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Brookings Cafeteria Podcast:
Megachange is upending the world

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DEWS: Welcome to the Brookings Cafeteria, a podcast about ideas and experts who have them. I'm Fred Dews. On today's show, the author of a new Brookings book on mega change, talks about these dramatic disruptions and trends and policies – from the rise of Donald Trump to Brexit – that are challenging institutions and societies. Then, what economic policies could a Trump presidency bring? Finally, can President Trump alter or abandon the North American Free Trade Agreement?

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Slow incremental change is a relic of the past, from the rise of Donald Trump to Brexit to the rise of ISIS, today's shifts are fast and big. In his new book titled “Mega Change: economic disruption, political upheaval, and social strife in the 21st century,” Darrell West who is vice president and director of government studies at Brookings explores mega change and how people and institutions can adapt. Here he is talking about the book with my colleague from the Brookings Press, Bill Finan.

FINAN: Fred, thanks for the introduction. Darrell, good to see you again.

WEST: Nice to see you.

FINAN: Your new book is entitled “mega change: economic disruption, political upheaval, and social strife in the 21st century.” There is change and then there's mega change, what's the difference?

WEST: Well we're living in this really crazy time where all of these large-scale transformations are taking place. So we've seen the rise of Trump in the 2016 elections, the United Kingdom has voted to exit the European Union, the rise of ISIS – a backlash against globalization, so mega change is basically large-scale shifts of that sort that really have dramatic ramifications for the society and for particular countries.

FINAN: So the book looks at mega changes that have upended the world over the past several years and are both domestic and international as you were just pointing out. Now I wanted to first look at some of the domestic mega changes we've encountered the United States and one of those is religious revival, which you write about using a personal story of your own, which I thought was very compelling in many ways and it was also an example of a small change that was, in fact, part of a mega change. Can you tell that story?

WEST: Certainly. When you go back a number of decades, one of the big changes in the United States has been, one, the rise of political conservatism but then, secondly, the way religion enabled that change and especially the role that Christian fundamentalist played in that. So, I grew up in a rural Ohio community, went to a local Presbyterian church and in the early nineteen seventies, the National Presbyterian organization gave money to the Angela Davis Legal Defense Fund; she was an availed communist from UCLA who had been arrested on a charge.

My local community went into turmoil over this; like, it's a very conservative place, they were upset about this and they ended up voting to secede from the National Presbyterian church and becoming a community church. This happened all across the Mid-West as well as in parts of the South and West and it basically allowed those local

churches to take control of their own destiny. They were no longer reporting to Eastern elites, often located in New York City, and so it fueled a big range of political activism, electoral involvement, and became part of the conservative revolution.

FINAN: This form of revivalism, which now explains to me why I see all those little evangelical churches on the way from Bloomington to Indianapolis when I've had to go to Indiana University. Does that extend to other religions too say Islam?

WEST: What we're seeing with Islam, as well as in some other major faiths around the world, is this is an area of extremism for a variety of different reasons and it's not the same in all of these religions but there are things people are rebelling against. So there are branches of Islam that are upset with modernity, secularization, the Western role of women – going out of the household, getting jobs – and they're fighting that. I'm convinced that part of the rise of ISIS is it's part of this larger battle against modernity, like, they don't like it, they see this as a fundamental change and challenge, and they're willing to go all out, including violence, to try and stop that. (4:34)

FINAN: And that's why it's a mega change. You also discuss on the domestic side how quickly marijuana legislation has swept the country. In 2004, as you note, only thirty percent of the population supported legalization and that a jump to fifty-eight percent in 2014. Why the accelerated acceptance?

WEST: This is one of the most dramatic public opinion changes that we've seen that also now is starting to produce policy changes as well. A number of states have legalized the purchase of marijuana and it's a mega change just because in a relatively short period of time, you saw a lot of changes. Part of it was just kind of a general libertarian attitude that a lot of people now are bringing especially to social issues where

they basically want control over their own behavior and how they live their lives and they don't want government telling them what to do. We see the same thing in the marriage equality area and so it's basically kind of broader social changes taking place in society as a whole than drive political and government change.

FINAN: So the societal changes also drove same-sex marriage because, as you point out in the book, in 1996 Bill Clinton was signing the Defense of Marriage Act and then 20 years later, it's legal in all 50 states and as you quote President Obama, we have this Thunderbolt of change.

