we're about fifth or sixth. We're not graduating them any faster than we did.

A really bright guy, Mike Hout, is spending his time this year trying to figure out what the 1955 birth cohort has the highest graduation rates of many cohorts since. In other words, we're not graduating, it's not happening.

So what's wrong? Well, you have to get kids prepared, okay. They have to be ready, they have to take the test, they can't take shop, they have to take math, okay. They have to apply, they have to matriculate and go. A big, important thing, they have to persist. My institution, Syracuse University, makes a big thing about making sure that when you get there, you stay there, so that you don't drop out at the end of the first year, and then

you have to graduate. So let me just quickly say what the next education president might do and what's done in some other countries, too.

Now, you remember the first education president was Mr. Reagan, we had a nation at risk then, and our most recent president doesn't want to leave any children behind. But if you read this morning's New York Times, on the front page, you found out that less than 70 percent of kids actually graduate from high school now.

The numbers, once we narrowed the field to just those who we think are still in school and will graduate and have gotten rid of the ones who've gone for the GED, you can talk about 85 percent, but the real number is about 70 percent, okay.

In all those European places that we're looking at, especially the countries that we saw up there, virtually all of them have good, high quality universal preschool. You want to be the education president, spend National Academy of Science, as I -- reports on this, what you need to do is, you need to go out and spend \$30 or \$40 billion, make matching grants with the states, and have universal high quality preschool for every four year old, everybody from Jim Heckman all the way down the line believes we ought to be doing that. The second thing is, we have to work on these graduation rates. We have to have somebody who just -- who tries not to make sure the kids aren't in jail or why they're truant, but who says, look, you've got to take math, you've got to take this SAT exam. I know that --

MR. FURMAN: -- will be crushing about the time keeping.

MR. SMEEDING: I'll be done in just a second. The New York Times says that Harvard cost \$40,000; well, Harvard is not going to cost you \$40,000, either is Saginaw State and so on. And we have to put the financial aid finally at the places that need it and at the kids who need it. And if we do all that, maybe we can make a dent.

And the most important thing that would be is, we could show that government can make a difference. Since Katrina, since our most recent failures, too many people in America don't think government can do anything right. If government could really help make education, I know it's hard to understand it inside the beltway here, I see a lot of frowns, but from outside the beltway where I live, this is why they believe, I think we could really make a difference and improve this education process. Thank you.

MR. FURMAN: Okay. Thank you, Tim. I'll start off with a few questions which I'll direct to one of you, but anyone who wants to come in should really feel free to, and then we'll open it up to the audience. I want to start by trying to relate some of what we've been discussing this morning to some of the other debates that we've had. And one of those goals of this project is to get away from inequality, which is viewed as a more partisan topic, and on to the question of mobility.

And my question, Stuart, we'll start with you, but anyone else should join, is two-fold; one, how partisan a topic is inequality? You have people like Allan Greenspan who talk about it as a threat to democratic capitalism, so the concern seems wide spread.

And second of all, how much does mobility matter only because we have inequality? You had some people stuck at the bottom, which was \$75,000, and other people forever at the top, and that was \$80,000, we might be a little bit less worried about mobility than we are given the dispersion of incomes we have today. So I'd love to start with you, Stuart, and then anyone else who wants to join.

MR. BUTLER: Well, I'm sure it will be made a partisan issue, both actually in equality. And I would -- of course, is -- and mobility. But I think it's -- both those issues are things that Americans wrestle with all the time. Americans generally are less concerned about differences of income than most people in other countries are.

They think that is something that -- here we have option to go far higher than other people do in other countries. And they are less concerned about that if they feel that people have a shot of getting up there, not necessarily to the very top, but certainly to move up, and that's where mobility comes in. So I think mobility is very critical in terms of an issue and the way people think about it.

But as I tried to say in my opening comments, that it's ambivalent, we're ambivalent about this in terms of what we really mean. Do we mean that it's wrong, it's bad for America if somehow parents have an influence on what their children's' long term earnings will be? I think most Americans say, well, I think they ought to be helping in some way.

And so then it gets much more into a question of what does

that mean, to what degree, is it fair, do people have a shot, why is it that people at the bottom find it very hard to get help and be mobile, and that's I think what we all focus on. I think there is a bipartisan interest and worry about the stickiness problem, the problem of people who are at the bottom, who, on the face of it, have enormous opportunities, have schools available to them, can go to college, but don't graduate, don't seem to move on, have a parent that's in jail, or only one parent, and that we've got to do something about that.

I think there's a bipartisan agreement that that's a feature of both inequality and immobility that we've all got to figure out how to do. And I think the answer of how you do it is not -- it's crystal clear, it's not just a question of spending money and so on, there's lots of things that have to happen for that to be fixed.

MR. FURMAN: Hugh.

MR. PRICE: Some probably 30 years ago I read a book called The Poor Ye Need Not Have With You, I wonder, I worry about whether we like this structure as we have it, to be perfectly frank. There are some employers in this country who will not invest enough in their labor force in order to enable those people to stick in those jobs. Instead, there is perpetual turnover, perpetual chaos into those places of employment, and I think of a lot of food service places, so there's an economic model where we just won't pay enough in order for people to feel that they have long enough term opportunity in order for them to learn to do the job and for the business

to do well, but we continue to churn.

So I wonder -- I mean one of the struggles I think we don't like to talk about is the extent to which really kind of comfortable as consumers and as employers and as policy-makers with the structure as we now have it.

Secondly, I think conversations about inequality are fascinating, but I can't imagine a day when the government is going to tax away enough of the inequality at the top end in order to lift people from the bottom. I mean look at the debates we have over raising the minimum wage, so I don't see that happening.

Mobility, as we said right at the outset, a funny kind of word, because it means up and down, I guess, so we certainly want to talk about upward mobility, but we don't do a lot, as folks in Ohio can attest, about preventing people from sliding down the ladder, and these findings about African American children sliding down the ladder swiftly is stunning. So, for me, I think the fundamental -- of this country, which everybody can rally around, is opportunity, the opportunity to get ahead. And that translates into better education and wanting education for your children, which has been the major focus of my work here, Brookings, and before that at the -- and then making sure that the pathways up and the path up the ladder is clear.

Now, we need to -- such matter, preparation and skills, it's a matter of creating -- achievement within communities where achievement levels are low, making sure that higher education is accessible and affordable, et cetera, et cetera, et cetera.

But, for me, opportunity is the word that the country can rally around; the other words -- make for interesting conversation, but they're very difficult operationally.

MR. FURMAN: Okay. Ron, I wanted to ask you, as an economist, I'm trained to look at a matrix as an incentive someone faces, and if those incentives change, their behavior will change and not -- to culture and other factors that folks like you, our next moderator, has studied and thought a lot about. Do you think some of the patterns of educational attainment, in particular by race and by gender, can be explained by those incentives, or do you think you need to look really at cultural factors? And second of all, do you think that answer to that first question matters for what we do about it? So if the problem wasn't culture, maybe it's incentives that change it or vice versa?

MR. MINCY: Well, you know, I think this is a very good question, because what is so peculiar about these trends and returns to education on the one hand, and gender differences in college enrollment is exactly that. That, again, there was no better deal to make than to increase enrollment in college in the late 1990's and in 2000, and yet the college enrollment rates of men generally declined over this period.

So the incentives are there. And then the question is, why are mens' enrollment in college declining, and among many who are enrolling, why are there rates of graduation falling, and their performance falling.

And I think therein, you have to turn to cultural factors. And

these are not the cultural factors that we usually talk about. So last week I was up at Cornell University and I was talking with John Bishop, who's doing some work with a colleague of mine on the psychology of effort among male and female high school students, and what he talked about was that boys, it is okay to be smart, but it is not good to work hard. So if I'm a quick study, then I can pass, I can get good grades, and that's fine, I'm just talented, okay, but if I demonstrate effort and work hard in order to get good grades, that is not cool among boys.

