# THE BROOKINGS INSTITUTION

## A DISCUSSION OF THE KEY ECONOMIC ISSUES IN ELECTION 2016

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P R O C E E D I N G S

MR. GAYER: Good morning everybody. Is this working? Can you hear me? Welcome to the Brookings Institution this morning. My name is Ted Gayer; I am the Director or the Economic Studies Program here at Brookings. I'm delighted to be introducing this event which will be focused on the major economic issues at play for the 2016 Presidential Election.

Actually, currently our national attention, understandably, is on national security and terrorism, as we saw by the President's speech yesterday. But as the Director of Economic Studies, I'd like to make the argument that the economy is central to the wellbeing of our country, and it will or, I hope, should be, essential to the presidential campaign, and to the next President's agenda.

So, our goal here today is to identify the major economic problems that this country faces, and how the various candidates, on both the left and the right, might go about offering solutions to those problems.

Moderating the event is my colleague, David Wessel, he is the Director, The Hutchins Center on Fiscal and Monetary Policy here at Brookings. And we have a distinguished Panel, Neera Tanden from the Center for American Progress; Doug Holtz-Eakin from the American Action Forum; Glenn Hubbard from Columbia Business School; and Jared Bernstein from the Center on Budget and Policy Priorities.

Thank you, all of you for being here. We very much appreciate it. And thanks, bright and early, everyone coming out for this event. And with that, I will turn it over to David.

MR. WESSEL: Thank you very much, Ted. I want to welcome everybody to this event, both in the room and online. We made an agreement before we started that although this event is scheduled to go to 11:00, even though the clock says 10:30 already; we are only going to keep going as long as it's interesting. So, I'll do my part, and then you'll have to do your part.

MR. BERNSTEIN: Who gets to decide?

MR. WESSEL: I decide. What Ted didn't mention is that each of the people on the stage has been in at least two presidential administrations. Jared was in the Clinton and Obama administrations, Glenn in the first and second Bush administrations; Doug as well, in Bush 41 and 43l;

and Neera in the Clinton and Obama administrations. So, we have four people who are steeped in policy, but also have the political experience of knowing just how much policymakers actually listen to economists. So, the goal today is to -- not much, right?

MS. TANDEN: It depends on how the economy is doing.

MR. WESSEL: I see. I see. The goal today is to ask what economic issues should be the subject of the campaign, to explore whether there are shared diagnoses between those who are Republicans and those who are Democrats, and to identify policy -- responses to these problems which may differ depending on your partisan views and probably also may actually turn out to be overlapping.

So, this is the debate that CNBC did not have. I thought about wearing my Donald Trump wig, but it seems like in bad taste, so I'm not going to do it. So, I'm going to start with this one. We have an election, we have a winner this time, it doesn't go to the Supreme Court, and a few days after the election, the President Elect calls each of you into the office, individually, because he can't -- he or she can't possibly handle four economists at once; and says, I have a lot on my plate. Putin, ISIS, the Middle East, China, filling out my Cabinet, dealing with a Congress, which, no matter who the President is, is going to be a pain.

But I don't want to neglect the domestic economy, and I know I have to concentrate on something. I can't do everything at once, I know you economists have a 27-point to-do list, but I would like to know what do you think should be the very top of my domestic economic priority list? Jared, do you want to start?

MR. BERNSTEIN: Yes. I think the first thing I would say, it's really important and under-appreciated who you staff your economic team with. I know you are looking for a policy or two, and I'll give you one.

MR. WESSEL: No, one. I said one.

MR. BERNSTEIN: Oh, one. Okay, I'll give you one. But I was interested in the Clinton-Sanders debate last time when all of a sudden this argument broke out about who are you going to put on your economics team, and I thought that's actually much important than people realize, because so much goes on, as I think we probably all would agree. So much goes on at the level before you get to the Oval

Office, and suggest to the President what you think he should do.

I think in terms of policy, what I would probably recommend is a deep dive into infrastructure investments. Something beyond, by the way, what we are trying to do with highways, which is just kind of maintenance, but to take advantage of low-borrowing costs, some pockets of, still, weak demand in the economy, and investments that I think would both help on the slack side of the labor market, but also productivity-enhancing in terms of improving quality for public goods.

MR. WESSEL: Glenn?

MR. HUBBARD: I think for me, the goal is, you've got to reset people's expectation. This has been a problem now the past several years, the business people and households have not had their expectations reset positively after the crisis. That's about growth, work and opportunities, so the one, big policy that could address all three of those, really is fundamental tax reform. With business tax reform and growth, we have very high implicit marginal tax rates on work for many Americans, particular lower-income Americans that could be fixed. And a number of pockets that opportunities discouraged in the tax code. So, if growth, work and opportunity, the lens, tax reform is place to start.

MR. WESSEL: And the primary objective of tax reform would be to raise revenue, to spur growth, to reduce inequality? What?

MR. HUBBARD: To spur growth, to increase opportunities for work and remove barriers for -- against opportunity in the workforce.

MR. WESSEL: Doug?

MR. HOLTZ-EAKIN: I like both those, but I guess, I would argue, the President should do Social Security reform. And the reason for this is the following, if you take where President Obama will leave us, and put it on autopilot, which is basically what CDO projections do. You get to the last year of the second term of whoever is fortunate to be elected, and you've got nearly a trillion-dollar deficits, 85 percent of which is interest on previous borrowing, so we are headed into a very dangerous fiscal debt spiral, if left unattended.

And you have to do something about that, and at the core of that is entitlement reform, and so if you focus on that, you have the following opportunity. Number one, you can make Social

Security a much better program. I mean, it is a disgraceful program, to say to America's seniors, our plan for solvency is to cut benefits 25 percent across the board in 20 years. It's a terrible way to run a pension program, and really ought to have been fixed before this.

It is also something which we know how to do. Unlike health care, I mean, Social Security is not that complicated. So, you know, I believe, at least that the large debate over private accounts is behind this, and so we can just look at the core to define the benefit system, fix it for the long-term, and it has to be something that addresses the sort of middleclass.

This is a key part of the social safety net, and in terms of resetting expectations, I think Glenn is right, people have to have the confidence that their government is doing things that will help them again, that's important. It will have to be bipartisan, and that's important to set the tone early, that we are not going to have agendas that are supported only by one side or the other, but you are going to have to get something done right at the beginning that's bipartisan set that. So, I would start there.

MR. WESSEL: And to think that -- I know that no President would ever turn to you for political advice, so I will.

MS. TANDEN: Why?

MR. HUBBARD: One non-President did.

MR. WESSEL: And look what happened, yeah.

MR. HUBBARD: Oops.

MR. WESSEL: Not to mention the Vice President, would (crosstalk). Do you think a President should come in and in and say, the only way to fix Social Security is to raise taxes or reduce promised benefits, right? We have to do those things. Why would you put that above doing something like Glenn's spurring the economic growth through tax reforms?

MR. HUBBARD: Like, I said, that would be number two, I mean, you know, it's very close, I didn't want to just send say, you know, that Glenn said so.

MR. WESSEL: Okay. Okay, I got it.

MR. HUBBARD: But I do think that the fundamental point is that once you spend the money you are going to have to pay for it. Everyone always -- spends all this time talking about how we pay for it, which is tax reform, once you get the expectation figured out about how we are going to spend our money, and the fact that we are going to spend too much, we are trouble.

MR. WESSEL: Neera?

MS. TANDEN: So, I think the election we are going through is a testament to how people's -- economic concerns are actually primary, and I would say in both the Democratic and Republican primary, I know the Democratic primary is probably a little bit better than the Republican primary, and I would say, the single biggest issue affecting voters today is the construct of stagnant wages with rising cost, that they feel every day. So, 15 years of stagnant wages for the bottom 90 percent is definitely affecting Democratic primary voters, and I believe it's affecting Republican primary voters as well.

So I would say, to the future President of either party, that this country cannot sustain 15 years more of stagnant wages for the bottom 90 percent, and that that should be the focus of the next President's presidency.

MR. WESSEL: Okay. That’s a diagnosis.

MS. TANDEN: Yes.

MR. WESSEL: What do you do about it?

MS. TANDEN: I mean, well obviously, Hillary has had some ideal ideas in this regard, ranging from profit sharing, support profit sharing, incentives for firms, which helps firms actually are all profitable to ensure that there's higher income for workers. There's a whole range of ideas like, to make the labor market tighter, like infrastructure, et cetera. And I think that the view here should be, that that should be the focus of the President's term, and then have an agenda around that that ranges from lowering college cost, lowering health care cost, and raising wages.

MR. WESSEL: Glenn, I think there's a widespread view that Donald Trump has successfully tapped into a vein of anger and anxiety among a set of voters, including a large number of White, working class, non-college-educated voters who haven't enjoyed much of an increase in wages, they were doing that well before the Great Recession, they haven't done very well since.

And I think there's a lot of things besides the economy that are bothering them, but if you were looking at the economy, and the President came in and said, do you; your attendant says I should do something about middleclass wages and incomes, how would you -- Would you say, tax reform? Or, how would you sell to the President?

MR. HUBBARD: Well, let me come back first to your question about the Trump diagnosis. I think the anxiety that he is plumbing, is about what I would call micro and macro anxiety. Micro anxiety, what are my personal labor market fortunes in the economy? We know they are highly uncertain for the very group that you mentioned. And the other is macro anxiety. When I mentioned that expectations hadn't been reset, are we going to grow at 2 percent or 3 percent? Which is it? You know, and I think that that really worries these voters.

