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FROM WORDS TO ACTION:
DELIVERING INCLUSIVE GROWTH

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P R O C E E D I N G S

MR. TALVI: Welcome to all of you, those who are with us here today and those who are following us globally via a live Webcast. You can also follow the conversation on Twitter, hashtag “inclusive growth.”

It was a happy coincidence that during the Latin American meetings of the World Economic Forum in Mexico we came across the report on inclusive growth on which Rick Samans, Jennifer Blanke, and their team have been working on for months. And it was then that we decided to conspire to organize this event today. So thank you, Rick. It has been a pleasure to work with you. I would like to very specially thank Gemma Corrigan of the World Economic Forum and Christina Golubski and Julio Reese, our wonderful team at Brookings. The three of them are really responsible for putting this event together.

I also want to very specially thank the members of our panel for taking their valuable time to be with us today. Our aim is to contribute a grain of sand as we say in Spanish to get the discussion going on this key topic. And the amount of collective wisdom and talent that we assembled in this panel today is hard to match. Nick Timiraos, national economics correspondent from *The Wall Street Journal*, will be our moderator today. So thank you, Nancy; thank you, Amina; thank you, Gene; thank you, Rick; thank you, Homi for being here today.

In a very broad sense inclusive growth is about not leaving anybody behind. At the risk of oversimplification, in developed countries the debate on inclusive growth has emphasized the huge disparities that have emerged between the top 1 percent and the medium earner in the last 25 years. If wealth accrues disproportionately to those at the very top, in the minds of the common citizen the perception that the political establishment does not represent them, that there is a sort of complicity between economic power and political power, that the odds of the system are rigged in favor of the powerful, becomes engrained. As a result the common citizen starts to shop around for anti-establishment alternatives -- Podemos in Spain, Syriza in Greece, Front National in France, Jeremy Corbyn in Great Britain, Donald Trump in the United States -- options to the left and to the right who promise the common citizen voice and representation and protection from the forces of evil -- globalization, outsourcing, immigration, you name it.

In developing countries the debate on inclusive growth takes a slightly different twist. Whether due to lack of skills, lack of assets, lack of access to key markets -- finance, housing, transportation -- large chunks of the population are virtually unemployable in the form of the productive high-wage sector of the economy, condemning them then either one, to work in the informal sector for very low wages and with no social protection; two, to choose crime as a way to make a living, especially in the most lucrative areas of crime, i.e. drug production and distribution and as a result narco mafias become attractive employers and powerful players; and third to become dependent on government handouts and an easy target for opportunistic politicians.

Social exclusion is thus a powerful corrosive of the economic, social, and institutional fabric of society. Inclusive growth is not just the new buzzword in town that will fade away in due course as many others did. The stakes are very high. This is not only a question of economic development. This is not only a question of social justice and fairness. It goes to the essence of liberal democracy as we know it -- nationalism versus the search of a rules-based liberal global order; protectionism versus global integration; cultural identity versus cosmopolitanism, diversity, and tolerance; the logic of us against them versus the logic of togetherness. This discussion is not going away. We are just getting started. Thank you.

MR. TIMIRAOS: Great. Well, good afternoon, everybody and thank you all for coming this afternoon. Just to kind of break down what we're going to do here, we're going to spend probably -- we'll do opening statements from the panelists here. Then we'll have probably 30 minutes of a moderated conversation. And then in the 15 to 30 minutes that will be left we'll turn it over to you all for questions.

So to get us started here we'll do opening statements, kind of introductory remarks, from the different panelists and Amina Mohammed from the United Nations will start us off. Amina?

MS. MOHAMMED: Thank you very much and for having us as well. After just concluding a really huge three and a half year journey, we have a new agenda and many in this room have been part of informing that agenda. We think that the new sustainable development goals and what comes with it in terms of the financial framework set us off on a good path to making a difference over the next 15 years in a universal and integrated agenda. The scene I think is set for it. The big questions that we've had as we've come out of the General Assembly in New York have been so what are the implications for implementation and is this another plan that comes aside country plans.

One of the big issues that we had to contend with right at the very beginning in trying to map what were the big things that we must face, inequality was out front and center, acknowledging that it wasn't just about poor countries, but that, in fact, middle income countries that had moved from low income to middle income had taken the poor with them. The inequalities were widening. It was a global issue. And over the course of the three and a half year journey, we began to see examples of this. It really did exacerbate many, many issues and bring much more of the anti-establishment.

We argued a lot about whether we would have an inequality goal in the 17 that we produced. I think at the end of the day we all agreed that it was beyond just the gender aspect that we looked at, that we had to really look at income opportunities, ethnicity, all the different dimensions that were brought into inequality locally and globally. What to do about it and how to respond to that, and in this agenda how the discussions around the whole nature of having an integrated approach to sustainable development, that we were not just going to deal in the way in which we'd siloed this on the social pillar, but really try to see how we could move inclusive growth, an economic pillar, bringing results into the other two.

We had a big discussion around look, we know now that even if we are growing these economies that the trickle-down effect itself was not benefitting people at the bottom that mattered most. And the new engagement with the whole climate change agenda and the planetary boundaries that we spoke about, this was really not a recipe for it.

We know that through the discussions that the passion of growth that we talked about had to be done in a much more sustainable way. We picked up on so many different sectorial issues that at the end when we began to have to ask what we needed to do to deal with inequalities, one point was is this too difficult. Are there too many challenges? Well, in fact, the crises in a universal agenda as we just heard now are huge.

Business as usual was not going to work, so how are we going to change what we do and what are the things that we need to do to face it? And I think just -- I know time is of essence here, but to say four things: That we have talked about the policy environment and plans for a number of years and we've picked up on the issues that we continue to speak about, so how can we present this differently in a global and a local context? What do we need from the global economy and the discussions that we have that set up many of the frameworks that poorer countries have to deal with? How do we have that discussion where it's not about a country driving their policy, but actually a prescription that it's followed? How can we address that question again and really look at the reality of shifting the policies to sustainable development, being more responsive to an integrated agenda?

There's a big newcomer to the discussions that we've had. The development agenda's been about governments, north and south civil society inputting the check and balance, but a huge discussion around business and what business means to this agenda and how that would inform it. Some of the business models that we see and how can we look at the KPIs against some of the development indicators that we are looking at today?

The third, accountability, big discussions here on what we want to invest, what we want to measure, measuring GDP. Do we want to go beyond that into well-being and is it still the measure of 1.25 that makes sense going forward? As we come to define those measures over the next six months, it is a discussion that I think will rely heavily on how we inform that, on the data issues, certainly on the institutions that have to help to have that discussion at the country level.

Last but not least, participation, participation in this agenda that wants to see policies and plans that work with results in people's lives and how that process takes place. The ambition and I think the robustness of this agenda was a process. It went beyond just governments and capitals that did include foundations and civil society. And I think as we go to frame this discussion at the country level, plans integrated with this framework, young people are going to have to take much more of a role than we've had them take before, and different constituencies within government and outside.

So let me close there.