And so we have to ask ourselves, what is happening, and these are from representative data from middle class students, white and black, and that's what's interesting, so that what is operating in the psychology of boys to make work a traditional value something that is disparage across the board.

And as a consequence, if you don't understand work and the value of effort, that is going to lower your performance in school, it's going to lower -- moreover, if you don't learn how to work, then you don't learn how to overcome obstacles.

And so I think there is a different psychology operating among young men and young women, and despite the wonderful incentives there are to an education, and we have to then visit what is happening in the psychology of boys, and certainly African American boys around work, because it's a constraint on the very thing that we're talking about.

MR. BUTLER: If I could just echo what Ron said, which I

totally agree with, and make two other observations; one is that I think you'd agree that certainly in some areas of mobility, we have focused on incentives in important ways.

For example, and most importantly, when we -- the whole debate over welfare really for almost 20 years focused on what were the incentives, both psychological and material, as to why women, single women and households headed by single women did not rise, and the whole debate over welfare, to a large extent, was looking at what incentives were, and also what psychological issues were with regard to the feelings of self worth among women.

I think as Ron has pointed out on previous occasions, we've not focused in the same way on men, and particularly young black men, and we have to do that. We have to apply the same kind of conversation and discussion that we did in the years past, focusing on single women and single headed households. And that is a combination of psychological factors and -- but also some incentives, certainly incentives that Ron has raised in the past in terms of what requirements we place on men who father children, who have been incarcerated, and so on, and the enormous obstacles that they face. Even if you showed them how good it would be to go to college and get a job, it just isn't available anymore or the attitude is all completely wrong. And we've got to just invest a lot more time and research in understanding that better.

MR. FURMAN: Tim, you want to --

MR. SMEEDING: I better before you call in the audience.

It's clear that incentive alone isn't enough. The signals have been there. The signals are there, the rewards are there, we're just not doing it. Our urban schools are in bad shape.

In the City of Syracuse, what you do is, if you're single or you're just a couple, you find an okay neighborhood, you live in the city, but as soon as you have kids, you start thinking, how am I going to get these kids into a Catholic school, a private school, or move to the suburbs so the kids can go to a good school.

And if those urban schools don't improve, people leave, and it reinforces, property values fall, state's neighborhoods fall, and so forth and so on. We just -- I'm telling you, we've got to do a lot better in this one big lever that we've got. And we do have to also instill -- I think -- I would agree with Ron and with Stuart, some idea of ascending and working hard and getting ahead, but showing kids that if they do do that, they can be successful. And we're not doing it in the frame we've got right now. We really have to go back and work a lot harder. And it's not Washington this is going to be done, this is going to be done in the cities and in the urban areas and in the governor's offices and in the education systems in each of our states, that's really where this battle I think is going to be fought.

SPEAKER: But I would only say that, just quickly, that it is not as if we have no information on how to do this. And this is what, you know, we talked a great deal about increasing funding for Pell grants, et cetera, et

cetera, but once the money is available, what is going to occur over the next five years?

So there's an article in the *New York Times* last week that pointed to a decline in the number of high school students who -- the demographics shift so that we reduce the number of students who are reaching 18 years old over the next several years, as a result of which Columbia University is not going to close a lot of the doors, it's not going to fire the professor, that capacity is there. What universities around the country want to do is to fill that capacity. That means that we have a lot of less able students who will be able to get into college over the next ten years. What is going to ensure that when they get in, they will get out, that they will do well?

And my only point is that we need to go to places that have been recruiting these kinds of students and figuring out how they are being successful with those students and blow up those sorts of technologies so that more students who will be getting into college aren't able to get out of college. And again, you can't look at the charts, looking at the flat trend in the earnings of men, without saying, you've got to worry about getting more men in and out.

MR. FURMAN: Okay. I want to turn it over to questions. We have very little time, so why don't we just collect two questions and then -- at once, and if you could say your name and organization.

MS. RIGGS: Sure, Joan Riggs from Size. It seems to me that

the common thread that I'm hearing is expectations, and I wonder if that's been studied as an element in getting kids through college and making them more successful in the long run.

MR. FURMAN: Okay. Why don't we collect one more question and then -- sir, if you want to --

MR. WILLIAMS: Hi, my name is Ernest Williams, I'm a graduate student in political science. It seems to me that education is -- going to college is pretty much over rated, because there's a lot of people that happen to be African American and also white who have BA degrees and they can't find a job.

I have friends that have PhD's that don't have a job. So from what I've seen, the statistics don't take that into consideration. It seems like what's really the elephant in the room is that it's practically American's fault, or poor peoples' fault that they can't get ahead, you know.

And I personally believe in, I already stated my question, my personal belief is that I don't think that people in this country are really interested in solving the problem, you know. Capitalism can't exist if you don't have a class of people you can exploit, but a lot of people don't want to be frank about that. So that's all I have to say.

MR. FURMAN: Why don't we open it up to those two, and then the next panel we are going to hear about how at least some people would like to solve these problems.

MR. MINCY: Let me say that I share some of your sympathy,

but it seems to me that this is the best route you've got, okay. One of the things that this study does show, and it's not just about mobility in education, if you come from the top quintal and you don't graduate college, you end up better off than if you were one of the bottom quintal and you did graduate college, you're much closer, but you're much better off, okay.

And what happens is, you know, once you've got a degree, you need to find a job, who knows somebody? Who can support a kid to live in New York or Washington or somewhere to work as a research assistant or as an aid until they get to that good job and so forth. So it isn't just education, other things help, too, and it helps those who have -- do the most.

If your father was, you know, I grew up in south Buffalo, I was very lucky, my dad was a carpenter, and I got to go to college. The other kids who I grew up with whose dads worked in the steel mills, which have since closed, their kids did the same thing that their fathers did, and now some of them are still in the corners, they're under employed, they're going back to colleges. Twenty percent of people who go to junior colleges, in Syracuse, New York, for instance, which is typical, already have a BA, but they've got a BA in English from us, we go state, and they can't seem to get a third grade teaching job because there's so many people in third grade who look just like them, and so they go back to become a medical tech, right, and then we'll talk about the cost of health care, we can do that again some other day. But you can make \$45,000 doing that, even with your BA in

English.

So it's a continuous process and we have to keep going, but it's the best lever we've got. I mean if you had to get an agreement and consensus on what it is that we can do, it seems to me that education is the best thing we've got right now.

SPEAKER: I just wanted to respond to this question about expectation. So in this Myerhoff Program at the University of Maryland and Baltimore County, they do a number of things reinforcing the notion of expectations. One thing, the students enrolled in these programs have full financial aid as long as they maintain a B average.

If they drop below a C, it is a cultural norm that a C is bad, and moreover, they'd lose their financial aid. So there are financial incentives tied to it, but there are also high expectations. They also take the highest performing students when they reach junior high school and senior high school. These are minority students. And there's the expectation that they will help one another. So they tutor the juniors and freshmen who then enter the program.

So there's not only high expectations, but there's the stuff that helps students deliver on those things, including -- in a way, again, I'm a college teacher, all right, and you just notice differences in the way in which African American students function on the one hand and the way Asian students function on the other. The latter study in peer groups, and they share -- I was working with a group of students, minority students in a PhD

program, and they were studying for their qualifying exams alone, lunacy, okay.

You don't study for your qualifying exams alone, you study in groups, you tackle the hard questions, and so you maintain this high expectation, not only for yourself, but for everyone, and then you give people the stuff, the skill set.

It is one part genius and one part craft, and so what we need to do is, particularly for able students, make sure that they have the craft to do well in the programs that give us some examples of how to do this with the students we care about.

MR. FURMAN: Hugh, oh.

MR. BUTLER: The evidence that we've accumulated in this project I think we all agree on is that a college degree is not a sufficient condition to moving up the ladder, but it's a necessary condition. Today's college degree and completing that is the equivalent of 30 years ago the high school diploma.

If you do not have a college degree, you are disabled in terms of moving up. I doesn't mean you can't do it, but you have an enormous impediment, and I think that's a critical thing.