In terms of what you can do about it, the proposals from Trump, not only make the economy worse off, that is to reduce GDP, they particularly reduce the fortunes of these very individuals; anti-trade, anti-immigration, anti-growth policies that will hurt. What would help, I think are elements of tax reform. I think a much stronger earned income tax credit, particularly for childless workers, I think we need to take a much harder look at work support throughout the economy, and I think that tax reforms still matters in the sense of creating the opportunity.

So, I think that the proposed -- the diagnosis Trump is making is real; there are people who are hurting. Unfortunately, has solutions are not only unrelated to, they are actually negatively correlated with those people's success, despite his use of the word management.

SPEAKER: Let's fix some more (crosstalk).

MR. WESSEL: What do you mean by work support policies?

MR. HUBBARD: Things that reward work. There are many reasons for us to think about work. I'll say two as an economist, and one is a Presbyterian, the first as an economist is obviously work and paycheck. The second and more important economic development is to think of your labor market, career as being like a ladder, and you don't get to enter in the middle or top of a ladder, so when we deny lower income people the opportunity for productive work, we've not only denied them income today, we've denied them a future.

The third, the Presbyterian comment is work is incredibly important socially, as well as economically, it's defining, particularly from men in society. And the withdrawal of so many men from the labor force, I would argue is a social not just an economic problem. I mean, trump has realized it.

MR. WESSEL: But when you say work support, you mean governments subsidizing jobs for employers so they hire more people, or how are --

MR. HUBBARD: No. I mean support working that the private sector would have granted. So the earned income tax credit expansions come to mind. My colleague at Columbia, Ned Phelps, has suggested, you know, broader claims of wage subsidies, but they still are subsidizing a decision, a private actor would make, not a (crosstalk) --

MR. WESSEL: Jared?

MR. BERNSTEIN: I mean, I think there's an interesting difference here that we can explore between Glenn's view, a lot of which I agree with, on my own, putting aside the Trump thing which is a whole other discussion, and that's that -- I very much agree with the idea to address the kinds of problems that Neera raised, a more robust system of refundable tax credits, like the earned income tax credit for childless adults as well as expanding some provisions that were put in place, and are actually in the Recovery Act, and also on the table right now. So there's a political agenda to do what Glenn is suggesting.

By the way, work supports in my world means specifically things that help low-income people get and keep a job, so it might be childcare. It might be help with transportation, it might be help with health care, it certainly -- it's human capital investment. All of those are work supports, but the thing is, I don't think you can achieve the goal that I think Neera correctly identified for the next President, strictly through these kinds of redistributional measures. So, here I'm sounding maybe a little bit more like a Republican than a Democrat.

SPEAKER: Keep going.

MR. BERNSTEIN: You can't go to Congress every year and say, well there's more inequality so we need more ETC, more CTC, more work support, we have to continually ratchet up the redistribution function, and you especially can't do that, if you are pursuing some of the tax ideas that I suspect some of the people on this Panel, not me, and not Neera, probably, some of the tax ideas that will --

MR. HOLTZ-EAKIN: What are you proposing, David?

MR. BERNSTEIN: -- that will reduce the revenue base. So, you also have to be mindful of the primary distribution, you can't do everything through the FIS, you have to pursue policies that will tighten up the job market enough so that middle- and low-income people have more bargaining clout, more bargaining power so that their paychecks begin to rise more in step with productivity before you get to a redistributed solution.

MS. TANDEN: Can I just follow up on that --

MR. WESSEL: Let's have Glenn, and then Neera, and then you get a chance.

MR. HUBBARD: I want to comment on this, but also by agreeing with something Jared said earlier, when he pointed to infrastructure. This is an example of what I was saying about resetting expectations. One of the errors the Obama administration made, in my view, in infrastructure was the targeted time with temporary mantra, the shovel-ready mantra, when what was needed was resetting expectations in long-term commitment.

I think that would be a very good idea. I don't think it principally for the demand reason, although I think it will help there, but I think it will help in terms of resetting expectations and throw that in as agreement.

MR. WESSEL: Let me go to Doug, so he can get a shot at this one.

SPEAKER: Oh, I'm sorry.

MR. WESSEL: No. Go ahead.

MR. HOLTZ-EAKIN: So, I want to just echo what Glenn just said on the infrastructure piece, I mean, I was just a bipartisan Transportation Reform Commissioner a while back and, you know, our problem has been that we worry about gas tax versus non-gas tax financing which is a sort of a sideshow in my view, and we just try to put more money into the existing structures. These structures need deep reforms, and we just spend this money much more effectively and get better infrastructure, and look at it as a long-term issue, not a short-term stimulus.

MR. WESSEL: The middleclass wages, what about Social Security reforms?

MR. HOLTZ-EAKIN: Then the second leg I would say, the necessary condition is that we grow more rapidly, and I want to 100 percent agree with Glenn on that. If you look at the U.S. in the U.S. in the post-war period, per capita income grew rapidly enough so GDP per capita, that the standard of living doubled roughly every 32 years. So that meant in a person's working career, you could imagine reaching the American dream, whether that was sending a child to college, or buying a home, or getting a vacation. Whatever that might have been, that was a lifetime feasible thing.

Given the projections for future growth coming out of the CBO and population growth, that’s now 58 years. So, the American dream is way off in the horizon, and they are necessary --

SPEAKER: But people are living longer, so that could still --

MR. HOLTZ-EAKIN: Yeah. So, you know, a necessary condition for success is going to be more rapid top line growth. The best anti-poverty program we've ever seen, it's like the late '90s, is tight labor markets, drawing people into raising their ability to work, and (crosstalk) --

MR. WESSEL: Great. So, the President says, I agree with you, I want to increase growth. So, what are you going to do?

MR. HOLTZ-EAKIN: So, do the tax reform do the entitlement reform, because right how we are on an anti-growth path. I mean, we are heading into a debt spiral, that’s an anti-growth thing, you can't solve that by raising taxes, we are going to have a trillion-dollar deficit, we need a trillion-dollar geared to higher taxes, so you are going to have to control the outlay side of the ledger, you are going to have to do the things that spur work and growth.

MR. WESSEL: We'll come back in minute. Neera?

MS. TANDEN: Yes. So, just to follow up on what Jarred is saying. I want to totally emphasize the pre-distribution problem, but to bring it back to the primary --

MR. WESSEL: When you say the pre-distribution, do you mean the market distribution or the government distribution.

MS. TANDEN: Yes, the market distribution and income, right. You know, and it would -- from this work we did on the increase of Prosperity Commission Report, I think there is a theory in the United States that there's just these global trends, and there's nothing we can do about them, but actually if you look at other countries, we have a particular pre-distribution problem in the United States, so other countries are able to produce market lead gains for the middleclass better than we are.

We've had stagnant wages over the last decade, other countries, Australia and Canada, as well as Nordic countries, but not just the Nordic countries have been able to produce those gains, I think that’s for a variety of forces, one of which is that, workers have more power and skin at the lower end of the income game.

But I think if yo8u actually, you know, I don’t like Donald Trump, I'll state that right now. I think a lot of his messages abhorrent, but if you actually look at the language he has about trade, corporate profits, I think one of the single challenges we have right now, and it's disillusioning to both, many Democratic and many Republican voters is that, corporate profits are very high, and worker's income is very low, and so this breakdown between profitability of firms, productivity in the economy, and workers for the bottom 90 percent ability to garner any of those benefits, is definitely disillusioning about the kind of promise we think the American dream offer --

MR. BERNSTEIN: Wait, a quick thing I want to say. By the way, Donald Trump --

MS. TANDEN: And I think that is happening on both sides.

MR. BERNSTEIN: Donald Trump very weirdly said recently, the problem is wages are too high, which was very confusing.

MR. WESSEL: Donald Trump weirdly said recently, is a sentence that could apply to many things. But, Glenn, I wonder if you could speak to Neera's point. So, Neera is suggesting there's something about the current state of American capitalism, that the rewards are going more to capital and less to labor, and that there are things that government policy can do to strengthen the hand of labor. Do you find that analysis compelling or not?

MR. HUBBARD: I think at the 50,000-foot level, yes, closer to the ground, no. So I think there are global forces, I would put technological change at the top, followed by globalization that are leading to these trends are not American trends they are global trends. But I do think there is a significant reason to be concerned, to my mind, it's about empowering the skills of people who are emerging into the economy, trying to get a job, and we failed with that, not only in the educational system, but what I would call vocational training as well.

That's where I would be putting my emphasis much less on concern about how many billionaires there are. I suspect if I ask this audience, would you like to have 50 more Bill Gates or Steve Jobs, I suspect you'd probably say yes, I don't know; even though that might increase in equality. I think the concern is not so much inequality but the lot of the least-well off among us.

MS. TANDEN: Yes, so let me -- I just need to respond to that, just to be fair here. I'd say I completely agree with you. In the 1990s we had rising inequality, but people weren't as angry at it, because the bottom 90 percent were getting some of the gains. The problem in the -- I completely with the argument about too many rich people versus too many poor people can be stilted.

We can be concerned about that, but the problem we have in this economy, is that the middleclass that the poor, are not gaining from economic growth, and it is like factually based and most of the wealth is moving to the top. And I think the reality of that, is that I hope we can all agree that it would be great if we could get more economic growth for the bottom 90 percent, but I think we should recognize that it is a problem that it is going all to the top.

MR. HOLTZ-EAKIN: So, I think there is -- in fact, I know, because Brookings and AEI last week put out a report, of a Commission that they report to try (inaudible), a bipartisan approach to alleviating poverty and helping low-scale workers. And that recipe, I think, is agreed upon by both left and right. It has to do with the skills whether they are academic, or vocational, it has to do with family structures and making sure that people don't have children too quickly, and before they are prepared to, and, you know, there is a recipe there, but it's going to take a long time.