MR. TIMIRAOS: Thank you very much, Amina. I'm going to jump down now to Rick Samans and he can help provide kind of an overview of the report that the World Economic Forum has just produced.

MR. SAMANS: Thanks very much. Good afternoon, everybody. I might indicate to our friends and colleagues at the back that there are some seats in the front available. I'm sure our Brookings Institution colleagues will be able to produce some additional chairs to make you a bit more comfortable and perhaps less impatient with what I'm about to say. Many thanks, Homi, to Brookings as well for having this discussion here.

This, of course, is one of those devilishly complex issues that has the distinction also of being one of the topline political imperatives for all sorts of countries around the world. I mean it's almost become a mantra, inclusive growth. And the more skeptical of the observers might take issue with that and say look, it's all well and good to have a direction in life whether you're a rich country or a middle income country or a poor country and that we need more inclusive growth. But the real issue is how do you go about doing that?

So the Forum has a lot of discussions in all sorts of domains in many parts of the world, and I have to say that over the last couple of years this is probably one of the most frequently discussed topics. So in listening to this and hearing the aspirational nature of the discussion and the somewhat of a lack of a more concrete framework that would provide some guidance as to how you make actionable a desire to improve social participation in what I would say the process and the outcomes of growth, we decided to take a closer look at this and see if we could make some sort of a contribution to the effort.

It's worth noting that in the throes of the -- in the depths of the financial crisis in 2008, early 2009, G-20 leaders explicitly said in their communiques that we do need a new model of growth. The urgency of that has faded somewhat, but if you go back and look at it, people were scared back then and they were in very much a reflective mood at the very highest levels of government. And this was a topline message that was coming out of those, the Washington Summit, the London Summit, and whatnot.

We've just heard from Amina that after an extraordinary consultation process and intergovernmental process, inequality not only has its own goal, but if you look at the goals and the targets, you'll see aspects of this sprinkled throughout the body of work the SDGs represent and then, of course, in a whole range of domestic circumstances.

This is one of the top two political issues of the day, not least the U.S. It's certainly a hot issue here, but there are plenty of middle income countries as well where rising middle class expectations are running against the wall of limitations on the abilities of their government to provide fully the opportunity that people now expect. And similarly for lower income countries there are other aspects of the issue. So there's a worldwide consensus and I think that's why we have a mantra going here on this issue.

Now there's been some excellent work and there is ongoing excellent work in this domain. The IMF, for example, has been doing some excellent empirical research on the connection or the relationship between inequities on the one hand and the resilience and rate of growth on the other. It's terrific to see the IMF putting out some research in this regard and having it filter through the Fund. Similarly, the bank has created some new directions and goals for itself and it has a new focus on shared prosperity involving the bottom 40 percent of the income distribution in countries. And the OECD has been working hard on some sort of alternative, an indicator or construct that captures more than just GDP. I don't know whether you've seen their work, but a multidimensional index is what they're putting together.

So the international institutions are moving indeed in putting together this report. We invited each of them, plus the ILO, to make a presentation in the report. You'll see a box in there articulating or just summarizing some of their work.

And the third thing I'd say by way of context is that the need for a new growth model is now resurfacing as a topline discussion item among the business community, in the financial press, and indeed among governments as we've seen the air go out of the commodity price boom, as we've seen China contend with some issues domestically. We've seen a renewed focus on the need to be a shift to a more consumption-driven model there, which has big implications for their growth model. There are a variety of things that could be done and have been done in fairness to some extent and similarly for emerging markets that are dealing with the whiplash of currency movements.

I think everybody's in a renewed mood right now. I wouldn't say it's as acute as we saw in 2008 and 2009, but I think there's a renewed mood to take a hard look at what we consider "the growth model" and see whether some adjustments can be made in a way that makes it more socially inclusive on the one hand and by extension more resilient on the other.

So with all of that as a context, we thought look, we have a particular competence, the Forum. We're not a think tank like Brookings. We're a sizable organization, but we do not have departments of academics or scholars. But we do have a particular I'd say it's fair to say leading competence on cross-country benchmarking. So we did some thinking and said -- almost like if you were a business and you were faced with a competitiveness situation or you're faced with an imperative of your own strategically, it's not unusual for companies just to take a very practical approach, figure out what works, take a look at the literature or the history, what works. And second of all, identify some of the main drivers of what seems to work and get some data, get some comparable data on it. And that's a way, even in the absence of a universally agreed theoretical framework, it's a practical way to begin to move toward a particular actionable strategy. So that's essentially what we did.

What works? If you take a look at history and you look at some of the recent scholars over the last 10 or 20 years, the bottom line is what seems to matter particularly for driving more inclusive participation socially in the process and outcomes of growth are institutions. By institutions I mean here not only the formal institutions of government, but the rules and policy incentives and to some extent the public/private frameworks of behavior in a variety of different areas. This is what you might consider broadly defined institutional underpinnings of a modern economy.

Now what I'm referring to here is the World Bank 20 years ago did a great piece of work -- and I think you were centrally involved in, Nancy, if I'm not mistaken -- looking at what made the East Asian miracle tick. And if you look at that report and as you will recall, yes, there are a range of strategies that were quite important for growth itself. But very specifically that report identified that these economies were special because they were not only high-growth economies, but they produced reasonably strong equity in that growth process and that it wasn't an accident, it wasn't a mystery. In fact, there were specific institutional mechanisms that underpinned that reasonably equitable growth model. There was a range of different areas; moreover, it wasn't just education. It was labor/management relations, public/private cooperation, insulating policymakers from corruption, driving integrity more generally, infrastructure, a whole range of different institutional underpinnings were paid attention to. At the same time, yes, there was heavy investment in a variety of areas going forward and obviously education played a key role.

Similarly if you look back at the history of our country here in the United States, in the first six or seven decades of the 20th century where at the beginning of the 20th century there were huge concerns about inequality and concentration of wealth and booms and busts in the business cycle. And what happened through a variety of ways is that the U.S. built over those 60 or 70 years a whole infrastructure of institutional underpinnings that had the net effect, the aggregate effect, of, in fact, boosting the purchasing power and accelerating the growth of the middle class. And in the process through these kinds of labor market reforms, social insurance systems put in place, fair competition and antimonopoly reforms, securities reforms, banking system, small-saver protection, infrastructure development -- I could on -- environmental institutions as well. These had the effect of enlarging the participation in the pie and in the process supercharging the consumption role in the economy in a way that helped to make this country an economic superpower and a locomotive for the world.

So in a way -- and it's not often talked about like this -- that series of reforms through Democratic and Republican administrations beginning with Teddy Roosevelt I would say, that series of reforms did shift or alter our growth model to make it much more inclusive. And by the way, I think most observers would say that had the additional benefit of deepening the growth process, making it more resilient, and indeed in elevating the rate overtime. And there's further research about institutions by scholars -- MIT, Acemoglu, and others -- have taken a look across history and have found similarly critical success factors are a range of domestic institutions.

So that being said, what we did is identify 15 different areas of the domestic institutional enabling environment that seemed to matter for this, assembled a cross-country set of data, about 140 indicators across 112 countries that we bucketed or bracketed in four levels of economic development. And instead of doing what we typically do, which is to roll everything up into one scope or country, we thought no, this is a more complex area. There are many different paths up the mountain. In other words different institutional mixes can work for different countries in different circumstances.