So we've got to think, as we've all said, it's not just a question of graduating high school, you've certainly got to do that, and people who don't do that are in serious problem. It's not even enough to get to college, we've got to focus on what gets people to complete college.

And there's a whole set of reasons why some people do complete college and don't complete college, and it's not all to do with money and scholarships and so on, it is to do with things like expectations, attitudes, desire to complete, value of education, working hard, not just being smart, and so on, and that's what I think is so underscored by that.

MR. FURMAN: And, Hugh, you get the last word.

MR. PRICE: Thank you. I would just say that in a market economy that's highly competitive, there are no guarantees, education is about maximizing the odds of success. Secondly, I'd say that we have abundant examples of educational investments that pay huge dividends even for kids who are from very poor backgrounds. What we don't know how to do very well is to spawn those, grow them, and institutionalize them in many other sectors. And what we also don't do well is to examine other learning systems.

I have been fascinated for many years by what the military knows about educating, training, and developing young people and transforming them into highly functional adults. Education doesn't often draw from other learning systems in order to perfect its own act. So I think that we need to look in these unexpected places and to continue making the investments we have to make in education.

MR. FURMAN: Okay. So thank you, I thought that was a terrific discussion, and we'll go straight into the next panel --

MR. BROOKS: First, let me say I'm deeply impressed that

these guys actually showed up. I'm surprised that Jean has not stopped talking, however. We have a group of men on the panel, which means they're probably very smart, but haven't worked very hard. We also have a group of men who I suspect are vastly under forming their income potential through bad examples of income mobility themselves, the outward mobility in some cases.

I'm just going to take one minute just before we get practical, because there's one pet peeve that I have in writing about this subject which we got to at the very end, and I just wanted to underline it, and that's the need to move not only beyond economics and conventional policy analysis to neuroscientists and to sociologists and to actual -- people who actually observe behavior.

I'm just going to talk of two quick people who have studied this, who I think have findings which complete a lot of the stuff that's in here. I'll give you a fuller understanding. And the one is one of the most famous social experiments the last 30 years, and many of you probably all know it, done by a guy named Walter Michelle, took four year olds in a room, put a marshmallow on the table in front of the kids and said, if you eat this marshmallow now, fine, but I'm going to leave the room and will come back in ten minutes, if you haven't eaten the marshmallow, I'll give you two marshmallows. And he discovered that there's no four year on earth who can wait ten minutes, they all eat the marshmallow. The story I tell is that one day he used an Oreo cookie, one kid ate out the Oreo cookie, the middle

of it, carefully put it back on the table hoping to get away with it, that kid is now running for president.

But the scary thing about this study which has been done, and he's been doing it for 30 years now, is, the kids who would wait seven or eight minutes had much higher college completion rates 20 years later and much higher incomes 30 years later.

And the kids who could only wait one minute or less had much higher incarceration rates, much higher drug and alcohol addiction problems, and that's because some kids grow up in homes where they learn to -- they learn strategies to control their impulses. And that's just a behavioral part that's tremendously important.

The other person I just wanted to quickly mention is Annette Laroe, a sociologist who's moved from the west coast I think now to Panama, I'm not quite sure where she's moved to, but she wrote a book called Unequal Childhood, I highly recommend, which describes what it's actually like to be in different sorts of families, and she says it's not a continuum, there's a complete break between upper middle class families and lower middle class families in the way they view the future, the way they view childhood, and it just has just this tremendous impact. So that is just something I wanted to throw out there.

Now we're going to get much more practical and we're going to talk about appropriations, I'm sure. As Jason just mentioned, we've heard more talk about education on this panel than we have in the entire

presidential campaign, which has got to be a good thing maybe.

And so we're just going to go down the row here, and the emphasis is on what actual practical policies can a candidate as president do to actually meliorate some of the problems we've heard about this morning. And I was going to go in order of campaign funds raised, that seemed fair, but instead, I'm just going to go down the rows, start with James from the Romney campaign.

MR. BOGNET: Thank you, David.

MR. BROOKS: We're not discriminating against campaigns that are less viable than some of the others.

MR. BOGNET: Thank you, David. First off, this has been great to be a part of a really provocative study, and thank you to Brookings for putting this on. It struck me sitting in the audience, I'm going to talk about some policy prescriptions Governor Romney had as a presidential candidate. But the behavioral and cultural things I don't think can be underestimated.

Even if you come from a liberal or a conservative policy point of view, behavioral and cultural things mean so much. I'll just give one quick anecdote from going to law school out at UCLA.

We were in work groups all the time with folks from other countries, India and Asia especially, and those folks would work you to death. They would come in and be done with their work before you even started.

Me and my roommate came up with a thing called effort

adjusted GPA to kind of make ourselves feel better about the grades that we got. So I would say that you cannot minimize how important cultural attributes are, and how we change the culture of our students in both K through 12 and in college is a very important thing, and I look forward to learning more about that.

From Governor Romney's perspective, I think, you know, the other panelists hit on it, education is where it's at. And I don't see as much talk in the campaigns on education as I wish I did see. College is obviously important. College is the new high school degree. But what gets people ready for college is K through 12. And I think that's one of the big unexplored areas in this campaign that needs to be talked about more, is how are we going to fix K through 12.

And in so much of middle class America and suburban America, which I know David has written a lot about, people are very happy with their K through 12. But in the inner city, we are in trouble in K through 12, and that's not news to anybody here.

I worked for Governor Schwarzenegger before I went to Governor Romney's campaign, and trying to work with the LAUSD, the Los Angeles Unified School District, to figure some way out of the cycle of despair and low graduation rates for Hispanic and African American students, it's heart breaking, because every time you come up with a new idea, every time you try a new approach, whether it's on the liberal or conservative side of the aisle, there's a no. Inertia is one of the

most powerful forces in human affairs, and trying to get the school districts, the urban school districts to change, has been one of the most difficult things that I've worked with in policy. I would, you know, of course, be for some of the more conservative policy prescriptions. I would like to see more experimentation with vouchers, with charter schools, with pay for performance for teachers, maybe even with year around schooling for students. I think those are some things that we need to try.

Governor Romney went out and talked a lot about taking more chances in education. Governor Romney sometimes gets hit for only talking about popular things. One thing that he supported that isn't very popular is, he thought No Child Left Behind had a lot of good things in it. He thought bringing standards and testing to education was very, very important, and I agree with that.

So what we have to do is get past some of the old fights and be willing to take some of these chances, because until we change the way we approach urban education in K through 12, we're not going to get rid of that stickiness problem with the lowest earners in economic mobility.

And it's real sad when you think about it. You know, we all know rich people are going to take care of their kids and make sure that their kids do well, and for middle class people, we all have a shot at the American dream, but until we figure out a way, a creative way to address lower class folks, we're going to be in trouble. One other thing I just wanted to point out was, you'll get into a tax policy debate when you come to economic mobility.

Some on the other side of the aisle will say that the way to make things more equal is to have higher taxes on the top. You know, we could have that fight, and I'm sure we will have that discussion up here today.

But one of the things that we tried to do in the Romney campaign was to figure out creative tax things to help people at the lower end of the economic spectrum. One of the ideas we had was to eliminate capital gains, dividends, and interest to tax on those items for those making under 200 K a year. Now, you know, folks on the other side of the aisle may say 200 K is too large, too high, maybe it should be 100 K.

But I would say that figuring out a way that we can create wealth among the lower middle class and the lower class is important. Why do we have the government? I mean you're talking about very small amounts of money that the government raises through those taxes on lower middle class and middle class families; why do we need to do that? Why not take away those tax penalties that folks have for saving in the lower income brackets? So that's one of the things we've thought about. And just on a macro level, I think it's pretty clear with what's going on out there in the economy today, I think –

(Interruption)

MR. SPERLING: (in progress) session's going to be fraught on economic issues. I think what you see in the housing market, what you see on Wall Street, as important as foreign policy issues are, and they are

very important, and there are stark differences between candidates on both sides of the aisle and even within the respective Parties. This is going to be an issue -- an election fraught on economic issues, so figuring out how to address -- we're going to hear a lot about the housing crisis and how that affects economic mobility, how losing your house affects economic mobility, and I look forward as a campaign that doesn't have to come up with any more policy to seeing how the active candidates formulate policy to deal with those issues.