You know, if we get a really good educational reform, in 18 years we'll start to see the fruits of that, as people enter into the labor force, and so, the political system doesn't have a lot of patience for that. I think that's important work, and the next President should be able to walk and chew gum, and so do the things that we are talking about for top line, but I'll also take care of this stuff, which is so essential for the long-run success.

MR. BERNSTEIN: Can I weigh in on this discussion?

MR. WESSEL: Yes, please.

MR. BERNSTEIN: There's just so much on the table here, as one might have suspected, I want to try to bring it back down to this idea of what you recommend to the President. I don't think that you can, again, get too high up in your altitude in terms of 50,000 feet when you are thinking about these issues, especially at the level of advising the next President. So, the idea that there could be a bunch more rich people is not anathema to me or anyone up here, but it's not just because they are really skilled or they come up with a great, new idea like Steve Jobs did.

There is an inequitable structure built into the economy right now, such that many of the folks that we are talking about here, are extracting significant rents, meaning levels of profitability that go way beyond what efficiency would dictate. So, if we are going to have more inequality, and more millionaires and billionaires, we are going to have to make sure that they are taxed accordingly, so that we have the revenues we need to do the kinds of things we are talking about here.

Whether it's work supports, whether it's wage subsidies whether it's more training, whether it's infrastructure, so that's part one, but I also think I would advise the President to take steps to dampen the kind of rent-seeking that we've seen particularly in the financial sector, and actually there are ideas on the table that both Clinton and Sanders have put forth that I would endorse, that would have to do with strengthening financial market oversight.

MR. HUBBARD: Yes. On this point, I think that I'm not terribly sympathetic to where you started on the tax piece, but I'm very sympathetic on competition policy and rent-seeking. We need to have a competition policy that makes sure that if you get rich in America, it is because you had a better idea that's sustainable for some period of time, not simply that you've been able to successfully use the State to block people out. The financial services industry has had a lot of rent-seeking and I do think we need to focus like a laser on rent-seeking and competition --

MR. BERNSTEIN: How about a state tax --

MR. WESSEL: Can you just -- For people who don't know, define rent-seeking.

MR. HUBBARD: The Reagan thing.

MR. WESSEL: Define rent-seeking. Define rent-seeking.

MR. HUBBARD: Rent-seeking would be using -- rather than using the -- Jared and I are competing with one another using our competitive smarts to fight, I go to the regulatory authorities and try to use them to block him.

MR. BERNSTEIN: Probably the only way you could win that fight is to (crosstalk) --

MR. HUBBARD: For sure.

SPEAKER: You go to the moderator and you have him turn you off.

MR. HUBBARD: The formal way is to go the latter way is socially very costly.

MR. HOLTZ-EAKIN: So, this is one of the reasons, that I, at least am concerned about Trump and other businessmen in political life. My experience in two White Houses you know, and on the campaign, especially, you know, you get these very successful business people, they roll in and they want to dictate what policy is going to be. Well they got successful largely by creating monopolies, and so their idea of good policy is, let's create a bunch of monopolies, and it's a disaster. And so we do actually have to have -- used our regulatory apparatus to enhance competition, not to restrict it, and generally, that's not what they are for.

MR. WESSEL: Glenn, you have talked about aspirational goals, and raising the expectations of America.

MR. HUBBARD: Yes.

MR. WESSEL: And that seems like a good idea. We certainly don't what to have the opposite. But can you explain exactly how you look at this 4 percent growth target in the Bush plan. And is it just a goal to make us feel better so we try harder? Or, do you think that over the next, say, five or six years we could actually achieve 4 percent growth?

MR. HUBBARD: I'm going to try unpacking a couple of parts. I think over the course of a recovery, the one that we went through, we could have grown faster. Typical recoveries have faster growth with better policy we would have faster growth, even 4 percent. If you are asking me a longer-term question, do I think the U.S. economy can grow over the next 50 years at 4 percent? I think that will be a real stretch.

To me, the debate, and still huge for our economy is do you believe with the gospel of secular stagnation, that we are stuck at 2 percent or less? Or, do you think the high 2s, or 3 percent are possible over a generation, are vast differences. That's the debate we need to be having. I would salute any politician who aims for a number and says, let's go there, as long as he or she can connect it to the American people on what that means. But growth should be center of this debate, 2, 3, or whatever your number is.

MR. BERNSTEIN: Can I say -- So, I think that that's -- I think that his whole growth discussion is somewhat unfortunate in the following sense. I mean, it's great to aspire to higher growth rates as David suggested, but you don't really have a realistic discussion, especially among, you know, somewhat technocrats that are up here on the stage, unless you actually break down what it is you are talking about. Otherwise, you get, you know, Bush saying 4, and Huckabee saying, you know, I'll raise you, and going for 6, and what's --

MR. HOLTZ-EAKIN: Trump is at 10.

MR. BERNSTEIN: Yes, okay, well there you go. So it's all about -- very simply it's all about productivity growth and the growth of the labor supply. I mean, that is a very simple and worthy economic identity to keep in your head. So if we are talking -- we can talk all day about aspirations, but we really have to talk concretely about what will boost either productivity growth or labor supply, and there I think, we are into -- Again, some of the granular things we were trying to get to before.

Whether it's ideas that will help get us to full employment, ideas that will diminish rents and thereby increase efficiencies. I'm happy to talk about tax reform though I think we have very different ideas about that. Again, I think at the key -- at the heart of tax reform we need new revenues so that we can improve our infrastructure which would be productivity enhancing. There is immigration debate in there vis-à-vis labor supply. So those, to me, are the granular directions to go in.

MR. HUBBARD: Yes. On productivity, I think, Jared is absolutely right. So let's frame it. The post-war Halcyon days of productivity till the early '70s, have labor productivity, 2.5, 2.6 percent. There was a period in the early 2000s matching that, later numbers are about half that. The question is, what's possible for the American economy? I would argue that going back to those better days, is easily possible. Part of what we are seeing I think is a hangover from the financial crisis, part of it is measurement.

To be candid we have steel and wheat national income account system for a very different economy, and part is the fact that I think we are still at early stages of the development, and a lot of the general purpose technologies that we have. So, I think there's every reason to be optimistic about productivity. Even on hours worked, which I think people tend to think of as immutable. I don't think so.

We can encourage older workers to work, we can help low-income people work, so I think on both those margins, there's an optimism particularly productivity.

MR. WESSEL: Directly, turn to the tax reform. So, Jared has made the point that we need tax reform to raise revenue. Glenn has made the point that the most important thing, the goal on tax reform is to get the economy growing faster. Where do you think we -- if we are going to do tax reform, either business, or personal, or both, what should be the objectives?

MS. TANDEN: I mean, to me they are not an either or, actually. I mean, to me, I think the idea of tax reform is to (inaudible) have the revenue base that you need, but also faster economic growth over the long-term, and ensure that you have a -- we do actually have to ensure that we have equitable distribution. We should also ensure in tax reform that some of the things that are actually reforms are rent-seeking. You know, the tax code is one of the ways in which people are rent-seeking, those we eliminate, right.

So, the tax code favors some business over others, you know, that all should get very much streamlined. We will probably have a disagreement about whether you can really be revenue-neutral for corporate tax reform or not.

MR. WESSEL: Well, your view is that we should not be?

MS. TANDEN: Yes.

MR. WESSEL: You feel as though we should raise revenue, the corporate tax -- the business tax reform should raise revenue?

MS. TANDEN: Yes. My view is that corporate taxes, as a share of revenue have declined, and that I think most people in America would find it odd, that at a time the corporate profits are high, we have there, being less contributing revenue.

MR. WESSEL: If we did individual tax reform, that should be -- also raise revenue or not?

MS. TANDEN: Individual tax?

MR. WESSEL: Yes.

MS. TANDEN: Yes. We should raise revenue for the highest rates, and so ensure that we actually have it, what we need to do.

MR. HOLTZ-EAKIN: I'm with Glenn, in that I think, you know, you can't do everything in tax reforms, and that's one of the things that happens, you are just trying to do too much. So, figure out what you want. I think that the primary objective should be growth, that's our greatest problem at this point in time, you know, you should design the tax form to do that. You will have other distributional objectives, you have other things to take care of them, and we have lots of programs on the outlay side for that.

So I think that's the key. As a matter of fact, just the realism, I think, number one, you know, the route to higher revenue, which I know some on the left want, is through tax reforms. You will not raise more revenue using our broken tax system. And so you've got to get something done on the tax form side.

And for the Republicans, I would say, the following is the state of play. As much as we might want tax reform, it is at the moment, a discussion among the elites. I mean, if you go back to the '86 reform, it began in the 70's with Bill Bradley, and Dick Gephardt on the left; saying the American tax code is harming us. It's making it bad for Americans, and we need to fix. And on the right, Jack Kemp and you have a lot others, and it took 10 years and a President running for reelection to make that sale at the retail level that the average American believed that the tax reform would be good for them.

That sale has not been made in the U.S., and it will be interesting to see in this cycle, if Republicans can make that case; because if they don't, we are not going to see tax reform, not on the individual scale.

MR. BERNSTEIN: There's nothing I hate more in this policy debate than the U.S. tax debate. I just think it's terrible, I think it's incredibly puerile, the idea that you can -- we can argue about how we should fund the transportation system, Doug has some interesting ideas, but the idea that you have the transportation system you want on a Federal gas tax, which funds the Highway Trust Fund, which has stayed where it was in nominal terms since 1993, is magical thinking.

And I blame both sides now, and here if I'm recommending a President, I'll probably get fired pretty quickly, because I found it, I think, very off-putting, when Bernie Sanders said, I have this, you know, really very massive, progressive agenda but, you know, I'm going to pay for it. And Hillary Clinton said, well, you are going to raise taxes on the middleclass and said, I pledge not to raise taxes on anyone above 250,000.