So what we've done instead is just provide this cross-country benchmarking analysis in these 15 different areas, about 140 indicators in all, and benchmarked countries within each of four different levels of economic development. The idea here is simply to put that at the disposal of all of us because what happens when you look at it in this kind of sharper, more concrete relief, you begin to see where there are relative strengths and weaknesses in your country relative to your peer group. That begins to open up a conversation out of the general aspirational and into well, country X or Y seems to have used the policy space in this area better that we are currently. Why is that? What could we do? What was their model?

You have an executive summary here in front of you. Let me just close with a few of the meta-findings as we look across the data. One is that what's fascinating is that no country scores above average in all 15 areas, so everybody has room to improve. Some countries perform better across the 15 areas than others, and I'll come to the U.S. a little bit later. And secondly, it's pretty clear that strong growth, strong efficiency, is compatible with strong equity because some countries that did very well on growth and competitiveness, actually did pretty darn well on equity as well, and different combinations thereof yield different results. So these can be mutually reinforcing if they're done right.

Third thing, which is particularly relevant I think for the current context in the States, is that if you look at these 15 areas, about half of them have to do with business, real economy business, entrepreneurship, and investment. And, yes, education matters. Yes, fiscal transfers and social protection matter. They're elements of the framework as well. But corruption, concentration of rents, how well asset building is nurtured, intermediation by the financial markets of capital into the real economy, net capital formation in the real economy as opposed to in real estate or in short-term financial assets -- these all matter. So bottom line is that this is a pro-business and pro-labor agenda. It doesn't need to be looked at in a sort of polemical way we've seen in many of the debates.

Finally, let me say that one thing I take away as somebody who's worked on domestic and international economic policy over the years, is that I believe the overall takeaway here -- to get back to the growth model question -- is that what needs to be done if one is serious about driving inclusive growth is that we need now to put the areas of institutional development that particularly matter for social inclusion on an equal footing in terms of priority and emphasis with the more traditional focus of finance ministries and people who tend to be chief economic advisers of governments. The traditional focus has been and properly has to remain on macroeconomic soundness, openness to trade, and financial stability. These are important, but they're necessary in nonsufficient conditions for the bottom line element, the bottom line measure of an economy, which is not growth per se, but broad-based progress in living standards. If what you're really focused on is median improvement in living standards, then you need to have a broader dashboard and by extension you need tools and a toolbox that are both on the efficiency side, the traditional focus of structural reform, but also on this wide array of institutional levers that exist to be able to improve the inclusivity of your growth process and outcomes.

We have been unbalanced. There's been a lot of discussion -- and I'll end here -- about the Washington Consensus, the search for some replacement for the Washington Consensus. The Washington Consensus, the elements of it in my view, remain valid. But the problem is that it's an unbalanced mix. It's been mainly focused on the efficiency side and that's crucial. People need to pay attention to that. The problem with the Washington Consensus in my view has been that it's been incomplete. It has underemphasized almost to neglecting these other areas of domestic institutions that really matter for the bottom line measure of national economic performance, which is broad-based progress in living standards. And what the challenge for policymakers now is is to bring these two elements into better balance and to elevate this agenda so that it's a coequal one with the traditional structure.

So in my view, this is another area, this is an expanded notion of what structural adjustment or structural reform should mean, and I think we just had too narrow a focus over the last 30 or 40 years. Interestingly, before that this was part and parcel of the growth model in the earlier days.

Let me stop here. I think we have some very interesting findings with respect to the U.S. Let's come to that later in the discussion. Thank you.

MR. TIMIRAOS: Great. Thank you, Rick. Now we'll go to Nancy Birdsall from the Center for Global Development.

MS. BIRDSALL: Well, thank you, Nick. Let me say two big things and then a bunch of kind of nerdy things.

The first big thing and here let me invoke again the IMF. I think Rick did. The IMF finally said redistribution can be and often is growth enhancing, that it's a win-win. So the first big thing I want to say is -- and probably a message if you're in the room you're already in the converted because you're already interested in inclusive growth -- I think it's worth repeating over and over again in big-think circles and in nerdy circles that it is possible, the state has a role in redistribution and that can be and usually is good for growth. Not really necessary always to worry about a tradeoff between redistribution and growth. It's very simple. This invokes social justice and fairness and liberal democracy the way Ernesto framed it so nicely in introducing the whole session.

So that's the first big thought. And I think a lot of people started thinking more about that because of Thomas Piketty's book, and we shouldn't forget it even if you don't agree with everything and all the economic analyses in that book. The reason it was so well received is that it just went right to the heart of what's the role of the state in redistribution.

The second thing I want to say that's a little bit on the big-think side, although getting a little nerdy, is we have so much work on the expenditure side in terms of the role of the state -- how can the state be more aggressive on the expenditure side -- and much less in my view on the role of the state in being redistributive on the tax side. That's my other big-think. And that is especially the case in developing countries. Of course, there's a big debate in the U.S. about the tax side and has been for many years. But in developing country work, most of the discussion when you think of inclusive growth has to do with the things in the report that Rick just explained -- education, health, what else is there? I looked and there's a little thing, the tax code, that's one of the 15 indicators, one of the 15 indicators. Maybe there's a second one that has to do with taxes. So this is a little bit in my view of a call to arms for more people amongst you if there are nerds to think about the tax side.

Now let me say on the tax side a couple of things that have to do with where the intersection between what developing countries can be doing on the tax side and what the global powers and major global institutions could be doing on the tax side. Examples: First, the IMF has been great. It's doing amazing work, including recently, on the fiscal implications of tax and expenditure policies. That's from the research part of the IMF. But I think there's a lot of work to be done for IMF operational staff in their interactions with developing countries to be beginning what will be a long process of building the institutions that allow you to get past value-added and other indirect taxes on consumption generally to personal income taxes and property taxes and maybe in some cases even wealth taxes, although that's a big stretch. But the fact is that most developing countries rely far more heavily on consumption taxes and the value-added tax with good guidance from the IMF for the last 40 years. They've gotten pretty good at that and there are good reasons to emphasize that. But you cannot really use the tax side for much redistribution until and unless you introduce property and personal income taxes. The IMF could be doing more in its technical assistance to help countries establish the institutions that will allow them to do that. It's not easy. It's going to take time, particularly in lower middle income countries and low income countries. That's one example.

A second example, the U.S.: The U.S. ought to be doing much more tax sharing, particularly with countries in Latin America on who in Latin America has capital assets in the U.S. It's complicated to do and how do you manage the privacy issues, but the whole issue of tax sharing, far before any kind of tax harmonization, ought to be more on the agenda.

Another example, the OECD: It's about to come out either today or yesterday or next week with a big report that's really dealing with how OECD countries can protect themselves from all the under-invoicing and over-invoicing and profit -- what do you call it -- profit shifting done by major multinational corporations. There's a big controversy -- I don't really understand all of the details -- about whether and how this will provide much help in reducing tax evasion to developing countries and there's discussion in the IMF about that as well. It's just another example.