WEST: Absolutely. So we see these types of things happening here as well as abroad. It's an era where we've kind of grown used to some continuity in public policy, but there are a number of dramatic examples where we break with the past policy and move in a very different direction. We see that with Obamacare, Bernie Sanders in the 2016 election kind of brought the issue of income inequality to the forefront, so there are lots of examples of these types of things kind of springing suddenly and often having a big impact on either society or politics.

FINAN: And on the political scene, one of those is Trumpism, which you also bring up in the book. So this is something that's going to exist past Donald Trump then. What is it exactly – Trumpism?

WEST: Trumpism, basically, is this populist political movement of people who feel left behind from the economy, you know, sometimes these are people who had well-paying manufacturing jobs, there were trade agreements, the jobs migrated to other countries and so these people basically lost positions, lost high salaries, and often ended up in service positions that paid a fraction of what they previously made. So

Donald Trump was very good at identifying this type of discontent and basically using that to get the nomination and propel at least part of his campaign. (7:13)

FINAN: Would you argue that there's a cultural aspect to this too? And the reason I want to ask that question is because later in the book you talk about Samuel Huntington and this clash of civilizations and Huntington argued that the future clashes will not be over ideologies but really it will be culture as a main focus and is Trumpism an example of that? There's a variant of it, does it fit into that?

WEST: Trumpism has both the economic component that I just talked about, but also this cultural element. A lot of his appeal is based on identity politics where particularly white America sees the changing demographics of the country, they worry about illegal immigration, they worry that those individuals are taking jobs from native-born Americans, so Trump was able to mobilize a lot of discontent with people who feel that the entire American lifestyle is changing in a negative way; they don't like that and Trump gained a lot of popularity just by saying let's build a wall, let's deport these people let's keep them out of the country, it was really an appeal to kind of white nationalist elements within the society that did not like these changes.

DEWS: I'll send you back to the interview in a minute but first, here's David Wessel, senior fellow and director of the Hutchins center on Fiscal and Monetary Policy, with his thoughts on what economic policies a Trump presidency could bring.

WESSEL: I'm David Wessel and this is my economic update. Like many people in Washington these days, I've been thinking about what sorts of policies a Trump presidency will bring. Now the only accurate answer is this: no one knows and I include in that Donald Trump himself. So even more than usual, speculation about the

economic policies that will be pursued by the new president and the Republican majority in Congress is, well, speculation. Financial markets have a great deal more confidence in their ability to see through the fog of Trump tweets than I do. The stock market is up, perhaps anticipating a corporate tax cut or a rollback of regulation. The bond market has pushed up interest rates a lot, apparently expecting that an expansionary fiscal policy at a time when the US economy is close to full employment lead to more inflation and a faster pace of fed rate increases that might have occurred under president Hillary Clinton.

All that sounds plausible but it's certainly far from certain, but I don't want to be left out of the speculation so here are a couple of things I'm watching for: one, trade – Trump appears to be a man with few deeply held convictions, one of them is that America is getting a raw deal in trade deals with other countries and the president has lots more unilateral authority on trade than other things, say taxing and spending, so clearly the U.S. is not going to pursue the trans-pacific partnership or other multinational trade deals.

I expect President Trump to try and make some changes to NAFTA, perhaps modest ones so we can say he improved the deal. I'm sure we'll hear lots of muscular talk about trade. I'm not sure we'll see those tariffs that President Trump talked about so much during the campaign. Trump advisors have dismissed concerns that Mexico and China would retaliate if the U.S. got aggressive on trade figuring they've got so much at stake they'll cave. I'm not so convinced, especially China. It could respond aggressively and that could have really negative consequences to U.S. businesses and, indeed, the whole world economy. Two, taxes – I expect a tax cut. I expect the details will be

written, not in the Trump White House or Treasury, but on Capitol Hill where Republicans are always eager to cut taxes. One possible outcome, a cut in the top marginal tax rates, some limits on deductions that upper income people take, an expansion of earned income tax credits for the poor. Businesses are hoping for a major corporate tax reform that would lower their tax rate by getting all the way to the fifteen percent rate that Trump talked about during the campaign seems very unlikely to me.

One big issue dividing the business community, Trump and Republicans on Capitol Hill are eager to punish importers and encourage exporters. Retailers like Walmart, which import a lot of stuff, are already up in arms. Another thorny problem, how to tax partnerships and other so-called pass-through entities so they don't become a way for high-income individuals to game the system. Three, spending – Republicans on the hill seem more eager to cut spending than candidate Trump was. Defense spending is more likely to go up than down.