Now that’s the top 3 percent of the income distribution. So the tax debate at this point is so horribly cramped, that if you are a Republican, and I'm not necessarily talking about the guys up here, because I think some of what they are saying has resonance.

MR. WESSEL: But only some?

MR. BERNSTEIN: Only some. If you are a Republican you are saying, well, you can't raise taxes, in fact we are going to lower them. Quite massively if you actually look at the plans the Republican candidates put forth, I'd say very consistent with everything you’ve heard up here today, including from the Republicans, and if you are Democrat, you say, well, you can only raise taxes on the top 3 percent.

Now I'm not running for office, and Secretary Clinton is, and she knows things I don’t, and maybe that’s how you have to get elected nowadays, but that still makes it a ridiculously cramped debate, and I think we can't possible get to where we need to go. Just on demographics alone, forget about new ideas,

MR. WESSEL: So, Glenn -- So, Neera and Jared are arguing that we have to increase tax revenue, and I think they mean increase it as a share of GDP, do you agree or not?

MR. HUBBARD: I don’t, but it's because I want to get back to where Doug started this discussion this morning. The primary fiscal policy decision is spending; taxes and borrowing, now we are talking about mechanics of paying for the primary decision. The American people have to decide the size and scope of government. If we want the government that we are on autopilot, we will have to have much higher revenue, and I mean much higher revenue, and the notion that it can come from the top 1, 2 or 3 percent, is (inaudible).

MR. BERNSTEIN: I agree with that.

MR. HUBBARD: And so basically, that's the choice we have to make. Tax reform is, once we've decided how big and how broad we want government to be, what's the best way to do it? To me a broad-based consumption tax gets it both sides that shoots the lowest efficiency cost, and the largest states, our European welfare states, are funded principally from such a tax. But I think we need to be clear, that while we all like to talk about tax reform, in some sense the voters have to make the decision about government first, then we can talk about tax.

MR. WESSEL: Okay, let's turn to that. One of the drivers of future deficits is health care spending.

MR. HUBBARD: Correct.

MR. WESSEL: So, have we done enough to restrain the growth of health care spending, if not, what more do we need to do?

MR. HUBBARD: Why is that the right answer? To me, if you look at the other five-sixth of the economy, traditionally we talk about value, so if you ask what share of GDP is the (inaudible) SOUP market, we don't pay a lot of attention to that, because we assume the market gets there, and it gets --

MR. WESSEL: Do you think we are getting good value for health care now?

MR. HUBBARD: I don't, but that's the pivot that I want to make. It's not to me about how, what share of GDP it is, but about value. I think we've made some improvements both in the public sector and the private sector in recent years that have taken level effects out of health care costs. Reducing the importance of third party pay at the margin, high deductible plans, greater co-pays, all of that is there.

The American people have to decide how much other restraint they want. A lot of the growth and health care spending comes from technology improvements. In most of the economy, we don't think about having the latest and greatest, because we can't afford it, but in health care we all feel that way. So we really have to have that discussion. But I think there's more we could do in the way we finance health care, and in the structure of care and insurance markets, to continue to take level effects now, although I'm skeptical that we are going to change the rate of growth that much.

MR. WESSEL: Neera?

MS. TANDEN: I mean, I would note that the dramatic declines on the deficit has been, in part, large measure filled by the lower health care costs over the next -- over the next decade --

MR. WESSEL: A slowdown in the growth.

MS. TANDEN: A slowdown in the growth of -- but that's been in -- in (inaudible) terms that's real money. So I think the challenge we are seeing, if Doug disagrees with that as a former CBO Director, that's the --

SPEAKER: There's no real money there for that.

MS. TANDEN: And then we have seen over the year, that certainly we've got declines from the same thing. So, I think -- You know, I think that the reality here is that, clearly, we can have a lot more value in our health care system, and the system is clearly the optimist mode is that the system is reforming itself in many ways, that the structures are transforming so that we are creating incentives in the private sector to really health care costs.

You know, here, this is an interesting challenge, right, so from caps perspective we were looking at this -- at the fact that people are still so focused on health care cost, and if you ask people their number one health care concern, it's high health care cost. At the same time that we've had national health care, expenditure is moderate and the rate of growth has been at a historical low.

So let's unpack that, and it actually gets to something that was just referenced. People feel like their health care costs are high, because their health care costs are high, because of high deductible plans, deductibles have actually increased dramatically. They've gone from the average of 200 to $1,000, and over a decade. People, incentive structure we wanted to create, which is to have people own their health care costs, is also driving their anger at the health care system, right.

They are paying more and more for their health care costs, and employers are shifting cost to them. Now, the positive of that, is everyone has skin in the game. The negative of that, is, as a policy matter, that there are people who are not using the health care system who should because of high deductible plans, but also it's another way in which workers feel that very little voice in the system that they are just kind of getting the shaft.

If you look at national health expenditures, the people capturing the reductions are employers and providers, workers are last.  So this is another way in which we have to think about, not only how we do this --

MR. WESSEL:  Right.  So, on the last here -- So it's the policy prescription to make people pay more for their insurance, so that they have even more incentive?  To somehow make them pay less to do -- What would you do differently than what we've done before to right this balance?  Not what people feel, but what the policy should be?

MS. TANDEN:  Well, the actual -- In my view, the actual policy should be that when we have national health expenditures decline, both employers and employees should benefit from that, because workers have little bargaining power employers are able to capture the gains.  I'll send you a paper on this topic that we did.  So, I think the issue here is --

MR. WESSEL:  What lever do you pull?

MS. TANDEN:  What lever do you pull?  You can use transparency; in fact if people don't really have a clear transparency on their benefits, and the value of their plans, you would use one way to pull it.  But I think the issue here is we definitely need to have national House expenditures lower.  The challenge we have, I think we have to think from a policy perspective, is ensuring that everyone gains from that.  Not just employers and --

MR. HUBBARD:  Can I come back in on this?

MR. WESSEL:  Okay.

MR. HUBBARD:  Because I just don't buy -- I was born in 1958, so if you gave me a choice between 1958 health care at 1958 prices, and today's health care at today's prices, I would choose today's health care and today's prices, even though the theory of price deflators says I should be indifferent.  That says that on average there's been a lot of quality improvement in health care.

MS. TANDEN:  Mm-hmm?

MR. HUBBARD:  So on average that statement can't be right.  What we want is that the margin for it to be right. And that's why these incentive effects are -- but the notion of health expenditures higher or lower, is kind of average statements, those are like (crosstalk) share of GDP.

MS. TANDEN: But how do you compare that to every other country. I mean, other countries have high-value health care plans, and spend --

MR. BERNSTEIN: She's talking as a share of GDP.

MS. TANDEN: Yes. I mean obviously soon --

MR. BERNSTEIN: Wait a second, can I weigh in here? Look, I want to just say that for the record, I think that Obama Care (a) is working really well, and having much the intended effects that those of us who helped in its architecture, believe it should. But moreover, I wager that any replacement plan, that all of those who want to repeal Obama Care, and I'm not sure where you two guys, are Glenn and Doug, I suspect you are in the repeal camp, I suspect that any -- that the architecture of any plan that we really haven't heard much about, because it's always repealed without much of a replacement, would be very much the same.

Because if you are going to cover more people, you have to have to have risk pool, and if you are going to have a risk pool, you have to have mandate. And if you have a mandate, you are going to have to have some sort of subsidy to help people who can't afford to meet the mandate. Now, you can tweak it on the sides, and I know the Republicans want to do this, by covering fewer people and making it cheaper. And that's the kind of decision I think Glenn was just honestly talking about, but let's flesh that out.

I mean, it's one thing for Glenn, I think, to very accurately say, we've got to have an honest discussion with "the American people" whoever they are that says, you ant have this much for that much, and that's what I hear, especially the Republicans, I must say, saying to people, whether it's health care or pretty much anything else.

MR. WESSEL: Okay. But, Jared, so I think it's clear that the objective the primary objective of the Affordable Care Act was to ensure more people.

MR. BERNSTEIN: Which it has done.

MR. WESSEL: And it has done that, right?

MR. BERNSTEIN: Yes.

MR. WESSEL: But if the objective is to do as Glenn suggests, to get more value for the money we spend, or as Neera suggest, to contain the share of GDP and health care, are you persuaded that what's happened is all because of Obama Care and we just have to kind of keep going and be patient, and everything will be okay. Or do you think there's more we have to do to squeeze value out of what we spend?

MR. BERNSTEIN: I think for -- I think it's probably more, I'm sure there's more we have to do to squeeze more value out of our health care dollar. We are not there yet, and I think I'm with Neera, where I think she was going, correct me if I'm wrong, is that, you know, we spend 17, 18 percent of our GDP on health care, and other countries spend 8 or 9 percent, and it looks like their quality is pretty much analogous to ours.

MS. TANDEN: Or better.

MR. BERNSTEIN: So simply by that -- or better -- So, simply by that metric we have a long way to go, so we have to do more squeezing. My point is that the type of squeezing that we are doing in the ACA is really the only type of squeezing you can do. Now, you could try to have more skin in the game, and that might be more squeezey, but I think that would violate our kind of living standards ideas that we've talked about. You look confused. Do you want me to elaborate what I'm saying?

MR. WESSEL: No. If you squeeze out unnecessary care, you haven't hurt my living standards. The trick is to get the incentives right.

MR. BERNSTEIN: No. I'm saying that one way you could do that is to raise deductibles and put -- you know, give people more skin in the game, that would help -- At one level that would help increase efficiency, but the cost would be that people would be --

MR. WESSEL: And so your alternative is?