Another example: Donors in doing -- at the Addis Ababa Conference in July or June, July, which was an important run-up to the sustainable development goals that Amina had so much to do with, they initially had -- there was a lot of excitement about domestic revenue mobilization, that many developing countries now will be raising more of their own money and looking to a future in which the begging bowl for donors might be a little smaller as developing countries raise more of their own revenue. But there was talk of a target that every developing country should get to 15 or 20 percent of GDP on the revenue side and that's not healthy because the risk is that that leads to more consumption taxes. We know from very good research, including Nora Lustig, on who bears the burden of taxes that when you have increases in consumption taxes, to some extent people who are near the poverty line will be fiscally mobile down. I think there's a lot of evidence that people who are above the poverty line, but far from middle class, already pay a very high price in terms of consumption taxes in many middle income countries that are not offset as they are for the very poor by any kind of cash transfers. Remember I said this would be nerdy, but I think --

MR. TIMIRAOS: That's okay. We're at the Brookings Institution.

MS. BIRDSALL: We're at the Brookings Institution. So we have to -- we in the rich world and in the World Bank and in the IMF -- take care about what kind of help and what kind of pressures around domestic resource mobilization makes sense.

Now the World Bank, what I would like from the World Bank is more than their shared prosperity measure, which says we're going to track the growth of the bottom 40 percent. Compared to what is the question, right? I mean the bottom 40 percent are going to have growth, but what we know, what the evidence shows us, is that all over the world you can have a lot of growth of the bottom 40 percent, but ten times more growth of the top 10 percent or the top 20 percent. So the first thing is compared to what, and there's still kind of nervousness around really making clear how the world will measure income inequality. If it's a sustainable development goal, I'm happy, but I thought I heard Amina say it's not. I'm not sure. It's kind of imbedded in a lot of other goals, but nobody wanted to say something or anything.

So I have a proposal there, which is that the World Bank start publishing for every country median consumption and median income and then that can be compared to overall growth of GDP. Is the median consumer in a country gaining as much overtime as overall? I mean anybody who reads the U.S. press knows that that's the measure people understand. That's the measure the press uses. I don't know if *The Wall Street Journal* has emphasized that median wages in the U.S. haven't gone up much. Last week there was the median household price to buy a home in Manhattan. It's now $1 million with a nice little explanation for readers of what the median is. It doesn't overemphasize the highest prices, which is a great thing. It's an input to a simple measure of country inequality overtime.

So let me stop there with the wonky part. I hope you'll remember the broader impassioned part that if you're at this meeting, it's time to start repeating over and over again the role of the state. The state does have a role in redistribution because that can mean more growth as well as more inclusion. Thank you.

MR. TIMIRAOS: Thanks. And now I'll turn it over to Gene Sperling and that could be a good segue to get into some of the U.S. perspective on inclusive growth.

MR. SPERLING: Well, thank you. I'm going to mostly talk about the U.S., although I'm also going to talk about the part of the development that I work on and, in fact, here at Brookings.

So first of all, I want to praise Rick Samans particularly and the World Economic Forum for the degree of ambition in this report. I mean Rick says there's 15 measures, but if you look at the report there's like four or five sub measures over each measure. I am sure that if I spent a lot of time, I would find and I'm sure a lot of people would find areas that they disagree on what their country ranking is, but the level of ambition is enormous. I don't know of anything like this that will allow this type of comparison and to the degree that their goal was to start a conversation and be able to look and see how you compare, not just in these 15 areas, but in so many other specific areas, I think is really an enormous achievement. And I know it's the World Economic Forum overall, but I also know that Rick is the one who has the vision that drives so much of this.

Now in the United States, we know that economic and wealth inequality is a serious issue and that it's a worsening issue. I won't go through all of it, but you don't need to hear too many stats to kind of get the basic drill. In 1975 the top 1 percent had 8.9 percent of the wealth, of the income. Now they have 21 percent -- 8.9 to 21 percent in 30 or 35 years. The top 10 percent went from a third to a half. And I think in the United States people are mostly concerned, though probably, as to how they are doing. And if this was taking place in a context of rising middle class incomes, it may be a problem, but it might not be the number one issue you see facing the United States now. But it is taking place in the context of very compressed median wages for people. So, again, if you look at median household income, real income, from 2001 till our most recent numbers, the median household in real terms is probably about $3,000 to $3,500 worse off. So when people say they feel like they're running harder just to stay in place, they are. And so this to me really is the greatest challenge.

And I think what's interesting in the world right now is that in some ways the world as a whole might be seen because of the progress of India and China of less inequality. But within each country, within so many countries, you are seeing the growth of inequality. When people ask me, though, how would I define what really is probably the most compelling challenge in the U.S., I would probably define it the following, which is we are living through -- our generation is living through an absolute historic acceleration of globalization and technology. And the question for us is will it strengthen middle classes or will it hollow them out? And I think the fear in the United States is that it feels too much like it could be a move to hollow out. And our challenge policy-wise is not to pretend you're going to stop these major global forces, but that you're going to try to shape them so that they are strengthening as opposed to weakening the sense of shared prosperity or that everybody is growing together as opposed growing apart.

Now I think when you look in the United States, Rick has his classifications. I always think it's helpful to have three policy classifications. One, what does your government policy in terms of taxes safety net do? Two, what is your investment strategy? What is the degree than you invest in people so that they're empowered to share in the prosperity? And three, what is the kind of structural component of your economy that in a sense shapes what the degree income and productivity is shared broadly even before you get to the government policy issues, though they're obviously interrelated? So obviously we could talk forever about each of those. Let me just make kind of a point on each one.

On the tax side, Rick's report, the World Economic Forum report does mention the United States has had some progress in tax policy for what I would think of as the most hard-pressed working families, working poor, lower middle class. And me personally, it's probably I would say for many of us who have been part of the policy world one of the achievements we've been part of, which is that through the expansion of the earned income tax credit, refundable child tax credit, there are now because of progress made in the last 20 some years, there's 10 million people who are above the poverty line who would not be above the poverty line were it not for that policy. So if you want an area where there has been substantial progress through progressive policymaking from 1993 to the present, it is in those refundable tax credits and the significant impact they have and going to Nancy's point, they have positive growth impacts as well. It's been shown it keeps more people in the labor force and it's not the same 10 million people. People move in and out. So over a period of time it may be as much of 40 percent of workers. So we should acknowledge that is an area where we have made substantial progress.

Now let me tell you an area where we're terrible. Our tax policy towards wealth creation is terrible. I will brag that I coined the phrase "it's an upside down system." If you coin a good phrase, everybody uses it and after a year or two, nobody ever cites you anymore, so you have to like say it yourself. But you could go through why deductions versus expenditures flips a progressive income system and makes virtually everything -- housing, which Nick is an expert in and others -- but I want to do retirement policy particularly because retirement policy was designed really to help people who are most pressed to overcome the myopia of not saving enough. So it's really designed to encourage people who have a hard time saving to save more because we fear they'll under-save.