Democrats may help Trump deliver on his promise to increase federal infrastructure spending if some Republicans balk, and beating up on Big Pharma to reduce Medicare spending is likely to be one of those few things that's popular with both Democrats and Republicans. But here's one very important issue – will Republicans on Capitol Hill pursue their ambitions of changing two big programs, medicaid and food stamps, from entitlements where there's enough money for every family who's eligible for the benefits into a block grant to states, which essentially sets the ceiling on spending – that's one to watch.

Four, the federal debt – it doesn't look to me like there's much appetite for restraining the projected rise in the federal debt over the next decade. Republicans on

Capitol Hill who worry about the deficit will be lucky if they can help President-elect Trump from digging an even deeper hole. And five, the federal reserve – now the Fed is all but certain to raise interest rates in mid-December and it'll probably keep raising them.

The bigger and harder to predict questions are: one, will Congress pursue Fed governance reforms that the Fed has been resisting that have gone nowhere with Democrats in the White House and two, who will Trump name to the seven-member federal reserve board; there are two empty seats there already and are likely two or three more over the next year so. You know what, it's going to be a very interesting year. I'm David Wessel and this is my economic update.

DEWS: And now back to the Bill Finan's discussion with Darryl West.

FINAN: So let's take a look at some of the International mega changes too that you discuss in the book. The most current and obvious is Brexit, Britain's decision to leave the European Union. What happened?

WEST: Well, that again was an example of economic change and cultural change that upset a majority of voters in Great Britain and so economically, there are people who worry about the European Union and feel that Brussels has too much control, they impose a lot of regulations in terms of the local economy, and just creates a lot of problems. So there are a lot of people who wanted to leave the European Union for that reason. But you also had this identity politics angle where people worried about the influx of refugees and immigrants into the United Kingdom, many of them coming from backgrounds that native-born people of the United Kingdom did not share. Some of them were coming from Islamic countries so people worried about the religious element

and so Brexit illustrates this combination of economic and cultural change that produces shifts of a large-scale nature. You know, all the experts were surprised by that vote, even in the days leading up to the event, people thought that oh, they're not going to do that, they will end up staying in the European Union and then on election night, people were shocked when the vote actually was to exit the European Union.

FINAN: And the shock continues to reverberate. You point out that major changes of course happened through time, but why is this present time especially fertile for mega change on a global scale?

WEST: The current time is fertile for mega change just in the sense that the factors that used to limit change and anchor people in the current reality, those things have grown much weaker and so we're just seeing a lot of large-scale change, technologies, part of the story like their economic dislocations that are being produced by digital technology, there are jobs that are being disrupted, companies being disrupted, entire sectors that are being altered, all of these changes make people very anxious about the future, like, even if you're doing well today, you worry about next week, next month, or next year. You may be doing well, you worry about your children - will they have the same future that you had. So it kind of reverberates in a way that unsettles people, creates anxiety, and then that produces a lot of political consequences.

FINAN: In the book, you write about mega changes providing a number of risks and also opportunities. We've talked about a lot of the risks, what are some of the opportunities?

WEST: The opportunities of mega change is that during a period when things are shifting, it creates the opportunity for various types of innovations to gain hold and for people to kind of take a look at the situation and do something different. So there certainly are lots of good mega changes that take place. In the book I tended to emphasize more of the bad mega changes or the mega changes that are creating problems just because those are the ones that we need to address. It's not the first time in American history where we've dealt with large-scale change. You know you can go back to the early 20th century, we were moving from an agrarian economy to a manufacturing and industrial economy, you know, it's a huge impact on lots of different people; people were moving from the farms to the cities. So we can deal with these things but we have to get our governance act together. We have to have programs that alleviate the anxiety, help people deal with the transitions. We need to do more in terms of worker retraining, so if you've lost a job you can find a job elsewhere. So there's lots of things that we can do but we have to have the governing capacity to actually do them.

FINAN: That answers a question I was going to ask – how should governments and institutions react to mega change. How should individuals react to it?

WEST: Individuals have to be aware that there're going to be upheavals in their life. In my case, I've been fortunate, in my adult life I've had two jobs – I worked at Brown University and now I work at Brookings. When I'm advising young people today I say, don't look at my life, you're going to have multiple employers during the course of your life. You'll probably end up having different kinds of jobs so you need to prepare yourself for a world and an economic future that's much more volatile and less predictable than

what many people have experienced in the past. And on the government front, there are lots of things the government should do to get its act together; we need to think about institutional reform, election reform, and media reform because those are all quite problematic today. We need to think about a better way to set up congressional districts, we need to do something on reforming the filibuster, so there are lots of concrete things we can do there as well.