MR. BERNSTEIN: Is to continue doing what we are doing.

MR. WESSEL: Okay.

MR. HOLTZ-EAKIN: So, on this topic I would say -- I'd like to say, one big-picture thing about how this is going to play out, because this is -- I think the political climate of this is really going to be very interesting. As I said, the autopilot is unacceptable, every candidate who is running right now, no matter what they are saying has some nerdy guy like running around saying, sir, madam, very bad, in 2024, your legacy will be very bad unless we change course. You've got to do something about it. So, in the next eight years, after the election, there is going to be the need for changes in these entitlement programs, no doubt about it.

MS. TANDEN: And so, what is the "this"? Social Security, or what is that?

MR. HOLTZ-EAKIN: Social Security, Medicare, Medicaid, federal health programs in particular, and I want to come back to that, that's the detail. So that changes completely the dynamics we are seeing this time, because we are going to have by necessity, White House leadership on this, because that's going to define the legacy, and it's not going to be a choice, the President is going to have to do that, and so that makes it way easier for Congress, we need that kind of air cover, you know, to be able to go back and say, the President asked us to do this, we didn't want to do it. The President sends a proposal, and they say, oh they are all wrong, we'll fix them, we are brilliant people. And that helps the Congress function, tremendously.

At the grass roots level, there is a huge demand now for entitlement reform, which has never been true. There's never been anyone who is for entitlement reform, except me. You know, the budget geeks, the lines diverge, I'm very upset with the entitlement reform. A lot of people didn't want entitlement reform, but now the defense, and non-defense communities know, they are not going to get any money. I mean, we've codified it with the cast, but it was a budgetary reality before that. There's no money for them unless the entitlement programs get put in, and box them under control. And so we now have --

SPEAKER: A locked box.

MR. WESSEL: That worked well.

MR. HOLTZ-EAKIN: Whatever, you know; we have advocates for entitlement reform now.

MR. WESSEL: The defense contract.

MR. HOLTZ-EAKIN: I mean, there's the defense community, it's clear, they are (crosstalk) people, they are they are, believe me, but there's also the non-defense entity, and I actually spoke on this topic to the Non-Defense Discretionary Coalition. The single worst-named coalition in Washington, but that's what -- I mean, they understand this. This is a good discussion to have because we are actually are going to go through this as a nation.

MR. WESSEL: All right, let me just --

MR. HOLTZ-EAKIN: Now, I want to finish this.

MR. WESSEL: Okay.

MR. HOLTZ-EAKIN: Here is the detail, right. The lever you can pull to really fix things, are number one, Medicare, which is the biggest player in the country and dictates practice patterns all across America, and that's where low value, you know, fee-for-service medicine comes from. And so, you've got the levers and the great disappointment, I'll use that word, of the affordable characters, that because it used Medicare as so much as the pay-fors, and it became so political toxic, we've had Medicare reform stalled for a long time. We need to get out of that and start doing better on Medicare, and I'm happy to go through the details for you.

Now, the same is true for Medicaid. You know, Medicaid is not a great program, yet it's the core of the expansions. Indeed it's going to be the dominant part of the ACA expansions, because exchange pools have stalled, and they have a questionable future, since the young and healthy didn't show, up, and now they are not showing up, so, you know, Medicaid reforms can be really important. Those are the levers to pull.

MR. WESSEL: And I want to raise two other issues before we turn to the audience. The first is the Fed. So, the Fed is clearly going to raise interest rates in December, and is promising them, to raise them gradually thereafter, subject to revision. Is that the right thing for the Fed to do?

MR. HUBBARD: I think the Fed should have acted even earlier, but my concern for the December Meeting is not whether they will or won't, because I think they almost surely will, but we still don't have a roadmap for where policy goes. And I say roadmap deliberately. There's currently a rules versus discretion argument about the Fed, members of Congress want a firm rule, the current Fed is just absolute discretion. I think in between is a roadmap where the Fed says, here is where we are going, here is the destination, here is the best route.

Over time, if the best route changes, we'll tell you, and we'll talk to you about that, that's just not a conversation we are having from the Feds, so I hope that as soon as we see the rate hike in a week's time, we start to see that discussion, it's simply --

MR. WESSEL: What do you mean by a road -- So you don't think they should write the Taylor Rule into law?

MR. HUBBARD: I do not.

MR. WESSEL: Okay. So what is it do you think they should do differently?

MR. HUBBARD: I think they need to tell us what they are looking for. Are we looking for a particular neutral real interest rate. Are we looking for a particular outcome, in the labor market. What are we looking for?

MR. WESSEL: You don't think saying we are looking for looking for 2 percent inflation is sufficient?

MR. HUBBARD: I don't. And that's not the Fed's mandate, that's the ECB's mandate. The Fed actually has multiple things that it's supposed to be doing, and it really hasn't articulated to the Congress, exactly what that roadmap is. Now, inside the Fed, the view as well, you know, discretion, gives us the flexibility to respond, but I would argue it gives way too much flexibility, and unfortunately invites the political attacks on the Feds hat we are seeing right now.

MR. WESSEL: Jared?

MR. BERNSTEIN: Well, I think Glenn is raising a bar that is interesting at one level, but unrealistically high, in a way that I'll get to in a second. I think if you look at the indicators of the kinds of -- decision points that the Fed makes, it's actually harder than you think to justify even a small increase at this point, even a quarter point which we are likely to see in a few weeks. Not only is the Fed missing its 2 percent inflation target, but they are increasingly missing that target and they've been so for many years. There's still an output gap, meaning, actual GDP is 3 percent below potential GDP, that's north of $500 billion right now, and if you look historically, the Fed has consistently held at low rates, even zero when they are faced with this kind of -- these kinds of gaps.

That said, I've written a ton about this, my blog, JaredBersteinBlog.com, I commend to you.

MR. WESSEL: But you don't have to send money? It's not a like a political campaign, right?

MR. BERNSTEIN: No, no. It's free.

MR. WESSEL: Just checking.

MR. BERNSTEIN: Free advice, worth what you pay for it. And I've written a lot about this, and I was recently pointing out, I wrote a piece called *The Seven Year Itch*, which, it's going to be on December 15th, it's going to be exactly seven years from when the Fed went to zero. I think that given the forward guidance, and given this big decision of when are we going to lift off or not, you know, I've come to live with this idea, that there's going to be a 25 basis points increase.

I think what matters after that is the past, which I believe should be daily driven and shallow, and then only get my critique, of Glenn's point, your request is not at all unreasonable. The problem is, economists just don’t know. The Fed economists don’t know, and they’ve got hundreds of the smartest -- they are, they know what the full employment rate is for unemployment. They don’t know what the neutral rate is for the interest rate, it's moving around.

They think that temporary factors having to do with energy prices, and the strength of the dollars are jamming the system, but the Phillips Curve, which has been a long-term workhorse, the kind of decision rule that the Fed has used is --

MR. WESSEL: The Phillips Curve being the relationship between wage inflation and unemployment?

MR. BERNSTEIN: Yes. Price inflation and unemployment, and these relationships are broken down, so I'm talking to an august macroeconomic professor here, macroeconomics --

MR. WESSEL: It doesn’t seem to have restrained you at all.

MR. BERNSTEIN: Well, yes, I am unrestrained in my critique of current -- the current state of macroeconomic thinking that, you know, macroeconomics is in a very tough weigh-in, and an honest Fed economist will tell you as much.

MR. HUBBARD: Just to come back on this. I think we are asking way too much of the Federal Reserve, and in fact to get at any of the issues that Jared rightly points to, these are issues for the government and for fiscal policy. I don't know of anyone who believes that the currently cost of capital is restraining business people's eagerness to invest, and so I don't think the Fed policy, that need from that regard.

My concern is that next spring, we are probably looking at an unemployment rate of call it, 4.7 percent with the reversal of commodity moves inflation back at 2 percent and then economy growing at its potential, at least a CBO would define it, and or maybe even a little above, is the economy on life support, (crosstalk) monetary policy, and at the same time, we are sending all kinds of crazy signals for credit allocation. I have the second economic fears that Jared has, they are just not solvable on the monetary policy.

MR. HOLTZ-EAKIN: The only thing I'll say about that is that is that every forecast, at least from the Fed, and other private forecasters as we'll, for inflation doing the kind of (crosstalk) that Glenn just suggested, had been wrong for literally seven years running.

MR. WESSEL: Okay. I was going to change the topic, unless you guys feel -- All right, do you want to talk about the Fed?

MR. HOLTZ-EAKIN: I wanted to say, I'm worried about the Fed as an institution. I would agree with what Glenn said, by and large. I think if we rode out the next two years of GDP growth unemployment, and inflation with perfect foresight, no one would know what the Fed would do. And that's a problem.

MR. WESSEL: Why do you think that --?

MR. HOLTZ-EAKIN: But my bigger concern is that the Fed was once the preeminent monetary authority on the planet, there wasn't any question about that. And through the crisis, and in the crisis I thought it was our best policy response, period. I did more than anything else; forget TARP, forget all that stuff, it did a great job. Yet, it now finds itself in all sorts of political hot water, and that bothered me. I think its independence is very much at risk.

One of the mistakes I believe of Dodd-Frank, was to turn the Fed into an UBA regulator which, you know, expanded its role, and when the regulated get upset with the regulator they now have a court of appeals called the U.S. Congress, which invites the Congress reaching into the Fed. So, the current dynamic, I think, is quite unhealthy.

MR. WESSEL: So why do you think Republican candidates have been so harsh on the Fed. Two of them want the Gold standard, I think no one ever stands up and says --

MR. HOLTZ-EAKIN: I'm not a psychologist, I have no idea.