That said you could not design a kind of worse tax system. Think about it. If you were starting from scratch, you might decide that the top 5 percent of the income bracket really doesn't need a lot of incentives to save. They will have lots of extra disposable income and they will save. In our system right now -- this is a great fact. You'll hear a lot of facts, but this is a good one. The top 5 percent get more of the tax expenditures than the bottom 80 percent of Americans combined -- top 5 percent more than the bottom 80 percent. The top 1 percent, who clearly don't need much help or incentive to save, get twice as much, twice as much, as the bottom 40 percent combined. That is really a disgrace.

I have tried to propose overtime first a USA account in the Clinton Administration and then a universal 401(k) account. The idea is basically that we know if you have automatic -- without even having to choose -- money going into an account and that you get an incentive to match, that will help. If we were to offer people through the tax code a match on their first couple of thousand dollars in the way that people with generous 401(k) plans have, you would build up wealth creation, but you would also turn the system right side up. You'd be giving a 100 percent match to people who need the most help, and they would be getting more incentive than the people who are making a $1 million plus. So that's an area in our tax code where we -- so in our tax code we have areas that are improving and some areas that are not so great.

The second, government policy, so in the second area, the investment strategy, again we could talk about this forever. I'll just hit one area, which is there's always a lot on test scores and how we do internationally, but I just want to focus on one thing. When you look at intergenerational mobility in the United States, which is always a very big issue, despite all the discussion we sometimes have about the worth of a college education, there is nothing that's been proven serious worth to affect a child's chance of rising up than completing a four-year college degree.

So here's what we know. We know that if you are born into the bottom 20 or 25 percent and you don't have a college degree, by the accident of your birth there is almost a 70 percent chance that you will spend your life in the bottom 40 percent of the income. By the accident of your birth without a college degree, that's where you'll be. If you complete, not just go to college, but if you complete a college degree, you actually have about a 50-50, maybe a little less, 40 some chance of being in the top 40 percent. And about 20 percent of people in the bottom 20 percent who complete a college degree will end up in the top 20 percent, so about 20 percent of them -- kind of the expected rate -- when they complete a college degree. So here's something we know. If kids in the bottom 20 or 25 percent complete a college degree, we have something proven right.

So how have we done? Well, people have done -- in fact, some of the work's been done here, serious work. They looked at people born from 1961 to 1964 and they looked at people born 15 years later, and they say what's happened? So by the accident of your birth if you were in the older cohort, 5 percent of people born into the bottom 25 percent will complete college. How's that? You're born, accident of birth, into the bottom 20 percent and 5 out of 100 of you will complete college.

Now, the study then looked 14 years later at what had happened. Great news. In the top 20 percent it had gone up 50 percent; 36 percent of people in the top 25 percent went to 54 percent, great progress. What happened at the bottom? It went from 5 to 9 percent. So in 15 years policy, et cetera, we went from 5 out of 100 to 9 out of 100.

Now the thing that is important to see among these various things that Rick shows is the interaction, and I think college access and college completion we all know, everybody in this room knows, is like such a cycle of advantage versus disadvantage. And we all do it; it's just human nature. You're going to do whatever you can for your kid. And people in this room, we have networks. We have friends. We know how to give good SAT prep. We push the schools. We do everything. You're not going to stop doing that. It's human nature for a parent to do whatever's best. But it increases your obligation that you don't just have policies that improve education, but improve those things, meaning that you've got to make SAT and ACT prep easy. You've got to make college guidance easy. You've got to have more mentoring. You've got to bring kids into college campuses. You need to do everything that works to try to close that gap that we know happens by virtue of income.

Now the third area is on the structural side, and I'll just say this is where we have a lot of our biggest disagreements in the United States where the Republicans tend to think that structurally we have too much regulation and that's the problem. And then you see the other sides feel that it's too much trade, too little kinds of structural protections. I won't get into everything on this now, but to say that I do think that we cannot rely just on the moments when we have a tight labor force to have workers have greater voice. And if you look at Rick's view, we have some of the lowest union protection. So I think we need stronger unionization, but I also think we're going to need more creative ways of having worker voice for public policy, for dealing with people in the part-time, on-demand economy, et cetera; so worker voice in broad forms and in the traditional unionization area of strength.

And then my last thing, I was only allowed to plug a book when it's a Brookings book. But my other hat was that when I was in the White House and Rick was in the White House, we led the U.S. delegation to the World Economic Forum in Dakar where the Millennium Development Goal of universal education was set. And there were two things that struck me. One, that there was nobody who would help top White House officials think through the policy of it and two, it was very hard to get the evidence altogether. So when I left, we created the Center for Universal Education so there would be one center in Washington, D.C., that would help bring together on policy for government officials what they should be doing.

And I'm so proud that that center that I founded and went to 2008 now lives here at Brookings, run by the terrific Rebecca Winthrop. We have put out a second version of the book called *What Works in Girls' Education: Evidence for the World's Best Investment*. And I'll just make one point, which is one thing that we emphasize much more now and Amina and the sustainable development goals are mentioning, is that while the evidence for girls' education is amazing and strong and goes from child marriage to health to, as Brad Strickland will tell you, HIV AIDS to so many different things. However, on so many of those, what we are making more clear as the best evidence is on secondary education. The most prominent studies -- the initial study by David Dollar on a percentage of girls' education leads to .3 percent of GDP -- were about completing a secondary education. The work by Paul Schultz at Yale on 25 percent returns was secondary education. The most amazing data on reducing child marriage is secondary education.

So I think this is part of what we're focusing on. I know it's what Amina is focusing on. But I think this is an area where obviously this is less of a problem in the United States; maybe girls do better in high school. But in much of the developing world, this is perhaps -- what we think is the secondary education for girls -- the highest return on investment in the world for both growth, but more importantly for broader equity and empowerment of women.

MR. TIMIRAOS: Thanks, Gene. I'm going to go to Homi now and then we'll get into a discussion for probably 15 minutes and then we'll go to questions from the audience. But a lot to react to there, Homi, I don't know if you want to go into any particular area that hasn't yet been covered.

MR. KHARAS: I think I'll start perhaps by just saying I won't talk only about developing countries. This whole new debate on inclusive growth, which is really big, it's really important, but I think it runs the risk that it leads us to think that growth as we have seen it for the past several years isn't really doing what we want. It isn't leading to major reductions in poverty. And I just want to be sure that everybody takes away from this discussion the fact that that isn't true.

It may be the case that in advanced countries the growth, and in particular the recovery from the financial crisis, has still left the median household and many others further behind and below where they were at one point. But in developing countries, there have been at least as many countries where distribution has improved over the last 15 years as countries where it has gotten worse.

We also know that poverty -- both extreme poverty and near poverty -- has actually come down very, very substantially. So I don't want anybody to go away thinking that growth is not the most powerful engine for poverty reduction that we have ever seen and that we really need to do something dramatic in order to change that.