Thank you.

MR. BROOKS: Next we turn to Ian Solomon from the senator's -- Barack's senate office.

MR. SOLOMON: -- here as a volunteer, speaking for the campaign today on a personal day. Thank you very much by the panelists for being -- especially Leo Hindery. He's a representative of John Edwards' campaign but is a strong and very welcome and helpful supporter of the Obama campaign. I also wanted to thank Brookings for an important event.

I think the question of equality and mobility are at the heart of what it means to be an American. I know there are issues that are core to Senator Obama. He gave a speech in September at the NASDAQ where he talked about, you know, the greatest degree of economic inequality, income inequality since the (inaudible) age. He talks about people who are pessimistic, not just about whether they'll do as well as

their parents did, but frustrated at the competing against their own teenagers for jobs at low wages without benefits. You know, he's talked about his concern about what is increasingly a winner-take-all society. In one step it's not (inaudible) poor but I was looking at -- you know, three-quarters of the students at the nation's top colleges are from the top cortile of the socioeconomic world. Three percent are from the bottom cortile. He's very troubled by the extreme inter-generational stickiness and the implications of a dynastic society not just for our long-term economic health but for the health of our politics. A country in which, you know, only a few prosperable believe they prosper is one that does not look to our deals as a democracy and is not I think a stable democracy.

But what -- a critical point now. I think we've seen these changes in technology the way globalization has affected the economy, and we've seen the way the rewards have gone to those with better educations that are social networks -- perhaps more of the discipline and behavioral aspects that are very important -- and yet the politics of the past number of years have all worked -- add to the benefits that those who are already benefiting get and to make it harder for those who are now struggling during this time, and I think we're at a moment now when we need to reorient our social policies so that the benefits of these changes are shared more broadly.

In particular, right now, I mean, you brought up, Gene, the concerns about the housing market, what's happening on Wall Street.

You know, we know who suffers most in absolute terms, not just relative terms but also in both -- during an economic downturn.

Two of the statistics that I think trouble me most -- I know they got some talk here at the earlier panels, you know, that came out of the report -- you know, 42 percent of children whose parents were in the bottom economic quintile stay in the bottom economic quintile; 45 percent of black children whose parents are in the middle income fall into the bottom economic groups. People are either not getting ahead or they're falling further behind, and if we think about, you know, those folks who took out subprime loans -- let's not forget subprime mortgages are disproportionately held by people who are poor and African-American, and you hear that subprime investments are trading at 50 cents on the dollar. We know who's going to struggle in absolute terms and absolute downward mobility during this current period.

So, let me talk about, you know, Senator Obama's way of trying to address some of these issues, and it's a four-part agenda that I want to lay out quickly as I await my time warning there.

The first part is stabilizing our housing market and dealing with kind of the economic stimulus, because we know who's going to be hurt most, and it could set us back.

You know, we talked about the great expanse in homeownership. I think much of that might be reversed and a lot of wealth will be destroyed in the process. So, (inaudible) housing markets

(inaudible) economy, America's competitiveness -- making sure that we are creating and retaining good jobs here for people. It's not just the number of jobs, but the quality of jobs and the lives and the families those jobs enable people to have.

Third, reenergizing and modernizing our safety net, and I'm going to talk just about a few of the particular parts of the safety net that I think relate particularly to mobility and inequality.

Fourth, our tax code, how we restore a tax code that is fair, that, you know, I think -- I'm not sure of too many low-income families that are terribly worried about the capital gains rates they're paying. I think the payroll taxes are a much bigger concern for them. You know, Senator Obama has some proposals to deal with kind of a work-pay tax-credit, which rebates based on the first \$8,000 of payroll taxes that a person pays, and that's -- and not that other ideas are not good, this is a much more direct effect.

And, finally, I think given the fact that policies have been so weighted against poor people, we need to look at our politics and a system (inaudible) weighted towards high-price corporate lobbyists and special interests. That has made it very hard to advance an agenda that addresses the concerns of lower-income people, and that has led to, I think, a lot of this inequality, or at least led to an inability to address this inequality.

So, first on stabilizing the economy, the housing market,

Senator Obama has proposed, along with Senator Dodd, an immediate way of trying to stabilize distressed mortgages for distressed -- mortgages distressed (inaudible) and (inaudible) FHA and short loans. He's also talked about tougher penalties for fraudulent and deceptive lending practices. We know that mortgage fraud can be a very quick way of just stripping wealth and destroying communities, not just the homeowner but also renters and full neighborhoods. Providing needed aid to states who are going to have to deal with meeting these direct needs of the troubled people who lose their homes in these communities.

Secondly, America's competitiveness -- I'm rushing now, because I have a minute and a half left. We've talked a lot about education today already, but education on the quality of our education system is central to Obama's competitiveness agenda. And I agree, K through 12 is critical. Obama has a zero to five in terms of the years -- you know, let's start immediately, let's have -- he has proposals for nurse/parent partnerships, so before -- it's actually pre-zero to five, so actually when -- you know, so pregnant women can be visited by nurses in their homes and get some basic instruction on how to care for the kids and how to, you know, ensure the kids get -- learn some of these strategies for success in setting goals and having discipline. Will it get them to five minutes for a marshmallow 10? I don't know, but at least the parents get some immediate intervention for the highest-risk families. They also support the Responsible Fatherhood initiatives, which really try to, you

know, both -- you know, get some parental counseling and education for parents but also reforms to the child support system, which right now has barriers to parents wanting to -- you know, (inaudible) the parents staying involved with their kids, and the data's quite clear that parental involvement has a huge impact.

Early child -- early learning child (inaudible) in Illinois, Senator Obama helped to create an Illinois early learning council that councilmen recommended recently the universal preschool -- Illinois' Preschool-for-All Program. You know, Senator Obama will repeat the -- create a Presidential Early Learning Council to try to get some of the learning through (inaudible) kids immediately from birth or even before birth to make sure they get on the path of success.

Teacher quality's critical. (Inaudible) the whole teacher quality plan, including innovation school districts, to try to say how do we make some of the investments in -- and take some of the experiments in a way that, you know, everybody can be part of it. It's hard to get beyond the old fights if we just assume we've won them. We accept the new ways and find ways we can kind of find districts where, you know, the teachers' unions and the teachers and the parents can get together and say okay, how do we create new professional compensation systems. There are examples of this working around the country that we need to continue with.

Just to wrap up quickly, you know, we got to this -- we are

the country we are in the good ways, because we've had a -- you know, the invisible market, the free market, has been guided by, you know, by principles of fairness that we're all in this together, that we have a stake in each other's success, you know, and I think Senator Obama invites you to be part of that stake in each other's success. I think that he's proud to have this going on, and I think that as much as we may be kind of representing different groups of peer, the fact that we're here talking and, frankly, giving a damn about this problem I think is an important step.

Thank you.

SPEAKER: The -- I want to thank Belle --

MR. HINDERY: Oh, Sawhill and John Morton. It's -- this is a privilege for all of us, and, David, I'll try to take your comments to heart about prescriptions, but I know Jim and I are no less grateful to Ian and Doug and Gene for continuing to tolerate us on these panels. We're sort of men without a country right now.

I want to talk about economic mobility for sure, but I'm going to take a much different perspective on it than you heard from some of the other speakers, who had much more of an education orientation. I'm going to also try to tie it in to sort of labor and trade and globalization, as you'll see. I do think we have to acknowledge right up front, as other speakers have this morning, that this failure of economic mobility may be, in fact, the greatest, the most acute failure of the economy over the last seven to ten years, but at a time when 90 percent of Americans are living

with stagnant wages and declining benefits and disappearing retirement security, I'm troubled that we focus on that bottom cortile. I think we need to reflect on economic mobility concerns for that entire 90 percent of the population that has lived for a decade with stagnant wages, what is arguably a new sense, a new focus, a new definition on economic mobility.