MR. WESSEL: Okay.

MS. TANDEN: You know, I guess I would just broadly agree that obviously governmental policies, we have a situation where, truthfully, we have a dysfunctional Congress, and a dysfunctional Washington and the Fed is stepping in, you know, in response. I think it's weird that our response to that is, the Fed is terrible. I mean, what's really happening here the government -- there are things the government should be doing instead. Obviously everyone agrees we should do infrastructure investment, and that would be tying up the labor market.

Yet, no one has been able to get that accomplished in Washington, and truthfully the Fed is responding because no one else is responding, and the truth and say, it would be great --

MR. HOLTZ-EAKIN: First with the (inaudible), we are good.

MS. TANDEN: No, no. I agree. Okay, great.

MR. WESSEL: All right, one more question and we'll turn to the audience. When Bill Clinton was elected, 25 years ago, I don't think that he had to look at China as a major economic rival to the United States to the extent it is today. It's clearly something that both American workers and business worry about. What do you like about our current policy to China? And what, if anything, would you recommend that the next President do to make sure that we have a healthy competition that leads to better lives for both the Chinese and the Americans, and not a tilted one?

MR. HOLTZ-EAKIN: I think that the Trans-Pacific Partnership, trading was a very important step, and I guess that will be the number one. You know, I'm not super fond of many of the business' view of China as this sort of nice, friendly market where they can go make a lot of money. I think that the Chinese are, they don't share our values, they are playing a long game to -- for world supremacy, and I do not view them as anything like an ally.

And I think, while historically we've been at our best in those circumstances, the Soviet Union comes to mind, when we have knitted together an alliance of those who have a set of shared values on both economic and more strategic concerns. So I think TPP is exactly that. I mean, I would love to believe that the tremendous post-war gap, the WTO rounds were driven by, you know, realization, the trade is great, the economists were right. But it really wasn't true, it was driven by fear of the Soviet Union, and I think we have to think about China in the same way.

MR. WESSEL: Glenn?

MR. HUBBARD: I would say that we have wasted a lot of policy time, economic policy time with China by focusing entirely on the currency, for years, and across multiple -- administrations of both parties. China's big concern for China and for the world I think are the rot inside its financial system, and domestic economy. First of all, China's debt levels are extraordinarily high. It's very hard for an emerging economy to have a happy ending in the situation China is at. But my biggest concern for policy is that -- and I agree with everything Doug said, on the TPP as a counterpart, but my biggest concern is that economists like to say, well, in the long run we know China has problems, because they've done all this negative net present value investment, financial system is a mess. But in the short run, they have all these reserves so everything will be fine.

Well, in economics the line between the short-term and the long term we don't exactly know where that is, and my biggest concern is we could be looking at a massive problem in China, in the next few years, and I don't think our policy community is ready for it.

MR. BERNSTEIN: I really disagree with this notion, and I'm nervous about having my economic Lord Chamberlain moment here, that China is the bad guy that has been touted in public policy; and this is something that both sides do. The Obama administration has been trying to sell the TPP by arguing, we have to do his or China is going to eat our lunch. Secretary Clinton was talking about her infrastructure plan, which I'm a big fan of by the way, arguing, if we don't do this China is going to eat our lunch.

You know, I just don't think that's particularly realistic, and in fact, I would argue that

China is a better place vis-à-vis the United States than it was when Bill Clinton was elected President. Because then, they really were managing their currency big time to the tune of large trade deficits, and we still have big trade deficits in China, but I think their currency is pretty well aligned. I also don't agree that they've got the debt problem that Glenn suggests, and so to the extent that China is our competitor, they are the same competitor -- they are competing with us in the same way any other country is competing for market share around the globe.

Now, they are a very big country and a very aggressive competitor, and I understand that, but the somehow, setting up China as, you know, the boogeyman against which we must pass policy that blocks them, is in my view, mistaken, and I would argue that -- both in terms of economic space but even more min terms of geopolitics, we should really change our framework and think about our cooperation.

MR. WESSEL: Neera?

MS. TANDEN: So, I guess I disagree a little bit with Jared there, to create some bipartisan harmony on the side. I mean I think China's recent actions with its stock market should create a lot of concern, and the challenge we have for China -- the challenge would be between the United States and China is really a fundamental worldview difference. China uses the power of the state, which is very large, to achieve its economic ends. And I think the thing that's been most interesting over the last couple of years is the switch amongst many business leaders in the United States, for a very long time, saw China only as an opportunity, and more and more recognized that China's mercantilist behavior, its actions to preferentially treat its own companies who are often run by leaders of the Communist Party who have a huge amounts of say in the power structure in the United States.

My closest analogy between China's governing government and the United States, is if you imagine the U.S. Congress being our top 50 billionaires and, you know, both of those were collided into one to me -- to me more disconcerting than it is today. So, I think the challenge is a really fundamental one, and you litigate all these issues, like state, and enterprises, and currency and all these other issues, back and forth, but we have a fundamental challenge, which is we are basically operating in a free-market economy, and China is operating in a very different structure, which is using the power of the state to help its economic interests.

And often, we lose head-to-head between companies that don't have the power of the state in particular instances, and Chinese interest. So I think that is just a global issue we have to address, and by continuing and litigating in honest -- on an issue-by-issue basis we tend not to do well overall.

MR. WESSEL: So, Neera, if you could pick the 50 billionaires, would you prefer them for the current economists.

MS. TANDEN: You know, even I would say no to that. That's way too much power.

MR. WESSEL: So, we have a mic here, and one there. I'm going to ask you to keep your questions as terse as you can. Why don't we start over here? Tell us who you are and we'll throw the questions in with a question mark.

MR. KIRSCH: Hi. Good morning. Michael Kirsch. A question about Hillary Clinton's infrastructure bank proposal: Glenn Hubbard, on your website you have an article that critiques that proposal saying that it would probably create the same -- a bubble of long-term liabilities -- maybe that's not exactly what you said -- but similar to --

MR. HUBBARD: That was not Hillary Clinton's infrastructure proposal, at all.

MR. KIRSCH: But if it wasn't yours then it was --

MR. WESSEL: I was critical of it, mildly critical.

MR. KIRSCH: So the idea was that it's going to create too many long-term liabilities like Fannie Mae or Freddie Mac. And my question is could it be argued that the creation of long-term liabilities for infrastructure could be done with much better precision than Fannie Mae and Freddie Mac? Could an infrastructure be done that would not create the same type of risks in the system? And if so, then what type of measures should be incorporated in a new infrastructure bank that would ensure that --

MR. HUBBARD: I did not -- I did not write on this, but I have a view, whether I answer or not.

MR. WESSEL: So, it's kind of like *de novo* you are writing about it now.

MR. HUBBARD: This minute. So, the way I think about infrastructure financing, we tended to think of this as public sector, or federal public sector, all in or all out. Think about this as tranches of cash flows in a project, some of which are risk list, others of which might have some risk, and others of which might be very risky. Normally, in financing we call the risky part equity, and then we put other securities on top of that. So, one way to do this might be to do exactly that, with an infrastructure bank involved only in pieces and then you have much more of a relationship with states.

MR. WESSEL: So, Glenn, first of all it scares me a little bit the trenching of credits. I heard that before, it didn't (inaudible) -- The federal government is clearly able to borrow at very low interest rates and always borrows at less than the private sector. The problem with infrastructure is not financing, it's making sure we have good projects.

MR. HUBBARD: That's why the state involvement is so critical.

MR. WESSEL: Don't you think the states are better than the federal government?

MR. HUBBARD: Much better, much better.

MR. BERNSTEIN: So, I've been mildly critical of the infrastructure part of -- the infrastructure bank part of Ms. Clinton's infrastructure policy, which I generally think it's a very strong proposal, and it's $250 billion over five years, and then another 25 on top of that to capitalize an infrastructure bank. Very briefly, my issues is more the idea that if you have private investors involved in an infrastructure bank and public infrastructure, they typically have to get a return on their investment, and that means that your infrastructure has to generate user fees, and that adds the complication that is not always welcome.

On the other hand, here is the reason why an infrastructure bank is a good idea that you don't hear enough, and this is a government failure problem. The extent of siloing with an agency is unknown to anyone who hasn't actually gone into this. And in my experience, in government we were once trying to talk about a bridge that had a railway going through it, so it was a bridge for all of us, but it had a rail. And boy, that was way more complicated than it should have been, and there's an idea that an infrastructure bank would help to de-silo some of those dysfunctions.

MR. WESSEL: Okay.

MR. HOLTZ-EAKIN: Can I just say, I mean, I'm not a fan of this, but it's on exactly the point Jared was making. This is an attempt to take federal spending outside the political process. That's just wrong. You shouldn't do that. You should make good policy good politics, and you should run it through the Congress and get it done right. This is always the mistake.

MR. WESSEL: All right. I'm going to take two or three questions, and then hope that everybody doesn't have to answer every question. The gentleman right here, and then the gentleman in the front, and then we'll go to this side.

MR. GLUCK: Thank you. My name is Peter Gluck, and my question focuses on the phrase that's been used several times by the Panel. The American people need to decide, because that to me suggests that there's some kind of national referendum on each of these policy issues, when clearly we elect our representatives and senators, and districts, and states, and what they have chosen since 2010 is paralysis. So, how does that affect your thinking about how these economic challenges are going to be decided by policymakers?

MR. WESSEL: Thank you. Can you pass the mic to the gentleman in front of you?

MR. GIRALDO: Hi. Good morning. Paul Geraldo from the University Central Florida. I have a quick question about Bernie Sanders -- the universal health care proposal. Does it make economic sense?