Now, of course, we can improve things. And, of course, we have to worry about inequality, but let's be careful to separate between inequality and the change in inequality. So in lots of developing countries, particularly in Latin America, inequality is very high. But the change in inequality is actually moving a little bit in a better direction. And, in fact, across the world what you see is a reversion to mean, what I would call mean, levels of inequality -- those with very high inequality doing slightly better, those with very low inequality are actually getting worse.

Now there are lots of different metrics of inequality. There are metrics around the 1 percent that Ernesto mentioned. Those roles are quite different in developing countries. We don't have the same kind of databases that allow us to make systematic statements about it. So we tend to rely on a lot of anecdotal evidence of a billionaire here and somebody else there.

The other observation I wanted to make is that it's really interesting to see the language of the sustainable development goals, which were very carefully differentiated between inclusive growth and inclusive economies and inclusive societies. And we tend in our discussions to mix those two together. So inclusive societies have really important ramifications about how societies work. They involve a lot of issues around discrimination. They involve a lot of issues around opportunities. They involve a lot of issues around peace and personal security, all of which are in the new SDGs, but they're less directly concerned with inclusive growth.

And when you look at what's in the sustainable development goals about the kinds of things that could unleash new opportunities for growth in the developing world, many of them are inclusive. I don't want to go into detail, but just think. People talk about really improving what we're doing on education and health, and Gene just talked about secondary education for girls as one example for that, but there've been lots of studies -- reduction of malaria, for example, and how important that can be for improving growth. I don't think it's a great leap of faith to think that access to infrastructure is actually probably quite a good thing for economic growth, giving people access to power, access to roads, access to markets. I don't think anybody would quibble with the idea that women's empowerment and the reduction of gender discrimination is good for economic growth and is good for equality. There's discussion there about small and medium enterprises. There's discussion there about the role of agriculture. All of these things that are opportunities for new growth are at the same time going to be more inclusive.

That said, I don't think we should disguise the fact that there are always going to be changes in these processes where there'll be some winners and some losers. And when you look in some countries at the emergence of skill gaps, what's happening in cities, indeed the ability for connected groups in society to capture economic policy and to have more corruption than rents, and we certainly have our fair share of those in lots of developing countries, all of those can be forces the other side.

So those are some of the things that do need to be managed, but I really do hope that we think about inclusive growth as being a discussion about how to make sure that the real fundamental drivers of growth act to improve the lives of most citizens. And by and large those fundamentals do act in that direction.

I wanted to just close with one thing. Most of the discussion has been on government policies, and government policies obviously drive what happens to inclusive growth, but I think there are also responsibilities for others. And in particular I want to highlight the responsibilities of the corporate sector, partly because Rick is here. And here it seems to me quite clear that the growth part has always been measured by corporates in terms of their bottom line profits and value added. And there's a clear link between corporate profits, value added, and growth.

What the business sector has never really done in a systematic and good comparative way is report on all of the other things that they do. There's now a big call for them to do much more sustainable reporting, sustainable reporting both in terms of labor conditions, social conditions, but also in terms of environmental conditions. Could be one of the main tools by which we can ensure that the growth that's actually taking place is inclusive because we'll be able to identify on a company-by-company basis where is it that growth is not being inclusive in that same sense and where is it being much more inclusive.

So all of that gets to the idea that what we need is data. And I'd also like to add my congratulations to Rick for providing a framework within which we can actually see the relative numbers of where growth is helping to be more inclusive and improve the lives of people and where it's not. Thank you.

MR. TIMIRAOS: Thanks, Homi. So we'll do some quick follow ups here and if the panelists could keep their remarks maybe to a minute or two and that way we'll get in some questions from the audience.

Amina, I want to ask you first. You touched on accountability. I guess the question I have is what needs to happen now to measure progress on the sustainable development goals and to actually encourage the implementation of the objectives that are laid out therein?

MS. MOHAMMED: Well, that's the one part of the agenda that's unfinished business. We have a process in place right now where really governments themselves are involved in pushing through the next set of indicators, designing them, and hopefully that comes out in March, but actually it will probably come out in November. I think that process itself needs to be looked at because it isn't as inclusive as it was to get the goals and to get the targets that we had today. So that's one.

Again, at the country level and in the discussions now, I've been listening to what we've been gleaning from my colleagues here and the audience taking on a global discussion. It's how do you take this to capacities at the country level to really deliver the kind of policy changes that we need there, and we're very, very far from that. So it brings us back to institutions and how we can possibly strengthen those that will deliver some of these skillsets. We've spoken about it on education, but frankly I think what we're trying to do with this agenda is quite big. It's going to be led by government and be informed by new players that come along. And the indicators that we will have will probably be set again at the global level without much capacity at the local level informing that. And I think that's going to give us a degree of complexity for accountability going forward.

MR. TIMIRAOS: Thanks. Rick had talked and the report talks quite a bit about the importance of institution building, and other long-run reforms. So, Gene, I wanted to ask you, has the U.S. appetite -- do you see the U.S. appetite for global economic leadership having waned at all over the past 5 to 15 years?

MR. SPERLING: When you say it, do you mean like in the development area or --

MR. TIMIRAOS: Well, I mean more broadly. If you look at the debate we had on trade, and we're probably going to have another one now that the TPP's been finished. If you look at institutions like the Export-Import Bank or quota reform in the IMF, I mean pick whichever you like.

MR. SPERLING: I do think that there has been an unfortunate denigration of global efforts, but I don't want to suggest that is hopeless because I think that we've seen times where people have come together in the U.S. So I don't know that it's like -- and support global progress. So I think that when you're looking at areas like trade, whether you agree or disagree with the people who are opposing those agreements, they're concerned about what the impacts on U.S. wages are. I don't think that they're unconcerned on the global side. I think in fairness a lot of the people who often oppose trade agreements have often been the ones who've supported the Core Labor Standards, the ILO. I think the fact that there is a very deep division over trade does not go quite as far.

I think that there has been an unfortunate longstanding resistance by one of the political parties in particular -- I won't say which -- to support things that are globally cooperative, to do our part in the IMF or World Bank, and I think it's unfortunate. I think people there often just simply don't understand that we would have a greater influence and a greater role. So I do think that doesn't speak to everyone. I think there are abilities, but sure, the loss of a Richard Lugar and others has made this a little bit more divisive.

But let me put my optimistic hat on. If we were having this conversation in 1995 or 1996 when the government was being shut down and John Kasich and Newt Gingrich were cutting development, proposing to cut development assistance 10 or 20 percent across the board, you would have said well, the situation is hopeless. And yet five years later John Kasich was working with us on debt relief for poorer countries and a new Republican president came in and showed a lot of leadership on AIDS. And they were supportive of the some of the health care initiatives that did not enough, but did involve global cooperation.

So I think this is not a resistance against it. I think that there are political obstacles. And

I think good people have to work to try to rebuild coalitions in particular areas and hope that there will be a little bit more responsible leadership on things like making sure we're doing our part, paying our dues, et cetera, with the IMF and other global institutions.

MR. TIMIRAOS: Thanks, and then a question for Rick and Nancy here. I guess, Rick, you spoke about the need to make this less of maybe a polarized or a partisan issue with respect to the steps that we need to take on inclusive growth. How do you do that, or am I wrong to assume that the frame should be to move away from a zero sum business versus labor approach?