With regard to mobility of the low-wage workers, I think we need to do four things very quickly. We need to convert these human services jobs -- and I was struck by some of Hugh's comments earlier -- we need to convert the human services jobs that are dominating our economy into good jobs. We need to price them at their true fair values, and we shouldn't see them as jobs of last resort.

At a later time, Hugh, I would love to explore the tension, the political will tension, about the labor force perhaps wanting to perpetuate the bottom cortile for labor force reasons, which is part of the illegal immigration debate.

I think we need to turn public works into good job strategies. We need to make substantial -- very substantial public investments in clean energy, all the while insisting that there be concurrent and responsible tax and federal and regulatory and energy efficiency standards, and, as you've heard others speak today, we need to adopt once and for all some truly meaningful nationwide training strategies, including apprenticeships and lifelong learning. That's a focus on that

bottom cortile. But we must also develop for this nation as a whole for this to work something that hasn't been spoken about this morning, which is, in my opinion, a genuine, honest, once-and-for-all national, industrial, and manufacturing policy, a policy of the sort we see throughout Europe and in Japan. Absent that, I think we struggle as salmon swimming upstream and we'll never quite get there.

The three tenets, the three core tenets of this industrial policy -- and I think they were the core tenets of John Edwards' campaign for President, and I believe they're in my core, in my own core, that they're also Senator Obama's -- is a fundamental belief in the American worker, a fundamental belief in creating and preserving manufacturing jobs in this country. We will never solve economic mobility without that fundamental belief in the American worker and in the manufacturing sector of our economy. We need to look for ways to strengthen industry, not to beat it down. We need to believe, again deep in our core, that our workers and our businesses can compete with any worker in any company anywhere in the world so long as we have a government that once and finally will stand up and demand a level playing field for them as long as they are not competing against illegal subsidies, unfair labor practices, unfair environmental standards, and in currency manipulation of the sort that we see in combination in countries like China today.

And that does take me to trade and globalization, because I can't get to these solutions without focusing, as John Edwards said and

now Senator Obama continues to do, on the trade and globalization side. I think we need to have four principles around these issues. I think they -- you've heard us speak, several of us, about trade deals that have clear and measurable benefits for all American workers, trade agreements that protect the environment, and then we have to enforce them. We have to have prohibitions against illegal subsidies, currency manipulation. We have to be sensitive that economic mobility is a concern around the globe, particularly in the developing nations. So, our trade policies have to be, again, targeted explicitly, lifting up workers around the world. If they're treated fairly as our workers are treated fairly, then the economic mobility of our workers and the economic mobility of the developing nation workers will all be enhanced. And we can't ever condone trade agreements which ignore good governments -- good governance and where's there's violence against workers and union organizers.

This sense of one size fitting all in trade and global economics is probably under -- tearing away at the foundation of economic mobility in the United States more than anything. We need to be realistic about the differences around the world that one size doesn't fit all in most economic policies. It certainly doesn't do so in trade and in globalization issues. And I certainly have heard and concur with what Ian said and others that we need to invest the resources, those knowledge based resources, to get all of our children regardless of economic means and regardless of economic backgrounds the quality education that Ron

and Hughes spoke about and Belle exhorted us to.

We also, I think, need to be much more sensitive to the higher end of the scale. You'll hear us all talk about the R&D side, the development side, the tech side, this green economy side. It is a great opportunity to address the economic mobility concerns.

I was privileged to be John Edwards' economic policy advisor. Ian was gracious to acknowledge I'm doing the same as best I can for Senator Obama, and the reason I am is I think that it takes a womb-to-tomb, stem-to-stern sense of the issue of economic mobility, and with deference to my colleagues who spoke earlier, it is not to steal Bob Ryshe's expression of several years -- it is not just a customizing of American workers, the education of American workers that's going to do this. It is a full and true and, as I said, once an honest, natural, industrial, and manufacturing policy that will let these children become adults and find meaningful employment for the balance of their working careers.

So, thank you very much, and thank the three of you for letting us -- Jim and I know are grateful for -- I think this may be the last platform, David, I'm going to get invited to.

I am seriously grateful, Belle.

MR. BROOKS: Well, I'm sure (inaudible) will be back in four years.

MR. HOLTZ-EAKIN: Thank you. I also want to acknowledge Belle and John and how important I think this project is and,

Will, I'm delighted to have you because this is the fourth panel I've been on with Gene in the past seven days, and I just want to cut to the chase and say that Senator McCain disagrees strongly with everything Gene is now about to say that Senator Clinton supports. So, we can move on past there.

I wish I had had the chance to spend the day at the conference. I mean, this is an area where when I was in my university career I had the chance to do some research, and I hope the morning was full of mind-numbing technical concepts on absolute versus relative mobility, horizons over which mobility is measured be they years, lifetimes, generations, and a vigorous debate about the correct measure of resources that one is mobile with, whether they're your labor market earnings, your comprehensive income, your consumption, or because we're economists for the happiness of people, the overall happiness of people and their ability to pursue their hopes and dreams. I think that would be a great way to spend the mornings. I did it in meetings.

Senator McCain, I think, comes to this debate with tremendous instincts. He has a career that has been devoted to the pursuit of people's personal and political freedoms. He has served his country in defense of those freedoms, and in the end this mobility debate is about freedom and opportunity, and you want to make sure that there is the freedom to do some things that you would like to, to move up in the income scale if that's the measure you prefer, and that you have the

opportunity to pursue those freedoms.

His vision for the economy, the social fabric of America, is absolutely consistent with his vision for defense of our national security freedoms, and what we'd like to be able to see is reforms that allow people to have their freedom and opportunity.

Number one, we are representing the Republic Party, and it's typically asserted or presumed that all that Republicans care about is somehow the abstract notion of free markets. That's not a fair characterization. It is certainly not the senator's vision of America in the 21st century. Governments matter. Bad governments damage places dramatically. We see the city of Detroit in an absolute quagmire, a tribute to bad government. We've seen other examples where countries, regions failed to achieve their economic prosperity because of government policies that held them down. So, governments matter, and the first step to restoring in the American people a trust that mobility is part of the promise of America is to have a government that's absolutely riveted on the genuine national priorities of those people and is not being driven by the special interests of this town.

The Senator has made earmarks in the elimination of those practices from congressional budgeting as the centerpiece of this campaign, not because of the dollars involved but because until that practice is gone, the American people cannot have the trust that we're going to pursue the kinds of things that are genuinely in our interest, and

getting a government that is focused on pursuing those goals is one of the fundamental promises of the John McCain campaign. He wants to restore the trust of the American people in their government. I think that's imperative.

There are more prosaic and mechanical things that are important in allowing these freedoms. We have to have, for example, health policies that do not tie workers to firms. You cannot pursue the kinds of things you'd like to if we continue to hook together firms and workers and tie their fates in that way. We want to separate the insurance from the firms so that individuals can pursue a better opportunity without fear of leaving their children without coverage for some medical emergency.

You absolutely want to make sure that in pursuing those freedoms people have opportunities, and here I think there will be a vigorous debate about all aspects of education in America between now and November. Beginning at the earliest stages, we know now -- the evidence is clear -- that many children arrive at school with differential abilities and performance, and those differentials never go away, so that preschool part of the equation is central and important. We have government policies intended to address that. Obviously, they're not working. It should be the case that we apply to those kinds of programs the same things that have proven successful in No Child Left Behind, that there be some accountability and some standards, and if the standards

and accountability are not met the money goes away from that organization and goes to an organization that does provide for the children. We need to build on the lessons of No Child Left Behind, which have really, in the Senator's view, been eye-opening. He loves the idea that he can take a look at how his kids are doing in their district versus other districts in Arizona, and he would like to pursue more fully the notion of having some standards of accountability, but, again, more choice for parents and more competition as a result among schools.