MR. WESSEL: Okay. To this woman on the aisle here?

MS. O'CONNELL: Good morning. I'm June O'Connell. If you accept that since the Great Recession, there was a perception that everyone was hurt, but everyone hasn't recovered equally, and that things are benefitting from overseas. To your original question to start this discussion, what would you say to a President who committed to ending call centers overseas, and pledged to change the tax structure that allowed that, and to pledge to return those jobs to the United States? And a President who pledged to end tax structures that benefited the flight of American equities overseas?

MR. WESSEL: Okay. Yes. So, first, anybody want to stand up for Bernie Sanders health care plan?

MR. HOLTZ-EAKIN: I want to say one thing, (inaudible), I wanted to quickly --

MR. WESSEL: (Crosstalk), quickly, no?

MS. TANDEN: So, I think to be 100 percent fair to Bernie Sanders health care plan, it's absolutely the case that other people have -- other countries have single-parent health care systems, and spend money over -- spend less money overall, and have better health care outcomes; in part, because they can align interest around investments, and prevention because there is a single pair.

He does call for increasing premium -- I mean basically does transfer the premium cost that everyone pays to the government and the individual. So you do pay premium cost. It would then become a tax liability. You know, my own view is that lots of people struggle to get to the Affordable Care Act, and so throwing all that out for the single-parent system, is politically difficult to do, and really not worth it, but I just want to treat it on the merits that a lot of the people of the tax issue and I think it's relevant, it is an increase in taxes, but it's supplants the premiums you would pay.

MR. BERNSTEIN: Very quickly, I'll be very brief, because I have a different view. I actually think, I view Bernie Sanders' plan as Medicare for all. I actually think that's a very good idea. It would -- the fact is that cost growth in Medicare is considerably and consistently much slower than it is in the private sector, so it would actually, overall save money for the economy and increase efficiency, because unlike Doug, I actually think Medicare has made some very important and efficiency-increasing reforms, which I can get into if you want, but probably don't want to right now.

MR. WESSEL: You're right. All right, so the gentleman asked, so we do have a presidential election, and we do choose between people with portfolios of policies. But we do seem to have as a country elected a bunch of people who can't get anything done. So, how does that square with the American people, who need to decide this stuff.

MR. HUBBARD: I think there's two answers, one is, we have to have a discussion, and because the discussion is painful, it will happen only when voters, the media, and so on, force politicians. But we need more. We need more rules in the budget process that do things that may sound arcane from lengthening the window over which a budget is made to putting so-called mandatory spending, entitlement spending on the budget for decisions with overall budget caps.

Once you have rules, then politicians have to make decisions, whether they decide to raise taxes or cut spending, that's political, none of us can help with that, but if you force the choice you'll get the choice.

MR. WESSEL: Is there anything that you see in the campaign so far that leads you to believe we are having that kind of discussion?

MR. HUBBARD: No. Because no candidate -- Well, there are several candidates who have served up versions of it, but we are not hearing a national discussion in large part because we are aren't asking for it.

MS. TANDEN: You know, I think this is -- I mean maybe some -- I guess most of us have actually been on campaigns at one point or other, as advisor or directly on staff of campaigns. I mean, the fundamental challenge we have is we have two different electorates, and a presidential cycle and an off-year election, right? So in the last several of them, 2008, you have one composition of the why people voting, 2010 you have a different composition, 2012 one composition, the second composition for 2014.

And the truth is that the parties -- You know, I don't think there's a failure of political leaders just not negotiating these things, or they are all terrible. Despite what you want to hear, but you hear in politics, the reality is that the parties are farther apart than they've ever been on really core, fundamental issues, and the reality is, in 2016 we face a -- (inaudible) election. The parties are -- the part that's so weird about the moment we are in, is that the parties are further moving farther apart.

I mean, usually you have a presidential cycle, the third term of any party, and the opposing party has moved closer to the center in response. Whatever you say about this, and I'm not -- not to be critical or anything, but the 2012 Republican Party moved to the right of 2008, and the 2016 Debate is to the right of 2012. It is an unusual occurrence in politics for that to happen.

Richard Nixon, in 1968, was far -- had moved his party domestically westward, from Barry Goldwater. So if you think about these things we were, you know, unique only because the parties, and really the people, and you could see it every day in the discussion we are having. So, if everyone in Washington wants to stay political leaders just don't listen, they aren't listening too much.

And the bases of the party -- of the parties, are moving in opposite directions, and I will finish, I will say what I said at the beginning. I think that is because, in my view, there might be a whole host of international issues, et cetera, but I think that is because after 15 years of wage stagnation, the parties are responding in different ways. This will sound a little critical, but I think the Republican-base voters are more anxious about the other, and that's why you see a debate about the immigration, and Islamophobia, all these other issues. That's my sense of it.

Democrats are more concerned about rising inequality than in any point in the last 20 years. And that is really in both parties, and they are moving. So that is why I will say to the next President, you have to solve this problem, because the country, the politics are going to get more and more and more disruptive until you do.

MR. HOLTZ-EAKIN: Can I agree with that?

MR. WESSEL: Yes.

MR. HOLTZ-EAKIN: There's a layer on that. I think that's brilliant analysis, but remember within the parties there's also this split, there's that struggle now, for who owns the Republican Party brand hanging over.

MS. TANDEN: Yes.

MR. HOLTZ-EAKIN: Who is going to be seen as a Republican, the same is true on the left, right. The progresses are further left than many of the others, the blue dogs are all gone, and so there are these two parties with these missing middles at the moment. So the primaries are chaotic, that will ultimately get sorted out, and there will be a General with -- You know a Neera decides; described very different visions on how to solve the problems that everyone recognizes are real, but that's a good thing. This is the teachable moment.

That's why I think presidential elections are so important, they are going to have to come down to some decisions as the candidate on what they are going to promise to do, when President, because there are real issues that have to be dealt with, and the American people will, ultimately, have to make some decisions. They will.

MR. WESSEL: Jared?

MS. TANDEN: One party is a little less chaotic than the other. I need to point that out.

MR. WESSEL: I think that's a statement.

MR. HOLTZ-EAKIN: But that's not really true. If you guys still ran the House, you would have a mess, because you could, you would have the same division, that caucus is just as divided as the one the public sees, just because the Republican is a majority --

MR. WESSEL: Jared, so, is there something we could do with tax policy or something else that would discourage companies --

MR. BERNSTEIN: Yes.

MR. WESSEL: -- from taking overseas, and if so, should we do it?

MR. BERNSTEIN: I'm glad you ask that. I had forgotten that question, I thought was an important point, and it's very timely by the way, because in the paper this morning there's an article about an idea that's been floating around, somebody, Steven Rosen from TPC (phonetics) thought of this, and Hillary Clinton, apparently, is now signing on for this idea. And the ideas is that when it comes -- it's anti-inversion idea, and it kind of work -- one of the things you are talking about here, is this idea of corporate inversion, where companies essentially move their tax address to another company to take advantage of lower rates there, but basically keep their operations here.

And there are a number of policy tweaks that will block that, but one that was suggested this morning by Ms. Clinton, and I thought was very strong, and that was how -- if you are going to invert, you have to pay a very significant exit fee, meaning a one-time fee on all of your earnings, your overseas earnings that have yet to be, "repatriated" to come back here, so you have this 2 trillion plus deferred foreign earnings sitting overseas, having that kind of a toll booth is one idea that would help. There are many more, but I think it's a good idea.

MR. WESSEL: So, Glenn, I'm not sure that would do much to keep jobs here. Should the tax code discourage American firms from moving jobs overseas?

MR. HUBBARD: Well, I think the quickest way to do that, would be to actual tax reforms that actually brought the U.S. rate down. I wouldn't have trouble in such a reform having a total charge on accumulated earnings and profits from the past. But rather than doing it one-off side version, why don't we admit the problem we have?

The question about call centers, I think the market is largely working there, as wages have risen abroad. You are seeing what's called the smart showing, sometimes of bringing back call centers from overseas locations, to lower cost areas of the United States. So that one I think the market is actually getting.

MR. WESSEL: I think, the gentleman over here? So, two over here, and then one on the aisle, so maybe we should go to the aisle, the gentleman on the aisle could you raise your hand to so the person with mic can find you? Thank you.

MR. FARMER: Thank you. Nick Farmer. Can you speak to the broad implications of technological change in some more detail? That is looking at things like big data, the Internet of things, robotics, and the impact on job creation. Look at companies like Uber, Airbnb, Google, create tremendous market cap, very few jobs. So, isn't the world changing in more dramatic fundamental ways than you've acknowledged, and can't this be the driver along with demographics to things like productivity, interest rates, GDP growth, and people, I think, are looking at things in the light of the 1950s, and they should be thinking about it in light of the 2030s?

MR. WESSEL: Okay. Thank you. The gentleman on the aisle, here?

MR. HOWARD: Chad Howard. I would like to agree with this gentleman because the big companies last century, Ford, General Motors, Chrysler, Boeing, they created thousands of jobs, and the Twitters and the Googles are creating hundreds of jobs. So, we've got a basic problem. But I see a bigger problem, and I've got a list of 75 middleclass jobs I see disappearing, but I'll cite two.

One apparently is that the leading category for male occupation in this country is driver, either the driver of a truck or driver of a cab. Those are both being challenged by self-driving cars, which are licensed I believe down in Nevada, and you've got self-driving trucks at Fort Hood. And 10 years from now, we are going to have self-driving trucks and self-driving cars.