MR. SAMANS: I strongly believe that that's the case. This is an issue like many others that can be exploited for partisan advantage, but it's fundamentally self-defeating to do that because everyone has an interest in the society producing a rising tide that lifts all or most boats.

I mean what we've tried to do here by laying out this framework -- and I didn't go through the components of the framework because we provided everybody with a little executive summary that has a chart there so you can quickly see what it's about. If you look across that thing as I mentioned, it's got a range of things that liberals particularly care about or labor unions particularly care about and it's got a range of things that the business community particularly cares about. The point is that it's not framed in a right-left, business-labor way. It's viewed in the framework of what contributes to strong growth, but also strong growth of a nature that includes people in the process as Homi is rightly saying, but also in the outcomes. And if you take the issue out of its political framing and put it more in the framing that academics and people who have looked at the history of what works framing, which is what is the basic infrastructure of institutional underpinnings you want in an economy, then hopefully that provides a basis for a less heated and more productive discussion.

Maybe just to take -- we also provided everybody with a full country profile of the U.S. And just to illustrate the point, let me hit a couple of things in the document here. Where you see that the U.S. is very strong in some areas, but has some obvious weaknesses, which I don't think are necessarily the sole province of either political party to care about. So, for example, Gene mentioned education and equity there. If you look at the material, you'll see that resilient students -- in other words the students in the lowest quintile socioeconomically -- what proportion of them perform in the highest quintile. It's a measure of just how equal educational opportunity is. The U.S. is 25th out of 30 in advanced countries. And in those advanced countries you find countries like Greece and Portugal and some countries with a fraction of our gross domestic product.

Similarly you'll see a gap in math scores by quintile. We're 24th out of 30. If you take a look at the cost of -- well, particularly we're very, very weak on wage and nonwage compensation. So we're 30 out of 30 on that entire sub pillar in the low pay rate, which is the proportion of the workforce that earns less than two-thirds of the median wage. We are 24th out of 24 countries for which that cross-country data exists. Wage dispersion, the minimum relative to the medium wage, which is $.01, one barometer, we're 19th out of 20.

Everybody knows about our trade union density and collective bargaining coverage rate, which I won't talk about, but on the nonwage aspects of compensation as well, we're 19th out of 28 countries in terms of the cost of childcare as a percent of your average wage. Parental leave, again a very important quality of life aspect of your nonwage compensation, the U.S. is 18 out of 24. Amazingly we have a tremendous financial system here, but we are 21st out of 25 in terms of small cap IPO rates, which surprises the heck out of you, right? Everybody knows that we have a very high share turnover and share buyback proportion than the numbers that are in here, but you're not as aware of the fact that we don't do as good a job as we think we might in there.

And let me just hit a couple of others, just to give -- we're lagging in an area where we would think of as naturally one of our strengths. Regulatory protection of incumbents, we are 29th out of 29 countries in terms of the perception in that area. In Washington we're in the midst -- we're only a couple of blocks from K Street and part of it is just our system, our political-economy culture here is such that it has the result of generating a perception that we protect rents and we protect existing players and markets to the detriment of the disruptors and innovators out there. That goes to the inclusivity of your growth model.

And maybe a last thing just to pick up on Gene's point, the gross pension replacement rate, that's the percent of your preretirement earnings that you have by way of pensions, the U.S. is 26th out of 29. And it's well known that our health coverage rate is lower than our peer group. We're still -- maybe this data is a little bit before we pick up the Obamacare improvements, but at least as of a couple of years ago or for the latest data, we were last among advanced countries.

So there's room for improvement in a whole spectrum of areas and they span both the left and the right. And I think for us the way to begin moving the conversation out of the polemics, out of the purely diagnostic and aspirational, is just to look at the -- benchmark it, just look at the numbers.

MR. TIMIRAOS: Great. I want to see now if there are questions from the audience. I think we have microphones. If you could just state your name and affiliation and then ask a question and we'll try to get in as many as we can. Right up here, right up front. The mic is coming up.

QUESTIONER: Thank you. I'm John Coonrod with the Hunger Project and I have a question for Gene. I really appreciated your talking about the point of worker voice and unionization is certainly one of those. But as Krugman said in last Friday's *New York Times*, this isn't even really up to the level of debate yet. It's just top-down class warfare. And so increasing worker voice through various kinds of mechanisms would seem to be a good thing. Are there others besides unionization? I was at an event last week at the U.N. where there was a lot of talk about policies that support formation of employee-owned cooperatives and other forms of worker voice, but are there other kinds of policies that could begin to break that complicity between the political and the economic?

MR. SPERLING: Sure, and I think it's a big topic. I think that there's some good evidence on profit sharing, et cetera, out there and you've got to be careful, right? I mean you don't want to over concentrate -- you don't want a world where we all have kind of diversified savings, but we're telling everybody to put all their eggs in one basket. So I think there the profit sharing works well. I think we need to figure out more designs where there's more profit sharing, but perhaps it's still ensuring people have proper diversification. But I think there are studies that show that it does very much help.

You know, Volkswagen is not the company you want to point to right now, but I do think in Europe there are more worker-management-labor councils where there's more participation that can be related. Obviously the unionization, but I think there's models like that that work. Obviously, clearly a very tight labor market, which we don't still have, helps. I'm on Wednesday going to be on a panel at the White House where I think they're trying to look at what are the new ways of doing that. Now, some of this is going to be a debate about kind of worker classifications and when should a person be classified as an employee or a contractor and some of these are simple I think. Not to get in the middle of it, but I think in Federal Express's case, they wrongly classified people as contractors who were employees.

There's other cases where it's more difficult, but then there's questions about are there different types of organizing forms. Cesar Chavez basically caused the consumer boycott. I've seen more I think grassroots effort that is changing views. I mean the $15 movement is about local grassroots power. And $15 is probably too high for some poorer rural places where maybe $12 is a better form, but there's a lot of places in this country where $15 is fine and that local organizing has not only won locally, but it's affected people. When Aetna comes out and does that and Facebook, I don't think that was an economic decision. I think they wanted to be good guys. And so I do believe the moral pressure, the consumer pressure, can matter.

So I'd say the unionization, making sure people truly have the right to organize, that that hasn't been weakened, things like the worker-labor councils. The new types of questions of organizing, can different people and industries who might be doing part-time work have ways of doing government policy or related to worker policy where they have some protections. And then, again, you don't want to rely on it, but I still believe that the moral force of consumers raising their voice about who they want to go to, who's considered a good guy, the reputational effects and the competition for skilled workers, all can have an effect. And I think we're seeing some major companies reacting to that now.

MR. TIMIRAOS: I want to bring Nancy in maybe for the final word here on the U.S. I don't know if there's a different way you'd address that question.

MS. BIRDSALL: Yeah, I wanted to bring together with apologies to my fellow panelists. This was great, I learned a lot, but I have to run in one second. So I'll look for reports of what happened after I left, especially from the audience. But I wanted to bring together the question that Nick asked

Gene and the question that he asked Rick in the following way.