FINAN: So they're all within reach, it just has to be acted upon. You end the book with a look at future mega changes and I found that very interesting; Iran gets a nuclear weapon, perhaps, robots take over more and more of our jobs, global warming leads to accelerated sea level rises, Europe turns right and undemocratic – this is one of the more astounding ones – we learn we are not alone in the universe and today I saw a report where there have been radio signals reported that may not be so much science fiction even. What do you think is the most likely?

WEST: Well what is likely is there are going to be large-scale changes in a lot of different areas, certainly in the economic realm – we're seeing automation, robotics, and artificial intelligence come in. That's going to have major consequences for jobs, the workforce, just the kinds of skills that people need so that's going to be unsettling – like if you have those skills, you'll do just fine. There're gonna be lots of people who don't have those skills so it's going to be a huge adjustment for them.

In Europe, we're already seeing a turn to the right in several different countries, in part because of the backlash against refugees and the immigrants coming in, so that is certainly a concern. Climate change seems very real. Leading scientists think that the waters are going to come up, perhaps, as much as four feet by the year 2100. Most of

the major cities around the world are located on waterways, we have power plants that are located right next to the water; it's going to require a lot of mitigation efforts so when I think about the future, you can kind of see a number of these scenarios are already starting to unfold but they could actually accelerate in the future and so we think we're living in an era of great change now, the future may produce even greater changes.

FINAN: Are you optimistic or pessimistic about the future?

WEST: I'm optimistic in the sense that when you look at past mega changes, like the early 20th century one when we shifted to an industrial economy, we managed that. It did take several decades to work through a lot of those issues. It required government to implement new types of social programs to ease the anxiety but we did that. After World War II, the globe was in shambles, European economies were devastated, we redrew the national boundaries in a lot of different places around the world, but we dealt with it. But the difference between those errors and the current one was there was more of a sense of bipartisanship in public policy so you could get Republicans and Democrats to kind of see these changes, work through possible solutions, and actually adopt them. So far that has been absent from the contemporary period so if we don't get our act together, we may end up with a more negative future than otherwise would be the case.

FINAN: Darrell, thanks for coming by today to talk about your new book "mega change." I enjoyed the conversation.

WEST: Thank you Bill.

DEWS: Learn more about mega change At [Brookings.edu/megachange](https://www.brookings.edu/megachange). Finally today, it's time for "ask an Expert," our new segment in which you ask a question and I

get an expert to answer it. Here's Nathan Benjamin in Mexico City with a very timely question about what a president Trump can do about NAFTA.

BENJAMIN:

Hi Fred, my name is Nathan Benjamin and I'm a Fulbright Scholar currently working in Mexico City. My question is about NAFTA, namely, how it could change under President Trump. What kinds of negotiations are possible under the current NAFTA contract? Does President Trump have a realistic avenue to renegotiate various parts of the agreement or are his options limited to either uphold or withdraw from it? Thank you. I and my coworkers look forward to your answer.

FELBAB-BROWN: Thank You Nathan for your question. This is Vanda Felbab-Brown, senior fellow at Brookings. President Trump has many options in how he can approach NAFTA. In the most extreme form, he could simply unilaterally withdraw from NAFTA by submitting a letter stating his intention to withdraw from NAFTA in six months. For that, he doesn't need congressional approval, he can simply do this as executive action.

However, such an approach is very unlikely and certainly would face opposition from many U.S. businesses which clearly benefit from NAFTA. More realistically he will try to negotiate the treaty or at least he has indicated that's what he would want to do. And again, he has multiple options to go about it. He could try to negotiate the basic core text – that would be a dangerous and counterproductive approach. It would risk – the whole treaty could unravel. It's quite difficult to imagine that a new core text could easily be negotiated; however, he can negotiate side agreements that do not touch the

core text of the treaty but that are nonetheless binding and this is an option that Mexico would certainly welcome.

In many ways, the negotiations for TTP that Mexico was part of already entail modernizing aspects of labor law, environmental law, and Mexico could certainly be engaged in these bilateral side negotiations. That would be the most productive way and it would be a way to modernize NAFTA to bring it up to the 21st century, deal with issues such as intellectual property rights, biotechnology as well as labor and environmental standards, and in fact such trilateral negotiations of the side binding agreement would be beneficial for all three countries.

DEWS: Thanks Vanda and thank you Nathan. To express my appreciation for sending in your question, I'll be sending you a Brookings coffee mug. Listeners, if you want to ask an expert a question, just send an email to me at BCP@brookings.edu. If you attach an audio file, I'll play it on the air, then I'll get an expert to answer and include it in an upcoming episode.

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