The other thing I see is in Canada, Canada has already announced that over the next 10 years, they are going to discontinue to the door delivery of mail in a lot of areas. If we were to do that, there will be a massive cutback in employment. And I could go on and on and on, but there's a whole bunch of social and IT solutions. And the other thing is, if the minimum wage goes higher, the incentive to convert is that much greater.

MR. WESSEL: Okay, so let's draw the line at those, are like make a book questions altogether, so let me try to break them apart. So both the questioners raise this thing which you hear quite a bit, is that we are at some point now in technology change, where we are going to basically not have enough jobs. That self-driving cars, and elaborate artificial intelligence will not -- we just won't have enough jobs to go around. If the President Elect asked you, should he or she worry about that, what would you say?

MR. BERNSTEIN: I would say there are some things we should do about that, but I wouldn’t put it nearly as high on the list as you two gentlemen, with great respect for you knowledge of this, which I can see is deep. First of all I'm skeptical of the extent to which the pace at which labor-saving technology is entering the workforce. The presumption behind both of your questions is that that pace is accelerating, that is labor-displacing technology is entering the workforce at a faster rate.

I think you would agree that that’s the implication of your question. Well, if so, why is productivity growth slowing down? And not just slowing down a little, and not just slowing down for a few months, but slowing down a lot for a considerable period of time. If what you are saying is true, we should accelerating productivity growth, we should have faster output for all, but we are not; so there's something a little bit ungdo-patched about the idea just to start out.

MR. WESSEL: Do you care to translate that?

MR. BERNSTEIN: It's a technical term, and I said it wrong.

MR. WESSEL: Yes. It's not a Presbyterian term, I think we can say that --

MR. BERNSTEIN: It's not Presbyterian. I think we are trying to add diversity to the Panel. But at the same time, you know, I would remind the President that if I were Thomas Jefferson's Chief Economist, I would have run into him and said, sir, there's 90 percent of our jobs are in agriculture, and I've just looked at a crystal ball and in 2015, it's 1.5 percent. Emergency! And I would have been wrong, as what I had said, historically been wrong.

The missing variable is demand, demand is weak, growth needs to be faster, the only thing that I would submit to the President and to you is that we really need to upscale our workforce and I think we've all agreed that that would help. To the extent that this is a problem and that I'm wrong, the more we increase the complementarities between the people skills and the technology out there, we would improve the situation. But I'm more concerned about the intervening variable which is just enough demand.

MR. WESSEL: But Larry Summers has made the point that there is an unusual phenomenon, we have companies creating lots of market value, with very little capital, and very little labor, and he has suggested that maybe this isn't going to be like the last round. Jared thinks Larry is wrong, anybody --

MR. HOLTZ-EAKIN: I think he's wrong. We've never had one kind of company, one-size-fits-all, there are companies with all sorts of different structures, and that's very healthy. I would say the two things out of this that I would highlight, would be number one, not that we have the Googles and Twitters and that, what we don't have is the rate of startups that we used to have of small-growing companies that have been traditional vehicles for employment, that's something worth worrying a lot about I think.

And the second is, you know, for the men who are drivers -- Everyone in this audience should read a paper by David Autor and a coauthor out of Third Way called *Wayward Sons*, which just details the dismal state of male education, work and labor force achievement in the United States, and the really troubling outlook if we don't change these trends. So I'd focus on the people. I'm not worried about the technologies.

MR. WESSEL: The gentleman there, and the woman up here? Can you bring the mic down to the woman in the third row? Thank you. Can you make sure that's on?

MR. RYBECK: I'm Rick Rybeck, with Just Economics. I wanted to get the Panel's take on sort of marrying infrastructure with rent-seeking. Most people would agree the metro rail system in the Washington, D.C. region, was a great move for productivity, and it costs about $10 billion to build it by conservative estimates, created more than $10 billion of land ice around the stations. So, theoretically it could have financed itself, but instead the vast majority of its value, is appropriated by people who are luckier to have owned commercial land around stations.

And so, this gets to inequality too, because as a taxpayer I pay to create metro, but if I really want to use it, I won't have my house or my business next to the stop. So I go to the landlord with a fistful of dollars, and I say, here is my first month's rent. The landlord says, well, if that would rent you anywhere else in the region, but here you are next to metro. Oh, of course. So you pay a rent premium, you won't have access to the infrastructure you've already paid for in your taxes.

I'm not implying that it isn't worth more, I'm just saying the landlord shouldn't be getting that value, it should be going back to metro. And this ability of private owners to appropriate that publicly-created value is the fuel for land speculation, which pretty much dooms a lot of the things that we might do to uplift the minimum wage, or do infrastructure projects. The end result of both of those would be higher rents, and we would be no better off than we were before, unless we get that publicly-created value to come back. I just want the Panel to --

MR. WESSEL: Okay. Thank you.

MS. KOTOK: Hi. I'm Sharon Kotok. It seems that the United States -- in the United States, we've kind of lost that believe that we are all in this together, and that the rich are better off even when the middleclass and the poor are better off as well. Is there anything that we can do to get that feeling back that we are all in this together?

MR. WESSEL: Okay. Anybody; land, land tax?

MR. HOLTZ-EAKIN: So, Henry George, he would have -- only one municipality in the United States uses land tax, it's Pittsburgh, it's where I grew up, very sane, very sensitive.

MR. WESSEL: Is there a relationship?

MR. HOLTZ-EAKIN: Yes.

MR. WESSEL: Yes? (Laughter)

MR. HOLTZ-EAKIN: Yes. I'm just saying, sensible people doing the right thing.

MR. BERNSTEIN: The only thing I would add to that is, it is interesting the way in which you are now starting to see people concerned about inequality, bring this into the mix, in just the way you did. Paul Krugman had a recent column, where he said when you are thinking about the things that generate inequality, we should also think about these dynamics. So I think you raise a good point. The only thing I'll say about we are in this together, is that I wrote a book, which I commend to you, which try to answer that question, it was called --

MR. WESSEL: We are in this together?

MR. BERNSTEIN: Yes. It was called -- I forget what it was called but --

MS. TANDEN: Oh, my, god. (Laughter)

MR. HOLTZ-EAKIN: Your agent is calling.

MR. BERNSTEIN: But altogether now, commonsense for a fair economy, and the book was structured around -- all right, obviously a memorable book -- and the book was structured around two ideas.

MR. WESSEL: The Great Channel?

MR. BERNSTEIN: Yes. The book was structured around two ideas that -- one was that there are a bunch of yoyos out there, you are on your own, and the other is, we are in this together, the wits, so it's wits versus yoyos, and I think through your question in that book, and you can see if it resonates with you.

MS. TANDEN: Can I answer?

MR. WESSEL: Sure.

MS. TANDEN: You know, I think the -- I think about this question a lot, and I think the challenge we have about this is -- you know, so from my perspective we have demand problem, we have a bit of a free -- what I would characterize as a free rider problem. The incentive structure for every company is to lower its cost. You know, if Hillary did a speech on long-termism we've -- (inaudible) has written a long -- a lot about this.

Investment and workers, business investment and workers, training is down 30 percent in a decade, health care cost, employers are shifting the cost to employees, wages are stuck. Because really, a company, you know, the incentive structure for every company is to say, for them to make early -- quarterly assessments, stock market wants to see high profitability; 59 percent of management today says that they would not make a long-term investment even though they know it's good for the firm, if the Wall Street would say it's bad for them.

You know, I think we do have a challenge. The business investment is low even though profitability is high, or it's middling, usually those correspond. Do you think we have a kind of broad challenge which is that the incentive structure within firms is for everyone to lower cost as much as possible, which makes companies very profitable, which is, we want companies to be profitability.

But at the same time we have a demand challenge in the country, a lot of these companies would be better off, if there were higher wages in the country, and we have to kind of figure out, whether there were things we were doing in public policy that makes that out of whack. So, you know, I think at the end of the day we have to look at these things, we do have a rise of share buy-backs, and there are a lot of challenges we have to think through. It's not going to one lever and now there are -- But I think, again, people feel like things are out of whack because they kind of are.

MR. WESSEL: So, I think we managed to make 90 minutes interesting despite your suspicions that we couldn't, Neera.

MS. TANDEN: I was really worried about you, David. Let's just be clear where the criticism was sent. (Laughter)

MR. WESSEL: Okay. Yes. Well, I hope I lived up to your expectation --

SPEAKER: Right, exceed --

MR. WESSEL: I want to ask you each to end on one question. So, if we were in one of those presidential town hall meetings, where the candidates are on the stage and people here in the audience were the people who were just plucked completely by random, not screened by anybody, and as we know these things work. What one question would you like to hear the candidates respond to, on this broad question of economics? Maybe I'll start with you, Jared?

MR. BERNSTEIN: What one question would I what, want to hear?

MR. WESSEL: How would you pose, if there were candidates up here and you could ask one question?

MR. BERNSTEIN: Sure. I hear you talking about growth, and I'm all for growth. But unless that growth is more equitably shared, it's not that interesting to me as somebody sitting in this audience. So what steps are you going to take to reconnect? What's your reconnection agenda, to reconnect growth and more broadly, shared-prosperity?

MR. HUBBARD: That's basically the same thing, without the snarkier tone. (Laughter) I think I would say that we've --

MR. BERNSTEIN: You've got to get to a town hall; that was pretty nice.

MR. HUBBARD: We need higher growth, but how do we have higher growth that's more inclusive?

MR. HOLTZ-EAKIN: What Glenn said, only snarkier.

MS. TANDEN: Yeah, I think that's the basic question, shared prosperity.

MR. WESSEL: Great. You all agree. All right, please join me in thanking the Panel, and thank you for your questions.

In the interest of shared harmony at Brookings, if you look at your feet and there are cups or papers, or paper plates there, pick them up and put them in the recycling. Thank you.

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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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