We cannot continue to allow so many young Americans to fail to graduate from high school, and for those that do graduate to be unprepared to go to college, this is not just the civil rights issue of this era, it is a fundamental economic imperative at the heart of the mobility equation, and this is not an issue of money. Americans spend piles of money on education. We're not getting our money's worth, and it's time to demand some accountability, set some standards, and when they're not met allow parents to move those children to a new setting and the money goes with them so that they receive a quality education and can pursue a future that has greater economic prosperity, certainly, but one in which everyone feels bound by the fact that there are equal opportunities in America.

At the older ages in the equation -- the senator's been very clear that we need to have a 21st century unemployment insurance and displaced worker policy for the 21st century. We've got one for the 1950s.

It was a spiffy thing in the 1950s, but that era is gone. When a job goes away today, you don't wait for the business sector to go over and have it come back. When the job's gone, it's gone. And we need to have policies that move people quickly to new opportunities, provide them with skills tailored to their abilities and opportunities when it's necessary, and make sure those transitions are as fast and as painless as possible.

So, the notion of economic mobility is not part of a policy proposal where you go to column 5, go down to row 6, and you find the economic mobility policy. It has to be how you view the social fabric of America, what your objectives are across all policy areas, and the senator is convinced that we can have a government that is supportive of freedoms for Americans and give them the opportunities to pursue them.

MR. SPERLING: Since Leo is saying kind words about Senator Obama, I was asking Doug if he could even it up by putting in a few goods words about Senator Clinton and --

MR. HINDERY: And he couldn't.

(Laughter)

SPEAKER: It's just not in the D&A, right?

MR. HINDERY: He wouldn't.

MR. SPERLING: I'm very glad we're having this discussion, and there's no question that a lot of -- the central heart of a lot of the economic anxiety is the growing inequality between the very top and the middle, the kind of polarization that Professor Larry Katz and others have

pointed to, the fact that as (inaudible) and others show, people believe, perhaps for the first time in our history, that their children might not be better off. But actually I don't want to spend my time on that right now, because I just feel that we talk way too little in public life and this campaign about the issues of -- the real heart of the economic mobility issue, which is the fact that the entire premise of our country from its founding, the entire vision of it, was that your -- that the determinance of your life would not be based on the accident of your birth. And we know, as we sit here, and we can have all the discussion we know -- we have -- we know that there are millions of children -- perhaps five million children -- who are born into extreme poverty, and circumstances that make it likely that by the age of five their chance of success -- surely due to the accident of their birth, not their character, not their aspirations, not their talent -- has been significantly determined. And that's a shame on our country. That's a shame that taints the moral fabric of our country. And we do not talk about it enough. And so we have to, I think -- and I hope that whoever is the next President really makes this -- really calls our country to put this at the top of our priorities, because I understand when you get the issues of fiscal discipline, when you get the issues of overall middle-income anxiety, it is very easy for this to fall off. So, I think we have to start with a very powerful zero to five program.

Senator Clinton -- the first time I ever heard about Senator Clinton was when I was working for Governor Cuomo and we were

supposed to look for good ideas in other states. She was doing a program that had the unfortunate acronym of HIPPPY, but it was the Home Instruction Program in Arkansas, and it was when I learned a lot about the first kind of nurse home visits, the parents as teachers that we know now - - and I don't have to tell this group about what we know about how learning goes on from zero to three, the dramatic differences that happen by the time a child is five. Right here in this city -- right here in this city we know that miles apart the difference in the opportunities my child has versus a child born in Anacostia is just dramatic. So, the kinds of things we need to do -- and I think we've heard some of them -- Senator Clinton has proposed as having a universal nurse home visit for very poor women. We've seen the effects of that not only on the children but on the women themselves. A universal preschool for four years old and something David Brooks has talked about, you've got to be willing to invest in quality. You've got to be willing to spend the money on making sure those teachers have bachelor's degrees, etc. We may spend a lot in a lot of areas, but we don't spend very much making sure every poor child really has a chance from zero to five, tripling early -- Head Start is another initiative that Senator Clinton has recently called for making the school breakfast program universal and ending child hunger beyond around the world here in our country. So, first issue is the zero to five.

Now, secondly, of course, you know, some people say well, if benefits trail off it must mean we should do less at zero to five. Of

course not. Of course you've got to do more on the pipeline. So, there's a lot of things we could talk about, but I want to mention the notion of the early intervention that reaches kids at the age of sixth to eighth grade at a time when the choices they make will determine largely what they do. There's a great quote I use in my book. I wish I'd said it. "Children drop out of college in fifth or sixth grade." We know that's true. If you don't reach them not just educationally but aspirationally in fifth or sixth grade -- I would love to see a day where as part of the charter of every college -- part of the charter of every college is that you look in your own backyard to the fifth and sixth graders and use your college students and your college facilities to give them the aspiration to want to go to school. We started a program called Gear Up during the Clinton Administration. Senator Clinton calls for taking that to a million kids, to reach the kids early with the aspiration and continuing mentoring. It doesn't help to just come in for a year or two. To change the expectations, you've got to give people the expectations that so many of us were born in the middle-class families were lucky enough to have.

There's a series of other initiatives you could do that help pull some kids out, like Job Corps, or strengthen within the community, like home-build programs, but I think this is a critical age, again, that's too often ignored, the early adolescent age and then the focus going forward.

So much to talk about, but we have only seven minute here, so I'll go to a third issue. I'll skip ahead of college completion but just to

say the following. If we're honest with people about college, this is the message we have to honestly say. We're at a time where a college education has never been more important and never been less of a sure thing. And we have to be honest with people. It is less of a sure thing now because of globalization, but it's still your best bet. And that's the truth we have to tell people. Do not give up because you hear of a software engineer, a radiologist, or somebody losing their type of job overseas. It is still your best bet even if it is less of an absolute sure thing.

And, finally, on the wealth and the quality side, we have an upside down tax saving system in our country. We give 70 percent of the benefits for tax incentives for savings to the top 10 percent. We give about 5 percent to the bottom 50 percent. The savings situation in our country is just horrible. For the typical -- about 55 percent of African -- Hispanic families have less than \$10,000 in additional savings. And with all respect to the Romney campaign, it's not going to be just giving zero capital gains and zero dividends that's going to do it. What we know works in our country is giving people a chance to automatically take money out, have automatic deductions from their paycheck, and get both a tax and get a matching credit. Those of us in this crowd benefit from that. We all know it works. And yet 75 million Americans don't have that benefit. The majority of African-Americans and Hispanics don't. This -- at the Brookings Institution the retirement security project has shown that having a strong matching incentive has a dramatic effect even on low-

income people in helping them save. So, part of our upward mobility in dealing with the wealth and equality, which I'm glad Ron Haskins and others wrote as part of this study, is to have a universal 401(k), which Senator Clinton calls the American Retirement Account, that gives every family a thousand dollar matching tax credit, that gives them the culture of savings, the incentive to save, but it also turns our completely upside-down tax incentive system right side up so that the most of the savings are going to helping people who are saving the least and would do the most to help their own families, their communities and our national savings rate.

MR. BROOKS: Thank you, Gene. I'm going to ask three questions and I'm going to direct them, though. After the initial answer I hope everybody else can jump in. And the first question, I confess, is a little Democratic leaning.

A lot this morning has been discussed -- a lot of discussion this morning has been about preparing workers for the global economy. Leo changed a little of the focus in his remarks by saying that won't get you there, you've got to come up with a national industrial policy, you've got to think much more broadly about the global economy, you've really got to reform the rules of that thing if you really want to have social mobility. I'd like to ask Ian and Gene what they think of that.