Yes, Gene, about U.S. role in the world as a leader. I think from 1944 to about 2000 the U.S. led the world in generating an open, liberal, trading environment with a set of values around democracy and openness. Something happened -- in that period the U.S. -- it was in our interest as a country. We were on top of the market. We were the most competitive economy in the world. We wanted more markets and more activity, and we wanted inclusive growth. We wanted more consumers out there in the world.

Now in the last 10 or 15 years, you've heard from Rick there are a lot of problems here. Median wage isn't rising. The middle class, it feels like it's being hollowed out. I honestly think that despite Gene's optimism about doing a little bit more of this, a little bit more of that, I think that was really interesting on the workers' questions, that really what is needed in this country is growth and growth in particular of the middle class. Then we will be back in a position where we're not only willing, but we're eager to lead the world in inclusive growth on the sustainable development goals.

So it kind of brings us back to the problem in the U.S. If we don't make progress on the sustainable development goals, including inclusive growth, I think it's a big problem for the world because without the U.S. -- we have competition out there for who's setting norms and values. That's why the creation by China of the Asian Infrastructure Investment Bank was a kind of wakeup call I hope to our dysfunctional politics as well as to the international community. Thank you.

MR. TIMIRAOS: Thanks, Nancy.

MS. BIRDSALL: And congratulations, Rick.

MR. SAMANS: Thank you.

MS. MOHAMMED: Just an important note on China. They're taking up in their thirteenth five-year plan they're integrating the sustainable development goals and bringing it as the top item for the G-20 meeting.

MS. BIRDSALL: That's good.

MS. MOHAMMED: I hope it's another wakeup call, if we're sort of moving back from it here.

MR. TIMIRAOS: Great. We'll do one more question since we started a little bit late, and we'll go in the back third of the room here. We can actually -- if you both want to ask your question right now and then we'll just answer both of them in turn.

QUESTIONER: Thank you for giving me the opportunity. My name is Anna Sensivala. Thank you to all of the panel for coming. It's been a very interesting discussion.

My question is regarding two different points. So the first one made by Homi that growth is the most powerful engine to reduce poverty. We've seen that a lot due to growth in emerging markets such as China, which was one of the reasons why the Millennium Development Goals regarding poverty was able to be achieved. Now we see that there's a huge global economic slowdown, which doesn't mean that sustainable development goals aren't going to be achievable, but they're just going to be harder to achieve due to financing. Christine Lagarde mentioned a bit about that last time she was here at Brookings.

And so this leads me to what Gene said, which is that the poor aren't just poor financially, but they're poor in many other areas -- their education, their networks -- which hinders them to advance.

MR. TIMIRAOS: Sorry, but is there a question?

QUESTIONER: Yes. So my question is regarding financial literacy and financial education and how that is being implemented into mobile banking, transferring of payments, and how the financial system that was made for middle and upper class members of society is now being integrated into the poor and lower class of society?

MR. TIMIRAOS: Okay, thank you. And we'll go ahead and take one more question.

QUESTIONER: Thank you. My name is Rick Rybeck. I'm with Just Economics. Thank you to the panel. I learned a lot today.

My concern, and I think this affects the developed world as well as the developing world, is a sense among many that no good deed goes unpunished. So, for example, we may decide that a low income neighborhood in order to get more access to jobs, we should provide say transit improvements there. And so we do that and the result is that land values and rents go up and the people we intended to benefit end up being displaced, and the people who actually get the benefit are people who own the land who even in low income neighborhoods tend to be not so low income people, meaning they tend to be affluent.

So I'm wondering if the panel can speak about value capture or land-based financing as a way to help create both more efficient growth as well as more equitable and inclusive growth. Thank you.

MR. TIMIRAOS: Great. So we have a question on financial literacy and then the question on asset values and value capture. I don't know, Gene, Rick, who wants to jump in and take one of those?

MR. SPERLING: Well, I guess one thing I'd say is that obviously some of the pioneering work being done by Raj Chetty on social mobility shows that it's different regionally. And some people are raising the issues of like do zoning laws in the U.S. at state local levels keep people from having the mobility to move into the neighborhoods where they could maybe -- going to the other question -- have a chance not just to go to a better school, but to perhaps also have some of the networking benefits. So I think it's an important issue, but since it tends to happen at the state local level, it's been harder to make part of the national policy.

I think the one area I've been involved in -- I think in terms of what you're saying on the land uses, I think partly you have to -- you're right, no good deed goes unpunished, but part of it is understanding those effects and having a plan. I think Detroit is a very interesting example. The downtown has been rebuilt. Now, the fact that the downtown has been rebuilt, that had to happen. If you didn't have places for people to locate their companies and office buildings, you had no chance of reviving, but it does start having some of that impact. So now the question is, is there going to be two Detroits or is that going to spread to the neighborhoods that tend to be mostly African-American and may not be feeling the benefits.

So on the one hand that's a movie that's still going on. We don't know how it ends. So I think it's important in these areas to not necessarily do nothing because it's going to have some bad impacts. Try to design it right, but then also understand what the process is and then have an equally good plan for ensuring that those benefits are spread.

But you're right, I mean it's a difficult issue and we're seeing it right now in rental housing prices in the United States. There's no super easy answer, so I think you have to like be committed to the complex, long-term hard answers and solutions.

MR. TIMIRAOS: Amina and then Homi.

MS. MOHAMMED: On the financial inclusion and the rate of financing, yes, there are targets there, both in the framework for the SDGs. But again interestingly we manage to get that into the Addis Ababa agreement and in both cases focusing on the entry points for women and for young people.

MR. KHARAS: I think financial inclusion is probably one of the great leap-frog areas that we currently have. The numbers of people who are now gaining access to a bank account for the first time run into the hundreds of millions per year thanks to mobile technologies. And we've made very dramatic progress over the last three to four years, and I think we will make even more rapid progress. I hope that what you'll see is a movement not just into having access to a bank account, which gives you access to savings instruments and things like that, but then also move towards being able to access insurance products and other kinds of financial products.

But I suspect that because technology has driven down the costs of nonbank, essentially non-branch banking, to such a great degree, this will now really open up finance to so many people; and very directly in the case of remittance transfers, you already see a major reduction in the costs that small account holders face.

With that, I think just too quickly touch on this cities issue, to some extent it's really an issue of both property rights and asset distribution. At least right now in the developing world, the first part is just establishing property rights. So before you can say who's going to capture the benefits, you've got to first assign some of those. And there's a great deal of work that still has to be done, both in urban areas and also in rural areas and both with respect to land as well as with respect to water and with respect to what's currently common property, so all kinds of forests, pastures, and other areas.

One needs to pay a lot of attention to the way in which those rights are initially allocated because you're absolutely right; that in turn will determine what happens to the distribution of future growth. And lots of people have ascribed the growth with equity in East Asia to the land reforms that were introduced in several countries by U.S. administrations after World War II.

MR. TIMIRAOS: Great. Well, I'd like to thank the panelists for this discussion this afternoon. We got a very rich conversation. And I'd like to thank you all for attending. I appreciate the questions and thank you very much.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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