MR. SOLOMON: I don't think the two are at odds. I think you -- I didn't mean to cut in, Gene, if you want to jump in -- but I think you actually can -- you know, we need to both be preparing (inaudible) for the

global economy while also working on the rules of the game. I mean, I think -- you know, I look at some of -- you're (inaudible) talking about human capital. I don't think that's at odds with fair trade policies. You know, I think that we need to be working both (inaudible) what are today's newborns going to need to compete? What are today's 45-year-old workers who just lost their jobs going to need to compete? So, I think that, you know, you know, all the Democratic campaigns as far as I can tell made fair trade an important part of their agenda, because they know it's not just the pipeline; it's what happens at the end of the pipeline for people who have actually been out in the work force for a number of years.

Senator Obama has been proposing to deal with people kind of, you know, transitioning, (inaudible) from employment to employment with, you know, transitional jobs have been very successful around Chicago and career pathways, yet not just into a job but in a job that could actually be on a career ladder because a lot of today's service jobs actually don't put you on a career ladder. And so I think that, you know, it's a both-end answer. I don't see it as competitive, but I do think that if we -- if we did only one or the other we'd still be failing.

MR. BROOKS: Gene, you wrote a book called Pro-Growth Progressive, which defended free trade pretty vigorously.

MR. SPERLING: You know, I think as Ron Emanuel said in his Wall Street Journal piece yesterday, there's no question that there are things in our trade agreements that are not working. Senator Clinton is,

for example, very committed to reopening and strengthening NAFTA, and I think there's much we need to do in strengthening the social compact both in terms of assuring the people that the competition we're facing is due to legitimate reasons and not to the exploitation of children or sweatshops overseas. I think that's important for the kind of moral legitimacy of the trade agreements. But I do think it is important to recognize that when you look at the larger wage stagnation we've seen, the larger pressure on a lot of the service jobs that are the entry coming up, a lot of that has to do with the global competition happening at the service level less just on the trade level. So, if we -- we don't want to tell people that simply by doing -- simply by making the corrections we should make in terms of trade enforcement and strengthening trade agreements that will be enough, because this larger pressure and the spread of anxiety and the fear that some of the stepping stone jobs that have allowed people to move into the middle class may be more difficult in a world where they can be done everywhere creates I think a real challenge that all of us, and whoever the next president is, is going to have to deal with. And what I would say is that one of the challenges for us progressives I think is to be more aggressive on jobs in a smart way. I think you don't want to pretend you can close down the borders. You don't want to pretend that you can pick winners that you can figure out exactly what the next new internet is, but, on the other hand I think with what's going on now you have to have something more aggressive in the

job front, and I do think this is where the green jobs and the energy innovation offer a great opportunity. It is a way for us to invest in our own country, not by picking a single winner but investing in the innovative potential in our country, essentially saying -- having the next President say that we know there's going to be billions of dollars of wealth created in alternative energy; we know there's going to be millions of jobs created; we know it's important for our security and independence -- let's invest in having it here. That's why I think -- you know, that's why Senator Clinton has made the energy independence a jobs issue -- five million green jobs - - those can be a lot of energy, wealth creation, cutting-edge jobs. It can be also a lot of retrofitting roof jobs. It can provide a kind of ladder. So, I think that's the kind of positive job alternative that can start offering that ladder without falling into the negative or counterproductive type of jobs proposals that often come up when you're in very difficult times.

SPEAKER: Can I weigh in on that quickly?

MR. BOOKS: Okay.

SPEAKER: It's interesting to hear those answers, because one of the things that I think is very under-reported in this campaign was, you know, Leo and Senator Edwards really put out a marker on what they felt on trade and how quickly the Clinton campaign and Senator Clinton, who (inaudible) presidency the most free-trade Democrat President that anyone had ever seen, and the back peddling that Senator Clinton's doing -- you'd better not be behind her on trade, because you're going to get run

over -- is really amazing. And you talk about green jobs, and that's important, but where these five million jobs are coming from and when they're coming who knows? But it doesn't answer the question why has she turned her back on the free trade pass that her husband had (inaudible)?

MR. SPERLING: Well, you have to let me answer if you're going to charge.

This may be stunning to you, but when we're looking at the economy, we're asking how's it impacting the typical American family, not what the corporate profit rate is, not even the overall GDP, but how is it affecting whether we're having a rising tide lifting all boats, and what we have to recognize is that in '93 to 2000 we had a beautiful thing happen. We had productivity finally increase, and we had the benefits of that go overwhelmingly to typical workers. The typical African-American family saw their income go up from -- by 9,000 in adjusted terms. African-American poverty for children went from 56 percent to 31 percent, meaning it went from extremely shameful to just very shameful, but nonetheless it improved dramatically -- 8,000 for typical families. Now we've had a period where we have to recognize that productivity -- the good news was productivity continued to be strong in the next six years, but there's been an enormous divide. Never did less productivity gains go to typical American families.

So, you have to look and take an honest look at the facts

that you're dealing with, and you have to recognize that while there are many positive sides to globalization in terms of encouraging innovation and lower prices that right now there are also a lot of things not working for typical families, and you have to look at the lack of trade enforcement; you have to be willing to look at what has worked well and has not worked well. And I don't think Senator Clinton needs to be apologetic nor is it contradictory for her to say that in this environment with this type of growing wage stagnation in wage and equality you need to look and be tougher on making sure that the trade agreements we have are working for the typical American family for their jobs and their wages.

MR. BROOKS: We could get lost in trade forever. Let's have Leo for one minute, then I want to get back to another, different aspect --

MR. HINDERY: I'll do this in one minute. And, again, Hugh and Ron could have done it better than I. If half of our nation's population is, by intellectual acumen, qualified to fill semi-skilled and manufacturing jobs and the other half has the road to the college education, my concern right now is I'll have the discussion on college for that half and very sympathetic to where Ian was trying to take us on entry-level education remedies, but I'm desperately concerned about that other half, because the low-skilled service jobs are being used as default jobs, jobs of last resort. And absent a fundamental manufacturing policy -- what I call an industrial manufacturing policy -- I worry mightily about that second half.

I'll have your college debate, because I had the privilege of going to college. I worry about the half. And so I just think that there's a piece of this -- it's not trade globalization. I was trying to weave that in, but it's this fundamental absence in this country of an appreciation for the manufacturing job opportunity for that bottom cortile as they move up in our society.

MR. BROOKS: Before you answer, Doug, let me throw in a different question so you can deal with two subjects.

MR. HOLTZ-EAKIN: Okay. I just was going to inject some facts, but if that's --

MR. BROOKS: I'm a journalist. I don't care about that stuff.

(Laughter)

MR. BROOKS: Let me ask you, and then you can throw these to him.

Gene and several people this morning have talked about the important of pre-K and zero to five, and you mentioned it.

MR. HOLTZ-EAKIN: Yes.

MR. BROOKS: You mentioned sort of importing a No-Child-Left-Behind mentality to Head Start and those things.

MR. HOLTZ-EAKIN: Yeah.

MR. BROOKS: Should Republicans be in favor of radically expanding some of those programs -- spending more money all the way down to getting the nurse to visit the home and also making it sort of

universal? Is that something Republicans be supportive of?

MR. HOLTZ-EAKIN: I think Republicans, Democrats, independents should all be utterly committed to making sure that America's children have a chance to succeed, and that's the bottom line. What we've seen so far in those programs is results that just don't match the promise and certainly the money, and so radically expanding what we've got -- say, Head Start -- is not something I think Republicans should or will support, because, you know, for a program that's intended to make sure children, for example, are healthy, there are no health standards there. We have no idea whether these kids are getting appropriate medical care, checkups, things like that. The money goes to a vast array of people in places and if they don't deliver the kid still has no other choice. So, that has to change. And if you get those kinds of changes in a commitment then measure the dollars necessary to get it right, fine.

MR. BROOKS: I'm going to ask one final quick question, and this is a subject that was brought up often in the morning but not at all here, and just give quick answers if you have any. Is there anything government can do to change family structure, to improve marriage rates?

MR. HOLTZ-EAKIN: I think the answer's yes. I mean, you know, this isn't complicated. The government is among, not exclusively, the leadership of this country. We have social leadership. We have business leadership, which appears to be missing in action on occasion. And if those leaders stand up and say you know, finish school, then get

married, then have kids -- in that order -- and kids hear that message, it has to help.

MR. BOGNET: I would agree with that. Governor Romney would always say, and many of the younger people on the campaign thought it was somewhat corny but there's a lot of truth to it -- you know, before you have babies get married, and for us single people he would tell us that to our face.

MR. BROOKS: Governor Romney figured that out well.

(Laughter)

Mr. BOGNET: Exactly.

MR. BROOKS: He is at the top of the roll model.

MR. BOGNET: But if you don't use the bully pulpit and say that that's a goal and that marriage and stable families are important, if you're not even willing to go there rhetorically, how are you ever going to convince people to get there?

MR. BROOKS: That's --

MR. SOLOMON: I was going to (inaudible) as well. I think there are a number of barriers that currently exist for parents who want to work together and actually whether they get married or just do two-parent -- you know, parent as a couple and co-parent together, I think, you know, just three examples. Under the TANF rules, states are penalized for trying to serve two parents together under the child support system. Many states pass through the noncustodial parents' child support payments

back to the welfare system instead of it going to the family. It's a real disincentive to actually want to pay child support and (inaudible) the family. You know, EITC has -- they make it -- you know, marriage penalties are always the last in line to get reduced when other tax cuts -- so I think there's a lot the government can do to actually do to reduce these barriers to make it, you know -- I might, you know -- I think this would go a long way, especially among the lowest-income families and actually, you know, make --

MR. BROOKS: I mean, I do want to get more questions, so let me go to the floor. Let me start here with Steve maybe.

MR. CLEMENS: Thank you all very much. It's a fascinating discussion. I'm Steve Clemens with the New America Foundation. When I worked in the Senate about ten years ago for Jeff Bingham, we had two huge employers go under -- move out of the state. One was Levi's; another was a bus manufacturer, which actually was one of the more sophisticated -- most sophisticated bus manufacturers in the country. Most people don't think about these arenas (inaudible). The same time Intel and a lot of other major high-tech firms moved into the state, but essentially to draw them into the state the communities gave away their tax base. They had Intel in Rio Rancho but no money to build a school. Intel ended giving the school to the community, which raises all sorts of questions about governance, company towns, and whatnot, but when you get down to real stories with real people at that time, what I learned from

not only the trade deals that were passing then but many other trade deals is the two favorite fig leaves for passing trade deals were trade adjustment, assistance in programs, and promises of trade deal enforcement. They are mentioned every time we do a trade deal, and as soon as the deal passes people forget those. And I've been fascinated -- and I'd like to ask people who talk about trade enforcement and, you know, market access and compliance and talk about trade adjustment and helping people move -- we've talked about this over and over again and we've never made it work. Never made it work. So, I'd like to hear something beyond the platitudes about what you do in these particular real life, real time situations and how you make it real for real people.

MR. BROOKS: Doug?

MR. HOLTZ-EAKIN: I want to not answer the question and say what I was going to say before, so -- because I think it's important that we not get sidetracked on this economic ability thing. The facts are that the vast majority of displacement is not from trade; it's from innovation and technological progress -- period. So, let's imagine we've shut the borders, there is no trade with other countries, as much as that pains my (inaudible) heart, and we have innovation that's displacing people, and let's think hard about policies that support people in a way that allow them to both survive and prosper in the face of innovation, and we'll get the right answer with or without trade when we stop fighting about trade enforcement.

The other thing to remember is that you should not pretend that manufacturing is somehow different from the innovation (inaudible). Manufacturer's are among our most innovative. The big three spend \$12 billion a year on R&D, so don't draw artificial lines between manufacturing and the rest. We have an economy. It's an innovative economy. That produces stresses on people's careers, both good and bad, and those are where the policies should be directed. The trade thing is a complete red herring. Everyone should get off it.

MR. BROOKS: Okay, let-s -- question over here, ma'am?

SPEAKER: (Inaudible), CNN. My question is an offshoot of what Leo Hindery said about the need to bring back an industrial economy similar to that of Japan and Europe, and my question is for Doug Holtz-Eakin. In light of what Senator McCain said back in Michigan when he was campaigning about some of those manufacturing jobs not coming back, which some people attribute to why he lost Michigan, how does that square away with what you just said? You mentioned the big three and innovation. Does the governor still -- does the senator still feel that those jobs are not coming back? And what are some of the ways now that he's looking at addressing it in light of the continued downturn of the economy?

MR. HOLTZ-EAKIN: The full -- for those who didn't follow this particular episode in messaging success, the --

(Laughter)

MR. HOLTZ-EAKIN: -- you know, the full thought is a simple

one, which says that the Michigan economy of tomorrow has a great potential for prosperity and success. It will not look like the Michigan economy of yesterday, and so those jobs of 1950 will not be the 2050 jobs. They will be different jobs. And the question is how do you make a successful transition? We certainly don't make it by grabbing \$20 billion of taxpayer money and paying the companies to stay in the 1950s. They are spending their own money to head for 2050, and the senator wishes them great success, and there's lots that can be done in the State of Michigan to remove barriers to the success of the manufacturing firms and everyone else. This is not a state that has been supportive of the big three. It's a heavily taxed state; it's a highly regulated state; and they're struggling. Their competitors don't face these same problems.

In general, the United States has to remain committed to looking to the future, making sure American families have the opportunity to have a job in the growing economy. That is the single most important element of success above and beyond all the array of policies that you might hear at the edges about this tax credit that (inaudible) policy of this trade enforcement, you know, focusing on getting the freedom and opportunity to grow this economy is the central piece, and that's all he's been trying to say.

MR. BROOKS: We'll let Ian close with a minute or two in response on that.

MR. SOLOMON: Yeah, I just -- I'm not sure it's enough to

say -- to make the same answer I tried to do on the supporting families to our declining industrial base to say let's take away a few barriers and it will come back by itself. I (inaudible) some dramatic government --

MR. HOLTZ-EAKIN: Wait -- it's important to get the facts right. Manufacturing production output has not declined as a share of this economy. That's -- that needs to go away.

MR. BROOKS: What about manufacturing jobs.

MR. HOLTZ-EAKIN: Manufacturing employment has, because manufacturers are very, very productive with or without trade and have been steadily raising productivity since the 1950s. This is not a new phenomena.

MR. BROOKS: Isn't there a tension between the loss of manufacturing jobs and the default to the low in-service jobs and the implications to the debate today, because that --

MR. HOLTZ-EAKIN: Only because they fail to teach kids to take other jobs. I mean, that's a failure in education; that's not a manufacturing problem.

MR. BROOKS: Okay, well -- I can't --

MR. HOLTZ-EAKIN: I don't like to do -- can I just have one last word?

MR. BROOKS: Okay, one word, one word

MR. HOLTZ-EAKIN: You know, we can have all the academic discussion you want, but I want to go back to the zero to five,

because I'm on a million panels where we talk about all this, and this -- and I thought this was a chance we could actually talk about poor children and poverty, and I just want to say, you know, for all the policies you come up with, what you really need to have a feeling of is that they're your kids, because the critique of Head Start, the critique of these programs -- I have no problem with rigorous critique, but when that's the end of the discussion, then you walk away. You wouldn't walk away if they're your kids. When it's our kids, when it's our own kids, we figure out there's got to be a solution. You know, for kids under five, you can't do all the behavioral stuff, you can't do the parents. I don't care what the situation is with them. If we care about each kid and the circumstances around them, we as a collective have a responsibility. So, there should be an attitude that we're going to lock the doors and we're not coming out until we all agree on something that works to make sure that when the poorest kids in our country get five years old they at least have a chance going forward. So, we have to end the notion that critique of existing programs is enough. I think if we're going to talk about it, we have to at least have your solution going forward.

MR. BROOKS: Okay, that'll give you (inaudible) question about Resko and the Rose law firm building records. We'll get to that some other day.

(Laughter)

MR. BROOKS: Thanks to our panelists, and especially

thanks to Brookings and Hugh for this event.

(Applause)

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